

# Understanding Middle Neighborhoods as Vital Parts of Regional Economies

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Over the past decade, it has become increasingly clear that geography plays a key role in economic prosperity. Industrial, human capital and innovation assets concentrating in metropolitan areas are the drivers of economic growth in the 21st century economy.<sup>1</sup> Metropolitan leaders are developing comprehensive economic growth plans tailored to enhancing the productivity of these assets in their regions. (See Metropolitan Business Planning sidebar.) Most of these assets are located in neighborhoods. As a result, both the regional growth and neighborhood development fields are focusing on how the component parts of the regional economic geography – particularly its neighborhoods – define, participate in and contribute to regional economic performance, and vice-versa. In the long run, neighborhoods and their regions thrive or fail together.

This essay describes the connection between neighborhood and regional economic growth, and proposes, “neighborhood business plans” as a method of undertaking neighborhood development aligned with and contributing to regional growth in today’s economy. The market-based development principles that underlie this connection highlight the importance of building from and fully deploying neighborhood assets as vehicles for economic growth, individual wealth creation, poverty alleviation, and improved amenities. This approach offers particular opportunity for middle market neighborhoods.

## Growth in the 21st Century Economy

The global economy is experiencing a fundamental transformation, characterized by:

### *Knowledge intensity*

Knowledge, embedded in people and technology, is the most critical factor driving productivity and growth. The nature of knowledge assets, and their increasing returns, means that innovation and growth increasingly flow from continuous cross-fertilization and synergies among economic activities. This makes it important to reduce

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<sup>1</sup> This section draws heavily on Robert Weissbourd and Mark Muro, “Metropolitan Business Plans: A New Approach to Economic Growth” (Washington, DC: Brookings Institution Metropolitan Policy Program, 2011); Gretchen Kosarko and Robert Weissbourd, “Economic Impacts of GO TO 2040” (Chicago Community Trust, 2011); Gretchen Kosarko et al., “Implementing Regionalism: Connecting Emerging Theory and Practice to Inform Economic Development” (New York: Surdna Foundation, available at <http://rw-ventures.com/publications/downloads/Surdna%20Final%20Paper%20-%20Combined%20112111.pdf>); Robert Weissbourd, Riccardo Bodini, and Michael He, *Dynamic Neighborhoods: New Tools for Community and Economic Development*, (New York: Living Cities, 2009), esp. chapter 8; “Economic Place-Making: How to Develop a ‘Neighborhood Business Plan,’” (Chicago: RW Ventures, 2014), at [www.rw-ventures.com/publications/downloads/Choice\\_NBP\\_Training\\_May.pptx](http://www.rw-ventures.com/publications/downloads/Choice_NBP_Training_May.pptx); and The Greater Chatham Initiative, [www.greaterchathaminitiative.org](http://www.greaterchathaminitiative.org).

“transaction costs” – the costs associated with economic actors finding, evaluating and engaging with each other. As a result, collaboration and connectedness – through rich, flexible, tangible (e.g. infrastructure) and intangible networks – are critical to efficiently deploying and redeploying assets, whether in labor markets, business networks or cross sector partnerships.

### *Dynamism*

We are going through a period of “creative destruction” where knowledge intensity makes the economy more dynamic as products, firms, industries, and markets emerge, develop, and transform at an increasingly rapid pace. This also rewards close, nimble economic networks and the ability to continually adapt and redeploy human capital and other assets.

### *Regional synergies*

In short, physical proximity matters. In particular, people and other assets are increasingly concentrating in metropolitan areas – exactly because they are disproportionately productive when concentrated. A person or firm with the same characteristics, if located in a metropolitan area with others like them, is likely to be more productive and profitable. Metropolitan areas have thus become the global economy’s primary unit of geography, where market systems operate and interact with characteristics of place to create unique economies.

