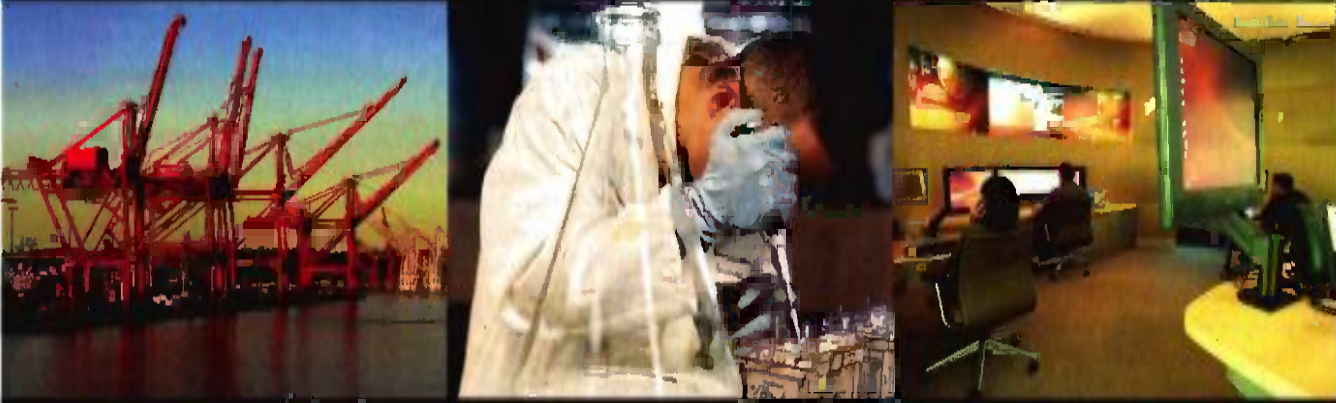


SEATTLE  
CRACKLES WITH  
CREATIVE  
ENERGY.



BOEING IS A KEY TO SEATTLE'S SUCCESS. THE CITY'S PIKE PLACE MARKET HAS SHOPS, CRAFTSPEOPLE AND FRESH PRODUCE



THE PACIFIC RIM CITY'S BUSINESS MIX IS IMPRESSIVE: CARGO CRANES, BIOSCIENCE RESEARCH AND A LABORATORY AT MICROSOFT.



PUBLIC SPACE, ESPECIALLY NEAR THE WATER, IS PART OF THE VIBE. THE SEATTLE PUBLIC LIBRARY BOASTS COOL SPACE OF ITS OWN.

TOP ROW: COURTESY BOEING; REFLECTS STOCKS/STOCK CONNECTION; CYRIL FURLANI; MIDDLE ROW: DELLA HURFF/ALAMY; LAIF/REDDUX; DRIR KUELL/AMF/REDDUX; BOTTOM ROW: MA/STERFILE; MICHAEL WEBER/GALLERY STOCK.

**WE LIVE IN CHALLENGING TIMES. UNEMPLOYMENT REMAINS HIGH, AND THE U.S. LEAD** in technology and science is slipping as many foreign countries gain ground. But some U.S. cities, though slowed by the Great Recession, still thrive by lifting good old American innovation to new levels. And that will help put more Americans back to work and keep our international edge. // In *Kiplinger's* latest search for top cities,

we focused on places that specialize in out-of-the-box thinking. "New ideas generate new businesses," says Kevin Stolarick, our numbers guru, who this year evaluated U.S. cities for growth and growth potential. Stolarick is research director at the Martin Prosperity Institute, a think tank that studies economic prosperity. "In the places where innovation works, it really works," he says.

After researching and visiting our 2010 Best Cities, it became clear that the innovation factor has three elements. Mark Emmert, president of the University of Washington in Seattle, put his finger on two of them: smart people and great ideas.

But we'd argue that it's the third element—collaboration—that really supercharges a city's economic engine. When governments, universities and business communities work together, the economic vitality is impressive.

And it's no coincidence that economic vitality and livability go hand in hand. Creativity in music, arts and culture, plus neighborhoods and recreational facilities that rank high for "coolness," attract like-minded professionals who go on to cultivate a region's business scene. All of which make our 2010 Best Cities not just great places to live but also great places to start a business or find a job.

**1 AUSTIN, TEX.**  
WHERE SMALL BUSINESS ROCKS

Everything may be bigger in Texas, but Austin's genius is nurturing the power of small. Just ask Rob Neville, who wants to develop his biotech firm, Savara Pharmaceuticals, into a major player in the field of inhaled-drug therapy. The firm started in Kansas,

but Neville transplanted it to Austin because the city is arguably the country's best crucible for small business.

