

Cities Move to Revive Local Economies



Workers repair a tractor for the city of Carrollton, Texas.

BY STEPHANIE SIMON AND LESLIE EATON

CARROLLTON, Texas—Cities, counties and states across the nation are launching home-grown economic-stimulus plans aimed at spurring local spending and keeping small businesses afloat during the recession.

Some are taking the traditional route of cutting corporate taxes. Others are trying all sorts of ideas: Paying residents to shop in local stores; giving real-estate brokers bonuses for bringing tenants to empty strip malls; reducing fees on new development; even critiquing local restaurants and giving owners feedback on how best to bring in customers.

Here in Carrollton, just north of Dallas, council members have dipped into a budget surplus to create as many as 250 temporary jobs paying \$8 to \$10 an hour. Hiring will swing into gear this week for shifts planting trees, painting fire hydrants and sprucing up Little League fields.

"I have no grand designs that we're going to solve the world's economic problems," says City Manager Leonard Martin. "But there's got to be something we can do to help some of our people."

Local governments of all sizes have been searching for ways to do the same. More than 16 states are preparing their own stimulus packages, which are expected to total about \$10 billion in spending, according to the National Conference of State Legislatures. At least 30 cities and counties are undertaking more localized efforts, according to people involved with those initiatives.

State and local governments are still hoping to get pieces of the \$787 billion federal stimulus package, which is designed to pump money into health care, transportation and education, among other things.

But leaders of many struggling cities and states say they can't afford to wait for their slice of that pie. They face substantial financial hurdles to acting on their own: Their tax revenues are declining, forcing some to slash budgets. They're constrained by balanced-budget requirements—unlike the federal government, they can't run up deficits or print money. Still, they're floating bonds, raiding reserves and shuffling money among various accounts to free up capital for local stimulus efforts.

Cities and States Take Stabs at Reviving Local Economies

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In Lancaster, Calif., for instance, where the unemployment rate has hit 15.2%, the City Council voted to take \$500,000 from a reserve fund to try to spark consumer spending. Anyone who spends \$300 at local businesses will get a \$30 gift card from the city.

Lancaster is also covering vehicle-registration fees for anyone who buys a new car or motorcycle in town. Already, the local auto mall has sold 60 cars under that program, including one to a customer who drove out from Beverly Hills just to shop in Lancaster. "It's pretty depressed around here," says Steve Goelke, the project coordinator. "This is a psychological boost."

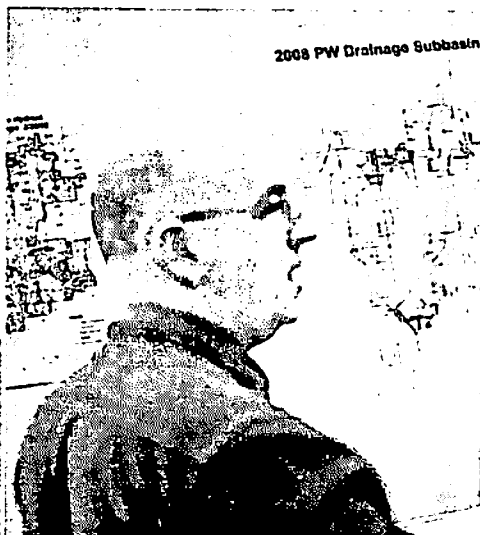
Newark, N.J., is taking \$1 million out of a trust fund fed by the sale of city-owned land to guarantee bonding for small-scale contractors hoping to get a piece of the expected surge in federally funded road construction.

In western Pennsylvania, Allegheny County has promised all laid-off workers free tuition at the community college. More than 100 start classes this month in subjects such as nursing and computer technology.

Big cities are also stepping up. New York City has a \$15 million plan—a fraction of its \$43 billion budget—to help laid-off investment bankers start new careers as entrepreneurs. This month, the city began offering office space, complete with computers and kitchens, at the low rate of \$200 a month per person. The city is seeding a \$3 million "angel investment fund" for start-ups. It also hopes to use \$30 million in federal recovery funds originally set aside to deal with the aftermath of the Sept. 11 attacks to give grants to companies that create jobs in lower Manhattan.

San Francisco is tapping a pot of federal funds to offer small businesses \$23 million in no-interest loans. The mayor also is pushing to waive local payroll taxes on new hires and to give tax rebates to companies that buy new equipment, such as commercial dishwashers, from local vendors.

"It's a million flowers blooming," says Neil Kleinman, policy director for Living Cities, a community-development nonprofit. In the past, he says, economic development has often been focused on "trying to hold on to your large employers as beachheads, keeping the GM plant from moving to Ottawa. It wasn't focused on



Carrollton, Texas, is taking stimulus steps. The Department of Public Works will open a temporary position for its Geographic Information System, which maps the city's fire hydrants. Left, Robert Kopp, director of public works, is by a map of the city's progress. Right, Rhea Shay Myers, an out-of-work medical assistant, contacted the city about applying for one of the new temporary jobs.



workers or stimulus. Now, we're seeing new economic development strategies for the 21st century."

Even boosters recognize the limits of such initiatives. For one thing, local efforts can't address the structural problems that plague the global economy. "How can a community organize the unfreezing of the credit markets?" asks Maryland Gov. Martin O'Malley.

Economists dispute the effectiveness of small-business loans and subsidies for start-ups. Such incentives may help a particular town poach businesses from its neighbors, but that doesn't lift the regional economy. Another weakness: Many start-ups will fail long before the public can recoup its investment. Research shows that most job creation comes from midsize, "teenage" companies, which tend to be left out of most local stimulus plans, according to Brent Lane, director of the Center for Competitive Economies at the University of North Carolina.