Analysis of these new dynamics within regions reveals five market levers that enable these synergies and so drive the efficiency and productivity of a place, determining its economic prosperity: industry clusters, deployment of human capital, innovation, spatial efficiency, and governance. These are detailed below in Drivers of Neighborhood Growth.

In today’s economy, sustainable growth also mandates inclusion, as the places with the least inequity perform best.<sup>2</sup> This is, in part, simply a matter of economic efficiency: excluding particular populations or locations in a region is a waste of economic assets, as human capital, businesses, land, and other fundamental contributors to economic growth remain latent or underdeployed. In addition, economic exclusion of people and places incurs the high economic and social costs of poverty.<sup>3</sup>

The great paradox—and challenge—of today’s economy is that the drivers of growth often exacerbate inequality (primarily by increasing returns to capital over labor) but

2 Robert Weissbourd and Christopher Berry, “The Changing Dynamics of Urban America” (Cleveland: CEOs for Cities, 2004), at [rw-ventures.com/publications/.downloads/Changing%20Dynamics%20report.pdf](http://rw-ventures.com/publications/.downloads/Changing%20Dynamics%20report.pdf); Jonathan D. Ostry, Andrew Berg, and Charalambos G. Tsangarides, “Redistribution, Inequality, and Growth,” *IMF Staff Discussion Note* (April 2014), at [www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf](http://www.imf.org/external/pubs/ft/sdn/2014/sdn1402.pdf); OECD Directorate for Employment, Labour, and Social Affairs, “Does Inequality Hurt Economic Growth?” *Focus on Inequality and Growth*, 9 (December 2014).

3 See Weissbourd, “Into the Economic Mainstream: Bipartisan Policies for Inclusive Economic Growth” (Philadelphia: Opportunity Finance Network; Washington, DC: CFED, 2006), [www.rw-ventures.com/publications/downloads/Distribution%20Draft%20IEM%20Paper%208-6-06%20rw.pdf](http://www.rw-ventures.com/publications/downloads/Distribution%20Draft%20IEM%20Paper%208-6-06%20rw.pdf).

successful regional economies require inclusion for sustainable growth. The 21st century economy is propelling shifts to new industries, demanding new labor force skills, and reshaping urban form as new density and mixed uses develop. As a result, people and places in legacy or disconnected businesses, jobs, and neighborhoods are frequently left behind. At the same time, all of these changes create new value and new opportunities for inclusion to drive and capture value – for aligning poverty alleviation with economic growth. Indeed, inclusive economic growth has become an economic imperative for achieving both poverty alleviation and prosperity.

A necessary element of inclusive regional growth is to connect neighborhood growth planning with regional economic planning. Because regional economies rely on neighborhoods for critical human, physical, financial, and institutional capital, this new generation of growth planning must tailor market analysis, strategy development, and initiative design and implementation to the challenges and opportunities of particular geographies. It must deliberately and strategically link communities' assets (e.g., workers, businesses, land) to opportunities throughout the region (e.g., cluster supply chains, high-growth occupations, resources for innovation and entrepreneurs, etc.) to drive the entire region along a prosperous trajectory.

### **The Functions of Neighborhoods in Regions**

Just as regions depend on their neighborhoods, neighborhoods are best understood in the context of their regions. In fact, neighborhoods do not have economies: their dynamics and trajectories are determined by their economic and other connections to the regional economy, whether through labor markets, business supply chains, or real estate markets, all of which are larger than the neighborhood.

