

# Turnaround Cities: Anglo-Saxon Case Studies Insights from Pittsburgh (PA), Newcastle (NSW) and Windsor (Ont.)

January 2023

Ian Taylor  
Blavatnik School of Government  
University of Oxford

[ian.taylor2@bsg.ox.ac.uk](mailto:ian.taylor2@bsg.ox.ac.uk)

Supported by:



## Acknowledgements

This research project was carried out with financial support from the Oxford Martin School, University of Oxford, and from the Lincoln Institute for Land Policy, Boston, under the guidance of Dr Armando Carbonell.

The research was coordinated by:

Professor Sir Paul Collier, Professor of Economics and Public Policy, the Blavatnik School of Government, University of Oxford.

Professor Colin Mayer, Visiting Professor, the Blavatnik School of Government, and Peter Moores Professor of Management Studies, Saïd Business School, University of Oxford.

Professor Philip McCann, Chair of Urban and Regional Economics, Alliance Manchester Business School, University of Manchester.

Professor Vincent Goodstadt, Honorary Professorial Research Fellow, University of Manchester.

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## Introduction

The Levelling Up agenda in the UK was born out of a recognition of a serious problem for social equity and the productivity of the country as a whole. The UK is a profoundly spatially unequal country in comparison to its peer countries for prosperity, such as the United States, and this inequality is epitomised in the fact that two-thirds of its cities are less prosperous than the UK average.<sup>1</sup> It is cities that make the substantial contribution to the UK's prosperity and consequent living standards, making it worrying that even the second tier of 'Core Cities' display such low productivity.<sup>2</sup> This is despite the Core Cities attracting more Foreign Direct Investment than any other type of settlement in the UK.<sup>3</sup>

Vast swathes of the UK are poorer than the poor areas in peer countries, such as Mississippi or West Virginia in the United States.<sup>4</sup> Many cities in other wealthy countries have experienced similar problems to those in the UK, where post-industrial decline has set in. Some of the challenged cities have successfully turned themselves around in the face of challenges. These cities have leveraged aspects of their specific circumstances and innovative tools to achieve degrees of recovery. This provokes the question, what lessons can be learnt from international peers?

Of all the UK's international peers, arguably the most natural comparators are the Anglo-Saxon countries which have strong linguistic and cultural affinities. The United States, Australia and Canada all have prominent examples from which to draw insights. Respectively Pittsburgh in Pennsylvania, Windsor in Ontario and Newcastle in New South Wales all represent similar post-industrial experiences of decline to cities in the economically unproductive areas of the UK. The different actions and conditions present can inform how disadvantaged cities in the UK can be regenerated economically. In this study each city is examined to understand its journey of reinvention to offer instructive examples for policymakers working on regional development in the UK. The lessons will equally be of value to governments around the world which are looking to learn from successful cities that have weathered the storm of industrial cycles. This includes the national and regional governments of the countries examined in this study, for some of the practices employed in one place could be beneficially supplementary to those already employed.

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<sup>1</sup> McCann, P., (2020), 'Perceptions of Regional Inequality and the Geography of Discontent: Insights from the UK', *Regional Studies*, 54.2, pp. 256-267 at p. 263.

<sup>2</sup> OECD (2020), 'Enhancing Productivity in UK Core Cities Connecting Local and Regional Growth', p. 3. Accessed at; <https://www.oecd.org/cfe/cities/UK-Core-Cities-PH-Final.pdf>

<sup>3</sup> EY Attractiveness Survey UK, May 2020, p. 8. Accessed at [https://assets.ey.com/content/dam/ey-sites/ey-com/en\\_uk/topics/attractiveness/ey\\_ukas\\_cft\\_regional\\_report\\_may2020.pdf](https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/topics/attractiveness/ey_ukas_cft_regional_report_may2020.pdf)

<sup>4</sup> McCann, P., (2021), Written Evidence to Parliament 24<sup>th</sup> March 2021. Accessed at <https://committees.parliament.uk/writtenevidence/25772/pdf/>

The three cases are similar in multiple dimensions, all formerly finding prosperity in the heavy, polluting, industrial activity of the 20th century. This includes the production of metals, the mining of coal or in the manufacturing of cars. These cities experienced depopulation and a haemorrhaging of business activity as these industries declined in that location. Today the same cities are looking to optimistic futures with activity in sectors such as electric vehicles manufacturing, robotics, defence engineering and smart city infrastructure.

Each city has particular gadgets that were used as part of the effort to turn around their respective fortunes. These include a gas tax, a sales tax, zoning strategies, asset recycling, capital gains exempt zones, tax increment financing, or municipal 'bonusing'. The important element that is common to all three of these cities is the way in which the gadgets are utilised in order to help cohere the stakeholders of a place around a collaborative effort. In each case, the effect of the instruments, that may leverage many millions of dollars, are only part of a whole that transcends the technical into the social. The strategies of the municipal community, the central government and the intermediate level of government are behind the initiatives in each of the three cities in a way that is clearly crucial for realising the collective vision of a more productive future. In examining how the cities harnessed that collective will, it is hoped that stakeholders in other places will obtain an insight into how the troubled cities they care about can be made more resilient.

The data gathered on each case study included documentary analysis of openly available material, which was triangulated with a series of interviews with senior officials and experts who have first-hand knowledge of their respective city. The list of interview participants is detailed at the end of the study. Each case study is analysed in a similar structure, with an initial overview of the case study findings, followed by a description of the background of the city and its period of decline. Assessment of the performance of each city is then detailed to describe the manner and extend of its success as a turnaround city. Insights of the way in which each city managed to change its fortunes is analysed in three section: the *who*, examining which actors were responsible for significant activities in each city, the *what*, discussing what policy actions, instruments or initiatives were carried out in each city, and finally the *how*, which discusses how the elements were brought together in a way that made the regeneration effective.

The country of each city examined in this study uses their own version of the dollar, Australian, Canadian or United States. In each case study the dollar amount referred to is in the currency of the respective country. The values have not been adjusted for inflation against a standard year, and this may be significant since the case studies examine multiple decades of initiatives or investments. In most instances the values are referred to in order to offer the reader a sense of the scale of investments and returns at play, meaning adjustment should not be necessary. The source for values described in the case studies are cited in the footnotes, as usually is the date of the event, and therefore interrogation to determine the adjusted figure is possible for each case if this is considered to be useful.

# Newcastle, New South Wales. Australia

## Overview

### Introduction

Newcastle, New South Wales (NSW), has experienced reinvention following economic decline due to the loss of modern heavy industrial economic activity. From an early start in the 1980s Newcastle responded to changing industrial conditions with what has been called a 'morphological transformation of the centre of Newcastle' in a strategy to make the city more attractive to mobile capital and talented people.<sup>5</sup> The larger Newcastle-Hunter region experienced youth unemployment of over 50% in 1993/4.<sup>6</sup> Newcastle's subsequent success in regenerating the city's economy through developing the built environment using multiple planning and development programs<sup>7</sup> demonstrates the proactive approach of the authorities. Zoning was used deliberately to develop a city centre core with green recreation space in a strong planning strategy.

Well managed state level asset recycling was stimulated by the central government and harnessed to fund infrastructure investment. Government funding streams were complemented with a competent development agency that had strong political direction supported by a ministerial position. Government investment was used to create clusters around tourism and defence engineering. The city's major University played a key role in planning for the future economic shift, with skills analysis and in transforming the city centre to be friendly to professionals and high-tech industry.

Overall, the psychology of resilience and acceptance of change in the city, following an earthquake and unemployment, is credited with being an important factor. Newcastle's community were prominent, helping to moderate attempts to sacrifice the heritage amenity of the city, needed to attract and retain the high skilled/creative class vital in the fourth industrial revolution.<sup>8</sup>

### Background

Newcastle is a coastal city within NSW, one of the six federated states of Australia. It is approximately 2-hour drive (168km) north from the state capital of Sydney. Sydney is the only Australian city to be ranked among the world's second order cities, which puts it alongside cities such as San Francisco, Toronto and Zurich, meaning it has the status of a 'global city'<sup>9</sup>.

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<sup>5</sup> McGuirk, P. M., Winchester, H. P. M. & Dunn, K. M. (1996), 'Entrepreneurial approaches to urban decline: the Honeysuckle redevelopment in inner Newcastle, New South Wales', *Environment and Planning A: Economy & Space*, volume 28, pp. 1815-1841, at p. 1815.

<sup>6</sup> McGuirk, P. M., Winchester, H. P. M. & Dunn, K. M. (1996), 'Entrepreneurial approaches to urban decline: the Honeysuckle redevelopment in inner Newcastle, New South Wales', *Environment and Planning A: Economy & Space*, volume 28, pp. 1815-1841, at p. 1821.

<sup>7</sup> Ruming, K. (2017), 'Post-political planning and community opposition: asserting and challenging consensus in planning urban regeneration in Newcastle, New South Wales', *Geographical Research May 2018* 56, pp. 181-195, at p. 181.

<sup>8</sup> Florida, R. (2003), 'Cities and the Creative Class', *City & Community*, 2003; 2(1), pp. 3-19.

<sup>9</sup> Nicole Gurrán, *Australian urban land use planning; Principles systems and practice*, Sydney University Press, 2001, p.23.

Newcastle is a growing city. The 2016 Australian census recorded the population as 152,943<sup>10</sup> and by 2022 the population had grown to 171,301 people, supporting 102,800 jobs.<sup>11</sup> Newcastle is the centre of a wider region, the Hunter, which is a 32,749km<sup>2</sup> region with a history of agriculture, mining, and heavy industry. Similarly, Newcastle had a strong traditional economy focused on coal mining and exporting, it was the site of the first coal mined in Australia in 1797, less than a decade after Europeans began to settle on the continent.<sup>12</sup> With the proximity of coal supply, a large steel manufacturing facility was opened in 1914 by BHP in Newcastle. BHP and other industrial firms dominated the city and the pollution from the sites of some of Australia's heaviest industry was notorious.<sup>13</sup> In December 1989 the city suffered a serious earthquake that damaged fifty thousand buildings, killed thirteen people and cost an estimated \$4bn.<sup>14</sup>

The period of deindustrialisation from the mid-1980s resulted in serious economic shock for Newcastle. From 1982-1997 the major BHP steel works in Newcastle reduced employment from over 12,000 workers to 3,200, before shutting the works completely in 1999.<sup>15</sup> Land contamination of the former steelworks site and subsidence issues in the city were part of the problems inherited from the legacy of heavy industry. The contamination of the soil and the groundwater at the 145-hectare steelworks site was the largest remediation project in Australian history and although the government secured a \$100m payment from BHP for this environmental clean-up, the actual cost was estimated to be higher.<sup>16</sup> The site has still not been completely remedied as it was "capped and contained" onsite.

The Port of Newcastle is the world's largest coal exporting port and Newcastle was one of Australia's economic linchpins as the world's biggest coal exporter up to the first decade of the 21<sup>st</sup> century.<sup>17</sup> In 2021 Australia was the second largest coal exporter and the port of Newcastle consistently exports over well over a billion dollars of coal each month.<sup>18</sup> It was reported that in every month from March-March 2021/2 Newcastle exported over \$3bn of coal.<sup>19</sup> Despite this, the downward trend in heavy industry manufacturing that had been dominant in Newcastle presented a major challenge for the city.

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<sup>10</sup> <https://www.abs.gov.au/census/find-census-data/quickstats/2016/CED131#:~:text=In%20the%202016%20Census%2C%20there,up%203.4%25%20of%20the%20population.&text=The%20median%20age%20of%20people%20in%20Newcastle%20was%2037%20years.>

<sup>11</sup> City of Newcastle, 'Community Strategic Plan: Newcastle 2040', 2022, pp.20-21. Accessed at; <https://www.newcastle.nsw.gov.au/Newcastle/media/Documents/Council/Our%20Responsibility/Our%20Responsibilities/N2040-Web-Spreads.pdf>

<sup>12</sup> The Economist, 'Coals from Newcastle', June 2009, Accessed at; <https://www.economist.com/asia/2009/06/04/coals-from-newcastle>

<sup>13</sup> The Newcastle Herald, 'BHP's Newcastle steelworks through the rear-view mirror, 20 years after closure', September 2019. Accessed at; <https://www.newcastleherald.com.au/story/6394123/ghost-of-bhp-still-haunts-the-hunter/>

<sup>14</sup> <https://newcastle.nsw.gov.au/library/newcastle-stories/online-collections/the-newcastle-1989-earthquake>

<sup>15</sup> Stockholm Environment Institute, 'Closure of steelworks in Newcastle' Australia', June 2021, p. 2.

<sup>16</sup> Stockholm Environment Institute, 'Closure of steelworks in Newcastle' Australia', June 2021, pp. 5-6.

<sup>17</sup> The Economist, 'Coals from Newcastle', June 2009. Accessed at; <https://www.economist.com/asia/2009/06/04/coals-from-newcastle>

<sup>18</sup> ABC News, 'Coal exports from Port of Newcastle strong despite China's ban on Australian coal', Jan 2021. Accessed at; <https://www.abc.net.au/news/2021-01-15/newcastle-coal-exports-continue-to-new-markets-amid-china-ban/13060130>

<sup>19</sup> SXCoal.com, 'Newcastle coal exports edge up 6.32% on yr in Mar', April 2022. Accessed at; <http://www.sxcoal.com/news/4649491/info/en>

## Performance

In a 2017 report examining 31 regional cities, the GVA of Newcastle was ranked as by far the highest, with Newcastle's GVA being then in excess of \$12bn.<sup>20</sup> As context to this level of success, the second highest city in terms of GVA was Gold Coast, which had a population as of 2016 of 569,997<sup>21</sup>, at around \$9bn. Another impressive measure of Newcastle's success is the GVA sector spread, the majority of which was in new the industries of finance, education, health and professional services, with less than half being in the old industries of agriculture, mining and manufacturing. GVA does not, however, offer a complete picture and should be examined in reference to employment.

A rebound in employment following the decline of the steel works was achieved quickly and long-term progress has been maintained.<sup>22</sup> Following the immediate action by the NSW government after the steel works closure, the unemployment rate declined in Newcastle and the workforce participation rate (the labour force expressed as a percentage of the civilian population in the same age group) increased at the turn of the century.<sup>23</sup> The employment participation rate has shown long-term improvement, increasing in the Newcastle & Lake Macquarie area by roughly 8% from 2001 to 2015 to around 62%.<sup>24</sup>

The increase in employment, though not without its challenges, has continued over the decades. In December 2019 Newcastle had an unemployment rate of 4.6%, which was an improvement on the 5.6% in December 2018 and even post-COVID the employment rate was only 1% higher than the 2018 figure.<sup>25</sup> For comparison the Gold Coast had a higher unemployment rate of 5.7% in 2019, which itself was a deterioration from the 4.3% of December 2018.<sup>26</sup>

By 2018-19 Newcastle had a good GDP per capita in relation to 17 other Australian regional cities. At \$15,281 its GDP was the third highest after Gold Coast and Sunshine Coast at \$35,272 and \$18,269 respectively.<sup>27</sup> However, Newcastle's growth rate over one year (0.9%) and the previous 5 years (1.9%) was more impressive than the two higher GDP earners, indicating that the period from 2013 onwards was a period of growth.

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<sup>20</sup> Regional Australia Institute, 'Lighting Up our Great Small Cities: Challenging Misconceptions', June 2017, p. 9. Accessed at; [http://www.regionalaustralia.org.au/home/wp-content/uploads/2017/06/Lighting-Up-our-Great-Small-Cities\\_Report.pdf](http://www.regionalaustralia.org.au/home/wp-content/uploads/2017/06/Lighting-Up-our-Great-Small-Cities_Report.pdf)

<sup>21</sup> [https://quickstats.censusdata.abs.gov.au/census\\_services/getproduct/census/2016/quickstat/309](https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/309)

<sup>22</sup> Interview, participant 2.

<sup>23</sup> Stockholm Environment Institute, 'Closure of steelworks in Newcastle' Australia', June 2021, p. 5.

<sup>24</sup> Daniel Montoya, 'Newcastle & Lake Macquarie labour force trends', NSW Parliament Research Services, September 2015, p. 2. Accessed at;

<https://www.parliament.nsw.gov.au/researchpapers/Documents/newcastle--lake-macquarie-labour-force-trends/Newcastle%20and%20Lake%20Macquarie%20labour%20force%20trends.pdf>

<sup>25</sup>

<https://app.remplan.com.au/newcastle/economy/trends/unemployment?state=lb5dUD!XnZlHoYz5HR181yIGgGrNfgcofwMEFgfXfdolafP3w>

<sup>26</sup> <https://www.ggso.qld.gov.au/statistics/theme/economy/labour-employment/regional>

<sup>27</sup> SGS Economics, 'Economic performance of Australia's cities and regions 2018-19', December 2019, p.64. Accessed at; [https://www.sgsep.com.au/assets/main/Publications/SGS-Economics-and-Planning\\_Economic-Performance-of-Australian-Cities-and-Regions.pdf](https://www.sgsep.com.au/assets/main/Publications/SGS-Economics-and-Planning_Economic-Performance-of-Australian-Cities-and-Regions.pdf)



## The who?

The action in the transformation of Newcastle from a declining industrial city to one that is embracing future industries came from multiple sources. Urban policy formation became a policy priority in Australia during the 1990s.<sup>28</sup> Although the emphasis in planning and active land management was embodied in Commonwealth, State and local government, civil society activism, including from the University, was also important in shaping Newcastle's direction of travel. Alongside this an agency with authority and purpose was created by the state government to execute the transformation in the face of economic challenges.

### Commonwealth Government

Since the 1990s government at all levels can be seen to have placed active planning as a priority. At the Commonwealth level planning is held to be a prestigious role, which sets the tone for an active planning culture in Australia. It has been routine for the Deputy Prime Ministers of Australia to simultaneously hold the position of Minister for Transport, Infrastructure and Regional Development implicitly making it one of the great offices of state. Barnaby Joyce held both roles from June 2021 to May 2022, also holding both offices from December 2017 to February 2018. Joyce's terms bookended that of Michael McCormack, who held the two positions from February 2018 to June 2021. This dual office holding is a continuation of a pattern that goes back decades across the political spectrum, including holders such as centre right politicians John Anderson in 1998-2005 and Warren Truss in 2005-6, and Labour's Anthony Albanese in 2013.

The prominence of the role of Minister of Transport, Infrastructure and Regional Development in Australian politics may be due to the inclusion of the purview of regional development and infrastructure with that of transport since 1996. As a comparison, such responsibilities are not combined in the British system, though a combination of purviews may be nascent as the Secretary of State for Transport does have cabinet responsibility for the 'Northern Powerhouse' regional development initiative.<sup>29</sup> The prestige attributed to the role may explain why the Commonwealth has been active in encouraging planning and infrastructure investment by the State governments in the recent decade.

Despite the prestige of planning and its significance as a policy area the Commonwealth government in Australia is traditionally not responsible for urban development and its role is limited to creating a favourable environment with funding to support the State and local governments. It was, however, useful as a catalyst for strategic action at the city level at multiple times. The Secretary at the New South Wales department of Planning & Environment, who has a history of working in senior positions on development in Newcastle, stated of the early 1990s; 'there were all these underlying opportunities but people were struggling to pull them together and I think that's when the federal government said well let's kick-in some money and see if we can't start an urban regeneration as it was called back then'.<sup>30</sup> The effect of this intervention should be seen as the beginning of the turnaround for

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<sup>28</sup> McGuirk, P. M., Winchester, H. P. M. & Dunn, K. M. (1996), 'Entrepreneurial approaches to urban decline: the Honeysuckle redevelopment in inner Newcastle, New South Wales', *Environment and Planning A: Economy & Space*, volume 28, pp. 1815-1841, at p. 1817.

<sup>29</sup> <https://www.gov.uk/government/ministers/secretary-of-state-for-transport>

<sup>30</sup> Interview, Participant 3.

Newcastle, the full impact of which would be felt 20 years later. A different form of support was offered by the Commonwealth government in the 2010s when billions of dollars were offered across Australia as incentives for infrastructure spending through asset recycling. This latter policy helped to channel new funding into Newcastle's transformation.

### State Government

The high regard for a planning office is also seen at the state level of NSW. The Labour Premier of NSW from 1995-2005 was Bob Carr, who was a former Planning and Environment Minister in the NSW government under Neville Wran, Premier of NSW in the 1970s-1980s. When Carr resigned, one of the three acknowledged candidates to be his successor as Premier was Craig Knowles, who had been Planning and Housing Minister (1995-99) and was at the time Infrastructure, Planning and Natural Resources Minister (2003-2005). It is the State governments that lead on infrastructure development in Australia, with some additional funding coming from the Commonwealth government. The leadership of the NSW government saw managing the impact of the economic shocks as their responsibility. When the steel manufacturing company in Newcastle BHP announced the closure of the steel plant, Premier Carr chartered a helicopter and flew to Newcastle on the very same day to work with the management and workforce to plan investments and mitigate the economic impact.<sup>31</sup> In response to the plant closure, the \$10 million Hunter Advantage Fund was established, part funded by BHP, and went on to provide land for new manufacturing ventures.<sup>32</sup>

The State level government were able to create agencies with the authority to drive land use developments. Crucially the agency creation had the longevity to make an impact. When the industrial production and consumption patterns shifted in the 1980s, the NSW State government created Newcastle's Honeysuckle Development Corporation as a local development body with statutory powers.<sup>33</sup> In 2008 the Honeysuckle Development Corporation merged with the Regional Land Management Corporation to form the Hunter Development Corporation (HDC), a public sector agency with responsibility to undertake a wide range of tasks related to regeneration and infrastructure.

Today the agency is known as the Hunter & Central Coast Development Corporation, which has the stated aim of creating 'unrivalled lifestyle in rich natural and built environments'.<sup>34</sup> The corporation has contributed funding and state owned land to developments in Newcastle,<sup>35</sup> and it is credited with leading the renewal of the rail corridor in balancing the returns for property development with urban green space amenity.<sup>36</sup> The development agency is directed by government, with a board who reported to the Minister for Planning, and a General Manager and staff who are employees of the Department of Planning and

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<sup>31</sup> Gunasekara, C., (2008), 'Network Governance Amidst Local Economic Crisis', *Australian Journal of Political Science Volume 43, 2008 - Issue 2*, pp. 207-223, at p. 212.

<sup>32</sup> Stockholm Environment Institute, 'Closure of steelworks in Newcastle' Australia', June 2021, p. 5.

<sup>33</sup> McGuirk, P. M., Winchester, H. P. M. & Dunn, K. M. (1996), 'Entrepreneurial approaches to urban decline: the Honeysuckle redevelopment in inner Newcastle, New South Wales', *Environment and Planning A: Economy & Space, volume 28*, pp. 1815-1841, at p. 1822.

