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Good morning members of the Committee. Thank you for the opportunity to testify before you today. My name is Albert Saiz, and I am a Professor at the Wharton School, of the University of Pennsylvania. As a native from Barcelona, Spain - a city that underwent a remarkable transformation from an industrial economic backwater town in Southern Europe to being internationally perceived as one of the most desirable places to live - I am interested in how cities can manage to grow based on recreational amenities and lifestyle.

In my research I study the role of cities as centers of leisure and consumption. The provision of amenities for the enjoyment of leisure and aesthetic purposes has always been an important part of the role of cities. In America, the City Beautiful movement advocated city beautification as a way to improve the living conditions and civic virtues of the urban dweller in the beginning of the 20th century. Parks, museums, recreational spaces, and architecturally appealing public buildings (such as train stations, courts, and town halls) are some of the legacies of that movement, which petered out by the Great Depression.

Today, urban scholars and policymakers are coalescing into a different modern perspective of the importance of city beautification and the provision of amenities geared to the enjoyment of leisure. Cities around the world (such as Barcelona and Bilbao in Spain; Glasgow in Scotland; Torino in Italy; and in the U.S., Oklahoma City, OK; Camden, NJ; and San Antonio, TX), have attempted to leverage public and private investments in leisure spaces and beautification to spur demographic change and economic development. A greater variety of consumption amenities is especially attractive to households as their wealth increases. In the 46 years between 1959 and 2005, real per capita income more than doubled in the United States. The rise in real income has led to an increased demand for luxury goods, such as meals in gourmet restaurants, live theater, and children's attractions, which are more plentiful in some cities. A number of cities have a comparative advantage in the production of consumer-oriented public goods and private services, due to historic character, architectural variety, pleasant public spaces, or natural scenic beauty. Local public policy may also play a role. Policymakers and private investors are paying increasing attention to the provision of public goods that are oriented toward leisure: museums, waterfront parks, open-air shopping centers, and other public spaces that are enjoyed by families and individuals.

Urban economists have hypothesized that consumption amenities, especially geared toward the enjoyment of leisure, are becoming more important in explaining urbanization and the location of individuals. In this *modern view of leisure-based urban development, people locate in attractive cities, and jobs follow*. The evidence for this view, however, has so far been tenuous: past studies have provided only very indirect evidence of the importance of leisure amenities for urban development. Did cities that are perceived as attractive places for leisure activities grow at a relatively faster pace in recent periods?

In my recent research with Jerry Carlino (Philadelphia Fed), we provided a measure of the demand for urban amenities stemming from revealed preferences by consumers of the number of incoming leisure trips by Metropolitan Statistical Area (MSA). Leisure visitors are attracted by an area's special traits, such as proximity to the ocean, scenic views, historic districts, architectural beauty, and cultural and recreational opportunities. But these are some of the very characteristics that attract households to cities when they choose where they will make their permanent homes.

SEE EXHIBIT 1

Using the number of leisure visits, we directly explored how leisure consumption opportunities affected MSA population and employment *growth* during the 1990s. Our findings suggest that, *all else equal, population and employment growth was about 2.0 percent higher in an MSA with twice as many leisure visits as in another MSA. This result was not driven by employment growth in the tourist sector. In standardized terms, our leisure measure was the third most important predictor of population growth in the 1990s.*

SEE EXHIBIT 2

“Beautiful cities” disproportionately attracted highly educated individuals and experienced faster housing price appreciation, especially in supply-inelastic housing markets. Local government investments in new public recreational areas were associated with increased city attractiveness.

Furthermore, within metropolitan areas, we defined the *Central Recreational District (CRD)* in terms of access to tourism information centers, recreational sites, and aesthetic externalities. Despite worse initial economic conditions, *CRDs managed to grow faster than other comparable areas. Rents, incomes, and educational attainment increased faster in such “beautiful neighborhoods”.* *Distance to the Central Business District (CBD) was mostly irrelevant to the recent economic and demographic changes of urban neighborhoods* in the US once we controlled for access to leisure opportunities. While the American central city generally did not “come back” in the 1990s, the “beautiful city” within flourished.