#### **METROPOLITAN BUSINESS PLANNING**

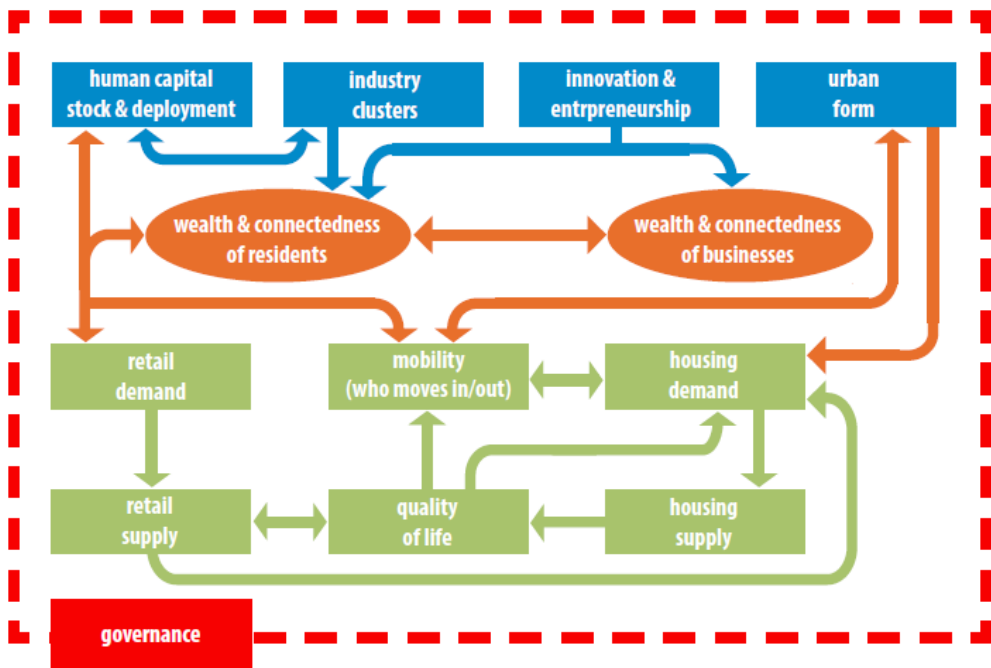
Metropolitan Business Planning (MBP) is a relatively new approach that applies the practice of private-sector business planning to regional economic growth planning and implementation.<sup>1</sup> To date, MBP has been piloted in a dozen regions across the country. MBP principles are equally applicable to smaller geographies and to Neighborhood Business Plans. These principles include the following:

- Apply a market-driven and disciplined approach, building from areas of strength and seeking to create and capture value;
- Identify key, mutually reinforcing strategic initiatives, tailored and targeted to build from the particular assets and dynamics of place;
- Implement new products and enterprises to drive growth—the plan is only the first step, its end goal must be action;
- Expect the plan to evolve over time as conditions change, as progress and impact are measured and as course corrections are made; and
- Ensure that inclusivity, collaboration, and transparency inform the process of creating and implementing the plan.

For details, see Robert Weissbourd and Mark Muro, "Metropolitan Business Plans: A New Approach to Economic Growth" (Washington, DC: Brookings Institution, 2011) at <http://www.brookings.edu/research/papers/2011/04/12-metro-business-muro>.

Neighborhoods arise and change as their assets and built environment interact with economic, social, and political systems that are usually larger than the neighborhood itself. A neighborhood's character and development are driven primarily by the movement of people: who chooses to move in, stay, or move out over time. In an iterative cycle, new residents are followed by new businesses and amenities to serve them, which then attract more people and businesses of the same kind and so on. (See Figure 1.)

*Figure 1. The Economic Lifecycle of Neighborhood*



The connections to regional and business markets influence how residents and businesses thrive, and how the cycle turns as a result. Different types of neighborhoods follow different trajectories as the cycle produces specializations to serve particular groups, such as young professionals, families, immigrants, or others.

This dynamic process means that two primary sets of factors determine a neighborhood's vitality: internal characteristics of place, and connections between community assets and the broader regional economy. Characteristics of place are mainly oriented to serving residents and directly define a particular neighborhood's personality and quality of life. They include housing; commercial amenities such as retail, services, restaurants, and entertainment; public goods and services such as safety, schools, and parks; support services for youth, the elderly, and others; and institutional and cultural qualities.