<sup>34</sup> <https://www.hccdc.nsw.gov.au/about>

<sup>35</sup> Rauscher, R. (2021), 'Regional Capital City Renewal and Value Capture Planning – Greater Newcastle Metropolitan Area (GNMA)', in *Renewing Cities with Value Capture Planning*, Springer, Cham, pp. 139-161, at p. 151.

<sup>36</sup> Interview, participant 2.

Environment. Former Mayor of the City of Newcastle in the second half of the 1990s, Greg Heys, had also been a respected town planner<sup>37</sup> and a director on the Honeysuckle Development Corporation directing the city to pursue ecologically sustainable development policies.<sup>38</sup>

The NSW State assisted the development of Newcastle's region of the Hunter through the creation of a temporary regional minister. Hunter had a Minister until 2015 when it was renamed as a Parliamentary Secretary, both roles having been held by politician Scott MacDonald from 2015-2017 and from 2017-2019 respectively.<sup>39</sup> Having political leadership in new development initiatives is likely to afford it authority and increase potential for success through political championing to both the public and government. In the case of Newcastle, having a minister was said to have given the city planners more clout at the cabinet table.<sup>40</sup> The temporary nature of the minister indicates the value of the role in the beginning of an initiative rather than ongoing.

### Local actors

Local actors were important in Newcastle's development, especially the local government of City Council and its leader the Lord Mayor. The Council and the Mayor serve a vital role in coordinating with the city's civil society, developing strategies and advising the state funded development agencies in the city. Civil society of Newcastle represented a homogenous community which filled the void of agency for the city left when the dominant steel industry began to leave the town. The crisis of the closure of the steelworks stimulated the engagement of the community and the university into action, two actors who had previously been unable to match the power of the big business.<sup>41</sup> Following the seemingly calamitous closure of the steel works the community leaders of Newcastle came together. A joint Common Purpose Group was formed that could articulate a common vision for economic development after the disappearance of the formerly dominant industry.<sup>42</sup> The 1999 economic development strategy consulted 900 business and community leaders in its formulation.<sup>43</sup> In this way the strategic development of Newcastle was driven by community agency.

The strength of community may have been influenced by the strong Labour identity of the city. It has been claimed that the anti-union stance of BHP resulted in 'long and historic bonds with the Labor Party'.<sup>44</sup> Consistency of political alignment is clear in the voting record of the

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<sup>37</sup> <https://newcastle.nsw.gov.au/about-us/news-and-updates/latest-news/lord-mayor-emeritus-of-newcastle-greg-heys-signifi>

<sup>38</sup> Rauscher, R. (2021), 'Regional Capital City Renewal and Value Capture Planning – Greater Newcastle Metropolitan Area (GNMA)', in *Renewing Cities with Value Capture Planning*, Springer, Cham, pp. 139-161, at p. 139.

<sup>39</sup> <https://www.parliament.nsw.gov.au/members/formermembers/Pages/former-member-details.aspx?pk=87>

<sup>40</sup> Interview, participant 3.

<sup>41</sup> Gunasekara, C., (2008), 'Network Governance Amidst Local Economic Crisis', *Australian Journal of Political Science Volume 43, 2008 - Issue 2*, pp. 207-223, at p. 214.

<sup>42</sup> Stockholm Environment Institute, 'Closure of steelworks in Newcastle' Australia', June 2021, p. 4.

<sup>43</sup> Gunasekara, C., (2008), 'Network Governance Amidst Local Economic Crisis', *Australian Journal of Political Science Volume 43, 2008 - Issue 2*, pp. 207-223, at p. 215.

<sup>44</sup> The Newcastle Herald, 'BHP's Newcastle steelworks through the rear-view mirror, 20 years after closure', September 2019. Accessed at: <https://www.newcastleherald.com.au/story/6394123/ghost-of-bhp-still-haunts-the-hunter/>

city. The strength of community agency was also a factor in shaping the built environment changes in Newcastle and retaining public amenity. An example of this is the City Council engaging the community to build a community vision. As a result of this work Newcastle has been working on making the city more liveable through greening and between 2011 and 2021 the city planted 100,000 trees across the city.<sup>45</sup>

## The what?

### Land Use Strategy

The NSW state government has been instrumental in shaping the transformative land use in Newcastle, providing both funding, strategic direction and land from the vast reserve of lands the state holds.<sup>46</sup> This was often done in collaboration with the federal government. An early example of this impact was the transformative Honeysuckle development, instigated in the late 1980s. The Honeysuckle project was incorporated into a Commonwealth programme, Building Better Cities, launched in 1992. The Commonwealth government proceeded to fund most of the site preparation activities and between the Commonwealth, State and local government \$180m was allocated to the Honeysuckle project in 1992.<sup>47</sup> Parcels of land were sold at market rates to developers and some of the revenue generated was then reinvested into other developments, though it took some time for the project to become cash positive.<sup>48</sup>

The development utilised over 45 hectares of state government owned land, which constituted the former goods storage yard and ran continuously along 3km of coast dominating the city's waterfront.<sup>49</sup> The Honeysuckle Precinct 'transformed the city's former railway yards into a new waterfront commercial and residential area' and acted as a nucleus for future development.<sup>50</sup> The land use was a radical change from the previous use, creating an open space foreshore promenade complete with amenities including a children's play area, restored heritage buildings, a European style plaza, a restaurant & bar complex and a 20m tall viewing tower for views of the city.<sup>51</sup> Significant to the success of the Honeysuckle development was the truncation of the heavy rail corridor that ran alongside the waterfront creating a physical barrier, complete with fences, that cut off the desirable waterfront and the peninsular CBD.<sup>52</sup> The State and Federal government utilised their joint funding of the Honeysuckle development by using a two-level game to circumvent local objections to the truncating of the light rail, whereby the federal made funding contingent upon rail conversion

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<sup>45</sup> <https://newcastle.nsw.gov.au/council/our-responsibilities/newcastle-2030>

<sup>46</sup> Some 42% of NSW area is state-held Crownland, at a value of over \$6bn, although the Honeysuckle development was from state land but not Crownland. See; <https://www.dpie.nsw.gov.au/housing-and-property/divisions/crown-lands#:~:text=Crown%20land%20covers%20around%2042,the%20Aboriginal%20people%20of%20NSW>.

<sup>47</sup> McGuirk, P. M., Winchester, H. P. M. & Dunn, K. M. (1996), 'Entrepreneurial approaches to urban decline: the Honeysuckle redevelopment in inner Newcastle, New South Wales', *Environment and Planning A: Economy & Space*, volume 28, pp. 1815-1841, at p. 1825.

<sup>48</sup> Interview, participant 1.

<sup>49</sup> McGuirk, P. M., Winchester, H. P. M. & Dunn, K. M. (1996), 'Entrepreneurial approaches to urban decline: the Honeysuckle redevelopment in inner Newcastle, New South Wales', *Environment and Planning A: Economy & Space*, volume 28, pp. 1815-1841, at p. 1823.

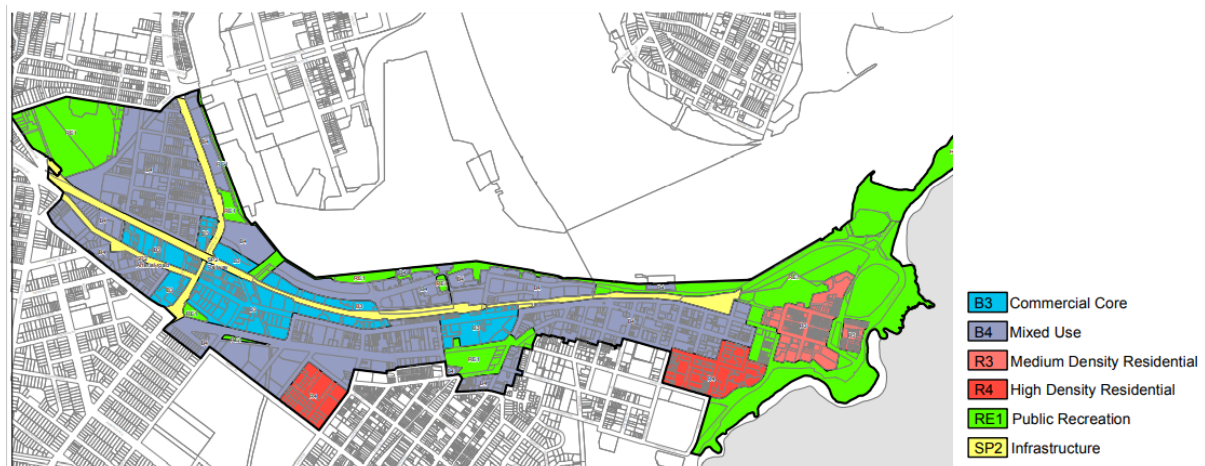
<sup>50</sup> NSW Department of Planning & Infrastructure, Newcastle Urban Renewal Strategy 2012, p. xvi.

<sup>51</sup> McGuirk, P. M., Winchester, H. P. M. & Dunn, K. M. (1996), 'Entrepreneurial approaches to urban decline: the Honeysuckle redevelopment in inner Newcastle, New South Wales', *Environment and Planning A: Economy & Space*, volume 28, pp. 1815-1841, at p. 1823.

<sup>52</sup> Interview, participant 3.

and the State claimed it had to meet this criteria.<sup>53</sup> Today the industrial legacy heavy rail has been replaced by a pedestrian friendly light rail. It has been said that the significance of the rail conversion should not be underestimated as it ‘activated’ the development and, as an activation strategy it has provided a satisfactorily return on investment many times over.<sup>54</sup> The long-term success of the Honeysuckle development over decades has enabled a level of socio-economic resilience that dampened the deindustrialisation shock occurred with the BHP closure in 1999.<sup>55</sup>

The strategic direction of the NSW government is evidenced in its strategic framework of land use. The 2012 planning strategy document was drawn up by the NSW government, it was prepared by the Director-General of the Department of Planning & Infrastructure under State Environmental Planning Policy. The ambition of the strategy was for the creation of new homes, new buildings for businesses, desirable open spaces, and transport connections to create 10,000 additional jobs and 6,000 additional dwellings both by 2036.<sup>56</sup> A long-term approach has been taken for Newcastle to attract the post-industrial economic drivers and the 2012 strategy has been maintained as the foundation of development planning through changes in political parties.<sup>57</sup> It is established that rezoning almost always increases the value of the land.<sup>58</sup>



Zoning proposal for the waterfront 2012 strategy<sup>59</sup>

The waterfront was a focus for the redevelopment of Newcastle. The strategy sought to regenerate the Hunter Street Mall commercial strip area adjacent to the Honeysuckle

<sup>53</sup> McGuirk, P. M., Winchester, H. P. M. & Dunn, K. M. (1996), ‘Entrepreneurial approaches to urban decline: the Honeysuckle redevelopment in inner Newcastle, New South Wales’, *Environment and Planning A: Economy & Space*, volume 28, pp. 1815-1841, at p. 1832-1835.

<sup>54</sup> Interview participant 2.

<sup>55</sup> Stockholm Environment Institute, ‘Closure of steelworks in Newcastle’ Australia’, June 2021, p. 3.

<sup>56</sup> NSW Department of Planning & Infrastructure, Newcastle Urban Renewal Strategy 2012, p. 31.

<sup>57</sup> Ruming, K. (2017), ‘Post-political planning and community opposition: asserting and challenging consensus in planning urban regeneration in Newcastle, New South Wales’, *Geographical Research May 2018* 56, pp. 181–195, at p.192.

<sup>58</sup> Rauscher, R. (2021), ‘Regional Capital City Renewal and Value Capture Planning – Greater Newcastle Metropolitan Area (GNMA)’, in *Renewing Cities with Value Capture Planning*, Springer, Cham, pp. 139-161, at p. 154.

<sup>59</sup> NSW Department of Planning & Infrastructure, Newcastle Urban Renewal Strategy 2012, p. xxv.

development. Hunter Street Mall had been ‘characterised by local media, council, and state policy as a site of urban blight; a run-down and low-quality urban space’.<sup>60</sup> This space has been a difficult one to develop, with the property passing back and forth between private to public ownership and was still undergoing development activity in 2021.<sup>61</sup> The 2012 strategy criticised its 2008 predecessor for lacking a focus area for development types by relying on very generous height and floor space ratio (FSR) controls in an attempt to promote growth in the city centre, whereas the 2012 strategy used zoning changes to concentrate activity around specified hubs, reducing the competition from non-hub areas.<sup>62</sup> Despite focus the strategy was a composite one. The 2012 strategy document stated;

*‘...there is no single answer to the renewal of Newcastle city. Rather, a multi-faceted strategy underpinned by a suite of initiatives will provide a clear framework for urban renewal to occur over time.’<sup>63</sup>*

The main issue for Newcastle was to convert the former industrial areas, which were large and centrally located, into a form of land use that would be attractive to investment and productivity from the new economic drivers. The ambition for this is summarised in the strategy as;

*‘Newcastle city centre will be a vibrant regional hub and attractive destination for businesses, residents and visitors, providing accessible and suitable employment opportunities, a choice of retail and other services, and local, national and international investment opportunities.’<sup>64</sup>*

The planners drawing up the strategy were conscious of the importance of making the city desirable to live in. The 2012 strategy proposed zoning for a large public recreation area on the waterfront, emphasised pedestrian friendly transport and recognised the role of the city’s heritage in attracting the human capital necessary for the new phase of industrial activity. The strategy advocated for ‘Newcastle’s heritage as an asset and core component of place-making, and encouraging innovation’, something that would become controversial in an attempted 2014 revision.<sup>65</sup>

### Community strength

The 2012 strategy was launched under a new Liberal government but much of the planning and consultation was conducted by the previous Labour government, leading it to be seen as a ‘planning relic of the previous government’.<sup>66</sup> An attempt was therefore made to replace the planning strategy in 2014, but these changes foundered in the face of community agency. There was community opposition to what is known as ‘post-political planning’, a process used

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<sup>60</sup> Ruming, K. (2017), ‘Post-political planning and community opposition: asserting and challenging consensus in planning urban regeneration in Newcastle, New South Wales’, *Geographical Research* May 2018 56, pp. 181–195, at p. 183

<sup>61</sup> <https://newcastleweekly.com.au/works-begin-on-hunter-street-mall-revitalisation/>

<sup>62</sup> NSW Department of Planning & Infrastructure, *Newcastle Urban Renewal Strategy 2012*, pp. xxiv-xxv.

<sup>63</sup> NSW Department of Planning & Infrastructure, *Newcastle Urban Renewal Strategy 2012*, p. xvii.

<sup>64</sup> NSW Department of Planning & Infrastructure, *Newcastle Urban Renewal Strategy 2012*, p. xviii.

<sup>65</sup> NSW Department of Planning & Infrastructure, *Newcastle Urban Renewal Strategy 2012*, p. xxi.

<sup>66</sup> Ruming, K. (2017), ‘Post-political planning and community opposition: asserting and challenging consensus in planning urban regeneration in Newcastle, New South Wales’, *Geographical Research* May 2018 56, pp. 181–195, at p.184.

by elites to secure the real estate developments against alternative political challenges. The community opposition maintained the heritage amenity that was valuable for increasing liveability and attracting high value talent, an example that is instructive for the positive role communities can play.

The context to the community agency was the 2011 election where the State Government changed to a Liberal coalition. As part of this election victory the Labour control of Newcastle, which had been consistent for its 84-year history, changed to Liberal control for the first time. The mayor of the Newcastle City Council also changed to Liberal. The new mayor, Jeff McCloy, was a former property developer who was elected on a platform to deliver development in the inner city, implying a mandate for developments being intensified. Changes to the 2012 plan permitted higher buildings, maximising the value of plots that compensated for the developer's investment in stabilising the subsidence-prone ground of the city. Such changes ran against the existing strategy.

The 2012 strategy specifically amended the allowable heights of buildings to reduce building heights in areas of the city where a transition in height is needed between the taller city buildings and surrounding lower-scaled areas, stating it would 'ensure the built form responds appropriately to the heritage character and topography of Newcastle'.<sup>67</sup> Changes proposed in 2014 were strongly opposed by the community on the grounds that the high buildings would reduce the liveability of the heritage area including the vistas to and of Newcastle's Christ Church Cathedral.<sup>68</sup> The opposition was a spur to officials working in the city to build a business case that would enable developers to get a good return without exceeding the height restrictions.<sup>69</sup> The victory of the community in opposing the height changes restored the 2012 planning strategy as the legitimate framework and maintained the heritage amenity of the city that is arguably vital for attracting tourists and human capital. It has also been stated that the act of officials and developers working hard to meet the community demands created good will for future development compromises and led to a more sophisticated planning approach.<sup>70</sup>

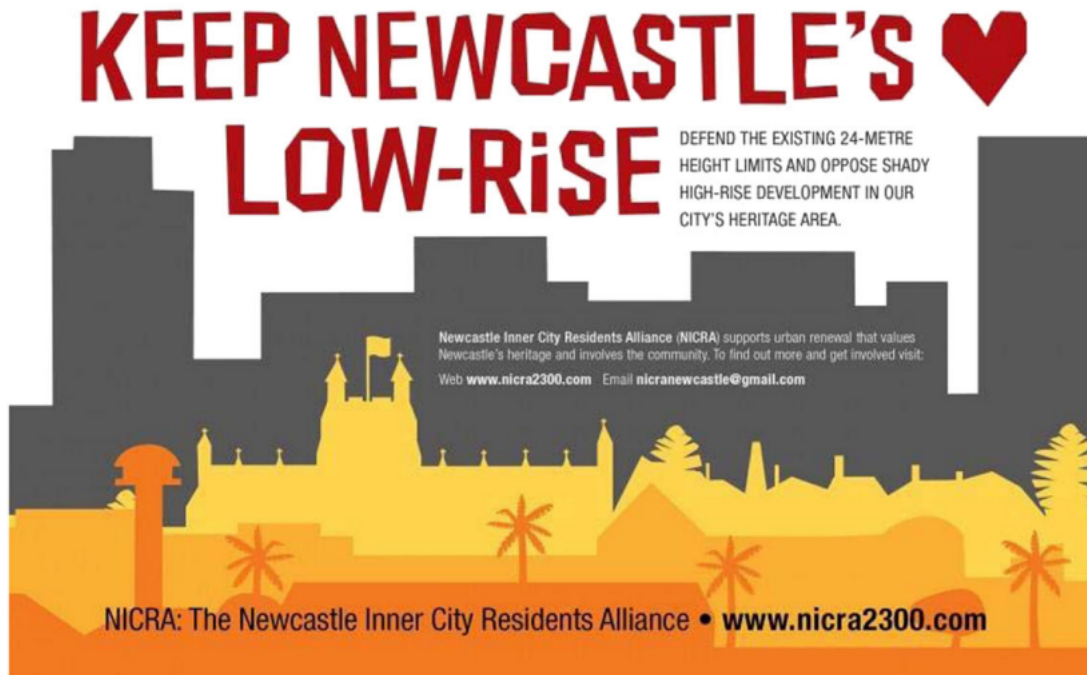
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<sup>67</sup> NSW Department of Planning & Infrastructure, Newcastle Urban Renewal Strategy 2012, p. xxvii.

<sup>68</sup> Ruming, K. (2017), 'Post-political planning and community opposition: asserting and challenging consensus in planning urban regeneration in Newcastle, New South Wales', *Geographical Research* May 2018 56, pp. 181–195, at p.188.

<sup>69</sup> Interview, participant 3.

<sup>70</sup> Interview, participants 1 & 3.



Community Opposition Group Facebook Page<sup>71</sup>

### State Government Funding

Newcastle has seen increased infrastructure spending from the NSW State government over the last decade with two infrastructure funds having been created. Launched in 2011, the Restart NSW Fund was created to enable the funding and delivery of high-priority infrastructure projects that improve the state's economic growth and productivity. The fund has invested \$2.2bn on 750 local projects in NSW. Infrastructure New South Wales is the agency that was set up to assess and recommend Restart NSW projects, which are either local and community or government agency led.<sup>72</sup> Local and community projects are run by local government, non-government organisations or other entities which are selected via open competitive tender. Agency led projects are approved by the NSW Government in its annual budget and address projects such as transport infrastructure, schools or hospitals. Infrastructure NSW makes recommendations to the Treasurer for the use of Restart NSW funding, working alongside a range of agencies.<sup>73</sup>

The wider Hunter region, which has a population of circa 750,000, received an average of over \$100m per year in infrastructure spending in four years. The Hunter Infrastructure and Investment Fund (HIIF) was established by the NSW Government to enhance the Hunter region's infrastructure to support economic growth and liveability of the area by funding transport, education, water and health infrastructure projects.<sup>74</sup> The HIIF operated between 2011 and 2015 and involved government investment of \$450m into development projects. The HIIF fund closed when the board was disbanded and its advisory role in allocating the

<sup>71</sup> Ruming, K. (2017), 'Post-political planning and community opposition: asserting and challenging consensus in planning urban regeneration in Newcastle, New South Wales', *Geographical Research* May 2018 56, pp. 181–195, at p.188.

<sup>72</sup> <https://www.infrastructure.nsw.gov.au/restart-nsw/>

<sup>73</sup> Infrastructure New South Wales website. Accessed at; <https://www.infrastructure.nsw.gov.au/restart-nsw/>

<sup>74</sup> <https://www.hccdc.nsw.gov.au/hiif>



funding, \$50m of which remained, was given to the HDC.<sup>75</sup> Newcastle's 2014 development strategy stated that \$120m was allocated from the HIIF and the Restart NSW to the development of the CBD and the Wickham transport interchange.<sup>76</sup> \$60m were listed as being allocated for the Newcastle City Centre urban renewal and light rail project.<sup>77</sup>

### Asset Recycling

Infrastructure funding in Newcastle was facilitated by the engagement of 'asset recycling', the selling-off of existing government owned assets to fund new projects. When asked about the centrality of asset recycling to the redevelopment of Newcastle, the Secretary at the New South Wales department of Planning & Environment stated it 'is critical for any brownfield area, if you want to redevelop then you have to create that economy that says we want to buy what's there'.<sup>78</sup> Although it can be controversial, the well managed use of asset recycling can offer a way to stimulate development.