As for "buy local" campaigns and sales-tax rebates, some economists say their chief value is psychological—they make residents feel a little better about opening their wallets. "There's a certain amount of morale building," says Jeff Finkle, president of the International Economic Development Council.

But economists do see clear benefits from local efforts to finance more public-works projects, which can create jobs, improve traffic flow, make shopping centers more attractive, and, in general, keep money flowing through the community. "If a local government has surplus funds, now's the time to spend," says Bernard Weinstein, director of the Center for Economic Development and Research at the University of North Texas.

A number of states have adopted that approach. Ohio recently sold \$240 million in bonds to finance a stimulus package that the Gov. Ted Strickland estimates will create 57,000 jobs through projects such as building bridges and sewers and cleaning up abandoned industrial sites.

Florida Gov. Charlie Crist expects to create 39,000 jobs by speeding up the timetable on public-works projects.

And as early as next week, Iowa Gov. Chot Culver is expected to ask the state legislature to approve a \$750 million bond issue—something the state has seldom done and never on this scale, says Phil Roeder, his communications director. The money would fund infrastructure improvements. "It is really intended as a job-stimulus effort," Mr. Roeder says. "That's the priority one."

Several cities, including San Francisco and New York, are also accelerating spending on public works. Here in north Texas, Carrollton is doing that, too, but with a twist: It's focusing on small projects that jobless men and women can accomplish without much special training.

The city of nearly 125,000 ended its latest fiscal year on Sept. 30 with a \$900,000 surplus in the general fund, thanks to conservative budgeting and last year's spike in oil prices, which temporarily lifted the Texas economy.

The council typically spends such windfalls on big-ticket projects such as resurfacing sidewalks, which it contracts to outside vendors. This year, Mr. Martin, the city manager, decided it would be better to think small—and local.

By January, Carrollton's jobless rate stood at 6.5%. That's be-

low the national average of 8.5%, but significantly higher than Carrollton's rate of 4.1% a year earlier. The line at a day-labor center forms before dawn. Requests for employment help at the government-funded social-service agency, Metrocrest, are up 40% over eight months. Each week, more families come to the Metrocrest food pantry, piling ramen noodles, turkey sausage and canned beans into plastic bags. Nearly half the new clients say they have never before sought help with groceries.

Most Carrollton leaders are fiscal conservatives, not given to expanding government programs. But one by one, members of the City Council came to believe they had to act, council members say.

The realization hit Councilman Tim Hlyden when he went out to a favorite burger joint on a Friday night and found the usually hopping restaurant nearly deserted. Councilwoman Pat Malone got scared when business at her downtown gift shop dropped 20% over the course of a year. Mayor Ronald Branson says he began noticing neighbors bunched in anxious circles after church, discussing layoffs.

When Mr. Martin proposed a jobs-creation program, which he saw as a small-scale version of the New Deal, the council backed him up.

"We like to think of Carrollton as a family," says Mayor Branson. "We like to take care of our own."

Mr. Martin posted the first four openings even before the council's unanimous vote last week to appropriate \$200,000 from the surplus. Within days, he had 54 applications on his desk.

Some positions are clerical. Others involve manual labor: Unclogging culverts, filling sandbags, whacking weeds and plant-

ing thousands of crepe myrtle and Mexican plum trees in parks and along streets. Applicants need not live in Carrollton, but must pass drug and criminal-history screens.

The plan has angered some residents, who see it as a misuse of taxpayers' money. Kenneth Burton, a retired steel worker, says he's endured stretches of unemployment and always got by on his own. He recalled his father's disdain for the Works Progress Administration, which put millions to work during the Great Depression. "He said WPA meant We Putter Around," Mr. Burton says. "That's what they're doing here—providing make-work jobs."

Council members respond that they're simply outsourcing work that has been on the city's to-do list for years. They also hope the project will nudge private citizens to do a little job creation of their own, by hiring out-of-work neighbors to weed gardens, paint porches or do other odd jobs.

Mr. Martin, 62 years old, says his goal is modest: "Give people hope."

The city manager says he grew up in such poverty that he patched holes in his shoes with cardboard and treated wounds by disinfecting them with kerosene. He recalls a day a few years after his father died when there was no food in the house and no money to go shopping. He was 18, just starting his senior year in high school, and he figured there was nothing to do but drop out and find full-time work. But a series of mentors came up with flexible class schedules, part-time jobs, scholarships and solutions.

"Nobody comes through life self-sufficient," he says. "Sometimes we forget that."

Rhea Shay Myers, a medical assistant who has been out of work

since April, says she would welcome a short-term job, even just a few hours of manual labor. She could use the cash, but even more, she longs to feel productive again. "I'd cut someone's lawn. I'd paint their gate," she says. "We need that, from a psychological standpoint."

Louis Holbert agrees—to a point. He spent 12 years at a paper plant, working his way to a managerial salary of \$70,000. He was laid off in 2004, landed a road-maintenance job, then was laid off again about a year ago. Now, he counts himself lucky to have part-time work in a paint shop at \$12 an hour. He was evicted from his apartment. His car was repossessed. He gets groceries at the food pantry.

Mr. Holbert, who is 48, is all for the local stimulus package, but he fears the city is overestimating the value of jobs that may, in some cases, last just a few days.

Planting trees for a couple of afternoons, he says, won't be enough for the jobless people he knows. "If you can find jobs that would last a few months, that might get their self-esteem back," he says. "That might get them to where they feel normal again."

His lunch break was almost over, and Mr. Holbert, who had stopped by the social-service agency for a free bus pass, hurried into the food pantry.

He picked out fried chicken and Hamburger Helper and days-old banana-nut muffins. Then he straightened his hard hat, white with an American flag, and set off to catch the bus back to work.

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