## TYPES OF NEIGHBORHOODS

There are many types of neighborhoods, differentiated by factors that include location, characteristics of the built environment (for example, density, age of the building stock, and so forth), household demographics, the nature of the local business environment, and many others. Particular combinations of these attributes appeal to different segments of the regional population. Young professionals, for example, will tend to be attracted to a different kind of neighborhood than growing families, new immigrants, retirees, or other types of households.

Having many diverse neighborhood types is important to regional growth because it helps the region attract and retain the many and varied types of workers that are necessary to drive growth in the 21st Century economy. It also provides residents with many potential communities of choice, ensuring that there are places in the region that fit their needs, currently and as their needs change over time.

The Dynamic Neighborhood Taxonomy (below)<sup>1</sup> provides a useful typology for analyzing and understanding the many different types of neighborhoods and their trajectories.

### *Dynamic Neighborhood Taxonomy*



<sup>1</sup> The neighborhood typology was developed as part of a multi-year study that examined hundreds of indicators of neighborhood change in four cities (Chicago, Cleveland, Dallas and Seattle) from 1986 to 2006. See Weissbourd, Bodini, and He, *Dynamic Neighborhoods*.

A neighborhood's connections to the regional economy affect the flow of income, wealth, and investment into the community, which indirectly influences local buying power and support for local amenities. These connections are primarily about the extent to which a neighborhood's assets are effectively deployed into regional markets: its residents into the labor force, its businesses into high-growth supply chains, and its land and structural assets into regional real estate markets.

These two sets of factors—local amenities and regional economic connectedness—interact with one another in a cycle that can either be virtuous or vicious. A neighborhood's degree

of connectivity to regional economic opportunities is a primary driver in the cycle. A neighborhood attracts people and businesses when it offers good job access, strong connections to suppliers and customers and other factors that enable the creation of income and wealth. The resulting income, and wealth trigger public and market-based investments in local amenities, goods, and services to meet new demand (e.g., particular types of housing and retail, parks and libraries, and so forth).

Where people choose to live is also a function of which local amenities are in a given neighborhood. Young professionals, for example, might choose a neighborhood not only because of its proximity to downtown jobs, but also because it already has some of the amenities they most value, such as reasonably priced apartments, a fitness center, coffee shops, and casual restaurants or trendy clothing stores. The same holds true for businesses, which choose to locate in neighborhoods that provide access to their customers and suppliers, but also to other factors that contribute to their success, such as transit access for workers, high-speed broadband service, and other specialized infrastructure.

At particular points in a neighborhood's life cycle, local amenities can have a particularly high impact on which residents and businesses stay, move in, or move out.<sup>4</sup> The goal of neighborhood growth planning is to propagate a cycle of positive change through the interaction and iteration of characteristics of place and connectedness to the broader regional economy.

## **Communities of opportunity and choice**

Exploring these dynamics of neighborhood change reveals two key economic functions of neighborhoods. Neighborhoods serve as communities of opportunity by developing and deploying their economic assets – workers, businesses, real estate and so on – into regional economic opportunities. Communities of opportunity foster businesses and enable their participation in the supply chains of regional industry clusters. They support residents in developing their skills and connecting to opportunities in the occupations demanded by regional employers. They also cultivate connections between entrepreneurs and small businesses and the regional resources and networks that can enable and catalyze their growth.

Neighborhoods also serve as communities of choice attracting and serving particular segments of the regional population. Communities of choice offer unique combinations of goods, services and other amenities that attract and retain the individuals and households that most value that particular bundle of characteristics. The status of neighborhoods as communities of choice for particular populations is also affected by their connectivity (both physically and through market activity) to economic opportunities. These roles necessarily

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4 Overall, economic connectivity remains paramount in determining neighborhood health, as amenities are generally derived from or follow the demand generated by the enhanced economic prosperity flowing from connectedness. A well-connected neighborhood, producing income and wealth, will attract amenities. An amenity-rich neighborhood that is disconnected will have a harder time becoming connected just by virtue of its amenities.

are mutually reinforcing. In well-functioning, connected neighborhoods, choice and opportunity go hand-in-hand.