The Restart NSW Fund was primarily funded through asset recycling by the NSW state. Of the \$37.4 billion of inflows to Restart NSW as of 2021, \$25.1bn came from asset recycling (of which the lease of Newcastle Port constituted \$1.5bn).<sup>79</sup> Only an additional \$2.29bn of total inflows came from windfall taxes. The NSW state has been responsible with the proceeds from asset recycling, sinking a proportion of the money into financial assets with a higher earning potential than cash deposits in the vehicle known as the NSW Infrastructure Future Fund (NIFF). The Restart fund receives income from the NIFF, which was established in 2016, and as of 2020/21 it had contributed \$5.54bn to the Restart Fund. The increase in infrastructure spending in NSW as a result of asset recycling (see table for transport) has enabled the morphological transformation in Newcastle that has prepared it for the next industrial phase.

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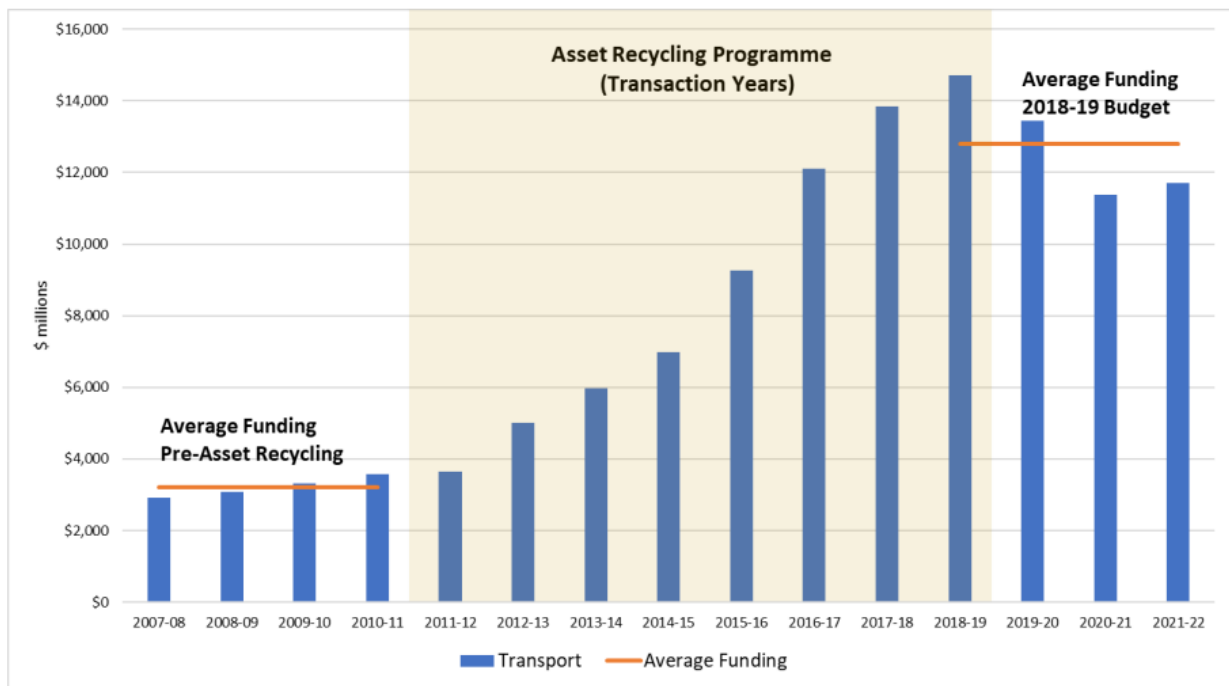
<sup>75</sup> <https://www.engineersaustralia.org.au/News/newcastles-hunter-innovation-project-receive-178-million-transform-area-digital-innovation>

<sup>76</sup> New South Wales Planning & Environment, Newcastle Urban Renewal Strategy: 2014 Update', 2014, p. 3.

<sup>77</sup> <https://www.hccdc.nsw.gov.au/hiif>

<sup>78</sup> Interview, participant 3. Interview participant 2 also stated asset recycling to be 'important' to Newcastle's development.

<sup>79</sup> 2021-22 Budget Paper No. 3 - Infrastructure Statement – Chapter 4, p.5.



NSW Transport Spending in the context of Asset Recycling<sup>80</sup>

In 2012 NSW passed the Fiscal Responsibility Act (FRA) as a way to ensure the state retained a triple-A credit rating. The FRA is the Australian alternative to the German Council for Sustainable Development.<sup>81</sup> Asset recycling is a way to ensure that infrastructure growth is not achieved with budgetary expansion driven by debt and as of 2018-19 NSW had successfully maintained the triple-A rating with both Standard & Poor's and Moody's.<sup>82</sup> Indeed, by 2021 NSW was the only state in Australia to maintain a triple-A credit rating from Moody's after the additional public spending required by the COVID pandemic.<sup>83</sup> Prior to the pandemic Victoria and NSW had both maintained triple-A ratings and these two states had also chosen to privatise their major state assets. This is in contrast to Queensland and Western Australia, which had refused to engage in asset recycling and which have the inferior credit ratings of AA+.<sup>84</sup>

Asset recycling is a potentially problematic practice that must be managed well as it may represent a long-term loss of value for a community or state. It has been suggested that asset recycling is a politically sensitive issue in Australia, with a 2019 article stating that election

<sup>80</sup> Evidence Submission Letter, Infrastructure-Partnerships-Australia, January 2019, p. 7. Accessed at; <https://treasury.gov.au/sites/default/files/2019-03/360985-Infrastructure-Partnerships-Australia.pdf>

<sup>81</sup> <https://www.nachhaltigkeitsrat.de/en/>

<sup>82</sup> NSW Treasury, 'Review of Fiscal Responsibility Act 2012', November 2018, p. 3. Accessed at; <https://www.parliament.nsw.gov.au/tp/files/74958/Review%20of%20Fiscal%20Responsibility%20Act%202012.pdf>

<sup>83</sup> <https://www.nsw.gov.au/media-releases/two-up-%E2%80%93-triple-a-credit-ratings-for-nsw#:~:text=%E2%80%9CNSW%20is%20the%20only%20state,to%20combat%20COVID%2D19.%E2%80%9D>

<sup>84</sup> NSW Treasury, 'Review of Fiscal Responsibility Act 2012', November 2018, p. 3. Accessed at; <https://www.parliament.nsw.gov.au/tp/files/74958/Review%20of%20Fiscal%20Responsibility%20Act%202012.pdf>

campaigns had an anti-privatisation agenda.<sup>85</sup> One problem with asset recycling is that the value of the sold asset may not capture the true value of the asset. In 2014, the Port of Newcastle, a NSW government asset, was sold as an 98-year lease to a private consortium for the sum of \$1.5bn,<sup>86</sup> of which \$340 million was reported to be reinvested in development in Newcastle and was part of the funding listed in the 2014 strategy that were used for CBD development and transport provision. However, far more than this was actually invested in Newcastle redevelopment, with asset recycling paying for the rail redevelopment.

The Port of Newcastle sale represented effective value capture for the asset as the price paid was much higher than expected and represented 27 times earnings.<sup>87</sup> The sale price was more than double the estimate budgeted for the sale by the NSW government and the high earnings multiplier was in keeping with very high earnings multipliers achieved for other Australian assets sold in asset recycling. The sale of the NSW government owned 'Pole & Wire' electricity grid from 2015-2017 also generated \$2.9bn for infrastructure spending, exceeding government estimates for the sales by \$2bn.<sup>88</sup>

High earnings multipliers are essential for asset recycling because, as Richard Holden has pointed out, governments can generally borrow at a lower rate than companies and so must capture the value of future management efficiency of the asset in the sale.<sup>89</sup> Revenues from state assets are lost in sales so reinvestment into future assets is essential to replace the value. As an example, the assets lost in the electricity grid sale generated some \$1.7bn of dividends for the state in the financial year 2013-14.<sup>90</sup> Without reinvestment that replaces lost revenues the practice is akin to selling the family silver.

Another objection raised by Richard Holden to Australia's asset recycling is that restrictions are unlikely to be placed on the state assets being sold into private ownership as this may depress the price paid for the asset.<sup>91</sup> However, in the case of the sale of the Port of Newcastle it is clear that restrictions were placed on the port and a high sale value was still achieved, indicating that the government exercised prudent management of the state's assets.<sup>92</sup> The

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<sup>85</sup> <https://www.infrastructureinvestor.com/australias-asset-recycling-produces-compelling-results-also-poses-risks/>

<sup>86</sup> <https://www.abc.net.au/news/2014-04-30/nsw-government-sells-port-of-newcastle-for-1.75-billion/5421800>

<sup>87</sup> Reuters, 'China Merchants to pay \$1.6 bln for Australia's Port of Newcastle', April 2014. Accessed at; <https://www.reuters.com/article/australia-portnewcastle-hastings-idUSL3NONM1A020140430>

<sup>88</sup> The Sunday Morning Herald, 'NSW closes its poles and wires sale with \$3 billion deal', May 2017. Accessed at; <https://www.smh.com.au/national/nsw/nsw-closes-its-poles-and-wires-sale-with-3-billion-deal-20170511-gw2dqp.html>

<sup>89</sup> Holden, R., 'Vital Signs: No, Joe, America should not be copying Australia's 'asset recycling' misdirection', The Conversation, December 2018. Accessed at; <https://theconversation.com/vital-signs-no-joe-america-should-not-be-copying-australias-asset-recycling-misdirection-108663>

<sup>90</sup> The Guardian, 'NSW government approves electricity poles and wires sell-off to private sector', June 2014. Accessed at; <https://www.theguardian.com/world/2014/jun/10/nsw-government-approves-electricity-poles-and-wires-sell-off-to-private-sector>

<sup>91</sup> Holden, R., 'Vital Signs: No, Joe, America should not be copying Australia's 'asset recycling' misdirection', The Conversation, December 2018. Accessed at; <https://theconversation.com/vital-signs-no-joe-america-should-not-be-copying-australias-asset-recycling-misdirection-108663>

<sup>92</sup> ABC News, 'Federal Court rejects ACCC's bid to allow Port of Newcastle to develop container terminal', July 2021. Accessed at; <https://www.abc.net.au/news/2021-06-29/newcastle-port-case-dismissed-in-federal-court/100252592>

conditions even went so far as to guard against continued indirect control of the port beyond 99 years through the purchase of land around the port. If such parcels of land were incorporated into the operation of the port then those acquisitions would need to be surrendered at the end of the 99-year port lease.<sup>93</sup>

Price controls were similarly introduced into the electricity grid sell-off, though on going vigilance of utilities to protect consumers is a consideration.<sup>94</sup> There are also geographic distributional issues with the asset recycling, as assets located in a community feel they own the government asset and seek to capture the value of that asset. In the case of Newcastle, some the residents of the city felt they were short-changed as only a proportion of the port revenues were reinvested in Newcastle despite the port being built with NSW state funds. Such distributional issues cut both ways, as wealthier places with significant assets sometime may be asked to subsidise asset poor and disadvantaged areas.

The asset recycling by NSW was assessed to be very beneficial and generated a total of \$40bn in additional infrastructure funds.<sup>95</sup> In providing infrastructure funding from the proceeds and in being prudent in the sale of the assets, the NSW government managed their asset recycling in a manner consistent with an effective resilience strategy.

#### Cluster Development Tourism & Defence

The development strategy of Newcastle includes the development of its airport to encourage economic activity in two clusters, defence and tourism. A 1998 study by the Hunter Regional Development Organisation entitled 'Industry clusters: Competitive Advantage Through Innovation Industry' referred to 17 industry cluster that were identified as having potential for development in Newcastle, including tourism and defence.<sup>96</sup> Significant progress has been achieved in Newcastle in both of those latter areas through the development of the airport. The stage one investment in Newcastle airport expansion, \$11.1m of which came from the Hunter Infrastructure and Investment Fund that operated from 2011-2014, coincided with a turnaround in passenger numbers.

Between 2009 and 2015 Newcastle Airport experienced negligible growth before recording growth of around 50,000 passengers per year, up to 1.2 million in 2016<sup>97</sup>. The airport has since become a target for development to receive international flights, with the NSW government committing to investment to realise the tourism benefits of being a destination airport. Regional government planning has been followed by the Australian national government announcing in May of 2021 that it would invest \$66m to upgrade the runway at Newcastle Airport, which is projected to add \$12.7bn to the local economy over the next 20

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<sup>93</sup> Interview, participant 3.

<sup>94</sup> The Guardian, 'NSW government approves electricity poles and wires sell-off to private sector', June 2014. Accessed at; <https://www.theguardian.com/world/2014/jun/10/nsw-government-approves-electricity-poles-and-wires-sell-off-to-private-sector>

<sup>95</sup> Evidence Submission Letter, Infrastructure-Partnerships-Australia, January 2019, p. 6. Accessed at; <https://treasury.gov.au/sites/default/files/2019-03/360985-Infrastructure-Partnerships-Australia.pdf>

<sup>96</sup> Martinez, C. (1998), 'Industry clusters: Competitive Advantage Through Innovation Industry, Hunter Regional Development Organisation (HURDO), Industry Clusters Studies Number 1, p. 24.

<sup>97</sup> MacroPlanDemasi, 'Greater Newcastle Metropolitan Strategy - Economic Prospects to 2036', November 2017, p. 36. Accessed at; <https://www.planning.nsw.gov.au/-/media/Files/DPE/Reports/greater-newcastle-metropolitan-strategy-economic-prospects-to-2036-2017-11.pdf>

years through the creation of around 4,400 full-time jobs and the attraction of an additional 850,000 visitors.<sup>98</sup> Transport for tourism expansion is alongside the tourism cluster development in the city with the redesign of the built environment and the expansion of hotel provision.

The development of the airport is complemented by national military spending, a variable that has been identified as being vital for long-term development.<sup>99</sup> Such spending has come in the form of a \$1.5bn upgrade to accommodate the new F35 fighter fleet at the Williamstown RAAF base, situated at Newcastle Airport.<sup>100</sup> Although the development is not predicted to increase the manning of the base significantly, the growth and clustering of defence related firms such as BAE systems is something that has already been detected, building upon the traditional engineering strength of Newcastle.<sup>101</sup>

The cluster development at Newcastle Airport is partly being nurtured by a Special Activation Precinct (SAP), which is an instrument that rezones opportune land from its existing designation to development status and streamlines the planning regulations for future developments.<sup>102</sup> The support services for businesses developing in a SAP include a development concierge, to coordinate business growth synergies and opportunities.

### Building Future Skills

Skills are an important part of any development strategy, and this is certainly the case in Newcastle. The Economic Strategy & Government Relations Manager at the City of Newcastle, Simon Massey, stated that 'University is a really important catalyst for skills development in the city', and that this had heightened importance as 'one in five of the University of Newcastle graduates are first in family university graduates.'<sup>103</sup> With an effectively tight labour market in the city, attraction of talent is an important element in growth and the university plays a vital part in this.

The local university is ranked 197 in the world and conducts 95% of its research 'at' or 'above world standard'<sup>104</sup>, making it an asset for the city. The University of Newcastle, Australia, became active in contributing to planning for the city after the departure of the powerful steel industry in the late 1990s. It engaged in community groups and conducted studies, such as a skills analysis, for how the city could best position itself for the future economic development.<sup>105</sup> Developing University presence was an element in reinventing Newcastle's former industrial sites to attract new creative capital and talent, being a feature of both the

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<sup>98</sup> Infrastructure Magazines, '\$66 million for Newcastle Airport runway upgrade', May 2021. Accessed at; <https://infrastructuremagazine.com.au/2021/05/10/66-million-for-newcastle-airport-runway-upgrade/>

<sup>99</sup> Douglas G. Koritz, Capital Mobility Versus Unity of Purpose: Urban Redevelopment in Buffalo, N.Y. and Pittsburgh, Pa., 39 Buff. L. Rev. 409 (1991), pp.418-419.

<sup>100</sup> MacroPlanDemasi, 'Greater Newcastle Metropolitan Strategy - Economic Prospects to 2036', November 2017, p. 36.

<sup>101</sup> MacroPlanDemasi, 'Greater Newcastle Metropolitan Strategy - Economic Prospects to 2036', November 2017, p. 36.

<sup>102</sup> <https://www.planning.nsw.gov.au/Plans-for-your-area/Special-Activation-Precincts/Williamstown-Special-Activation-Precinct>

<sup>103</sup> Interview, Participant 2.

<sup>104</sup> <https://www.newcastle.edu.au/study/international>

<sup>105</sup> Stockholm Environment Institute, 'Closure of steelworks in Newcastle' Australia', June 2021, p. 4.

2012 and 2014 strategies. The 2012 strategy sought to build a university campus in the city centre in order to 'introduce a student resident and worker population' and to 'create synergies with established businesses and industry sectors where innovation can occur in a unique setting'.<sup>106</sup> \$25m was allocated to the University of Newcastle's NeW Space development, intended to 'establish business and law faculties in the city centre'.<sup>107</sup> This campus development was opened in June of 2018, realising the ambition of the planning strategies.<sup>108</sup> Further strengthening the educational presence is the opening in 2021 of the Newcastle campus of the Japanese Nihon University. After acquiring the site in 2016 Nihon invested \$41m<sup>109</sup> into developing the heritage listed 19<sup>th</sup> century Newcastle Courthouse to be a modern, environmentally friendly, campus building.<sup>110</sup>

A major part of the University of Newcastle presence in the city is the Hunter Innovation Project, which is a smart city initiative. The initiative, that was put together between the University and the city council, had received \$178m of funding up to September 2016. To manage the investment proposals a working group was established as a collaboration between the City Council and the University with rotating leadership, which reflected and built the strong partnership between the City and the University.<sup>111</sup> Part of the aim of the project is to allow different types of data, such as credit card, telecommunication and foot-traffic data, to be triangulated and made available to local businesses in an accessible way so these businesses can make better decisions.<sup>112</sup>

Fundamental to the project is the integration of digital technology into the infrastructure of the city. The project has three core elements. Firstly, a digitally connected innovation precinct in the Newcastle CBD. Secondly, provision of free high-speed broadband for approximately 250 properties in the centre, offering Newcastle a competitive advantage over its prominent neighbour Sydney that has often crowded out Newcastle from hosting professional and business services.<sup>113</sup> Thirdly, a smart cities infrastructure in Newcastle will be a source of openly available big data for tech firms to use.<sup>114</sup> Newcastle City Council and the University of Newcastle provided \$8 million of the funds for the Hunter Innovation Project, with the rest being invested from the Hunter Infrastructure and Investment Fund. Although the initiative has not yet realised results in terms of the business benefits, the fundamental infrastructure, including the data policy piece, is now in place.<sup>115</sup> The Hunter Innovation Project should therefore enhance the attractiveness of Newcastle to high tech and high skill business, making it a competitive destination for future investment.

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<sup>106</sup> NSW Department of Planning & Infrastructure, Newcastle Urban Renewal Strategy 2012, p. xvii & xxii.

<sup>107</sup> New South Wales Planning & Environment, Newcastle Urban Renewal Strategy: 2014 Update', 2014, p. 3.

<sup>108</sup> <https://www.newcastle.edu.au/newsroom/current-staff/new-space-officially-opens>

<sup>109</sup> <https://www.newcastleherald.com.au/story/6871393/nihon-newcastle-campus-taking-shape/>

<sup>110</sup> <https://dwp.com/dwp-education-sector-deliver-nihon-university-in-newcastle-nsw/>

<sup>111</sup> Interview, participant 2.

<sup>112</sup> Interview, participant 2.

<sup>113</sup> McGuirk, P. M., Winchester, H. P. M. & Dunn, K. M. (1996), 'Entrepreneurial approaches to urban decline: the Honeysuckle redevelopment in inner Newcastle, New South Wales', *Environment and Planning A: Economy & Space*, volume 28, pp. 1815-1841, at p. 1822.

<sup>114</sup> <https://www.engineersaustralia.org.au/News/newcastles-hunter-innovation-project-receive-178-million-transform-area-digital-innovation>

<sup>115</sup> Interview, participant 2.

## The how?

The resilience in Newcastle was one focused on leadership from government as opposed to partnership with the private sector. The collaboration of the city authorities with the Commonwealth and State governments is one in which a proactive approach to planning and development has led to a positive transformation. At all levels of government, the planning departments have high prestige, which may be reflected in the level of policy activity. Complementary to the collaborative approach of government, community actors in Newcastle, especially the University of Newcastle, stepped up to take a leading role after the departure of the powerful business interests that had dominated the city. The University's partnership with the city, in the Hunter Innovation Project and NeW campus, is a key part of attracting the human and financial capital that is necessary for growth. In seeking planning activity in the early 2010s and at the same time successfully expressing a preference for aesthetic amenity through alternative political processes, Newcastle's community prevented the move towards a more pro-market short-term position from sacrificing the long-term growth.

