

# Bond Case Briefs

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## The Untold Story of Mid-Sized Economies.

The National League of Cities' latest report, [Local Economic Conditions: The Untold Story of the Varied Middle](#), finds that 84 percent of cities say their local economies have improved since 2016. The new analysis reveals a dynamic economic landscape that has given rise to five distinct types of local economies: a highly rural cluster; a large central city cluster; and three types of mid-sized economies.

Rural vs. urban. It's a simple yet compelling narrative about the dichotomous relationship between place and economic growth.

But digging deeper reveals an even more dynamic economic landscape, particularly among mid-sized cities. We explore these nuances in our new report, [Local Economic Conditions: The Untold Story of the Varied Middle](#).

The drivers of both economic growth and decline in places with populations between 50,000 and 300,000 are quite varied, changing rapidly and leading to divergent economic outcomes. Until now, our glimpse into mid-sized cities has been limited to a fuzzy picture of places that are not rural, not mega-cities, but someplace in between.

To better understand the forces undergirding the condition of local economies of all types, the National League of Cities (NLC) conducted a survey to gauge the performance of key local economic indicators in cities. We then performed a cluster analysis to clearly identify how specific economic factors converge and give rise to distinct types of local economies.

Five groupings of local economies emerged. a "Rural Brain Drain" cluster of highly rural cities with shrinking populations; a large central city cluster of "Major Job Centers"; and three distinct types of mid-sized local economies. We define these three mid-size economies as "Room to Grow," "Mid-sized Business Boomers" and "Cities on Par."

Change in Local Economic Conditions By Economy Type Since 2016



Looking more closely at the mid-size local economies, the Room to Grow economies are defined by favorable commercial property values, affordable housing stock and population growth. Cities in this cluster are known for their office parks and outlet malls. These areas are under threat as corporate headquarters look to move from spacious suburbs into core-city downtowns. They are also experiencing a significant decline in the health of their retail sectors. Interestingly, this is the only cluster in which affordable housing availability is identified as a positive economic driver: these suburbs appear to be key exhaust valves for otherwise tight regional housing markets, reaping the benefits of affordability challenges in core cities that are forcing people out.

Meanwhile, the Mid-Sized Business Boomer city cluster comprises hotbeds of business expansions located mostly in core cities of mid-sized metro areas. Business boomers have adapted to the new tech and small-scale manufacturing economies and are attracting business travel and tourism. Their

business sectors, however, seem to be growing more quickly than the available talent, leading to a significant misalignment of workforce skills and business demands. And as business boomers become more concentrated business centers, their housing markets are tightening, presenting significant challenges related to affordable housing and homelessness.

Lastly, the economies of the Cities on Par cluster tend to have populations between 50,000 and 100,000 and are defined largely by their high residential property values. With fewer distinguishing characteristics than other clusters, cities on par seem to be more or less experiencing the national trend of slow, positive growth following the Great Recession. They rely on new business starts to drive growth and have noted reductions in commercial and residential property vacancies and crime over the past year. But much like many other cities across the country, they suffer from a lack of affordable housing and are having trouble meeting the needs of at-risk populations.

Our analysis of local economies presents a picture of both promising economic trends and the complexities that lie beneath. Illuminating the differences driving local economics, particularly of mid-sized cities, is important because it helps inform local-level policymaking and strategic planning. More broadly, unlocking the latent economic potential of the United States will require enabling cities and regions, particularly mid-sized economies, to localize solutions to meet their specific needs and harness their assets.

## **National League of Cities**

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