SEE EXHIBIT 3

Therefore, an urban growth and redevelopment strategy based on amenities and beautification is not only intuitively appealing, but also based on scientific evidence. From a normative perspective, I can also advance my views on the key elements to implement urban development policies based on amenities and lifestyle:

- *Focus on attracting (especially highly-educated) workers,* and their employers in order to increase the tax base, thereby *improving conditions for all*
- Focus on residential, as opposed to employment-based initiatives: no need to pick uncertain “winner” sectors or industries
- Design Public spaces for leisure, entertainment, and family use
- Development strategies should allow for *mixed private-public components:* policy-makers cannot read minds or foresee the future; allow for organic growth
- *www: waterfront (development) works well*

- Focus on walkable environments: new suburban edge-cities can sprout anywhere; but only a few regions can match our cities and suburbs in pedestrian and historic value
- Outdoor activities: consumer demands for green spaces and practices, and healthy lifestyles are here to stay
- Increase the role given to architectural/historic value: convert “old” into “historic”
- New focus on aesthetic value; ask your constituents the question: is it beautiful?
- Family orientation: provide child-friendly spaces and environments
- As the share of elderly population grows they will also fit into our “beautiful cities”
- Target specific promising areas and leverage existing assets: central recreational districts (CRD); this will benefit all
- Allow mixed-use zoning in CRD
- Allow higher densities in CRD
- Plan and develop subterranean or multi-level parking in CRD
- Integrate public spaces with private leisure venues: use public buildings as “civic anchors” to generate pedestrian traffic in CRD
- Security is very important everywhere, but higher pedestrian traffic grants stricter law enforcement in CRD
- Leverage CRD as sources of civic pride: local events, markets, parades, etc.
- In an organic way, screen development for Beauty and Visual Variety in CRD
- Focus on the customer: your citizens’ wants, needs, and aspirations

EXHIBIT 1
Correlates of Tourist visits

	Log Number of Leisure Visits (millions)--1992[†]
Log Population	0.507
Log Number of Colleges (Peterson's)	0.279
Poverty Rate	-4.091
Log Average Annual Precipitation (1961-1990)	-0.441
Share Workers in Manufacturing	-4.92
Average Distance to Park	-0.035
Average Distance to EPA-Hazardous Industries	0.351
Average Distance to Golf Course	-0.008
Log Historic Places per Capita	0.296
Coastal Share within a 10 km Radius of CC West	1.023
Log Public Recreation Capital Expenditures	0.23

EXHIBIT 2
Strength of Relationships with Metropolitan Growth in the US: 1990s

	Standardized Coefficient
Immigration Impact (1990-2000)	0.70
Log Tax Revenue (1977-87)	-0.66
Log Number of Tourist Visits 1990 (millions)	0.31
Log July Mean Relative Humidity (Average 1941-1970)	-0.25
Log Patents Issued in 1990	0.15
Unemployment Rate in 1990	-0.12
Share with Bachelor's Degree 1990	0.10

EXHIBIT 3

Strength of Relationships with Neighborhood Growth in the US: 1990s

	ΔLog Rent	ΔLog Population
High Historic Gravity	0.035 (0.004) ^{***}	0.059 (0.008) ^{***}
High Recreational Gravity	0.055 (0.004) ^{***}	0.051 (0.008) ^{***}
Central City	-0.025 (0.002) ^{***}	-0.019 (0.004) ^{***}
1st Ring: <1Km. from CBD	0 (0.007)	
2nd Ring: 1-2Km. from CBD	0.009 (0.004) ^{**}	
3rd Ring: 2-3Km. from CBD	0.01 (0.004) ^{**}	
MSA Fixed Effects	Yes	Yes
Other 1990 Census Tract Controls	No	Yes
Observations (Census Tracts)	48,499	50,786
R-squared	0.21	0.26

EXHIBIT 4
Google Maps Photos per Population (2010) in Philadelphia Area



EXHIBIT 5
Percentage Population Growth 1990-2000 in Philadelphia Area