Instruments were used to facilitate the construction of assets with collaboration between the different government levels. The Australian Commonwealth Government encouraged the State to invest in new infrastructure with the proceeds from asset recycling. It introduced an Asset Recycling Initiative (ARI) in the 2014-15 budget, which offered \$5bn of incentives for states to sell off mature assets and develop new assets. From this funding pot, states received a bonus of up to 15% of the assessed sale value, on the condition that transaction proceeds were used to fund infrastructure. It is claimed that this unlocked tens of billions of infrastructure investment.<sup>116</sup>

The State government has been the primary actor in development, having used its levers of investment and strategy to drive change at the local level. This work is in collaboration with the city government. An example of this synergy is the Integrated Planning and Reporting (IP&R) process. Introduced into NSW legislation in 2013, it requires local councils to take the lead on the creation of a long-term plan for the strategic direction and ambition of their communities.<sup>117</sup> State and regional plans feed into the Community Strategic Plans, which the IP&R Framework determines should cover a period of at least 10 years and be focused on the communities' aspirations. Newcastle maintains the engagement with its community every four years and produces a Community Strategic Plan, responsibility for the delivery of which is shared between local and state government, businesses, industry groups, community organisations and individuals. Long-term planning based on the aspirations of the community leads results in programmes like Community Strategic Plan Newcastle 2040, passed in April 2022 and laying out a plan for 313 projects and infrastructure investment of \$132.6m.<sup>118</sup> The preparation of Newcastle 2040 utilised information from 5,500 community engagement

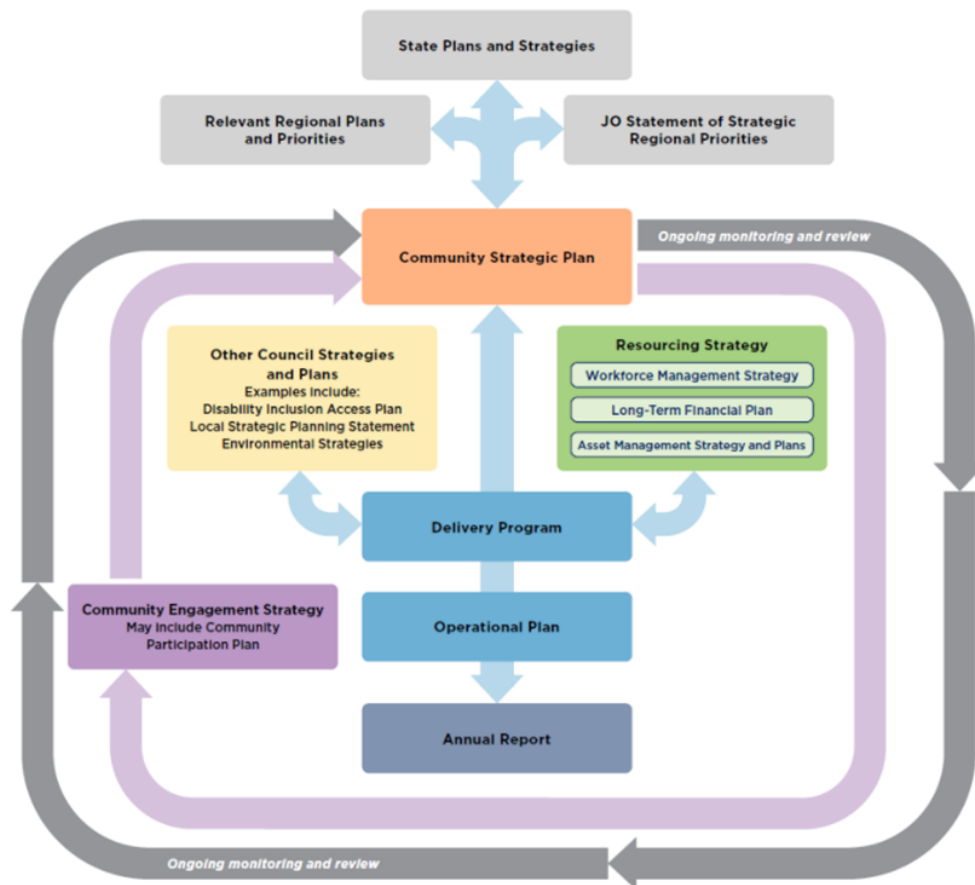
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<sup>116</sup> Evidence Submission Letter, Infrastructure-Partnerships-Australia, January 2019, p. 2. Accessed at; <https://treasury.gov.au/sites/default/files/2019-03/360985-Infrastructure-Partnerships-Australia.pdf>

<sup>117</sup> <https://www.newcastle.nsw.gov.au/council/our-responsibilities/integrated-planning-and-reporting?viewmode=0>

<sup>118</sup> <https://www.newcastle.nsw.gov.au/about-us/our-responsibilities/newcastle-2040/budget-2022-2023>

actions, such as surveys or participation in a focus group, which is huge relative to standard engagement.<sup>119</sup>



Integrated Planning and Reporting Process<sup>120</sup>

Whether that was the Premier in the 1990s or the enduring planning strategy of 2012, the deliberate land use laid out by the State of NSW was effective as it had a vision for the transformation of the city. This vision required cooperation of the City Council and was drawn from a close engagement with local stakeholders. Long-term action was taken, and this has resulted in Newcastle turning successfully from a monocentric heavy industrial city to a diversified and forward-looking city with clusters in tourism and defence engineering.

## Conclusion

Newcastle is still on a journey, but it has demonstrated an ability to act in the face of challenges. Australia has a political culture that values planning, which is important for a system that looks heavily to government leadership. The proactive state and city government has been utilising the tools at its disposal to develop Newcastle into a city ready for a future beyond heavy industry. The strategic development of land to manage desirable growth has been successfully achieved by the state government. Asset recycling has been an initiative

<sup>119</sup> Interview, participant 2.

<sup>120</sup> <https://www.newcastle.nsw.gov.au/council/our-responsibilities/integrated-planning-and-reporting?viewmode=0>



that has provided funding and financial stability due to prudent management of a potentially problematic process. The prominent role played by the University and the community is one that should serve as a model for other cities facing challenges. The mobilisation of the local community actors has served Newcastle well, with these actors stepping in when the city's previously dominant big business had a sudden loosening of control.

## Windsor, Ontario. Canada

### Overview

#### Introduction

Windsor has been proactive in seeking to rejuvenate its economy in the face of substantial headwinds. A strong and stable municipal government engaged in long term planning and worked proactively with other levels of government and foreign private sector investors. Windsor was an early adopter of the Community Improvement Plans (CIP) instrument, which stimulated private sector investment into the city at a return of \$13 for every \$1 of public money spent. The Provincial Government empowered Windsor to continue its work developing public amenity in the city, building on the creation of a desirable waterfront park.

Economic performance shows that the city has been working hard to stay still but the announcement of monumental recent investments in electric car production in the city has shown the strategy to be a success. The investment was a culmination of Windsor's ambition to build on its traditional automotive manufacturing history to position itself as a leader in the future of the battery-electric car industry. State and provincial investment in traditional industry has waned and new investments were made in the high-tech future industry of battery-electric cars. The Invest WindsorEssex agency has been active in developing partnerships, coordinating provincial and federal investment and submitting bids to win private sector investment. The city's universities have been working together to further the aim of establishing an automobility innovation cluster in Windsor. While the high-tech ambition progresses, the cooperative and constructive approach to the Gordie Howe International bridge mega project demonstrates how significant an asset unity is on the Canadian side of the Detroit River.

#### Background

Windsor, within the province of Ontario, is a mid-sized city on the border with the USA with a population of approximately 228,533 (2018).<sup>121</sup> Windsor's economy was reliant on the automotive industry and has been called the 'automotive capital of Canada'<sup>122</sup> and, being only 3 miles from Detroit, Windsor's economic fortunes mirrored those of its US neighbour in feeling the effects of offshoring and the 2008 financial crisis.<sup>123</sup> Manufacturing employment peaked in Canada in 2002 and from this point on Windsor experienced economic decline.

Closures of automotive manufacturing caused serious problems, with companies such as Ford shedding thousands of Windsor employees from its plants in the first decade of the 21<sup>st</sup> century.<sup>124</sup> In 2009 Windsor's unemployment became the highest among metropolitan areas in Canada. The population of Windsor's downtown district shrank by 5.6% between 2006 and

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<sup>121</sup> Invest WindsorEssex, Five Year Strategic Plan, 2019, p. 8. Accessed at;

[https://www.investwindsoressex.com/en/site-selection-and-data/resources/5year-Strat-Plan\\_Accessible.pdf](https://www.investwindsoressex.com/en/site-selection-and-data/resources/5year-Strat-Plan_Accessible.pdf)

<sup>122</sup> <https://www.feddevontario.gc.ca/eic/site/723.nsf/eng/02542.html?OpenDocument>

<sup>123</sup> Public First, 'Windsor Works: An economic development strategy for the city's future growth', Feb 2021, p. 5.

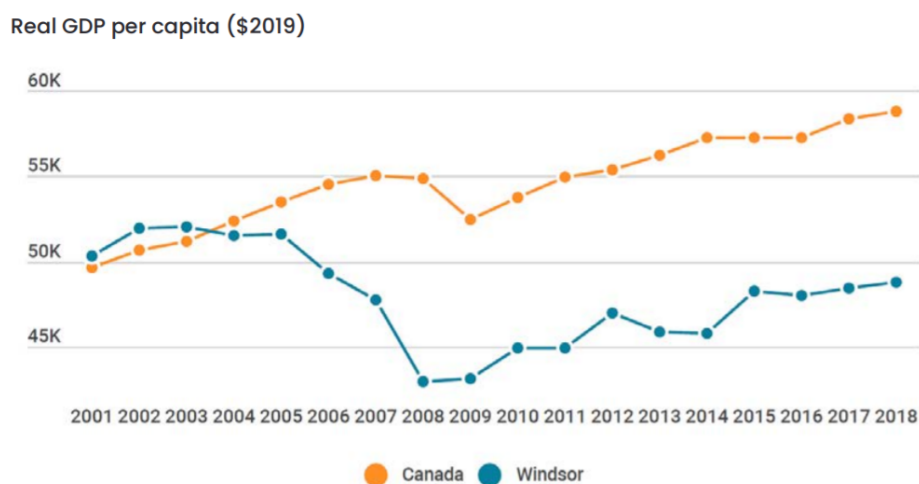
<sup>124</sup> Windsor Star, 'Engine plant closing', July 2007. Accessed at;

<https://web.archive.org/web/20160324044133/http://www.canada.com/windsorstar/news/business/story.html?id=ba2f98c5-9c70-4394-821c-375abcca5384>

2011. This represented a damaging exodus given the small population of the downtown area, only 9,852 people remained by 2011.<sup>125</sup> The bankruptcy of Detroit in 2013 was another contributing factor to the difficult circumstances in Windsor. Considering the context of such serious economic decline the city has had to work hard to stabilise the situation. The performance of the city in economic indicators has been modest, though impressive in preventing short term collapse. However, it is the future that shows the success of Windsor’s resilience, with a strong vision of a high-tech future.

## Performance

Statistics Canada measured Windsor to have been declining in prosperity from the mid-2000s to the mid-2010s. The city was recovering with a growth in population of 3% between 2011 and 2016, increasing from 210,891 to 217,188.<sup>126</sup> In 2009, just before the population growth, the unemployment rate in Windsor was one of the worst in Canada at 13.8%<sup>127</sup>, but it improved in following period, falling to 9.0% in 2015. By the month of December 2018, Windsor’s month unemployment figure was one of the best in the country, even though the 2018 average of 6.0% was still above both the Canadian and Ontario averages for the year 2018.<sup>128</sup> Recovery was unstable and in January 2022 unemployment was again worryingly high at 8.2% compared with a Canadian average of 6.2%.<sup>129</sup>



Per capita GDP 2001-2018<sup>130</sup>

Growth since the crisis period has been incremental. In terms of GDP over the period 2013-2017, Windsor performed steadily. The city experienced impressive growth between 2014

<sup>125</sup> The City of Windsor, Downtown Windsor Enhancement Strategy and Community Improvement Plan, 2017, p. 21.

<sup>126</sup> <https://www.citywindsor.ca/residents/planning/Plans-and-Community-Information/About-Windsor/Demographics/Pages/Demographics.aspx>

<sup>127</sup> The City of Windsor, ‘Economic Revitalization Community Improvement Plan’, February 2011, p. 2.

<sup>128</sup> Invest WindsorEssex, Five Year Strategic Plan, 2019, p. 9.

<sup>129</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/220204/dq220204a-eng.htm>

<sup>130</sup> Public First, ‘Windsor Works: An economic development strategy for the city’s future growth’, Feb 2021, p. 25.

and 2015 when it added more than \$1bn to its GDP.<sup>131</sup> In 2018 Windsor's GDP reportedly grew by 2.2%<sup>132</sup>, only slightly lower than Canadian GDP growth which was 2.4%.<sup>133</sup> The Former Deputy Minister of FedDev, the Federal Economic Development Agency for Southern Ontario, has assessed that 'Windsor has done about the best job it can in the tough market'.<sup>134</sup>

It is a focus on the long-term performance of Windsor that demonstrates real success. Investment announcements in 2022 were transformative for the city as it secured a future of high-tech industry. Windsor has been successful in creating an identity of being an automobility cluster, with the mayor, province and federal government working together to attract investment. This culminated in March 2022 with the announcement of a \$5bn investment into Windsor to build the largest battery plant in North America, run by Dutch automotive company Stellantis, that has been estimated to attract up to 17,500 jobs in total to the city.<sup>135</sup>

The March announcement was followed up in May 2022 by a multi-million-dollar investment in the production of cars at two sites and battery testing at the state-of-the-art Battery Pack Testing Facility for North America, located at the Automotive Research and Development Centre in Windsor. Federal and provincial incentives were involved in attracting the deal, with federal investment reported to be up to \$529m and the Province of Ontario supporting the project with up to \$513m.<sup>136</sup> The incremental improvement in economic performance and the winning these transformational investments was the result of strategic and deliberate action around and within Windsor.

## The Who?

Windsor is a city that has seen major private sector players, but the various levels of government have been the primary actors in the development of the city. By the nature of their constitutional responsibilities, the federal, provincial and municipal levels of government cooperate on regional development in Canada. Provincial government has a broad responsibility for local government and thus the federal government are required to work with the provincial level in a collaborative fashion to impact regional development. Despite accusations of creating challenges for municipal governments through downloading policy problems,<sup>137</sup> the government of the Province of Ontario has been active and cooperative with the municipalities in economic development and land use.

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<sup>131</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3610046801>

<sup>132</sup> Invest WindsorEssex, Five Year Strategic Plan, 2019, p. 7. Accessed at;

[https://www.investwindsoressex.com/en/site-selection-and-data/resources/5year-Strat-Plan\\_Accessible.pdf](https://www.investwindsoressex.com/en/site-selection-and-data/resources/5year-Strat-Plan_Accessible.pdf)

<sup>133</sup> World Bank, GDP growth (annual %) - Canada. Accessed at;

<https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2020&locations=CA&start=2018>

<sup>134</sup> Interview, participant 8.

<sup>135</sup> Windsor Star, '\$5B Windsor battery plant the largest private sector investment in Ontario history', March 2022. Accessed at; <https://windsorstar.com/news/local-news/windsor-battery-plant-the-largest-private-sector-investment-in-ontario-history>

<sup>136</sup> <https://pm.gc.ca/en/news/news-releases/2022/05/02/investing-canadas-auto-sector-its-workers-and-our-clean-future>

<sup>137</sup> Stoney, C. and Graham, K.A. (2009), 'Federal-municipal relations in Canada: The changing organizational landscape', *Canadian Public Administration*, 52, pp. 371-394, at p. 374.

## Federal

An attitude of collaborative working from federal government has been in existence over the decades, with calls for close cooperation in the 1980s to 2000s, such as in the 2002 Prime Minister's Caucus Task Force on Urban Issues.<sup>138</sup> The federal government has experienced provincial opposition to overstepping its competence on local government, this leading to the closure of the Ministry of State for Urban Affairs that operated from 1971-79.<sup>139</sup> As a result of the requirement to work with provincial government on municipal development, federal investment at the city level has been ad hoc and opportunistic, reacting to active municipal government.<sup>140</sup>

Nevertheless, in the case of Windsor, the Federal government has been a key partner in stimulating investment, especially with large projects that strategically develop land. An example of the positive role the federal government can play can be seen in a bridge project linking Windsor with its neighbour Detroit. The Gordie Howe International Bridge will be constructed, financed and operated through a public-private partnership. Situated in the city of Windsor itself, the bridge has a project value of \$5.7bn and has created 2,500 jobs.<sup>141</sup> Yet without the determination of the Canadian federal government it would not have been possible.

The political divisions in Michigan prevented funding from being provided by the Detroit side and so the Canadian federal government was required to fund the project, including the purchasing of property on the Detroit side of the river in order to make space for the bridge construction.<sup>142</sup> The Canadian government will be repaid for its investment through toll collection on the enormous volume of traffic that will pass over the bridge. Canada is responsible for delivering the project with a Crown corporation that began operation in 2014. The crown corporation reports to the Canadian Parliament through the Minister of Infrastructure and Communities and is located in Windsor.

## Mayoral Leadership

Continuity in mayoral leadership and community solidarity in Windsor are contributing factors to the success of the city's resilience in the face of economic challenges. The city has been described as a 'lunch bucket' town, meaning a community that is a relatively homogeneous and with relatively working-class values.<sup>143</sup> It may be a result of such a community identity that Windsor has had relatively stable mayoral leadership in recent decades. The incumbent mayor of Windsor, Drew Dilkens, has been serving for the past eight years and the two preceding mayors served for over ten years each. This is impressive as the

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<sup>138</sup> Stoney, C. and Graham, K.A. (2009), 'Federal-municipal relations in Canada: The changing organizational landscape', *Canadian Public Administration*, 52, pp. 371-394.

<sup>139</sup> Spicer, Z. D. (2011), 'The Rise and Fall of the Ministry of State for Urban Affairs: Exploring the Nature of Federal-Urban Engagement in Canada', *Canadian Political Science Review*; Vol 5., pp. 117-126.

<sup>140</sup> Stoney, C. and Graham, K.A. (2009), 'Federal-municipal relations in Canada: The changing organizational landscape', *Canadian Public Administration*, 52, pp. 371-394, at p. 373.

<sup>141</sup> <https://www.gordiehoweinternationalbridge.com/en/by-the-numbers>

<sup>142</sup> National Post, 'Kelly McParland: Canada builds Michigan a new bridge on the easy-payment plan', June 2012. Accessed at; <https://nationalpost.com/opinion/kelly-mcparland-canada-builds-michigan-a-new-bridge-on-the-easy-payment-plan>

<sup>143</sup> Interviews. See also <https://www.theglobeandmail.com/news/national/the-bright-new-era-of-windsor-ont-not-just-lunch-buckets-any-more/article564434/>

Ontario term limit for mayors is four years. In over 30 years from 1991-2022 Windsor had only three mayors. That stability is favourable compared to other cities in Ontario, such as London or St Catherine's, which in this period had seven and five mayors respectively. In the three elections between 2003-2010 Ontario mayors had a one in three chance of being replaced,<sup>144</sup> yet Windsor Mayor Eddie Francis was victorious in all three cycles. Despite being similar to Windsor in its automotive past and socio-economic challenges, the political bell-weather city of St Catherine's in the Niagara region stands as a negative counterfactual to Windsor. In St Catherine's there is a lack of strong local leadership that has been accompanied by inability to manage the post-industrial transition.

Solid mayoral leadership has resulted in the city's government pragmatically working with the other levels of government to secure development activity, using tools at their disposal and establishing major projects like the Caesars Windsor Casino and the \$78m downtown aquatic complex. Local political stability facilitated the continuity of working between mayors. During the transition mayor Eddie Francis to mayor Drew Dilkens, the former even accompanied his successor on a visit to Germany to speak to private sector investors.<sup>145</sup>

Mayoral leadership is important in Canada as a form of fiscal federalism has presented the mayors of municipalities with substantial resources, if with increasing responsibilities. Through the Gas Tax Fund (GTF) municipalities were given an additional \$5bn, making a total of \$9bn available to cities over five years in the latter half of the 2000s. The GTF provides municipalities with a share of \$2bn annually, indexed linked since 2013, yet this is only 2% of municipal revenues, 17% of which come from federal government transfers.<sup>146</sup> Such high levels of available funds are seen to be a significant place-based initiative as flexible and reliable funding.<sup>147</sup> Despite the additional resources, the municipal leadership in Canada still requires the assistance for the other levels of government to make an impact on development and obtaining this has been a strength of the city of Windsor. Following this trend, the current mayor, Drew Dilkens, has a reputation for proactively working with federal economic development officials.<sup>148</sup>

## The What?

Windsor has long been active in strategizing for its future. In 1994 the city laid out a strategy in 'The City Centre Revitalization and Design Study: A New Vision for the Heart of Windsor'. In recent years, the focus of the strategy for the city of Windsor's resilience has been the creation of a world-class automobility cluster. This focus is distinct from, but complementary to its past as a traditional automotive cluster, as automobility includes the forward-looking industry of electric vehicles. In progressing to this aspiration, the city of Windsor redeveloped

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<sup>144</sup> Coulter, K. (2011), 'A Study of Ontario CAOs: Career progression and the influence of political actors, Local Government', UWO, p. 37. Accessed at;

[https://localgovernment.uwo.ca/resources/docs/research\\_papers/2011/Coulter2011.pdf](https://localgovernment.uwo.ca/resources/docs/research_papers/2011/Coulter2011.pdf)

<sup>145</sup> The Windsor Star, 'Eddie Francis: The mayor and the 'Windsor Hustle'', November 2014. Accessed at;

<https://windsorstar.com/news/local-news/eddie-francis-and-the-windsor-hustle>

<sup>146</sup> Sunil Johal, 'The case for growing the Gas Tax Fund: A report on the state of municipal finance in Canada', Federation of Canadian Municipalities, September 2019, pp. 12-13.

<sup>147</sup> Stoney, C. and Graham, K.A. (2009), 'Federal-municipal relations in Canada: The changing organizational landscape', *Canadian Public Administration*, 52, pp. 371-394 at pp. 384-388.

<sup>148</sup> Interview, participant 8.

brownfield sites, encouraged investment and acted to improve the skill level of its resident workforce. One specific instrument was significant in the development of Windsor, the Community Improvement Plan (CIP).

### Community Improvement Plan

In Windsor the CIPs helped to build the important element for cohering collaboration, a common vision and focus.<sup>149</sup> The CIP instrument has been credited with offering Windsor the marginal advantage needed to secure the transformative automobility investment that has now been won.<sup>150</sup> CIPs are an Ontario development instrument that offers powers for a municipality to effectively sponsor economic activity within their authority area in order to shape a strategy for the future. A CIP allows a city to take a variety of measures that would ordinarily be prohibited by Ontario's Municipal Act, including the acquisition and preparation of land, construction, repair, rehabilitation or improvement of buildings, the sale, lease or disposal of land and buildings, and the provision of grants to owners or tenants of land.<sup>151</sup> One of the reasons this is usually prohibited is an aversion to governments sponsoring industry. The applicable current legislation is within section 106 of the Municipal Act 2001, which prohibits municipalities from directly or indirectly assisting business through the granting of bonuses, in what is known as the 'bonusing rule'. However, this rule is exempted under Section 28 of the Planning Act that allows municipalities to designate parcels of land as project areas for a CIP.<sup>152</sup>

The CIP competencies represent a devolution of a practice that was abolished long ago at a provincial level. In this way, CIPs are an instrument which has devolved powers previously held at the provincial level to the municipal. Bonusing was a practice where provincial governments in Ontario offered assistance, with taxpayer's money, to businesses. It was perceived as a bad practice from around the 1900s, being legislated against in 1924 and finally prohibited in 1962, as it was determined to be ineffective and 'encouraged unhealthy competition between municipalities'.<sup>153</sup> The bonusing prohibition also restricted municipal support for private redevelopment and it was not until lobbying by the Ontario city of Hamilton in 1999 that bonusing came back as a policy option. The province approved of CIPs using an obscure section of the Ontario Planning Act 2001 and Hamilton proposed the first CIP, claiming to have achieved substantial success with the instrument.<sup>154</sup>

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<sup>149</sup> Interview, participants 5, 6, 7 & 8.

<sup>150</sup> Interview, participants 5, 6 & 7.