Neighborhoods and regions thus define and need each other. A successful region offers an array of neighborhood choices to attract different segments of its population, and ensures that its neighborhoods are connected, deploying their assets into the regional economy. A successful neighborhood creates opportunity for its residents and businesses by developing and deploying these assets into the regional economy, and provides the amenities to serve the population segment that chooses to live there.

This understanding of the dynamic interdependence of neighborhoods and regions, particularly in today's economy, suggests a new approach to neighborhood economic development. It also highlights the importance of middle neighborhoods given that regions in this economy need healthy places that attract middle-class residents and enable them to prosper.

## Principles for Neighborhood Growth Planning

Economic growth planning requires a different approach in today's economy than it did in the old economy, at both regional and neighborhood levels.

### Regionwide Principles

At the regional level, today's economic realities imply several principles to guide effective practice, which have application at the neighborhood level as well:

#### *Leverage regional assets*

"Grow to compete" rather than competing to grow. The focus must be on building from existing assets and becoming a place where people and firms can be most productive and efficient<sup>5</sup> (rather than, for example, paying firms to come to the region only to lose them later to other locations better suited to their fundamental needs).<sup>6</sup> Many, if not most, of these existing assets are located in or near neighborhoods.

#### *Compete on value added, not low cost*

Long-term economic growth requires investment in infrastructure, workforce, technology, innovation, entrepreneurship, and other resources that enhance the productivity and efficiency of the economy for firms and workers. Economic growth policies and actions should make the region an attractive and "sticky" place for the most productive firms, rather than competing on low cost (via for example, lax zoning or labor regulations).

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5 This focus starts at the level of the economic system, not the individual firms: it is economic development, not business development.

6 Deal-level incentives for firm attraction, the main traditional regional economic development practice, then become a subservient tactic, targeting firms that enhance strategies focused on the intersection of particular clusters, technologies, and human capital.

*Align poverty alleviation with economic growth*

Inclusive growth moves people and places into the economic mainstream<sup>7</sup> rather than creating alternative poverty programs. The increasing focus on creating a more nimble, demand-driven workforce development system is a good example of this more effective approach.

*Design for synergies*

Housing, workforce development, infrastructure, industry cluster, innovation, and other activities all succeed or fail in the context of each other. Programs that are currently fragmented must be integrated and tailored to reinforce each other in particular places and activities.

*Create collaborations based on economic, not political, geography*

Regional economic growth planners must collaborate across the true market geography of a particular economic activity, rather than competing across jurisdictional borders.

*Act through public-private partnerships*

Successful regional economic growth needs a market-based orientation that creates new cross-sector networks and leverages private resources, rather than a top-down, government-driven approach.

**Neighborhood-specific Principles**

A few additional growth planning principles, specific to neighborhood level practice, are implied by the two functions of neighborhoods in the regional context, and by the inherently place-specific nature of neighborhoods' assets, challenges, and opportunities.

*Engage a broad, inclusive set of neighborhood and regional stakeholders.*

For both planning and implementation, ensure that the work is of, by, and for the community. At the same time, other key stakeholders beyond neighborhood residents must be engaged. These include employers, developers, firms whose suppliers are in the neighborhood, regional growth institutions, program partners, government, and others who invest in, hire, buy from or otherwise have a stake in the neighborhood - or will, as the neighborhood reconnects. Regions have a huge stake in their neighborhoods, and regional stakeholders must be principal partners in neighborhood development.

