TASK IV

MASTER

POLICY ISSUES IN PROMOTING
URBAN CONSERVATION

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OVERVIEW

Despite the residential and commercial renaissance taking place in many urban centers across the country, many cities have been experiencing overall economic stagnation and a decline in industrial activity. This phenomenon is caused by age and obsolescence of plant facilities, high relative taxes, labor force movements, and energy inefficiency of operation coupled with rising energy costs. Industrial decline causes a reduction in the city's taxable economic base, which in turn leads to a higher tax on existing industry and property owners, as well as a lesser ability to provide usual city services. The pattern is all too familiar; as the city's tax base declines, so does its credit standing and its ability to borrow. This eliminates needed capital for investment in the city's business and housing sectors and service infrastructure.

As services decline and taxes increase, the city's middle-income, skilled and professional classes move to outlying suburbs, leaving many city neighborhoods to moderate- and low-income classes with generally lower skill levels. The influx of poor into the city creates a drag on the tax base and increases the need for social services provided by the city. At the same time taxes continue to rise to meet the increased service burden, and employment opportunities tend to move out of the city. Within the city there is left high unemployment, especially among low-skill level labor groups.

There are other factors which contribute to a city's decline such as national and regional economic trends, air and water pollution, high cost of living, age of housing stock, etc. But trends in fundamental industrial and commercial economic infrastructure within the city are clearly the most important determinant for the city's health, jobs profile and economic stability.

A new dimension for the problems of cities has emerged in the form of energy prices which are drastically higher than they were a few years ago and which are steadily rising. The established industrial infrastructure is particularly sensitive to this trend because old production facilities tend to be energy inefficient. In many cases, the higher energy costs are seen as the "last straw" for firms struggling to maintain operations in the city. The higher prices act as an incentive to abandon on-town facilities and to rebuild and relocate outside the city. The rising energy costs can thus cause further decline in economic activity, job shrinkage, and continuation of the downward spiral.

Opportunities for Cities

Higher energy prices, however, can be turned into an advantage for the city and serve as an effective tool to augment a city's efforts at revitalization. Although most older cities are currently very energy inefficient, the city's physical structure, building stock and land use configuration give the city a unique opportunity to become an efficient user of energy. Higher energy costs can make the city more desirable than outlying areas whose efficiency

potential is not so great, and can thus encourage re-migration to the city by middle-income classes. In this sense, energy conservation can enhance revitalization; and revitalization means growth in the tax base and increased jobs.

It is in this indirect sense that energy conservation is most importantly related to employment in the city. The impact of rising energy costs is being felt throughout the economy, with the result that energy efficiency becomes increasingly important to all users of energy. This point cannot be emphasized enough. As home-owners, store operators and industries recognize the efficiency potential and cost savings of an urban location, the city becomes more attractive as a place to live and work, to shop, to invest and to locate business. The comparative advantage which the city represents in terms of energy usage is an outstanding opportunity for the city to augment its revitalization efforts.

In terms of employment, it has been indicated that job opportunities increase as a result of a city's overall conservation and revitalization effort. Making the city attractive for renewed in-migration creates jobs directly through energy conservation activity and indirectly because the city becomes more attractive to many kinds of business concerns. Commercial establishments and services follow and spring up around the professional and middle classes moving back to the city. In addition, some industries seeking "low level" labor are attracted to the abundance of these groups among a city's unemployment ranks. This may be the case for many energy conservation industries.

There is a dichotomy about energy conservation in cities in that while their physical structure inherently lends itself to efficiency of energy use, they are often very inefficient users of energy. A city's housing and building stock wastes much energy because the structures, due to their age, often have inadequate insulation. Similarly, much of an older city's industrial plant is structurally deteriorating and is inefficient compared to new facilities. City housing and building owners are often less inclined to invest in their older buildings, in aggregate, than their suburban counterparts and often do not have access to the capital they need to make conservation improvements. Even given the capital, it becomes difficult to justify investment in older buildings, manufacturing equipment and industrial plants which present difficult structural challenges.

Cities can be immensely energy efficient, however, precisely because much of their currently inefficient structure is amenable to substantial conservation improvements. The cluster, attached and high-rise spatial organization of city residences means that most dwelling units share common walls with their neighbors. This pattern reduces the need for the extensive insulation necessary in single-family houses and allows for significant standardization in energy conservation packages for city homes. In solid waste, the amounts of waste generated and the proximity of many types of energy users makes municipal waste energy recovery economically feasible in many situations. The concentration of industry makes possible energy and process steam sharing. And lastly, the nearness of

industry and utilities to residential and commercial energy users makes possible such significant long term conservation measures as district heating and co-generation.

Many conservation activities are recognized to increase the numbers of jobs in cities, but they also require shifts in the structure and changes in the skill levels of a given city's labor force. These changes occur because jobs in energy conservation often require new skill development and a reorientation of the labor force to its concepts and practices. Conducting conservation job training is an important element in the overall attempt to link conservation with employment.

It is important to note that much of the job creation potential of energy conservation actions in cities occurs at low and moderate skill categories, precisely where the majority of city unemployment is found. Insulation installers, storm door and window fitters, construction workers, clerical office help to monitor city conservation projects, bottle collectors and building inspectors, for example, can be drawn from present unemployment ranks.

The bottom line is that rising energy prices necessitate energy conservation. The crux of the matter for cities, then, is how to make the practice of energy conservation and efficiency an integral component of urban revitalization and jobs expansion.

A sincere commitment to the city's economic base through energy conservation and other means provides a signal to outsiders that the city is an attractive place to locate. Cities next want.

to attract new industry and commerce in order to expand the tax base and to increase both employment levels and job opportunity. These goals are not an easy matter in the face of conflicting trends toward economic stagnation in many cities. The revitalization of cities will require a combination of efforts of which energy conservation is an important element. Short-term sacrifices in the form of temporary lower tax revenues (due to tax breaks) may have to be made to achieve long-term, more lasting gains. But the achievement of energy conservation across broad sectors of the economy will contribute to economic stabilization and growth within the city as energy prices rise and efficiency criteria become more important to investors, businesses and consumers alike.

The following papers address selected policy issues in the area of urban energy conservation and possible federal roles in promoting conservation initiatives applied to cities.