<sup>151</sup> [https://www.citywindsor.ca/residents/planning/Plans-and-Community-Information/Know-Your-Community/Community-Improvement/Documents/Economic%20Revitalization%20CIP%20One-pager%20\(September%202015\).pdf](https://www.citywindsor.ca/residents/planning/Plans-and-Community-Information/Know-Your-Community/Community-Improvement/Documents/Economic%20Revitalization%20CIP%20One-pager%20(September%202015).pdf)

<sup>152</sup> RCI Consulting, 'City of London Industrial Lands Community Improvement Plan', 2014, p. 3. Accessed at; <https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=14153>

<sup>153</sup> Steven J. O'Melia, Rick F. Coburn & Thomas S. Melville, 'Municipal Bonusing: What's Permitted and What's Not', June 2006, p. 4. Accessed at;

[https://www.millerthomson.com/assets/files/article\\_attachments/Municipal\\_Bonusing\\_Whats\\_Permitted\\_and\\_Whats\\_Not.PDF](https://www.millerthomson.com/assets/files/article_attachments/Municipal_Bonusing_Whats_Permitted_and_Whats_Not.PDF)

<sup>154</sup> De Sousa, C., 'Urban brownfields redevelopment in Canada: the role of local government', *The Canadian Geographer / Le Geographe canadien* 50, no 3 (2006), pp. 392–407, at p. 402-403.

Under section 28 of the Planning Act, the conditions for a CIP are detailed. Any municipality in Ontario can designate an area as a CIP but it must be officially justified and approved.<sup>155</sup> Windsor has a number of CIP programs and was an early adopter of the initiative. A CIP strategy was renewed in a major initiative prepared by the City of Windsor Planning Department and detailed in a comprehensive 2017 document.<sup>156</sup> The instrument is divided into main areas, targeted sector support and brownfield redevelopment.

### Economic Revitalization Community Improvement Plan

The City of Windsor's Economic Revitalization Community Improvement Plan, which came into effect on March 15, 2011, provides financial incentives to encourage new investment in targeted economic sectors for the purposes of diversifying the local economy and creating/retaining jobs. A strength of a CIP is that it can exclude low-growth sectors to focus on the needed sectors that can help to deliver high growth.<sup>157</sup>

Among the tools available in a CIP area are incentives that remove, for a period of time, the increased value of the municipal property tax, eligible when development is completed, that would result from an increase in the value of the property. Not having to pay the property tax for the defined period acts as a subsidy to the business behind the development. In Canada the right to apply taxation is shared between the federal government and the various provincial/municipal legislatures, where municipalities are given the authority to levy certain taxes. The municipal property tax is an annual tax levied as a percentage on the defined value of the property, which includes the value of land plus the buildings. Foregoing such taxes is quite a major step for municipalities in Canada as they are reliant on a single major source of revenue, the property tax.<sup>158</sup> On average in Canada municipalities receive approximately half of their revenues from property taxes.<sup>159</sup> Sacrificing revenue has been noted to be important since, 'unlike the federal and provincial governments, the municipalities cannot borrow for operating purposes, they can only do so for capital expenditures.'<sup>160</sup>

The financial incentives for the Economic Revitalization CIP consist of exemptions of the increased tax for a period of up to 10 years for developments within four types of programs, which include eligibility criteria for new or retained staff and types of industry sectors that have been selected. As an example of the scale of such an incentive program that has run for more than a decade, on one day in June 2021 the Windsor council reported that they had

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<sup>155</sup> See Ontario statute (<https://www.ontario.ca/laws/statute/90p13>)

<sup>156</sup> The City of Windsor, Downtown Windsor Enhancement Strategy and Community Improvement Plan, 2017.

<sup>157</sup> Interview, participants 5, 6 & 7.

<sup>158</sup> Steven J. O'Melia, Rick F. Coburn & Thomas S. Melville, 'Municipal Bonusing: What's Permitted and What's Not', June 2006, p. 4. Accessed at: [https://www.millerthomson.com/assets/files/article\\_attachments/Municipal\\_Bonusing\\_Whats\\_Permitted\\_and\\_Whats\\_Not.PDF](https://www.millerthomson.com/assets/files/article_attachments/Municipal_Bonusing_Whats_Permitted_and_Whats_Not.PDF), p. 9. See also; Young, B. 2003. "Provincial involvement in municipal-federal relations." Paper delivered at the Conference on Municipal-Federal-Provincial Relations, Queen's University, Kingston, 9–10 May, p.47.

<sup>159</sup> Sunil Johal, 'The case for growing the Gas Tax Fund: A report on the state of municipal finance in Canada', Federation of Canadian Municipalities, September 2019, p. 4.

<sup>160</sup> Young, B. 2003. "Provincial involvement in municipal-federal relations." Paper delivered at the Conference on Municipal-Federal-Provincial Relations, Queen's University, Kingston, 9–10 May, p.48.



received four applications for CIP developments with property tax incentives and facade grants totalling \$700,000.<sup>161</sup>

### Brownfield Redevelopment Community Improvement Plan

The most significant CIP in Windsor is the Brownfield Redevelopment Community Improvement Plan, adopted by the City Council on April 26, 2010. The Brownfield CIP was intended to increase economically useful land use and offered incentives for the development of the former industrial plots in Windsor.<sup>162</sup> The need for such a programme in Windsor was acute. In 2009 the city's Planning Department identified 137 brownfield sites, representing 559 acres, that were in need of redevelopment.<sup>163</sup>

As the brownfield land was only eligible if it was contaminated, in accordance with environmental standards, then the incentives encouraged clean-up of the land and reuse. In 2021 the Brownfield Redevelopment CIP was assessed to have stimulated \$13 of private investment for every \$1 of public expenditure through the incentives, which using a spin off metric<sup>164</sup> was estimated to have also resulted in a total of nearly \$700m of investment into the larger economy for \$13m of public incentive value.<sup>165</sup>

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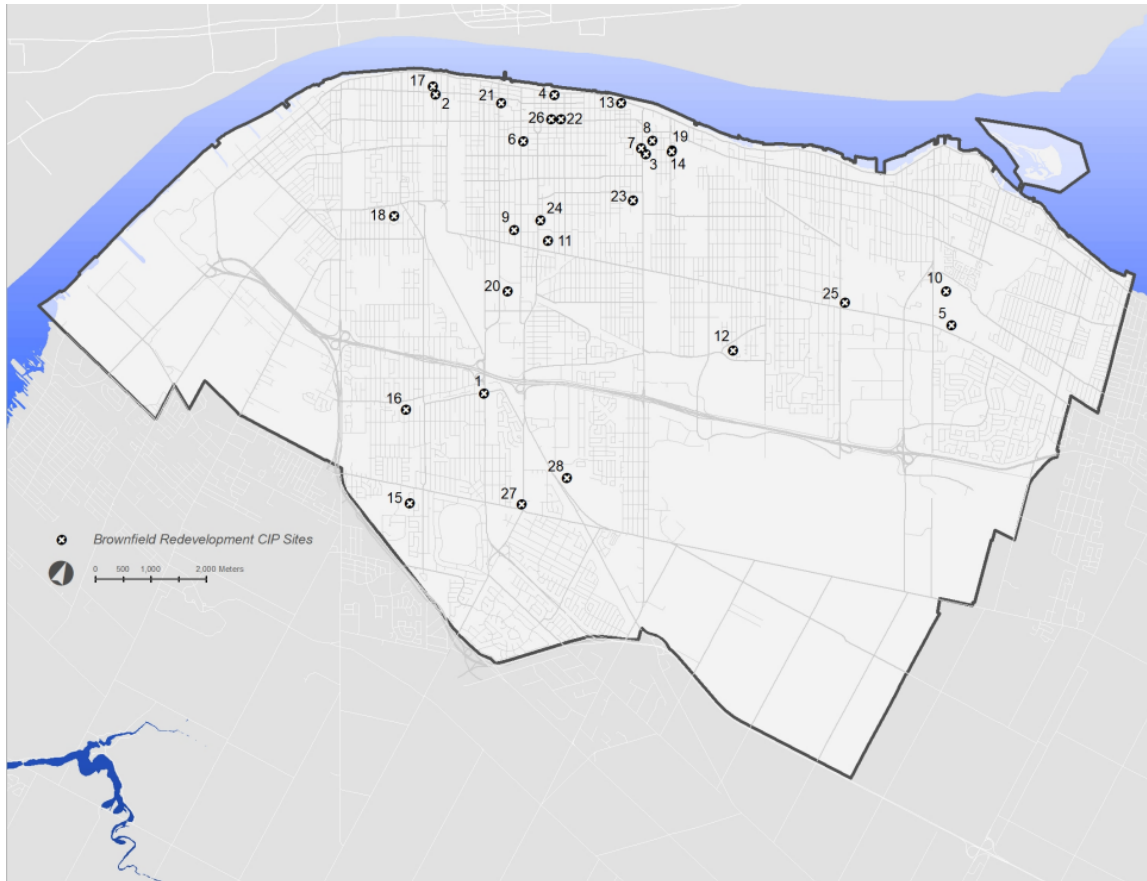
<sup>161</sup> CTV Windsor News, 'Downtown development boom aided by \$700K of city grants', June 2021. Accessed at; <https://windsor.ctvnews.ca/downtown-development-boom-aided-by-700k-of-city-grants-1.5488921>

<sup>162</sup> <https://www.citywindsor.ca/residents/planning/development-incentives/Pages/Brownfield-Redevelopment-Community-Improvement-Plan.aspx>

<sup>163</sup> Greg Atkinson, 'Council Report: S 71/2021', The City of Windsor, July 2021, p. 2.

<sup>164</sup> This metric was calculated from a based on National Round Table on the Environment and the Economy (2003) calculation that brownfield redevelopment results in a \$3.80 for \$1 ratio applied to \$182,714,686 raised in private investment related to the approved Brownfield projects. See; Greg Atkinson, 'Council Report: S 71/2021', The City of Windsor, July 2021, p. 2 & p. 5.

<sup>165</sup> Greg Atkinson, 'Council Report: S 71/2021', The City of Windsor, July 2021, pp. 5-6.



Brownfield Redevelopment CIP Sites in Windsor (2021)<sup>166</sup>

The program offered two types of incentives for development. Firstly, grant funding to a maximum of \$7,500 or \$15,000 has been made available for feasibility and site assessment respectively. Secondly, the Brownfields Property Tax Assistance Program offered a freeze of city property taxes on the property for up to 3 years during and after remediation and construction. To offset the increase in property taxes that can result from redevelopment of the property, the Brownfields Rehabilitation Grant Program offered an annual grant equal to 70% of the City property tax increase for up to 10 years, which rose to 100% if the building achieved certification under the Leadership in Energy and Environmental Design Program.<sup>167</sup>

### Public Amenity/Liveability

Liveability is essential for the retention of a high value workforce in a high-tech industry involved in an automobility cluster. An increase in liveability in Windsor has been achieved through the creation and maintenance of public amenity green spaces and heritage areas, such as the city of Windsor acquiring the riverside Black Oak Heritage Park in 1989 to protect it from industrial development.<sup>168</sup> Similarly in 2000 the Riverfront Park, which had been converted in the 1970s from the site of the former railway in Windsor into an attractive park, had the addition of a riverwalk trail developed.<sup>169</sup>

<sup>166</sup> Greg Atkinson, 'Council Report: S 71/2021', The City of Windsor, July 2021, p. 13.

<sup>167</sup> <https://www.citywindsor.ca/residents/planning/development-incentives/Pages/Brownfield-Redevelopment-Community-Improvement-Plan.aspx>

<sup>168</sup> <https://www.citywindsor.ca/residents/parksandforestry/city-parks/pages/black-oak-heritage-park.aspx>

<sup>169</sup> <https://www.cbc.ca/news/canada/windsor/ask-cbc-windsor-riverfront-weeks-1.5348459>

In the early 2010s the city of Windsor developed a CIP for Olde Sandwich Towne, an area that was identified in 2005 as having heritage with the potential to offer valuable amenity to the city.<sup>170</sup> The area also covered a substantial proportion of the city's waterfront. This CIP was mainly concerned with the actions of the city authorities rather than an incentive program, though various small scale grant and property tax retention incentives were included.<sup>171</sup> Major city actions determined in the CIP were to relocation industrial port activities in the area and to develop riverfront recreational and leisure facilities.<sup>172</sup> In Olde Sandwich Towne the CIP demonstrated how it could be more of an instrument for articulating a plan of action for a place than necessarily a financial instrument for development.

In Autumn 2015 the City of Windsor engaged in a community consultation with diverse downtown stakeholders and determined that the vision for the city should include enhancements to downtown life that would be valuable for retaining talented people. Among the priorities identified were<sup>173</sup>:

- Increased walkability, limited vehicle traffic, more pedestrian streets, and increased transit options
- More parks and green space
- Historic preservation
- Places for people to gather
- Better connection to riverfront

Alongside investment in educational assets, the City of Windsor has engaged in a series of strategic investments to make such liveability enhancements possible in order to attract prospective residents to the downtown.<sup>174</sup> An example includes the Riverfront Festival Plaza that hosts numerous concerts and events throughout the year, and which was allocated over \$5m for further development by the local council in 2018.<sup>175</sup>

### Automobility Cluster

The development of an automobility cluster has been a strategic focus for Windsor that has been extremely successful. The focus has been channelled through a development organisation, Invest WindsorEssex. The organisation is funded by the constituent municipalities of Windsor and Essex, that together form a coherent economic geography. The Ontario provincial and Canadian federal governments have been assisting with the stimulation of an automotive cluster in Windsor. In January 2020 FedDev Ontario, the Federal Economic Development Agency for Southern Ontario, provided \$5m of funding in support of Invest WindsorEssex's ambition to create an automobility innovation cluster in Windsor,

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<sup>170</sup> <https://www.citywindsor.ca/residents/planning/development-incentives/Pages/Sandwich-Town-Community-Improvement-Plan.aspx>

<sup>171</sup> The City of Windsor, Olde Sandwich Towne: Community Improvement Plan, October 2012, p. 57 & p.61.

<sup>172</sup> The City of Windsor, Olde Sandwich Towne: Community Improvement Plan, October 2012, p. 34 & pp. 72-74.

<sup>173</sup> The City of Windsor, Downtown Windsor Enhancement Strategy and Community Improvement Plan, 2017, pp. 41-42.

<sup>174</sup> The City of Windsor, Downtown Windsor Enhancement Strategy and Community Improvement Plan, 2017, p. 66.

<sup>175</sup> CBC, '\$5.6M plan for Riverfront Festival Plaza development passed by city council', July 2018. Accessed at: <https://www.cbc.ca/news/canada/windsor/riverfront-festival-plaza-1.4758891>

which it is hoped will attract \$9m in foreign direct investment and create and maintain 665 jobs.<sup>176</sup> Similarly, the provincial Ontario Centre of Innovation selected Invest WindsorEssex to manage a \$2.6m fund to advance connected and autonomous vehicle technologies through an Autonomous Vehicle Innovation Network (AVIN).

Invest WindsorEssex was the organisation that compiled a bid in February 2021 to secure an advanced electric vehicle battery production plant in Windsor, which has an estimated value of \$2bn and would employ 2,000 people.<sup>177</sup> When investment in a major battery plant came to Windsor in 2022 it was also through the cooperation and support of the federal and provincial governments. The support of the Ontario and Ottawa governments had been important in maintaining the automotive industry in Windsor. In March 2008 the Ontario government invested \$16.8m towards reopening the Ford Essex Engine Plant in Windsor, which was matched in 2010 by an \$80m investment from the Canadian federal government.<sup>178</sup> Support from higher levels of government was not guaranteed, however, and it is likely that the active work by the municipal level for the monumental 2022 investment was necessary. An example of when support can be withdrawn was the refusal to provide a requested \$700m in state subsidies to Ford for a \$2bn plant in Windsor in 2014.<sup>179</sup>

The value of strategically focusing on a future-proof industry was indicated in 2020 when the federal and provincial governments announced they would provide \$590m funding to the Ford Motor Company of Canada to convert its Oakville Assembly Plant, on the southern outskirts of Toronto, for the production of five battery-electric vehicles. It was reported that the \$5bn dollar investment in March 2022 by Stellantis to build an EV battery plant in Windsor came with hundreds of millions of dollars of incentives committed by both the provincial and federal governments, although the details of the amount of has not been released at the request of the companies involved.<sup>180</sup> The major 2022 investment built on the previous success, such as the securing of the production, since 2020, of the award winning electric car, the Chrysler Pacifica Hybrid, at the Windsor Assembly Plant.<sup>181</sup> In addition to the subsidies that were offered, Windsor made itself attractive through developing relevant skills for growing the automobility cluster.

## Skills

As with other aspects of Windsor's strategy, skills development is also characterised by cooperation of different government levels. Windsor has two degree issuing educational institutes, which together cover research and training. The University of Windsor was placed

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<sup>176</sup> <https://www.feddevontario.gc.ca/eic/site/723.nsf/eng/02542.html?OpenDocument>

<sup>177</sup> Driving, 'Windsor pursuing \$2-billion EV battery plant that would employ 2,000', February 2021. Accessed at; <https://driving.ca/auto-news/local-content/windsor-pursuing-2-billion-ev-battery-plant-that-would-employ-2000>

<sup>178</sup> CBC, 'Windsor pursuing \$2-billion EV battery plant that would employ 2,000', February 2010. Accessed at; <https://www.cbc.ca/news/canada/windsor/ont-invests-81m-in-windsor-ford-plant-1.918364>

<sup>179</sup> The Globe and Mail, 'Ford scraps potential \$2-billion investment in Windsor, Ont.', October 2014. Accessed at; <https://www.theglobeandmail.com/report-on-business/international-business/us-business/ford-scraps-proposed-2-billion-investment-in-windsor-ont-sources/article21285428/>

<sup>180</sup> Windsor Star, '\$5B Windsor battery plant the largest private sector investment in Ontario history', March 2022. Accessed at; <https://windsorstar.com/news/local-news/windsor-battery-plant-the-largest-private-sector-investment-in-ontario-history>

<sup>181</sup> <https://media.stellantisnorthamerica.com/newsrelease.do?id=22316&mid=779>

as 1049<sup>th</sup> in Best Global Universities by the US News rankings.<sup>182</sup> The St. Clair College of Applied Arts and Technology is a college in Windsor that offers bachelor's degrees and apprenticeship programs.<sup>183</sup> Invest WindsorEssex are partnering with the University of Windsor, in addition to other local organizations and businesses in the development of the automobility innovation cluster.<sup>184</sup>

In a multilevel plan to build automobility skills in Windsor the federal & municipal governments worked with a local benefactor and education institutions to develop traditional automotive skills into a next generation automobility cluster. A local benefactor, the Vice-Chair of Capital Markets at firm BMO, helped secure a donation of \$2.5m of the company's money towards building a world-class Centre for Engineering Innovation at the University of Windsor. The university of Windsor is also working with the training focused St. Clair College of Applied Arts and Technology in a research partnership to progress the ambition of establishing an automobility innovation cluster in Windsor. The 300,000 square foot facility housing the faculty of Engineering innovation in Windsor cost \$112m to build.<sup>185</sup> It received \$40m in funding from the Ontario provincial government, along with matching funds from the federal government.<sup>186</sup> The innovation hub is designed in an open style with green roof space in order to promote creativity and collaboration alongside cutting edge studio and lab facilities. The centre, opened to students in 2012, was named the Ed Lumley Centre for Engineering Innovation after the local benefactor, who was also chancellor of the University of Windsor.



Ed Lumley Centre for Engineering Innovation, University of Windsor

<sup>182</sup> <https://www.usnews.com/education/best-global-universities/university-of-windsor-499964>

<sup>183</sup> <https://www.stclaircollege.ca/>

<sup>184</sup> <https://www.feddevontario.gc.ca/eic/site/723.nsf/eng/02542.html?OpenDocument>

<sup>185</sup> <https://newsroom.bmo.com/2013-05-31-2-5-Million-Gift-from-BMO-Helps-University-of-Windsor-Build-Ed-Lumley-Centre-for-Engineering-Innovation>

<sup>186</sup> <https://www.uwindsor.ca/publicaffairs/2013-05-31/ed-lumley-centre-engineering-innovation-shines-official-grand-opening>

In general the Canadian federal development agency, FedDev, have invested over \$12m, coordinated by municipal development agency Invest WindsorEssex to nurture the development of the automobility cluster. \$7.5m of this went to establish Canada's first automobility accelerator, which will offer training to support the upskilling of 1,350 automobility entrepreneurs, with a focus on electric vehicles. In 2017 the government of Canada and the Ontario provincial government allocated funds to establish a not-for-profit skills institute for ai and machine learning, the Vector Institute for Artificial Intelligence. The institute is intended to promote the development of Ontario's high-tech economy and it offers scholarships for computer science at the University of Windsor.<sup>187</sup> The above initiatives will have offered reassurance to investors that local talent could be nurtured in the area to support the automobility cluster.

## How?

Key to the success of Windsor was clearly the collaboration of the different levels of government from municipality to federal level. The constitutional demarcation of roles creates an environment which encourages cooperation, yet strong local mayoral government is still necessary to proactively secure the investment and shape the strategy. The stable political leadership in Windsor is a variable that stands it apart from similar but less successful cities in Ontario. A pragmatic spirit of cooperation is evident in the province of Ontario's initiative of a competitive offer to assist with the development of a mega automotive assembly plant of at least 500 acres under the 2019 Job Site Challenge.<sup>188</sup> Due to the substantial size requirements, Mayor Dilkens looked to work with partner counties to identify a site large enough to be eligible.<sup>189</sup> As was evidence in the Geordie Howe Bridge project, the unity of Canadian government stands in contrast to the partisan challenges across the river in Detroit.

