

**II**  
**THE VARIETY OF**  
**URBAN EXPERIENCES**

# Indianapolis

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Indianapolis was an unlikely candidate to emerge as a midwestern demographic and economic leader. It is an artificially created city, chosen by fiat as a centrally located capital for the state of Indiana. It is not located on a navigable waterway and had no initial economic *raison d'être*. It grew to be the largest city in the state, but unlike other Midwest cities such as Chicago, Cincinnati, Cleveland, and St. Louis, it was never nationally prominent apart from its annual Indianapolis 500 automobile race and lacked signature industries. In built form and culture, it was in essence an overgrown small town. Indianapolis's residential streets looked similar to what one would find in any Indiana small town, and it never had a unique vernacular architecture. There was good reason it was formerly known as "India-no-place."

But starting in the 1970s, Indianapolis, rather than falling behind, transformed itself into a rapidly growing metropolis in a region better known for urban decline. It became a civic innovator, merging its city and county governments, pioneering the use of sports as an economic development and branding platform, and winning major business relocation decisions such as the United Airlines maintenance base in the early 1990s. The city became known as the rust belt's star performer.

## A Reimagined City

This revival cuts across the metropolitan region. The city's downtown was among America's first to revive. More recently, Indianapolis has experienced large residential growth in the central city and developed genuine urbanization, which it never had before. Nationally regarded suburbs such as Carmel also emerged. Economically, Indianapolis has seen continued

growth in sectors including life sciences and logistics and has become nationally known as an emerging technology hub. Culturally and regarding civic amenities, it now has quality offerings that it never possessed before, with restaurants such as the breakfast-oriented Milktooth receiving national acclaim.

Indianapolis is among the heartland's standout cities that have emerged in recent years. The collapse of the industrial economy in the Midwest caused success to pool into the fewer successful places that remained, often large cities, flagship university towns, or state capitals. Indianapolis, the state's capital and largest city, was a prime beneficiary as it sucked in people from the rest of Indiana. Without these structural tailwinds, the Indianapolis transformation program would likely not have succeeded.

Crucially, it's not just the amenities. The people have changed and become more diverse. Once demographically solidly white and African American, Indianapolis is becoming genuinely diverse with growing populations of numerous racial and ethnic groups including Burmese,<sup>1</sup> Sikh,<sup>2</sup> and Haitian populations.<sup>3</sup> Indianapolis still has a relatively small share of foreign-born residents, only 6.9 percent in the metro area, but its number of foreign-born residents has grown by 162 percent since 2000.<sup>4</sup>

Indianapolis is also growing at a faster rate than is the nation overall, 11.8 percent for the metro area during the 2010s versus 7.4 percent for the nation.<sup>5</sup> Indianapolis is similarly growing its job base, 19.2 percent from 2010 to the pre-pandemic job peak in 2019 versus 15.8 percent for the nation.<sup>6</sup> It was also among the top metro areas nationwide that rapidly bounced back from the pandemic.<sup>7</sup>

### How Did This Change Occur?

In the 1950s, Indianapolis was a backwater. Today, Indianapolis may not rank among America's first-tier cities, but it has never been a larger and more important, prominent, urban, and culturally sophisticated region than it is today. In stark contrast with most other major Midwest cities, almost all of which have fallen significantly from their historic peaks, Indianapolis is at its largest and most prominent level ever and still increasing.

Indianapolis's transformation was driven by an unusually cohesive civic alliance of the public, private, and philanthropic sectors. Three consecutive unusually talented and dynamic Republican mayors represented the public sector. Richard Lugar set the stage by shepherding a city-county merger through the state legislature. Bill Hudnut, a former Presbyterian minister and congressman, followed by serving four mayoral terms when the city's downtown revitalization made crucial progress, which earned him a national reputation. Lastly, Mayor Stephen Goldsmith became nationally known as an innovator in government privatization and went on to a prominent career at the Manhattan Institute and the Harvard Kennedy School and as deputy mayor of New York City.

Other key public-sector figures included 40-year state Rep. Bill Crawford, who leveraged state aid for the city and served as the principal voice of Indianapolis's black community in municipal transformation efforts, and longtime Rep. Julia Carson (D-IN), whose district included most of the city and who obtained federal funds. The city's business community was of course the key private-sector actor. Business leaders helped shape the future vision of the city, especially during the Hudnut administration in the 1980s, through an advisory group called the City Committee.