*Tailor programs to align neighborhood assets with regional opportunities.*

Those involved in neighborhood revitalization need to customize and adapt neighborhood initiatives specifically and directly to better connect unique neighborhood assets with regional economic opportunities. In Milwaukee, for example, city government efforts to improve the 30th St. Corridor and Century City, a 45-acre

<sup>7</sup> See Weissbourd, "Into the Economic Mainstream: Bipartisan Policies for Inclusive Economic Growth" (Philadelphia: Opportunity Finance Network; Washington, DC: CFED, 2006), [www.rw-ventures.com/publications/downloads/Distribution%20Draft%20IEM%20Paper%208-6-06%20rw.pdf](http://www.rw-ventures.com/publications/downloads/Distribution%20Draft%20IEM%20Paper%208-6-06%20rw.pdf).



## CONNECTING INCLUSIVE GROWTH PLANNING TO OTHER DEVELOPMENT ACTIVITIES

The integrated, market-based approach to comprehensive neighborhood growth in the regional context described in this chapter builds from a long and vital legacy of community practice. Three primary and interrelated fields of practice relate to strengthening neighborhoods:

**Community development**—Internal focus on neighborhoods as good places to live;

**Economic development**—Focus on creating wealth for community residents; and

**Economic growth**—Focus on improving economic performance and market functioning, particularly by addressing the drivers of productivity and economic output.

Inclusive economic growth seeks to understand and align these dynamics among communities, people, businesses, and regional markets to create communities with prosperous residents and businesses that participate in and constitute a vital and prosperous region.

### *Inclusive Growth Planning and Other Development Activity*



vacant former industrial site, are targeting growth clusters in the region, working to get companies on the site that will be part of regional growth, and connecting job training and placement for nearby residents with the growth opportunities.

### *Coordinate and integrate programs in place*

Designing for synergies (a regional principle mentioned above) is particularly fruitful for neighborhoods. Organizations can work together to tailor their respective programs to neighborhood conditions and to the mix of other programs within a particular local area. For example, the Greater Chatham Initiative Comprehensive Plan for Economic Growth and Neighborhood Vitality – a neighborhood business

plan – establishes 16 linked strategies, and leadership have specified over 30 complementary initiatives to implement them.<sup>8</sup>

### *Drivers of Neighborhood Growth*

The two functions neighborhoods play in the regional economy make two sets of factors important to economic growth planning at the neighborhood level. The community of opportunity (or “connectedness”) function requires an understanding of the growth trajectory of the regional economy, the levers driving its growth, and the ways that neighborhood assets can connect to regional economic growth and prosperity. The community of choice function requires an understanding of the type of neighborhood, the way it is performing for particular segments of the regional population, its trajectory for the future, and how its position might be improved.

The remainder of this essay offers a high-level view of these factors.

## **Market Levers that Drive Neighborhoods of Opportunity**

Metropolitan economies grow by increasing the total value of goods and services produced by local firms. Firm creation and growth, as well as businesses’ movement into and out of the region, are determined by regional characteristics that affect the efficiency and productivity of various types of firms and markets.

In the 21st century economy, five market levers account for the efficiency and productivity of firms and markets. Together, they provide a framework for understanding a region’s economic assets, challenges, and opportunities, and the ways a given neighborhood’s assets can contribute to regional growth. (See Figure 2.)

### *Clusters*

Clusters are industry-based concentrations of closely interacting firms and related institutions.<sup>9</sup> Firms in a cluster benefit from relationships that improve efficiency and productivity by reducing transaction costs among buyers, suppliers, and customers; enabling shared labor and other inputs across firms; facilitating the exchange of knowledge; and enhancing the cluster’s innovative capacity. The prospects of neighborhood (nonretail) businesses depend on the extent of their participation in high-growth regional clusters, enabling growth, investment and job creation for local residents.

### *Human capital*

Human capital is the single most important factor in economic growth, particularly in the knowledge economy. To have an impact, however, workers must be properly deployed into jobs that best match their skills and education. Getting this match right requires attention not just to education and training, but also to job creation in growing clusters, the

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<sup>8</sup> The Greater Chatham Initiative, [www.greaterchathaminitiative.org](http://www.greaterchathaminitiative.org).