The tools of financial incentives and special powers for land use that are enabled by a CIP in Ontario are an asset, especially in the context of substantial brownfield sites in the city. However, cooperation is essential for the CIPs to be used effectively. The Ontario provincial government not only enabled local agency through permitting the development of CIP powers in 2001, it also further loosened restrictions in 2007 by removing the requirement for the municipality to obtain the approval of the Minister of Municipal Affairs and Housing to establish a CIP.<sup>190</sup> CIPs are not without pain and municipal governments have to sacrifice precious tax revenue to utilise them, implying a strong vision is needed to use them effectively. In a move of further cooperation the Ontario provincial government offered some control on the revenue loss by assisting with the school portion of the tax retention to assist with eligible costs of environmental remediation and rehabilitation in CIP programmes,

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<sup>187</sup> <https://vectorinstitute.ai/about/>

<sup>188</sup> Province of Ontario, 'Driving Prosperity: The Future of Ontario's Automotive Sector', 2019, p. 13. Accessed at; <https://files.ontario.ca/auto-strategy-en-final.pdf>

<sup>189</sup> <https://www.cbc.ca/news/canada/windsor/windsor-ontario-job-site-challenge-1.5383480>

<sup>190</sup> Ontario Ministry of Municipal Affairs and Housing, 'Municipal Financial Incentives for Brownfield Redevelopment Trends among Ontario Municipalities', 2011, p. 5. Accessed at; <http://www.mah.gov.on.ca>

though this necessitated the CIP tax retention be approved by the provincial Minister of Finance.<sup>191</sup>

The Tax Increment Financing under the CIPs in Ontario is handled differently by lenders than those in the USA, with the Canadian version being nicknamed 'TIFs Lite'. In the USA the foregone tax income is treated as collateral by the thousands of local community banks across the country. Canadian banks do not treat the rate retention allowance in the CIP as collateral. However, Windsor has an advantage in having a significant financial institution in the city, WFCU, that is similar to a local bank in the USA<sup>192</sup> which can provide finance. The WFCU Credit Union has been operating in Windsor for 80 years and with managed asset of \$6.83bn, £4.6bn US Dollars, it is the sixth largest credit union in Ontario and twentieth largest credit union in Canada.<sup>193</sup> The expropriation of land enabled by the CIP is a feature that is as useful for offering confidence than in execution as developers feel reassured in making an investment that expropriation can be used if necessary but it rarely is required. In many respects it seems that CIPs are a tool that remove friction from investment decisions. It is clear that in the case of Windsor, CIPs are only a part of the explanation for success. A clear identity and focus on creating an automobility cluster has drawn federal, provincial and ultimately international private investment.

The smaller investments in education, skills and facilities related to the automobility cluster aspirations of Windsor built momentum and suitability of a city that has now achieved amazing success. These investments came from the municipality, via Invest WindsorEssex, from the Ontario provincial government, such as in the form of innovation centre funding and investment in the vector institute, or through federal contributions, such as to the training of entrepreneurs through FedDev and match funding for the innovation centre.

## Conclusion

Windsor is a case of long-term resilience and a vision that has come good with an investment that makes it undeniably a global automobility hub. The largest battery plant in North America by 2025, with an annual production capacity of 45 gigawatts, is an astonishing achievement for Windsor. Putting this production into context, it is equal to almost half of the estimated demand for UK produced batteries by 2040.<sup>194</sup> The vision for Windsor's development came from the municipal level and cooperation from the higher levels of government supported the realisation of that vision. It has nonetheless been essential support, which has been ably harnessed by the strong and consistent local government.

The tools in Windsor's toolkit have included CIPs, which have offered limited additional powers but importantly offered an opportunity to forge a common plan through community consultation. Permitting 'bonusing' at the municipal level shows the willingness of Canadian provincial government to experiment with development autonomy. The federal

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<sup>191</sup> Ontario Ministry of Municipal Affairs and Housing, 'Municipal Financial Incentives for Brownfield Redevelopment Trends among Ontario Municipalities', 2011, pp. 7-8. Accessed at; <http://www.mah.gov.on.ca>

<sup>192</sup> For explanation of local banks see; Mayer, C., McCann, P. & Schumacher, J. (2021), 'The structure and relations of banking systems: the UK experience and the challenges of 'levelling-up'', *Oxford Review of Economic Policy*, Volume 37, Issue 1, pp. 152–171.

<sup>193</sup> <https://www.wfcu.ca/Personal/AboutUs/>

<sup>194</sup> Faraday Institution, 'The UK electric vehicle and battery production potential to 2040', June 2022.

government's ability to remain engaged and actively supportive, while respecting provincial constitutional competence, should serve as a model for other regions.



## Pittsburgh, Pennsylvania. United States

### Overview

#### Introduction

Pittsburgh is an example of a city successfully adapting to changing circumstances with a strong sense of community that leverages impressive assets. Historic top-down planning and environmental management set the tone for Pittsburgh with organisations from the 1940s, such as the Allegheny Conference on Community Development (ACCD) and the Urban Development Authority (URA). Top-down planning worked with strong non-profit organisations and progressed to build resilient bottom-up community organisations, which proliferated across the city, contributing to improvements that stimulate investment and economic activity. The result is a consensual relationship where elites have deference to views of the man on the street.

Both the central and the local government influenced Pittsburgh's proactive approach, with effects from restrictions on interstate capital mobility, growth stimulating initiatives at different levels, and through strong mayoral leadership. Pittsburgh has used its governmental tools to develop from relying on dirty heavy industry to thriving with the clean technology of the fourth industrial revolution. While this was being achieved there was a focus on making the city liveable and conducive to attracting creative talent. A green environment and connective transport infrastructure was built into developments. Alongside this, targeted sector incentives in the media and strategic building projects to partner with research universities enabled the city to maximise its retention of the skilled workforce it produced. Tax increment financing and city bonds enabled the construction of major projects to achieve these goals and attract the likes of Uber and Google to base in the city.

#### Background

Pittsburgh is a mid-sized US city with an impressive history of business and innovation, formerly hosting companies such as US Steel and Westinghouse. In 1980 Pittsburgh had the second largest presence of Fortune 500 companies in terms of capital control of any city in the US after New York, with the vast majority being concentrated inside the 300 acre downtown 'golden triangle'. Today the city hosts divisions of the new generation of corporate giants, Google and Facebook. Pittsburgh's history has forged a communal spirit that is an asset for development.

The number of corporate headquarters dwindled over the decades. During the closure of steel manufacturing in the 1980s, Pittsburgh lost 50,000 people annually.<sup>195</sup> Formerly one the ten most populous US cities, it shrank from a population of 676,806 in 1950 to 305,841 in 2013.<sup>196</sup> The industrial past leaves Pittsburgh with a fantastic legacy of the Carnegie Mellon University, along with 34 other universities in the metro area,<sup>197</sup> and large parks, including, Highland Park,

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<sup>195</sup> The Economist, Lessons for the G20, September 2009. Accessed at; <https://www.economist.com/united-states/2009/09/17/lessons-for-the-g20>

<sup>196</sup> Kevin Klwoden and Kristen Harris with Michael Cheng-Yi Lin (2015), Strategies for Growing Pittsburgh's Media Cluster, Milken Institute, p.3.

<sup>197</sup> The Economist, Lessons for the G20, September 2009. Accessed at; <https://www.economist.com/united-states/2009/09/17/lessons-for-the-g20>

Riverview Park, Schenley Park, Emerald View Park and Frick Park. The latter was bequeathed to the city by the industrialist Henry Clay Frick in 1919. Many of the historic buildings of Pittsburgh have been repurposed for uses such as apartments and residential lofts, for example the former Heinz Factory or the Armstrong Cork Factory.<sup>198</sup>

Strategic developments have come in different stages that the city has undertaken since the 1940s, with the result that Pittsburgh is consistently ranked as one of the most desirable cities in the United States.<sup>199</sup> Formerly polluted rivers in the city became a leisure asset and derelict industrial buildings were removed but the transformation was one that has taken over 50 years to realise. So early did the environmental clean-up begin that even in 1985, during its days as a steel city, Pittsburgh was named as the best US city in which to live by Rand McNally.<sup>200</sup> The focus on making the city liveable continues and Pittsburgh has received similar accolades over the following years.<sup>201</sup> Pittsburgh has arguably been lucky in the legacy it received from its industrial past, however, navigating the collapse of heavy industry there has required proactive and strategic management by a broad spectrum of actors. Other large ford-era success stories in the USA failed to capitalise on the affluent legacy after their hay-day.<sup>202</sup> Pittsburgh has a bright future, with a growing tech sector because, at every turn, the governmental and private sector leadership made decisions that were forward thinking.

## Performance

The seven-county Pittsburgh area was estimated, by the Bureau of Economic Analysis, in 2019 to have a GDP of \$145.5bn, representing a 2.1% growth and thus just under the US average of 2.2%. Despite having a below average productivity in 2019, Pittsburgh should be seen in the context of steady growth from 2001 to 2019, over which time it has more than doubled its GDP.<sup>203</sup>

Venture capital (VC) is an area of strength for Pittsburgh. Despite Pittsburgh being the 61<sup>st</sup> largest city in the US in terms of population as of 2012,<sup>204</sup> in that same year Pittsburgh still had the 19<sup>th</sup> highest VC investment of US metro areas, at \$167m.<sup>205</sup> In the five years up to 2019 there were circa 30 Pittsburgh-based VC firms & circa 140 non-Pittsburgh based VC firms that executed deals in the city.<sup>206</sup> Venture activity per annum in Pittsburgh more than doubled between 2013 and 2017 from approx. \$300m to \$685m. In 2022 Pittsburgh came as the 15<sup>th</sup>

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<sup>198</sup> Pittsburgh City Planning, PRESERVEPGH: Preserving the character of Pittsburgh and its neighbourhoods, July 2012, p. 27. Accessed at; <https://apps.pittsburghpa.gov/dcp/PRESERVEPGH - Adopted 07-24-2012 %28Library Version%29.pdf>

<sup>199</sup> Kevin Klowden and Kristen Harris with Michael Cheng-Yi Lin (2015), 'Strategies for Growing Pittsburgh's Media Cluster', *Milken Institute*, p.3.

<sup>200</sup> <https://apnews.com/article/1056d7f9469a789ac6969d68228edce2>

<sup>201</sup> <https://realestate.usnews.com/places/pennsylvania/pittsburgh>

<sup>202</sup> Forbes, 'Why Has Detroit Continued To Decline?', July 2018.

<https://www.forbes.com/sites/scottbeyer/2018/07/31/why-has-detroit-continued-to-decline/?sh=7ba751f3fbe1>

<sup>203</sup> <https://fred.stlouisfed.org/series/NGMP38300>

<sup>204</sup> [http://www.citymayors.com/gratis/uscities\\_100.html](http://www.citymayors.com/gratis/uscities_100.html)

<sup>205</sup> Florida, R. & Mellander, C. (2016), 'Rise of the Startup City: The Changing Geography of the Venture Capital Financed Innovation', *California Management Review*. 2016; 59(1):14-38.

<sup>206</sup> URA, 'Pittsburgh Opportunity Zones', January 2019. Accessed at;

<https://www.ura.org/media/W1siZiIsIjIwMTkvMDMvMTkvOXU2dDNxc205Y19QaXR0c2J1cmdoX09wcG9ydHVuaXR5X1pvbmVzLnBkZiJdXQ/Pittsburgh%20Opportunity%20Zones.pdf> p. 12.

best US city for overseas business in the inaugural Financial Times and Nikkei investing in America ranking.

Pittsburgh's primary reason to be positive is its strong position in relation to the next industrial phase, which future-proofs the city's resilience. Milken's Best-Performing Cities 2020 report ranked Pittsburgh as a high performer among 200 areas of the USA due to the high-technology basis of its economy, placing Pittsburgh in the top half for high-tech GDP and in the top quartile for high-tech concentration.<sup>207</sup> It is this reputation that sees international companies using Pittsburgh as a base for innovation, with the likes of Bosch, Zoom and Tata Consultancy services who all have research centres there.<sup>208</sup>

## The who?

Pittsburgh's resilience in the face of economic decline has been led by the private sector since the 1940s, yet over time this was augmented by strong community groups that drove development from the bottom up. The Pittsburgh's model', as it became known, was a collaborative model looked to by regions in a period of transition around the world as it combined business interests with not-for-profit community organisations and research institutions.<sup>209</sup> Evidence of the remarkable collaborative approach in Pittsburgh can be seen in the fact that over the 14-year career of a Pittsburgh planner not a single lawsuit was filed by developers in objection to a ruling on planning permission of the Pittsburgh Planning Commission, something that is quite unique for US cities.<sup>210</sup>

Strengthening the institutions of Pittsburgh to produce the collaborative model involved deliberate forging of cooperation from a number of actors, including Federal and State government, as well as powerful private sector players within and outside of the city. Mayors played an important part in leading the transformation with humility and a clear vision. Prominent examples are Tom Murphy and Bill Peduto who each had a vision for success and the long-term commitment to invest in the future.

## Private Sector

The resilience of Pittsburgh was instigated by powerful corporate elites who corralled both the business interests in the city and the varied political interests at municipal and state level. Businesses overcame their self-interest in order to meet the wider interest of the community, through environmental improvements like smoke restriction, sewage clean-up, flood controls and development of the Downtown Golden Triangle. In 1943 the local tycoon Richard King Mellon formed a non-profit community organisation called the ACCD. Composed of CEOs from Pittsburgh's major corporations, the ACCD enabled the consolidation of different actors behind a regenerative course of action. It has been theorised that this could only have

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<sup>207</sup> Michael C.Y. Lin, PhD, Joe Lee, and Perry Wong (2020), 'Best-Performing Cities 2020: Where America's Jobs Are Created and Sustained', *Milken Institute*, p. 27.

<sup>208</sup> Financial Times, 'Rustbelt renaissance: Pittsburgh becomes an FDI standout', October 6, 2022.

<sup>209</sup> Detrick, S. (1999), 'The post industrial revitalization of Pittsburgh: myths and evidence', *Community Development Journal*, Volume 34, Issue 1, pp 4–12.

<sup>210</sup> Interview, participant 11.

otherwise been possible through significant and persistent federal government investment.<sup>211</sup> Yet, there are indications that Federal government policy did play a role.

In a comparison with Buffalo in New York State, the government regulation restricting the movement of capital between states has been identified by Douglas G. Koritz to have influenced the decision of the powerful Mellon family to work on developing Pittsburgh since suitable alternatives within Pennsylvania were not available. Significantly, the situation in Pennsylvania was unlike that in New York State, where New York City offered a multitude of investment options within the same state. Koritz's analysis shows the impact that government regulations can have on disciplining capital to convert a competitive game, involving flight of capital, into a cooperative one to achieve an improvement of the situation.<sup>212</sup> Politically, the influential Mellon family mediated between the state's Republican government and the city's Democratic government, facilitating cooperation on development. Through the Richard King Mellon foundation, the family have been able to have a significant impact on the development of Pittsburgh to the present day.

Once formed the ACCD became an influential actor in the physical development of Pittsburgh throughout the second half of the 20<sup>th</sup> century.<sup>213</sup> In 2022 the Conference's leadership consisted of eleven C-Level corporate leaders who contribute their time to running the non-profit organisation.<sup>214</sup> It has a \$10.1m revenue, \$14.3m in assets and 48 employees.<sup>215</sup> The ACCD coordinated the funding of major infrastructure investments awarded by the Commonwealth of Pennsylvania to Pittsburgh's in the 1980s from the Pittsburgh Strategy 21 proposal.<sup>216</sup> The contribution of the business leaders in the ACCD has been identified as extremely important in lobbying the State for development funding.<sup>217</sup> Strategy 21 consisted of a number of strong multi-year capital programmes that the planning department had put together. The state funding of approximately \$400m that was secured for this strategy included \$36m for the Three Rivers Stadium development<sup>218</sup> and \$97m of state funds for the redevelopment of the Greater Pittsburgh International Airport.<sup>219</sup> Securing the funding for Strategy 21 involved coordinating with the city of Philadelphia for political support at the state level, which involved reciprocal support from Pittsburgh for the construction of a convention centre in Philadelphia.

### Community Development Corporations

In the 1980s the role of community organisations in development grew in Pittsburgh, which was enabled by support from the public and private sectors. The Community Development

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<sup>211</sup> Koritz, D. G. (1991), 'Capital Mobility Versus Unity of Purpose: Urban Redevelopment in Buffalo, N.Y. and Pittsburgh, Pa.', *39 Buff. L. Rev.* 409, pp. 409-427.

<sup>212</sup> Koritz, D. G. (1991), 'Capital Mobility Versus Unity of Purpose: Urban Redevelopment in Buffalo, N.Y. and Pittsburgh, Pa.', *39 Buff. L. Rev.* 409, pp. 409-427.

<sup>213</sup> Detrick, S. (1999), 'The post industrial revitalization of Pittsburgh: myths and evidence', *Community Development Journal*, Volume 34, Issue 1, pp 4–12.

<sup>214</sup> <https://www.alleghenyconference.org/about/our-leadership/>

<sup>215</sup> <https://www.causeiq.com/directory/economic-development-organizations-list/pittsburgh-pa-metro/>

<sup>216</sup> Detrick, S. (1999), 'The post industrial revitalization of Pittsburgh: myths and evidence', *Community Development Journal*, Volume 34, Issue 1, pp 4–12, at p. 7.

<sup>217</sup> Interview, participant 11.

<sup>218</sup> <http://www.briem.com/files/strategy21.pdf>, p.2A.

<sup>219</sup> <http://www.briem.com/files/strategy21.pdf>, p.1A.

Corporations (CDCs), not-for-profit organisations that produce and rehabilitate real estate for housing and economic development, were a prolific actor in the US, having spread in the 1970s and 1980s.<sup>220</sup> Public spending supported this growth. In the decade from the mid-1970s to the mid-1980s Pittsburgh City invested \$786m in neighbourhood facilities, infrastructure and revitalization programs, working mainly with five Community Development Corporations.<sup>221</sup> Yet in the 21<sup>st</sup> century the situation in the country had changed. From 2002-2012, the number of CDC's across the USA reduced by around half.<sup>222</sup> In Pittsburgh, however, CDCs continue to be a strong force in development and economic resilience today.<sup>223</sup> Such resilience of CDCs in Pittsburgh may be seen as a result of state funding and private sector support, since in many cities funding for CDCs has largely dried up.

In the early 1980s local city foundations, the Howard Heinz Endowment and the Mellon Bank Foundation, worked with the city planning department and the urban redevelopment authority to support the development of Pittsburgh's CDCs. At the national level, the Ford Foundation joined the effort to fund CDCs in Pittsburgh, as they were doing in other US cities.<sup>224</sup> The Federal government supported CDCs with the Federal Urban Development Action Grant (FUDAG), which ended in 1988. Federal legislation requiring financial institutions to make credit available to low-income areas was also used by an organisation initiated in 1988, the Pittsburgh Reinvestment Group. This group acts as a clearing house for Pittsburgh's CDCs, most of which are members, and offers a collective voice for CDCs. The manner of support that CDCs in Pittsburgh have received indicates this may be the reason that the organisations remained active to this day, despite the fall in CDCs in other US cities.

Beyond the development work CDCs do, they contribute to a strong sense of community in Pittsburgh that forms part of a consensual will for action. Evidence of the significance of community will for development was seen in the failure to introduce a revenue generating initiative in 1997. The initiative was an attempt to introduce a 0.5% sales tax to fund infrastructure and stadium construction, proposed by the business elite primarily in the ACCD. Yet the initiative was opposed by the community actors, who campaigned against its introduction. The proposal was ultimately defeated in a vote by a 58% majority.<sup>225</sup> Pittsburgh's URA recognises the importance of CDCs and have worked with them in multiple ways to maintain the community, bottom-up, development energy.<sup>226</sup> The geography of the city, with hills and rivers demarcating communities, has likely played a role in creating the strong community identity and ownership that was an asset in Pittsburgh. Isolation of communities has also been hypothesised to have improved cooperation as the spaces were

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<sup>220</sup> Bratt, R. G. & Rohe, W. M. (2007), 'Challenges and dilemmas facing community development corporations in the United States', *Community Development Journal*, Volume 42, Issue 1, pp. 63–78.

<sup>221</sup> Downing J. A. & Lurcott, R. H. (1986), 'A Public-Private Support System for Community-Based Organizations in Pittsburgh', *Journal of the American Planning Association* Volume 53, 1987 - Issue 4, pp. 459-468 at p.459.

<sup>222</sup> Alexander von Hoffman, 'The Past, Present, and Future of Community Development: The Changing Face of Achieving Equity in Health, Education, and Housing in the United States', *Shelterforce*, 2013. Accessed at; [https://shelterforce.org/2013/07/17/the\\_past\\_present\\_and\\_future\\_of\\_community\\_development/](https://shelterforce.org/2013/07/17/the_past_present_and_future_of_community_development/)

<sup>223</sup> Interview, participant 10.

<sup>224</sup> Ford Foundation, Annual report 1986, p. 24. Accessed at; <https://www.fordfoundation.org/media/2456/1986-annual-report.pdf>

<sup>225</sup> Detrick, S. (1999), 'The post industrial revitalization of Pittsburgh: myths and evidence', *Community Development Journal*, Volume 34, Issue 1, pp 4–12.

<sup>226</sup> Interview, participant 10.

not contested between different communities. It is also, however, clear that the city nurtured and utilised what was there in terms of community strength by giving voice to the man on the street.

## Government

Federal and state investment in Pittsburgh has been a substantial part of its ability to be resilient, with initiatives and programmes being run cooperatively between all three levels of government. A strong mayoral government in Pittsburgh has been a factor in its development, enabled by the political stability of its mayors who have been consistently Democratic since the 1930s.

New Market Tax Credits is an example of a federal scheme that Pittsburgh has seized upon to significant effect. The scheme incentivises financial institutions to fund businesses in distressed communities, allowing local banks to help the city's resilience. For the last decade the Pittsburgh Urban Initiatives (PUI) has been stimulating investment in areas of Pittsburgh that need development through the utilisation of tax incentives scheme from the federal government. New Market Tax Credits were established by Congress in December 2000 and it allows bodies called Community Development Entities (CDE) to exchange tax credits with investors, such as local bank PNC, for investment in business projects in distressed communities, defined as a suitable business in a census tract that has at least a 20% poverty rate and where median earnings are 80% of those in the wider area. The PUI, like all CDEs, competitively bids for the award of tax credit allocations and has won \$234m of credits in seven rounds. 30 projects have been carried out in Pittsburgh using the PUI's tax credits, leveraging \$746m and creating 3,792 permanent jobs.<sup>227</sup>

Combined assistance from the state and federal government has been valuable, such as in the instance of funding for development in the East Carson Street area of Pittsburgh. By rehabilitating hundreds of Victorian houses and offering support for businesses, the South Side Local Development Company (SSLDC) oversaw an increase in property values of the declining steel workers neighbourhood from 66% of the city's median value in 1982 to 170% of the median in 2008-9.<sup>228</sup> The SSLDC was created specifically for this purpose, folding in 2012 when its task was complete. The increase was achieved through state funding and federal Community Development Block Grants, alongside funds raised through bond issues and through leveraging private investment. Support came both at this local scale and at the larger scale. In 2003 Pittsburgh City was running a multimillion-dollar deficit and its credit rating was at junk bond status,<sup>229</sup> by 2008 the City had turned this dire situation around to a positive operating balance with assistance from the Pennsylvania Governor and Assembly.