But one unique and crucial aspect of Indianapolis's transformation lies in the role of philanthropy, particularly that of the Lilly Endowment. Founded by J. K. Lilly, son of the founder of the Eli Lilly pharmaceutical company, with a gift of company stock, the Lilly Endowment became and remains one of the largest foundations in the United States. It has \$21 billion in assets<sup>8</sup> and is highly unusual in that it concentrates its giving in its home state of Indiana. The firepower of this gigantic foundation allowed Indianapolis to accomplish things that would have been much more difficult in other cities.

One example of the moves enabled by this civic alliance was building the Hoosier Dome.<sup>9</sup> In 1982, Indianapolis leaders audaciously agreed to build a domed stadium without a team to play in it. Mayor Hudnut championed the project despite its high risk. The Lilly Endowment paid for a third of the cost, reducing the level of public investment required in this risky project. A foundation paying for a third of the cost of a stadium shows the unique role of philanthropy in Indianapolis's transformation. This stadium

enabled the city to lure the Baltimore Colts to Indianapolis in 1984, solidifying its status as a big-league sports city.

Another more recent example is the construction of the Indianapolis Cultural Trail,<sup>10</sup> completed in 2012. The Cultural Trail is an innovative, urban, downtown trail involving high-design bicycle and pedestrian paths, green stormwater detention, extensive landscaping with native plantings, high-density street lighting, and public art. The Cultural Trail connects multiple existing bicycle trails in and through downtown and multiple cultural districts and attractions in the downtown core. It was transformational and spurred significant growth along its route. Notably, eight miles of traffic lanes were rededicated to the trail.

The Cultural Trail was conceived by Brian Payne, president of the Central Indiana Community Foundation, and in addition to traditional donations from foundations, local apartment magnate Gene Glick and his wife, Marilyn, made a major contribution. The project also secured a large number of federal grants. A private conservancy was created to maintain and manage the trail. The Cultural Trail has inspired similar efforts in cities such as Lexington, Kentucky.<sup>11</sup>

### **Philanthropy's Crucial Role**

The centrality of this broader public-private-philanthropic civic alliance is among the city's strengths. This model can be contrasted with others, such as an individual leader—for example, a Chicago-style mayor or local billionaire businessman like Dan Gilbert in Detroit, Michigan—or a small insider's club, such as what prevailed in Columbus, Ohio. The Indianapolis public-private-philanthropic model has had multiple implications for the city. Due to the challenges in building a broad consensus, it can take longer for Indianapolis to make a civic commitment to an undertaking. But once that consensus is reached, Indianapolis generally successfully executes its projects because little opposition emerges. Few if any major civic initiatives have ever been derailed by public opposition.

The second implication is that Indianapolis civic initiatives have been able to transcend electoral cycles, allowing for unusual long-term continuity. For example, the sports strategy has been consistently and successfully

pursued for 40 years across numerous mayoral administrations of both parties. From the National Sports Festival in 1982 to the college football championship game in 2022, Indianapolis has remained a national leader in hosting major sporting events despite new and fierce competition from numerous other cities. The sports strategy remains the initiative that city leaders are most proud of, and it continues to shape their thinking about how the city succeeds.

More recently, a major public transportation improvement plan<sup>12</sup> involving a 0.25 percentage point income tax increase was developed under Republican Mayor Greg Ballard's administration. The actual citizen vote to approve the tax and implementation have happened under his Democratic successor, Joe Hogsett. There were no changes or delays in this program despite a change in not just administration but party. This kind of continuity is rare in most of the country.

This public-private-philanthropic approach directly inspired transformation efforts in other cities such as Chattanooga, Tennessee (another major success)<sup>13</sup> and indirectly in places such as Oklahoma City, Oklahoma, which lost the United Airlines maintenance base competition to Indianapolis in the early 1990s and realized it needed to elevate its game.<sup>14</sup>

### **Challenges Ahead: The Midwest Dilemma**

Indianapolis today is a relatively prosperous and growing metropolitan area, but several challenges loom for the city. One is high levels of urban violent crime. Indianapolis reached an all-time high for murders in 2020 and again in 2021.<sup>15</sup> The city has also seen large growth in the number of urban neighborhoods with concentrated poverty, and homelessness is likewise a growing problem. In these matters, trends in Indianapolis mirror those in many other cities nationwide. At least 12 major US cities hit record murder rates in 2021.<sup>16</sup> But that's cold comfort to local residents affected by the murder and mayhem.