<sup>9</sup> Clusters can also be based on concentrating economic functions, rather than industries, such as business services and headquarters.

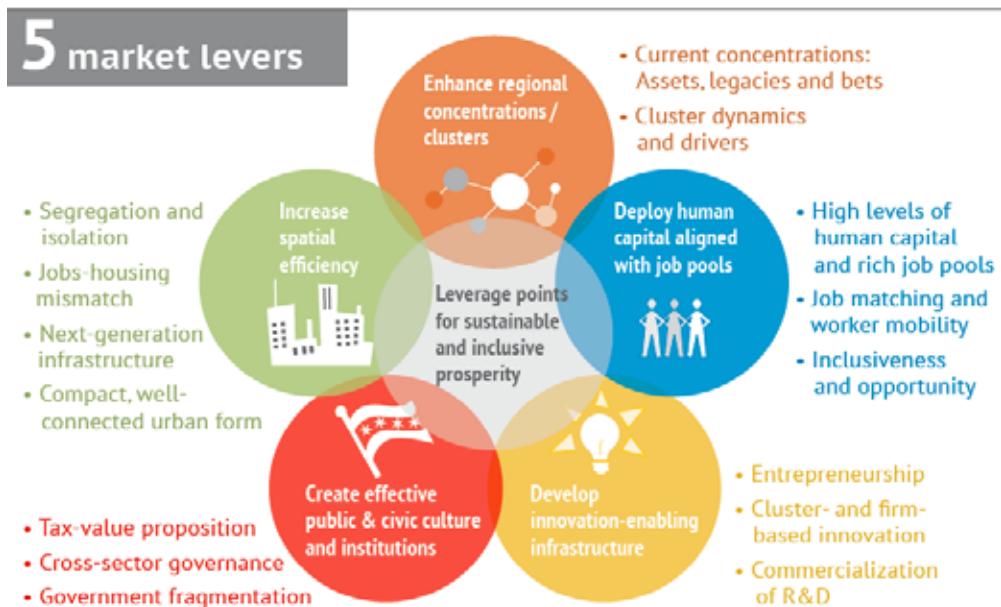
alignment of labor supply and demand, and enhanced labor market efficiency through better mechanisms for matching workers with firms.

In neighborhoods, workers can be productively deployed by ensuring residents have ready access to education and training resources for in-demand occupations, as well as direct access to employers who are participating in high-growth regional clusters. Effectively deploying human capital into the regional economy brings assets (i.e., income) into the neighborhood, creating demand for amenities and further contributing to a virtuous cycle of neighborhood growth and development.

### *Innovation, entrepreneurship and small business*

The ability to innovate is the core driver of increasing productivity. A knowledge-based economy, heightened competition in globalized markets, and the quickening pace of change make continual innovation, commercialization, and business creation imperative for economic success.

*Figure 2. Market Levers for Economic Growth*



Neighborhoods can enhance their innovation and entrepreneurial environments by connecting to regional networks and resources, and reducing barriers to small business creation and growth – particularly in the supply chains of high-growth regional clusters. Neighborhoods benefit through increased income via business ownership, job creation opportunities and improved resident access to new products and services.

### *Spatial efficiency*

The proximity of businesses, suppliers, workers, and consumers within a region, and the physical and virtual infrastructure that connects them, is a key determinant of efficiency and productivity. These two features of the built environment—co-location and connecting infrastructure—determine transportation and transaction costs for the movement of goods, people and ideas, magnifying or diminishing many economic benefits of agglomeration, such as shared labor pools and knowledge spillovers. Mixed-use communities with excellent transportation connections are best positioned to flourish in today’s economy.

Within neighborhoods, spatial efficiency determines the most appropriate mix of economic uses and associated infrastructure. This will vary from one neighborhood to another depending on the characteristics of each one’s land assets, proximity to other uses, transportation connections and other elements of the built environment. The synergies that result from co-location in the knowledge economy present particular opportunities for neighborhood development. They result in people and firms embracing urban density, creating possibilities for attraction of new firms and residents, reuse of abandoned industrial land, creation of innovation districts and other “economic place making.”