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<sup>227</sup> PUI, '2021 Annual Report'. Accessed at;

<https://www.ura.org/media/W1siZilsljlwMjlvMDIvMDEvNXR0dGloGk2Yl8yMDIxX1BVSV9yZXBvcnRfRklOQUwucGRmIl1d/2021%20PUI%20report%20FINAL.pdf>

<sup>228</sup> Ghosh, S., Byahut, S. & Masilela, C. (2019), 'Metropolitan Regional Scale Smart City Approaches in a Shrinking City in the American Rust Belt—Case of Pittsburgh, Pennsylvania', in eds. Vinod Kumar, T. *Smart Metropolitan Regional Development. Advances in 21st Century Human Settlements*, p. 999-1000.

<sup>229</sup> One Pittsburgh, 'Pittsburgh Resilience Strategy', 2017, p. 23. Accessed at;

[https://resilientcitiesnetwork.org/downloadable\\_resources/Network/Pittsburgh-Resilience-Strategy-English.pdf](https://resilientcitiesnetwork.org/downloadable_resources/Network/Pittsburgh-Resilience-Strategy-English.pdf)

This was achieved by instigating an action plan, which included support for capital projects at quantities of circa \$55m annually.<sup>230</sup>

The former CEO of the American Planning Association, who was a senior planning official in Pittsburgh, believes that strong mayoral leadership was ‘absolutely critical’ as a factor in the resilience of Pittsburgh.<sup>231</sup> Mayoral leadership was seen in actions such as when Mayor Tom Murphy led a huge bond issue to champion redevelopment investment in the city. The Pittsburgh mayors appoint the panel members of the City Planning Commission, who guide land use and land development in the City. Strong mayoral leadership is facilitated by increased competence at the municipal level.

The federal government structure of the US enables a significant amount of autonomy at the State level and, in turn, municipalities that are Chartered have an increased independence from State oversight. Due to the Pittsburgh Home Rule Charter, approved in 1974, the City of Pittsburgh does not need to seek permission from the Pennsylvania State Capitol for actions that are not reserved to the State.<sup>232</sup> Home Rule Charters are permitted in the Pennsylvania constitution by adoption through a referendum and this then gives the City government the ability to engage in actions like the raising of taxes.<sup>233</sup> A Home Rule Charter, which mandates a strong mayoral government empowered to take action and involve the citizenry, was also seen as important in the success of Cleveland Ohio.<sup>234</sup>

## The what?

### Land use

Connectivity and green space are seen to be desirable for attracting creative talent. To maintain desirability as a place for high-value human capital to reside Pittsburgh has needed to manage the environmental impact of heavy industry. That objective was sought in the second half of the 20<sup>th</sup> century through environmental clean-up, which kept corporate headquarters in the city.<sup>235</sup> Major redevelopment came mainly in two stages of renaissance in the mid-20<sup>th</sup> century. Demolition and reconstruction of industrial sites was the feature of what was called Renaissance I from the 1940s to 1970s, with the leadership of industrialists. The second phase, which took place after the Home Rule Charter was passed, was championed by the mayoral leadership of Richard Caliguiri. From the 1970s to 1980s, Renaissance II moved on to diversifying the economy into the sectors of high tech, medical and culture & tourism.

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<sup>230</sup> City of Pittsburgh, ‘Municipalities Financial Recovery Act Amended Recovery Plan’, 2009. Accessed at; [https://apps.pittsburghpa.gov/cbo/Final\\_Pittsburgh\\_Amended\\_Recovery\\_Plan.pdf](https://apps.pittsburghpa.gov/cbo/Final_Pittsburgh_Amended_Recovery_Plan.pdf)

<sup>231</sup> Interview, participant 11.

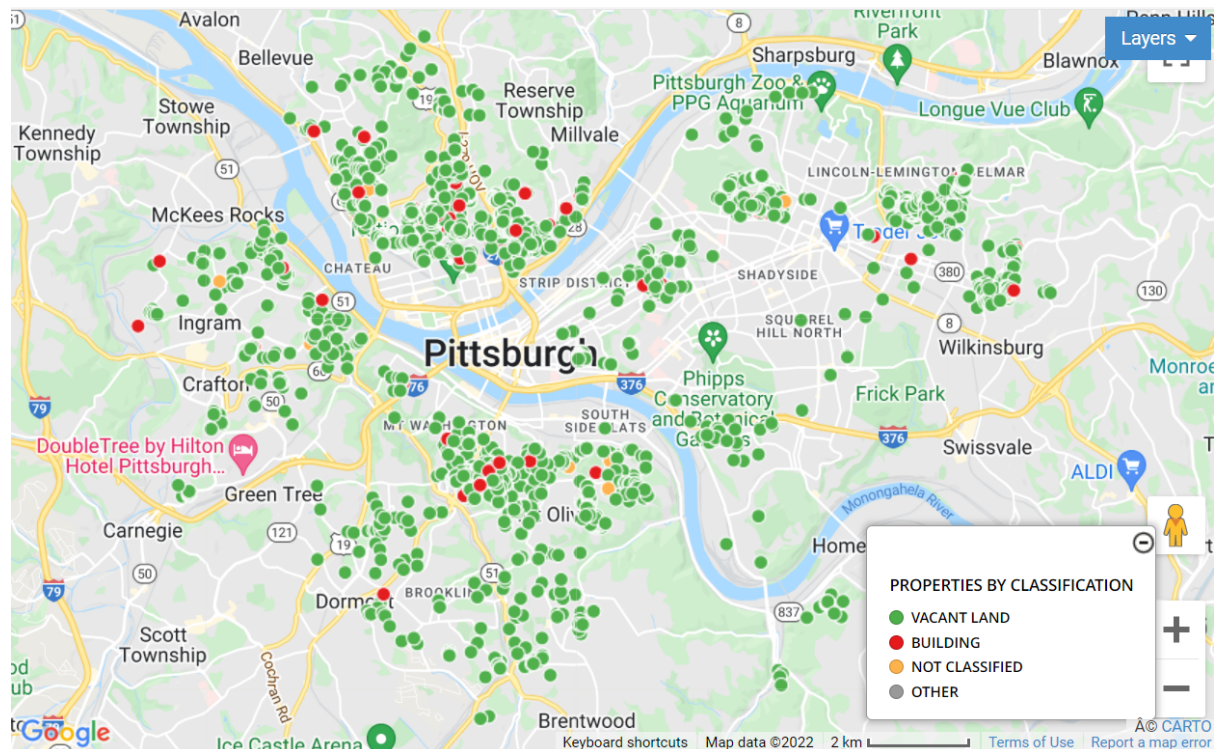
<sup>232</sup> City of Pittsburgh, ‘What is Home Rule?’, Accessed at; [https://apps.pittsburghpa.gov/redtail/images/16954\\_2021\\_home\\_rule\\_updated\\_7-30-21.pdf](https://apps.pittsburghpa.gov/redtail/images/16954_2021_home_rule_updated_7-30-21.pdf)

<sup>233</sup> <https://www.legis.state.pa.us/cfdocs/legis/LI/consCheck.cfm?txtType=HTM&ttl=00&div=0&chpt=9>

<sup>234</sup> CIPFA, ‘Investing in regional equality: lessons from four cities’, February 2022. Accessed at; <https://www.cipfa.org/cipfa-thinks/insight/addressing-regional-inequalities>

<sup>235</sup> Davidson, C. L. (1979), ‘Air Pollution In Pittsburgh: A Historical Perspective’, *Journal of the Air Pollution Control Association*, 29:10, pp. 1035-1041. See also; Bloomberg, ‘What Pittsburgh Looked Like When It Decided It Had a Pollution Problem’, June 2012. Accessed at; <https://www.bloomberg.com/news/articles/2012-06-05/what-pittsburgh-looked-like-when-it-decided-it-had-a-pollution-problem>

As heavy industry declined the issue of dealing with abandoned, decaying, and contaminated land became prominent for Pittsburgh, which, like other Rustbelt cities, has many problematic areas. An online database created by the City government lists thousands of vacant lots across the city. Some counts identify 30,000 vacant and distressed properties in the city as of 2022.<sup>236</sup>



City of Pittsburgh Properties Database, March 2022<sup>237</sup>

Repurposing of disused land has been carried out by the redevelopment agencies and community not-for-profit groups, yet novel solutions have also been attempted. The Adopt-a-lot initiative is an open process allowing citizens to access one of the vacant properties to develop gardens and beautify the city. Abandoned properties currently cost the City a total of \$20m in maintenance and thus adoption by citizens frees up resources from this burden.<sup>238</sup> In the first 2 years of the scheme, 114 vacant lots had been transformed from blight to green assets.<sup>239</sup> Clearly this rate of rehabilitation is insufficient to solve the problem, yet it contributes to mitigation and creates a greener, more liveable, environment.

In terms of connectivity much has been done to make Pittsburgh well connected without an increase in the number of cars, resulting in a very favourable ratio of new jobs added to

<sup>236</sup> WESA News, 'Pittsburgh Land Bank officials say a state law change is critical to success', November 2022. Accessed at: <https://www.wesa.fm/development-transportation/2022-11-07/pittsburgh-land-bank-officials-say-a-state-law-change-is-critical-to-success>

<sup>237</sup> <https://public-pgh.epropertyplus.com/landmgmtpub/app/base/propertySearch?searchInfo=%7B%22criteria%22%3A%7B%22%22%3A%5B%5D%7D%7D#>

<sup>238</sup> Ghosh, S., Byahut, S. & Masilela, C. (2019), 'Metropolitan Regional Scale Smart City Approaches in a Shrinking City in the American Rust Belt—Case of Pittsburgh, Pennsylvania', in eds. Vinod Kumar, T. *Smart Metropolitan Regional Development. Advances in 21st Century Human Settlements*, pp. 979-1021 at p. 1009.

<sup>239</sup> <https://pittsburghpa.gov/dcp/adopt-a-lot>



additional vehicle miles travelled in the city. To maintain a control of car traffic Pittsburgh had controls such as a parking tax and parking space maximums, with developments adding approximately 13m square feet of in a period of almost a decade and a half without adding a single additional parking space.<sup>240</sup> From the 1990s onwards Pittsburgh sought to develop retail and office space and to improve transport in the city.<sup>241</sup> Pittsburgh's efforts have created the kind of transport connectivity and urban greening described by Richard Florida as necessary to attract the high value, creative, workers of the fourth industrial revolution.<sup>242</sup> In 2019 Pittsburgh was ranked 5<sup>th</sup> in the USA for its share of pedestrian and bike commuters, and 80% of Pittsburgh residents were recorded as living within 10 minutes of a public transport link.<sup>243</sup>

### Urban Redevelopment Authority (URA)

An active agency has served as a backbone for the resilience of Pittsburgh for over six decades. Organised in 1946 by corporate and civic leaders, the Pittsburgh URA has been instrumental in the turnaround of the city through strategic land use, working closely with the mayor's office and the City's planning departments primarily. The first director of the URA, David Lawrence, was himself a mayor of Pittsburgh.<sup>244</sup> The agency plays an important role, primarily as an implementing authority, through the purchasing of both small and large parcels of land, reclaiming vast swaths of contaminated brownfield and riverfront sites and ensuring housing and other valuable developments are constructed or rehabilitated.<sup>245</sup> Where the URA proved to be critical was in the approximately 5% of development projects that were 'difficult', these being where private investors were not willing to execute the development themselves based on market conditions.<sup>246</sup> For a city with problematic brownfield sites, a proactive agency such as the URA is an asset.

During Renaissance I the URA undertook the Gateway Center project in the 1950s, the first privately financed downtown redevelopment project in the US.<sup>247</sup> Possibly the most substantial achievement of the URA is Summerset at Frick Park, the biggest redevelopment project in Pittsburgh, which involved transforming the contaminated industrial site of the former Duquesne Slag Company into over 700 residential houses. The URA purchased the site

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<sup>240</sup> Interview, participant 11.

<sup>241</sup> Ghosh, S., Byahut, S., & Masilela, C. (2019), 'Metropolitan Regional Scale Smart City Approaches in a Shrinking City in the American Rust Belt—Case of Pittsburgh, Pennsylvania', in eds. Vinod Kumar, T. *Smart Metropolitan Regional Development. Advances in 21st Century Human Settlements*, pp. 979-1021 at pp. 993-995.

<sup>242</sup> Florida R, Mellander C. (2016), 'Rise of the Startup City: The Changing Geography of the Venture Capital Financed Innovation', *California Management Review*. 2016; 59(1), pp. 14-38.

<sup>243</sup> URA, 'Pittsburgh Opportunity Zone Prospectus', 2019, P. 20. Accessed at; <https://www.ura.org/media/W1siZiIsIjIwMTkvMDMvMTkvOXU2dDNxc205Y19QaXR0c2J1cmdoX09wcG9ydHVuaXR5X1pvbmVzLnBkZiJdXQ/Pittsburgh%20Opportunity%20Zones.pdf>

<sup>244</sup> Ghosh, S., Byahut, S., Masilela, C. (2019), 'Metropolitan Regional Scale Smart City Approaches in a Shrinking City in the American Rust Belt—Case of Pittsburgh, Pennsylvania', in eds. Vinod Kumar, T. *Smart Metropolitan Regional Development. Advances in 21st Century Human Settlements*, pp. 979-1021 at p. 1002-1003, at p. 986.

<sup>245</sup> Lia, X., Yanga, H., Li, W. & Chena Z. (2018), 'Public-private partnership in residential brownfield redevelopment: case studies of Pittsburgh', *Procedia Engineering* 145, pp. 1534 – 1540, at p. 1537.

<sup>246</sup> Interview, participant 11.

<sup>247</sup> <https://www.ura.org/pages/who-we-are>

for \$3.8m in 1995 and the project ran until 2013 with a public cost of \$250m, funded from various sources including a city bond.<sup>248</sup>

Summerset at Frick was a combined effort of state federal and municipal governments. Mayor Tom Murphy championed the project early in his first term with a vision to revitalise Pittsburgh by bringing suburban residents back into the inner city.<sup>249</sup> The development received funding from the state and federal level for stream remediation but the two highest investment sources of the \$38m total public funding allocated by 2007 came from the city and the state in equal measure, with \$11.6m of city bonds and \$12.5m from the state Redevelopment Assistance Capital Program.<sup>250</sup> The success of the development has been clear. Homes adjacent to Summerset at Frick Park experienced an increase in value from 44% to 132% between 2000 and 2007, compared to a rise of only 18% for the city in general.<sup>251</sup>

Alongside land development, the URA also has a unit that offers business financing solutions. The Commercial & Business Lending unit offers gap financing products and expert services to businesses in the city, helping them do things like build facilities and acquire working capital for growth. The URA distributes small grant funding to community organisations, but its function in administering the development instrument of Tax Increment Financing (TIF) is a key role.

### Tax Increment Financing

A TIF involves estimating and utilising a portion of up to 20 years' worth of future property tax revenues to finance improvements necessary to facilitate new developments. TIFs are a long-established development practice that was occurring in the USA some 50 years ago. Pittsburgh has put TIFs to good use, with it estimated to have leveraged hundreds of millions of private funds and created or retained scores of thousands of jobs. Since the introduction of the TIF instrument to Pittsburgh in the 1990s, the URA had completed 31 projects involving the TIFs as of 2017, leveraging approximately \$3bn of private capital.<sup>252</sup> TIFs are not necessarily restricted to the URA but, as the organisation that has the capacity to administer TIFs, they are usually the domain of the URA. Historically another agency, the Redevelopment Authority of Allegheny County (RAAC) also administered some TIFs in the city, but this is no longer the case. Examining the ten RAAC administered TIF districts in Pittsburgh, a 2015 review found that TIF funded developments had created \$16.4 million of new incremental real property tax revenue since 1998.<sup>253</sup>

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<sup>248</sup> Lia, X., Yanga H., Li, W. & Chena, Z. (2018), 'Public-private partnership in residential brownfield redevelopment: case studies of Pittsburgh', *Procedia Engineering* 145, pp. 1534 – 1540, at p. 1538.

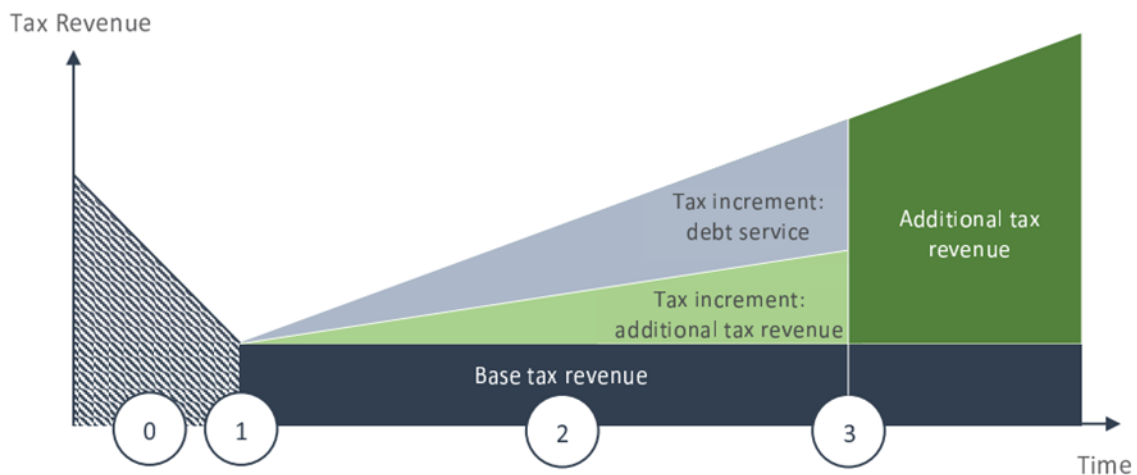
<sup>249</sup> <https://www.cmu.edu/steinbrenner/brownfields/Case%20Studies/pdf/Summerset%20-%20Nine%20Mile.pdf>

<sup>250</sup> <https://www.cmu.edu/steinbrenner/brownfields/Case%20Studies/pdf/Summerset%20-%20Nine%20Mile.pdf> See also; <https://www.budget.pa.gov/Programs/RACP/Pages/Main%20Page.aspx>

<sup>251</sup> Ghosh, S., Byahut, S. & Masilela, C. (2019), 'Metropolitan Regional Scale Smart City Approaches in a Shrinking City in the American Rust Belt—Case of Pittsburgh, Pennsylvania', in eds. Vinod Kumar, T. *Smart Metropolitan Regional Development. Advances in 21st Century Human Settlements*, pp. 979-1021 at p. 1007.

<sup>252</sup> [https://www.ura.org/pages/tax-diversion-programs#:~:text=large%2Dscale%20redevelopment-,Tax%20Increment%20Financing%20\(TIF\)%20and%20Transit%20Revitalization%20Investment%20District%20,otherwise%20not%20be%20financially%20feasible.](https://www.ura.org/pages/tax-diversion-programs#:~:text=large%2Dscale%20redevelopment-,Tax%20Increment%20Financing%20(TIF)%20and%20Transit%20Revitalization%20Investment%20District%20,otherwise%20not%20be%20financially%20feasible.)

<sup>253</sup> <file:///C:/Users/Ian/Downloads/TIF%20Program%20Evaluation%20-%202015.pdf> , p. 4.



Tax Increment Financing Timeline<sup>254</sup>

The notable Bakery Square development, the former site of the bakery and snack manufacture Nabisco, now occupied by Google, was provided with TIF funding. A URA developer who worked on the project claimed Bakery Square would be ‘one-tenth the size without a \$10 million tax increment financing plan’.<sup>255</sup> The TIF element of the investments for projects like the Bakery Square development are raised in the form of revenue bonds, and every year a proportion of the taxes applicable to the property are used to retire the bonds until they are repaid. In Pittsburgh the maximum duration of the bond repayment is 20 years, at which point the full elevated tax is paid to the city.

The URA Executive Director has stated the belief that TIFs have been very important to Pittsburgh’s development, though clarifying that the instrument does not reduce the importance of utilising the spending power of municipal bonds, which can make a difference.<sup>256</sup> As of 2022 enough previous TIF bonds had been repaid and retired that new TIF budget capacity had been freed-up. This is relevant since there is a limit imposed on Pittsburgh’s TIF capacity capped at 10% of the City’s aggregated assessed taxable property value, so projects need to drop off to free up new capacity.<sup>257</sup> It is important to be even handed when considering TIFs, they can be executed poorly and the environmental externalities can be problematic. Although TIF use in the city of Pittsburgh were well executed, those outside of the city have received some criticism.<sup>258</sup> Land development does not automatically mean economic development and sound business cases for developments need to be constructed. TIFs are appropriate for developments that increase the density of land use, such as replacing an apartment building with a large office building. High density is

<sup>254</sup> Urban Redevelopment Authority of Pittsburgh, ‘2015 Tax Increment Financing Report’, p. 3. Accessed at [https://www.ura.org/media/W1siZiZlsljwMTgvdMDMvMDIvNGJnbzRpMG5pZF9GaW5hbmNpbmdfb3VyX0Z1dH VyZV9fXzlwMTVfVVJBX1RheF9JbmnYzW1lbnRfRmluYW5jaW5nX1JlcG9ydF9Mb2dvcy5wZGYiXV0/Financing\\_or\\_Future\\_-\\_2015\\_URA\\_Tax\\_Increment\\_Financing\\_Report\\_Logos.pdf](https://www.ura.org/media/W1siZiZlsljwMTgvdMDMvMDIvNGJnbzRpMG5pZF9GaW5hbmNpbmdfb3VyX0Z1dH VyZV9fXzlwMTVfVVJBX1RheF9JbmnYzW1lbnRfRmluYW5jaW5nX1JlcG9ydF9Mb2dvcy5wZGYiXV0/Financing_or_Future_-_2015_URA_Tax_Increment_Financing_Report_Logos.pdf)

<sup>255</sup> The Pittsburgh Times, ‘Without TIF, Bakery Square would be smaller, URA, developer say’, October 2007. Accessed at: <https://www.bizjournals.com/pittsburgh/stories/2007/10/22/daily17.html>

<sup>256</sup> Interview, participant 10.

<sup>257</sup> Interview, participant 10.