The region has also never found a way to cross the threshold into becoming a major national talent and business destination. While Indianapolis is growing and attracting residents, about 90 percent of its net in-migration, apart from international immigrants, comes from elsewhere in Indiana.<sup>17</sup>

In contrast, genuine boomtowns in the South and West—such as Austin, Texas; Boise, Idaho; and Nashville, Tennessee—draw predominantly from out of state. They are national, not merely local, destinations. They have national reputations to match, whereas Indianapolis remains less known outside the Midwest.

In this Indianapolis is not unique. No urban region in the Midwest has managed to become a national destination either, not even other high performers such as Columbus, Ohio; Kansas City, Missouri; and Minneapolis–St. Paul, Minnesota.<sup>18</sup> Some of this doubtless stems from climate. Since around 1960, population growth is heavily correlated with average January temperatures, with the Sunbelt dominant in population growth. Cities like Indianapolis can do nothing about climate.

Indianapolis also needs to renew or update its public-private-philanthropic partnership approach to civic development. The city today embraces a mentality one local civic leader privately termed “the myth of Indianapolis exceptionalism.” That is, it still identifies with the transformation efforts of the past, such as developing the sports strategy, in which Indianapolis was genuinely a national leader. It does not consider how other cities have now also transformed and upgraded their civic-execution capabilities. Indianapolis today is no longer the midwestern great exception. For example, after one of its major hometown companies nearly relocated, Columbus, Ohio, retooled its economic development approach. That region has now surpassed Indianapolis in population growth.

This affects all the community’s key sectors, although in different ways. In the public sector, Indianapolis no longer has “supermayors” and hasn’t for some time. Lugar, Hudnut, and Goldsmith were transformational while in office and had high impact outside the city. Their successors—Bart Peterson, Ballard, and Hogsett—have been more ordinary. This is not to say they have been bad leaders. But they have been closer to average performers, rather than the extraordinary ones that Indianapolis enjoyed for three decades.

Indianapolis has also been under fiscal stress for decades, compounded by tax rate and levy caps passed by the state during the 2000s. Various mayors have used one-time fixes to attempt to address deficiencies. Ballard privatized the city’s water system to fund a capital improvement program. Hogsett used an LED bulb replacement program to fund savings that allowed for new street lights to be installed for the first time since 1980.<sup>19</sup>

Yet over time, city government capabilities have eroded, and the city cannot deliver quality public services such as snow removal, street lighting, and sidewalks in much of the city.<sup>20</sup>

Philanthropy has also largely ceased to be a transformational agent for Indianapolis. While the Lilly Endowment's generosity is unquestionable, in recent years its money has been used by the state and community to de facto finance the government's retreat from its core obligations and as a substitute for other private investment.

### **Too Cheap to Get Better?**

Indianapolis and Indiana governments have always been parsimonious in their spending. For example, the city provides no regular taxpayer funding for its zoo or art museum. By contrast, Detroit's art museum receives \$25 million per year from a dedicated regional tax.<sup>21</sup> But this has been extended into new areas in recent years, such as higher education. For example, on December 4, 2013, the Lilly Endowment announced \$63 million in grants to Indiana colleges and universities.<sup>22</sup> Just a few days later, on December 9, Indiana reduced its higher education funding by nearly \$27 million.<sup>23</sup> In August 2014, the state cut an additional \$27 million from higher education funding.<sup>24</sup> Both cuts occurred when Indiana had a \$2 billion surplus. In other words, the grants from the Lilly Endowment were offset almost dollar for dollar by reductions in state spending when the state was fiscally flush.

The Lilly Endowment continues to generously fund Indianapolis economic development efforts such as the 16 Tech innovation district and the Indiana Biosciences Research Institute (IBRI). But a comparison to other cities shows that these initiatives are broadly analogous to those that have been successfully implemented elsewhere without a giant foundation. St. Louis has a similar innovation district to 16 Tech called Cortex, for example. And the relatively new Van Andel Institute for biomedical research in Grand Rapids, Michigan, is even bigger than IBRI is.