### *Governance*

Government shapes and enables market activity and provides critical public goods, from roads to education, which enhance firms’ productivity and efficiency. Civic, private sector, and cross-sector institutions constitute the institutional environment -- or governance -- that fosters economic networks, innovation and other activity. In neighborhoods, new forms of governance must be developed to simultaneously represent local stakeholders’ interests, foster market connections between local assets and regional economic opportunities, and implement an integrated set of strategic activities to drive growth.

## **Amenities that Create Neighborhoods of Choice**

### *Housing*

Neighborhood housing markets (each of which is a submarket within the broader regional market) affect and reflect a neighborhood’s status as a community of choice for particular populations within the region. The characteristics of the housing stock (including size, quality, amenities, cost) and its potential to appreciate are significant factors in determining a neighborhood’s competitiveness relative to other communities. This bundle of housing characteristics makes a given neighborhood more or less attractive to specific segments of the regional population, affecting individuals’ and households’ decisions to stay in place, move in, or move out of the neighborhood.

### *Retail*

A neighborhood’s commercial environment serves as an amenity for local residents, interacting closely with housing market dynamics to make a community more or less attrac-

tive. These businesses offer further benefits for neighborhood residents by creating accessible jobs and providing wealth-creation opportunities through entrepreneurship and small business development.

### *Public safety*

Residents choose to stay in, and move to, neighborhoods that offer a safe and secure environment. At the same time, providing economic opportunity and well being is one of the strongest paths to improving public safety. More immediately, enhancing public safety requires “collective efficacy,” engaging all of the community’s stakeholders, and strong communication and coordination between the community and the police.

### *Other amenities and support services*

A host of other local amenities influence the attractiveness of a neighborhood and also must be tailored to the needs of present and desired residents. These include public, civic, and private services such as libraries, schools, parks, and police stations; recreational facilities; community centers; support services for youth, seniors, and the formerly incarcerated; health services; and social and cultural institutions.

As discussed above, all the factors in neighborhood growth are iterative, acting as drivers of one another. More important, most of them iterate with and are heavily influenced by the drivers of regional connectedness. For this reason, even leading public safety, housing, and retail programs emphasize the critical importance of jobs and income. Retail demand depends on households, while housing demand depends on regional employment but also public safety, which in turn is influenced by employment, retail presence, and social services, and so forth. Neighborhoods, in essence, are complex adaptive systems that arise and continually change as a result of these neighborhood factors interacting with one another, and with systems (particularly markets) that extend beyond the neighborhood.

## **Implications, Applications, and Conclusions**

The functions and factors that define neighborhoods and influence their wellbeing are undeniably complex, but focusing on the underlying economics, particularly in the 21st century economy, reveals that regions need their neighborhoods to succeed, and vice versa. That focus also implies an approach to neighborhood development that engages regional stakeholders, and starts with strengthening the connections of neighborhood assets to the trajectory of the regional economy. Detailed neighborhood business plans analyze regional markets as they relate to the assets of neighborhoods to create these connections. In addition, they identify a particular neighborhood’s role, aspirations, and potential trajectory as a community of choice, addressing housing, retail and amenities tailored to the realistic, desired neighborhood type. For a complete neighborhood business plan illustrating a detailed application of the approach outlined here, see the Greater Chatham Initiative Comprehensive Plan for Economic Growth and Neighborhood Vitality.

The message to regional growth planners is clear: regional prosperity depends on strategically investing in your neighborhoods, making them places of opportunity whose assets serve the regional economy, and places of choice to attract the varied populations that drive the regional economy. The corollary message applies to neighborhoods, which must develop through participating in and driving their regional economies. Given the underlying asset and market based approach, the obvious place to start is in middle market neighborhoods, which by definition have more market-ready assets and nascent market connections.

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