<sup>258</sup> Interview, participant 11.

as opposed to those developments that keep land use density static or even decrease it, as increased taxes are unlikely to be yielded without a density increase.<sup>259</sup>

Another successful development conducted by the URA utilising TIFs is the former LTV Steel South Side Works on Pittsburgh's south bank, which was purchased by the URA in 1993.<sup>260</sup> In 1999 the area became eligible for TIF projects, freeing up \$25m for infrastructure investment at the site. Hundreds of residential homes were built along with units that have been occupied by multiple businesses. Recreational facilities were created in the form of, multiple plazas and a 6.3-acre public park along the Monongahela River. The development featured five miles of riverfront trails and a vehicular, bike and pedestrian bridge to the Downtown and Oakland neighbourhoods. Some \$128m of public investment leveraged a total investment of \$450m, and the area, that was once generating zero tax revenue, was generating over \$6m per year as of 2019<sup>261</sup> with a projected tax generation of \$9m per year at full build out.<sup>262</sup>

### Community Development

Not-for-profit organisations, especially Community Development Corporations (CDC), are noticeably strong in Pittsburgh and this could be seen to stem from the way they were supported. CDCs offer the city bottom-up energy and genuine community input in to planning, which is significant in a city with over 80 neighbourhoods and strong feelings of community ownership compared to other cities.<sup>263</sup> An illustrative success from a CDC is the development of Emerald View Park, one of Pittsburgh's five major parks, by the Mount Washington Community Development Corporation (MWCDC). Mount Washington was a former site of soft coal mining, at one point being named Coal Hill and subsequently becoming a dumping ground for everything from old cars to parts of buildings. With the vision and assistance of MWCDC the land was reclaimed as a reforested park with nineteen miles of trails, offering amenity to the residents. Typical of a CDC, MWCDC focuses on only two neighbourhoods but, unlike many CDCs, it offers business development services as well as real estate development.

Pittsburgh's CDCs were cultivated in the 1980s in a manner that made them resilient. In addition to support from sources like the federal urban development action grant, CDC organisations in Manchester, Oakland, North Side, East Liberty and Homewood received \$2m in operating funds over 4 years in the mid-1980s. These funds came from the Pittsburgh Partnership for Neighborhood Development, which included private sector foundation funding from Heinze, Mellon and Ford.<sup>264</sup> The partnership funding in the 1980s institutionalised a community approach to development with CDCs being provided with three

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<sup>259</sup> Minnesota House Research Department, 'How TIF Works: Basic Mechanics', Accessed at; <https://www.house.leg.state.mn.us/hrd/issinfo/tif/mech.aspx>

<sup>260</sup> Ghosh, S., Byahut, S. & Masilela, C. (2019), 'Metropolitan Regional Scale Smart City Approaches in a Shrinking City in the American Rust Belt—Case of Pittsburgh, Pennsylvania', in eds. Vinod Kumar, T. *Smart Metropolitan Regional Development. Advances in 21st Century Human Settlements*, pp. 979-1021 at p. 1000.

<sup>261</sup> Ghosh, S., Byahut, S. & Masilela, C. (2019), 'Metropolitan Regional Scale Smart City Approaches in a Shrinking City in the American Rust Belt—Case of Pittsburgh, Pennsylvania', in eds. Vinod Kumar, T. *Smart Metropolitan Regional Development. Advances in 21st Century Human Settlements*, pp. 979-1021 at p. 1007.

<sup>262</sup> <https://www.ura.org/pages/southside-works>

<sup>263</sup> Interview, participant 11.

<sup>264</sup> Lurcott, R. H. & Downing, J. A. (1986), 'A Public-Private Support System for Community-Based Organizations in Pittsburgh', *Journal of the American Planning Association Volume 53, 1987 - Issue 4*, pp. 459-468 at p. 462.

aspects of support covering operating funds, technical assistance and financial assistance for real estate and economic development ventures. Access to funding was broadened out by 1987 to include 29 organisations. Of the five original CDCs, four are still running today. Trust was cultivated in the partnerships through the training of CDC personnel in subjects such as architecture and marketing, with a community technical assistance centre being founded in 1980. In addition to training provision, six city planners worked with the CDCs to support them and act as contract managers for developments.

A Commonwealth of Pennsylvania initiative, The Enterprise Development Area Programme (EDAP), helped to reinforce the comprehensive offering of CDCs to their communities. The EDAP programme was created by the State in the 1980s to foster business development and partnerships in distressed communities. The URA managed the EDAP in Pittsburgh and it in turn contracted two community development corporations to administer the programme, resulting in \$1.7m being distributed to strengthen commercial activity in their neighbourhoods. Action included the creation of an equity capital fund for small, high-risk, firms to develop commercial and industrial real estate projects, which was claimed to have incentivised \$48m of investment into the enterprise zones by 1987, creating 1,100 jobs.<sup>265</sup> The North Side Civil Development Council, now the Northside Leadership Conference, was one of the recipients of the Enterprise Development Funding and still offers business development services today.<sup>266</sup>

Community groups are currently funded in multiple ways, such as a \$12m pot of state grants that funds various groups in small awards.<sup>267</sup> Funds also come from gambling revenue, this resulted in \$9.5m distributed by the RAAC in 2021 between 60 organisations and municipalities.<sup>268</sup> Pennsylvania's Neighborhood Partnership Program (NPP) funds partnerships between community organisations, government and businesses working on asset-based community developments.<sup>269</sup> CDCs like the Mount Washington Community Development Corporation, which receives £100,000 per year for a five year period from the fund, benefit from these myriad funding streams.<sup>270</sup>

## Sales Tax

Development in Pittsburgh city is additionally funded by a proportion of the 1% sales tax across Allegheny County, which in 2021 was budgeted to generate \$100.4m. Pittsburgh's 2021 allocation of the sales tax revenue was \$22.6m.<sup>271</sup> The sales tax is channelled into Pittsburgh assets via the allocation of the tax revenue that goes to the City, and through an

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<sup>265</sup> Lurcott, R. H. & Downing, J. A. (1986), 'A Public-Private Support System for Community-Based Organizations in Pittsburgh', *Journal of the American Planning Association Volume 53, 1987 - Issue 4*, pp. 459-468 at p. 464.

<sup>266</sup> <http://www.pittsburghnorthside.com/About-Us/Biography>

<sup>267</sup> Pittsburgh Post-Gazette, 'Pittsburgh receives state funding grant city owned blighted Homewood properties vacant lots', May 2021. Accessed at; <https://www.post-gazette.com/local/city/2021/05/27/Pittsburgh-receives-state-funding-grant-city-owned-blighted-Homewood-properties-vacant-lots/stories/202105270161>

<sup>268</sup> Pittsburgh Post-Gazette, 'Allegheny County distributes \$9.5M through gaming funds', January 2022. Accessed at; <https://www.post-gazette.com/local/region/2022/01/26/Allegheny-County-distributes-funding-gaming-economic-development-tourism-projects/stories/202201260139>

<sup>269</sup> <https://dced.pa.gov/programs/neighborhood-assistance-program-nap/>

<sup>270</sup> Minutes of the MWDC Board of Directors Meeting, January 2020. Accessed at; <https://mwcdc.org/wp-content/uploads/2020/07/MWDC-Minutes-01-02-2020.pdf>

<sup>271</sup> <https://www.alleghenyinstitute.org/how-did-the-rad-tax-fare-in-2020/>

organisation called the Regional Asset District (RAD) that has a board of directors, receives 50% of the sales tax revenue and uses it to support assets in Pittsburgh such as the David L. Laurence Convention centre. The sales tax funds are invested in improving the quality of life for residents through public transit, cultural assets, parks, libraries and other recreational facilities.<sup>272</sup> The sales tax revenue has enabled a significant sum to be invested into improving liveability, with RAD alone having invested over \$2bn in regional assets since its introduction.<sup>273</sup> Organisations working on redevelopment are funded from the sales tax. The Pittsburgh Cultural Trust is an example of a cultural organisation working on redevelopment that annually received funding from RAD, \$1m in 2014.<sup>274</sup>

### The Pittsburgh Cultural Trust

Established in 1984 by tycoon founder H.J. “Jack” Heinz II, the Pittsburgh Cultural Trust is a non-profit that handles an annual revenue of approximately \$50m. Focused on arts, the organization has the mission of the cultural and economic revitalisation of a 14-block sized neighbourhood that has become known as the Cultural District, one of the largest of such areas to be targeted by a single non-profit arts organisation.<sup>275</sup>

In order to accomplish its mission the Cultural Trust partners with developers, building culturally desirable residences in its district. Developments of note include the 1999 partnership with TREK to build 900 Penn Avenue or the 2006 construction of Encore on Seventh in partnership with Lincoln Properties.<sup>276</sup> The trust purchases and turns around formerly undesirable venues such as the 1995 purchase of the Harris Theatre, converting it from a pornography theatre into one showing independent films. Similarly, the purchase of 805-807 Liberty Avenue to turn it into the venue for the Trust’s arts education centre. The Pittsburgh Cultural Trust claims it ‘is a unique model of how public-private partnerships can reinvent a city with authenticity, innovation and creativity’.<sup>277</sup> With a substantial budget supported by multiple sources, the Cultural Trust’s activity to transform an undesirable area into a cultural hub is symbolic of the collaborative cross-sector actors contributing to Pittsburgh’s redevelopment.

### Hazelwood Green

A visual example of the transformation from industrial decline to modern aspiration is the Hazelwood Green project. The development was made possible through the cooperation between the private sector and the public sector, resulting in the transformation of a brownfield site into a people-friendly place that has attracted high-tech talent. Mill-19 is a former steel mill located on the 178-acre Hazelwood Green site, which has been developed

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<sup>272</sup> One Pittsburgh, ‘Pittsburgh Resilience Strategy’, 2017, p. 23. Accessed at: [https://resilientcitiesnetwork.org/downloadable\\_resources/Network/Pittsburgh-Resilience-Strategy-English.pdf](https://resilientcitiesnetwork.org/downloadable_resources/Network/Pittsburgh-Resilience-Strategy-English.pdf)

<sup>273</sup> <https://www.radworkshere.org/>

<sup>274</sup> <https://archive.triblive.com/local/pittsburgh-allegheny/pittsburgh-cultural-trust-leads-applicants-seeking-increase-in-rad-money/>

<sup>275</sup> [https://trustarts.org/pct\\_home/about/history](https://trustarts.org/pct_home/about/history)

<sup>276</sup> Pittsburgh Cultural Trust, ‘2019 Pittsburgh Cultural Trust Report to the Community’, pp. 4-5. Accessed at: [https://trustarts.org/pct\\_home/about/organization/report](https://trustarts.org/pct_home/about/organization/report)

<sup>277</sup> [https://trustarts.org/pct\\_home/about/history](https://trustarts.org/pct_home/about/history)

to attract cutting-edge businesses, such as those in robotics.<sup>278</sup> Emerging from the Riverlife Taskforce of 1999, the site was purchased in 2002 by a group of four foundations that had a vision for the site to be an asset for the future of the city. The foundations consisting of the Benedum Foundation, Heinz Endowments, the Richard King Mellon Foundation and the McCune Foundation.<sup>279</sup> It took 17 years of effort before the site was opened to the public, demonstrating long-term thinking in Pittsburgh. The site was managed by the Regional Industrial Development Corporation (RIDC), which was established in the 1950s as a private non-profit to focus on developing large, obsolete, unused properties for the benefit of the community. The RIDC planted urban forestry and created lab facilities which brought in Carnegie Mellon University (CMU) to partner on the Mill-19 development. CMU utilise two thirds of the high-tech facility and their engagement attracted Uber as an early tenant. Now completed, Mill-19 has a plaza, designed by a Seattle architecture firm that took input from Hazelwood neighbourhood representatives. Transit connectivity was an important consideration for the design of the site, with bicycle and pedestrian provision and connectivity to and within the site.



**The Plaza at Hazelwood Green, the Mill-19 former steel works is in the background**

Beyond the foundation money, further investment in mill-19 was made possible through state, federal and local actions. The 2017 Tax Cuts and Jobs Act passed by Congress created

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<sup>278</sup> <https://ridc.org/impact/case-studies/cultivating-community-assets/mill-19-a-pittsburgh-industrial-hallmark/>

<sup>279</sup> Lia, X. Yanga, H., Li, W. & Chena, Z. (2018), 'Public-private partnership in residential brownfield redevelopment: case studies of Pittsburgh', *Procedia Engineering* 145, pp. 1534 – 1540, at p. 1539.

the development vehicle of Opportunity Zones, where investments in the eligible low-income areas can be entirely capital gains tax exempt if an investment is maintained for 10 years. Pittsburgh has 28 of these zones in 5 neighbourhoods covering a population of 58,876.<sup>280</sup> Opportunity zones are an example of federal tax revenues being forgone to stimulate development, with the state governor selecting the sites that are eligible and the Director of the Richard King Mellon Foundation and Pittsburgh Mayor at the time Bill Peduto working to get the Hazelwood site designated as an Opportunity Zone.<sup>281</sup> Pittsburgh's largest philanthropic foundation, the Richard King Mellon Foundation, invested \$20m, along with Boston based firm Arctaris Impact Investors, to create job initiatives and economic development in the zones in Allegheny.<sup>282</sup> The foundation has been closely involved in the development at Hazelwood Green throughout, as a part owner of the site. The success of Hazelwood Green demonstrates what can happen when local, national and intermediate level actors cooperate to stimulate regeneration.

## Skills

Pittsburgh was so specialised in the 1950s that the number of its residents employed in the production of primary metals was roughly equivalent to the number employed in the next nine highest sectors combined, and of the other nine sectors approximately a fifth were employed in producing fabricated metals.<sup>283</sup> After the departure of many workers associated with the steel industry, Pittsburgh, with its strong educational assets, maintained a high level of educational attainment. This is reflected in the Educational Opportunity Index score for Allegheny County being more than 10% above both the national and the Pennsylvanian average.<sup>284</sup> Pittsburgh has an extremely impressive high school graduation rate of 92.9%, and a college graduation rate higher than Chicago or New York, rivalling that of Boston.<sup>285</sup> However, when it comes to skills, retaining talent is as important as educational attainment.<sup>286</sup>

In Pittsburgh the problem is not producing top graduates, it is retaining them. With educational assets like CMU, the University of Pittsburgh and Point Park University, the problem of offering the talented workforce produced suitable employment has been addressed by incentives. Since 2004, the state government of the Commonwealth of Pennsylvania has operated a major incentive programme of tax credits for the media sector worth \$60m per annum. The programme is reported to help attract and retain graduates of

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<sup>280</sup> URA, 'Pittsburgh Opportunity Zones', January 2019. Accessed at; <https://www.ura.org/media/W1siZiIsIjIwMTkvMDMvMTkvOXU2dDNxc205Y19QaXR0c2J1cmdoX09wcG9ydHVuaXR5X1pvbmVzLnBkZiJdXQ/Pittsburgh%20Opportunity%20Zones.pdf> p. 22.

<sup>281</sup> <https://www.hazelwoodgreen.com/news-media/2021/7/6/foundation-partners-to-invest-20m-in-distressed-opportunity-zones-around-the-region>

<sup>282</sup> Pittsburgh Post-Gazette, 'Foundation partners to invest \$20M in distressed 'opportunity zones' around the region', March 2021. Accessed at; <https://www.post-gazette.com/business/pittsburgh-company-news/2021/03/10/Richard-King-Mellon-Foundation-Arctaris-fund-opportunity-zones/stories/202103100152>

<sup>283</sup> Chinitz, B., (1961), 'Contrasts in agglomeration: New York and Pittsburgh', *The American Economic Review: Papers and Proceedings*, 51(2), pp. 279-28, at p. 282.

<sup>284</sup> <https://opportunityindex.org/>

<sup>285</sup> [https://ballotpedia.org/Pittsburgh,\\_Pennsylvania](https://ballotpedia.org/Pittsburgh,_Pennsylvania)

<sup>286</sup> Matsu, J. & Pitt, J., 'Addressing regional inequalities in the UK: levelling to where?', *CIPFA*, June 2021, p. 9. Accessed at; <https://www.cipfa.org/policy-and-guidance/reports/addressing-regional-inequalities-in-the-uk-levelling-to-where>



media and the related essential fields such as motion capture, robotics, graphics, and programming. An assessment by the U.S. Bureau of Economic Analysis demonstrated that Pennsylvania film production incentives created new economic activity that rippled out into other industries. In this way associated sectors, which are desirable to creative talent in general, are supported whilst also maximising the economic benefit of the educational assets of a region.

As has been discussed above, land use and redevelopment has been used in a strategic way in Pittsburgh to retain the skilled workforce that is produced by its strong universities. The clearest example of this is arguably the Pittsburgh Innovation District (PID). The PID straddles the Oakland neighbourhood containing both the University of Pittsburgh and the Carnegie Mellon University. The district acts as a connector for the knowledge institutions and businesses, creating high-skilled jobs that retain the graduates and attract outside talent. The physical development was achieved through the construction of facilities, transportation infrastructure and lifestyle assets. The district seeks to be rich in cultural assets, such as museums & restaurants. As an integral part of the PID, the Pittsburgh Technology Center is built on the site of the former J&L Coke Works, covering an area of 175,000 square foot.<sup>287</sup> As discussed below, the J&L site development was a major success carried out over multiple phases. At the PID, as of 2019, a research partnership between the two universities generates approximately \$1m annual property tax revenues, maintains 1,000 high-tech jobs and has attracted over \$140m in private investment.<sup>288</sup>

## How

The primary factor at work in Pittsburgh was cooperation, both between the city's elites and the neighbourhood level, and across the municipal-state-federal government levels. Cooperation began in the 1940s with the powerful Mellon family overcoming the game theory problem inherent with a declining city, where self-interest drives a flight of capital and disincentivises investment in public goods, by using their resources to turn a competitive game into a cooperative game.<sup>289</sup> Cohesion was created in the sphere of politics as it was in business. It is instructive that it was partly government regulations restricting the free flow of capital that disciplined the powerful actors in Pittsburgh to commit to the location and trigger the long-term resilience of the city. That collaborative spirit lasts till today in multiple ways.

The legacy of the 1940s was the ACCD, which was an asset in the form of a group of influential business leaders working towards the development of Pittsburgh throughout decades. Over time community groups generated a different kind of bottom-up energy that was a driver of the city's development in later years. Embodied most clearly in the CDCs, the community contributed to the spread of planning expertise and supported the city's economic growth, as

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<sup>287</sup> <https://ridc.org/properties/browse-portfolio/pittsburgh-technology-center/>

<sup>288</sup> Ghosh, S., Byahut, S., Masilela, C. (2019), 'Metropolitan Regional Scale Smart City Approaches in a Shrinking City in the American Rust Belt—Case of Pittsburgh, Pennsylvania', in eds. Vinod Kumar, T. *Smart Metropolitan Regional Development. Advances in 21st Century Human Settlements*, pp. 979-1021 at p. 1002-1003.

<sup>289</sup> Douglas G. Koritz (1991), 'Capital Mobility Versus Unity of Purpose: Urban Redevelopment in Buffalo, N.Y. and Pittsburgh, Pa.', *39 Buff. L. Rev.* 409, pp. 409-427.

well as developing assets, such as turning industrial scrap heaps into assets like Emerald View Park.<sup>290</sup>

Pittsburgh nurtured the CDCs wisely, injecting substantial funding. Financial support combined with the URAs delegation of the Commonwealth of Pennsylvania enterprise programme to the CDCs, helping them diversify their function into business development in the neighbourhoods and contributing to their resilience in the face of the general decline of the organisational type in the USA. Pittsburgh benefits from cooperative support from multiple actors and the funding for the CDCs reflects this, with funds provided by city and state governments as well as local and national foundations. The strength of the charitable foundations in Pittsburgh is an important aspect of its resilience. The development of sites such as Hazelwood Green were driven by foundations, attracting high-tech research and forward-facing companies to a pleasant, people-friendly, green environment in the shadow of a reformed steel works.

There are multiple instruments that have been utilised in the development of Pittsburgh; TIFs, a sales tax, federal tax relief zones, state capital investment and city bonds. As can be seen from the failure of the elite dominated sales tax initiative in 1997, cooperation of the local actors in Pittsburgh was necessary to make them a success. TIFs are a standout instrument that have been used in Pittsburgh to reclaim brownfields either turning them into green residential estates, which ultimately expand the city's tax base, or into sites for high-tech industry engaged in the essential skills the city needs to grow. Starting work in 1983, the 1990s phase of redevelopment turning the J&L Coke works into the Pittsburgh Technology Centre utilised the first ever use of Tax Increment Financing in Pennsylvania, and the \$7.5m raised by this new instrument was repaid 12 years early due to the success of the project.<sup>291</sup>

## Conclusion

Pittsburgh is a strong example of resilience in the face of decline. Although there are undoubtedly challenges remaining, Pittsburgh has successfully reinvented itself from an undiversified, dirty, industrial hub to a green and connected centre for tech development. Although Pittsburgh was fortunate to have a range of assets, well-endowed foundations, many excellent educational institutions and a spirit of cooperation, it has been active in making the most of these assets. Lessons can be learned from Pittsburgh.

Strong and consistent mayoral leadership within the framework of a home rule charter gave the city the ability to make decisions that could shape growth in the long run. Federal and State government supported development, but it was often the mayor who worked on seizing opportunities and leading effective development institutions such as the URA. The mayor and the URA were able to use the authority to leverage the many millions of dollars' worth of investment to consolidate partnership at the local level and realise visions for the future. Beyond specific instruments themselves, such as TIFs, it was this local government capacity to act that is the lesson to take from Pittsburgh.

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<sup>290</sup> <https://pittsburghparks.org/explore-your-parks/regional-parks/emerald-view-park/>

<sup>291</sup> Ghosh, S., Byahut, S., Masilela, C. (2019), 'Metropolitan Regional Scale Smart City Approaches in a Shrinking City in the American Rust Belt—Case of Pittsburgh, Pennsylvania', in eds. Vinod Kumar, T., *Smart Metropolitan Regional Development. Advances in 21st Century Human Settlements*, pp. 979-1021 at p. 1002-1001.

## Interview Participants

<b>Number</b>	<b>Name</b>	<b>City</b>	<b>Title</b>
1	Monica Gibson	Newcastle	Executive Director: Department of Planning and Environment
2	Simon Massey	Newcastle	City of Newcastle: Innovations and Futures Manager
3	Mick Cassell	Newcastle	Secretary: Department of Planning and Environment
4	Nandita Das	Newcastle	Senior Policy Officer: Strategy & Innovation, Department of Planning and Environment
5	Milan Vujanovic	Windsor	City of Windsor Mayor's Office: Senior Economic Development Officer
6	Greg Atkinson	Windsor	City of Windsor Mayor's Office: Senior Planner
7	Neil Robertson	Windsor	City of Windsor Mayor's Office: Manager of Urban Design
8	James Meddings	Windsor	Former president (Deputy Minister) federal, Economic Development Agency for Southern Ontario
9	Rebecca Davidson-Wagner	Pittsburgh	Director: CDFI Investments
10	Greg Flisram	Pittsburgh	Executive Director: URA
11	Paul Farmer	Pittsburgh	Former CEO: American Planning Association & senior planner Pittsburgh