It is difficult to intuitively identify civic initiatives in Indianapolis today that reflect the uniqueness of having a \$21 billion foundation. That is, one can't easily point to transformational projects Indianapolis is doing that



other cities can't do because Indianapolis has Lilly Endowment money. Notably, the most recent innovative and transformational investment enabled by philanthropy in Indianapolis, the Cultural Trail, was led by the community foundation, not the Lilly Endowment. And that community foundation itself has now pivoted to social initiatives.

In Indianapolis, institutional philanthropy increasingly serves merely as a substitute for money that in other cities comes from government, business, or high-net-worth individuals. Thus, the net impact of philanthropy in Indianapolis vis-à-vis other cities is now diminished. Philanthropic impact is also no longer exceptional in Indianapolis.

### **How Does Indianapolis Compete?**

In approximately the past decade and a half, individual billionaires such as Gilbert in Detroit and the DeVos and Van Andel families in Grand Rapids have produced more civic transformation than institutional philanthropy in Indianapolis has. George Kaiser is attempting similar things in Tulsa, Oklahoma, and made a big splash with his move to lure remote workers to the city. This perhaps portends a shift in how civic change occurs today.<sup>25</sup>

During this time, Indianapolis's private-sector civic contributions have remained robust or even increased. This is partly because the city has always relied more on the private sector than other cities have. As previously noted, the zoo, for example, is a private-sector nonprofit, not a government entity. And it is the largest zoo in the country to receive no dedicated tax support.<sup>26</sup>

But the business community has taken on an increasing and disproportionate leadership role in the past two decades. The Central Indiana Corporate Partnership (CICP), an organization founded in 1999 to represent the city's top corporations and the state's major universities, has essentially assumed responsibility for all non-transactional economic development around industry clusters, in not just the Indianapolis metro region but the entire state. It has also become the state's leading think tank, such as with its Indiana GPS<sup>27</sup> series of reports commissioned from the American Enterprise Institute and the Brookings Institution. The Greater Indianapolis Chamber of Commerce handles transactional economic development,

marketing, economic development strategy, and talent attraction initiatives for the region and Indianapolis. It also executes various programs on the city's behalf.

Consolidating banks, utilities, and other companies has meant that roles previously occupied by local corporate chieftains are now held by what are essentially branch managers of corporations based elsewhere. The business and community landscape is also much more complex and diverse than it was in the 1980s. CIGP alone has 65 board members. Achieving civic consensus was always a complex task. It is even more so in this environment. The days when the proverbial five white guys and one black guy could get in a room and set a general direction that everyone else would develop, refine, and eventually buy into are over. Despite these complexities and the large scope of responsibility the Indianapolis regional business community has assumed, it continues to execute well on the community's behalf.

Yet while the business community is a powerful economic development actor everywhere, in Indianapolis it is now functioning too much for government. The public-private balance has tipped significantly toward the private sector.

### **Has Indianapolis Peaked?**

There is a widespread sense in Indianapolis that the city's civic-change engine has lost a step and is no longer as ambitious as it once was. "What's the next sports strategy?" is a question commonly posed. The loss of philanthropy as an enabler of transformational change, the tipping of the public-private balance too far toward the private sector, and a larger, more diverse, and more bureaucratic business community likely play a role in this.

Indianapolis remains a prosperous and growing city that is one of the best performers in the Midwest. Yet in a diverging world in which regions have been separating into winners and losers, Indianapolis needs to find a way to plant itself more firmly in the winner camp by becoming a bigger national, not just local and regional, destination.

Improving the appeal of cold weather cities remains outside its control. But Indianapolis can control finding a way to renew or reshape how civic

change occurs by either strengthening government and restoring philanthropy as transformation enablers or changing its model entirely to become more explicitly private-sector centric, adjusting to a world in which government and philanthropy are no longer designed to be coequal players with the private sector. But whatever changes the city needs to make, it is fortunate to make them against the backdrop of a basically solid level of success. After 50 years of civic growth and change, Indianapolis remains and promises to stay a legitimately thriving major urban center in America.

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