Neville, a native of South Africa, has rooted his company in a city with, he says, "a huge angel-financing network and billionaires who will freely offer you advice," plus a culture that "attracts the best and brightest—who will work for less just to be in Austin." Savara is based in the city's renowned Austin Technology Incubator.

Neville himself isn't a scientist. "Many people could have done a life-sciences company better than me," he admits. But he has faith in Austin. His first company, software firm Evity, blossomed in Austin; he sold it to BMC Software for \$100 million in 2000.

And the Austin magic isn't limited to high-tech businesses. Blair Smith is co-owner of Dirty Dog, a dog-grooming business. When Smith needed capital, she found it through Meet the Lender, a community program. "We're such a weird business that traditional banks don't get us," says Smith.

Meet the Lender is but one of a dozen free Austin programs that form a neural network of business brainpower to help entrepreneurs. Now overlay that net with a dozen venture-capital funds and 20 or so business associations, plus incubators and networking events. Mix these into what many call a classless society, where hippie communalism coexists with no-nonsense capitalism, and you've got a breeding ground for start-ups.

No wonder Austin topped Portfolio.com's small-business-vitality charts in 2010. Between 2004 and 2009, when employment dropped nationwide, Austin's employment increased 16%.

And don't discount the fun factor,

especially when it comes to music. As the self-proclaimed live-music capital of the world, Austin has 200 venues, ranging from rowdy college rock bars to blues joints with sticky floors and waitresses who call you darlin'.

And performers infuse local businesses with bright ideas inspired by their music. Alex Victoria is a director of software engineering at HomeAway, an online business that matches owners of vacation homes with renters. But he's also a member of a punk-rock band called The MidgetMen. Especially in Internet businesses, says Victoria, "you're moving fast, taking lots of things and mashing them together—a lot like musicians playing off each other."

As important as music is to Austin, the area's atmosphere—its lakes and parks, plus its unique and funky businesses—also defines the vibe. The epicenter of the "Keep Austin Weird" sentiment is South Congress Avenue. If you don't enjoy SoCo spots—such as Allens Boots shop, the Lucy in Disguise With Diamonds costume store or the Mighty Cone taco truck and its breaded, deep-fried avocado—you can always live in nearby, strait-laced Round Rock. But that wouldn't be weird, now would it? **ROBERT FRICK**

**2 SEATTLE, WASH.**  
READY FOR TAKEOFF

Rain City? We'd say Brain City. Home to a well-educated workforce, a world-class research university, innovators Amazon, Boeing and Microsoft, and a host of risk-taking, garage-tinkering entrepreneurs, Seattle crackles with creative energy. "We only have two products here: smart people and great ideas," says Emmert,

of the University of Washington.

Those same attributes drive the Seattle economy, which is preparing for takeoff after hitting a few hard bumps over the past several years, especially in real estate, manufacturing and construction. One shiny new prospect: Boeing's 787 Dreamliner. This game-changing plane, along with a backlog of orders for older models and the possibility of a major military contract, forecast clear skies ahead for Boeing.

Equally energized is the life-sciences industry, a staple of the Seattle business scene, thanks to the University of Washington's billion-dollar-a-year research budget and a cluster of top-flight medical and bioscience centers. "We have the greatest concentration of global health activities, in terms of discovery, development and delivery, of any place in the world," says Lisa Cohen, executive director of the Washington Global Health Alliance. "We can't hire fast enough."

Clean tech is an ideal fit for a city teeming with engineers, environmentalists, software geeks and scientists. This industry, which includes architectural services, engineering and environmental consulting, grew 4.2% a year from 2002 to 2008.

Seattle-based McKinstry, the giant company that retrofits buildings for energy efficiency and installs energy-efficient systems in new buildings, not only serves as a national model for clean tech but also demonstrates the area's willingness to nurture new ideas. McKinstry recently opened the Innovation Center, an airy, 24,000-square-foot space outfitted with reclaimed timber and glass walls. Here, entrepreneurs can develop products alongside McKinstry engineers and brainstorm at the in-house wine bar.

Seattle's intellectual sizzle has yet to solve all of its problems, which include empty office buildings, stalled construction projects, aging infrastructure and a collective tendency to debate rather than decide. From his office aerie on the 57th floor of the

municipal tower, Stephen Johnson, acting director of the Seattle Office of Economic Development, points to the ailing manufacturing center visible from one window and the mostly vacant skyscraper nearby. "Other areas have been deliberate in how economic development occurs," Johnson says. "We've been more laissez faire. We realized with this recession that we need to be much more aggressive."

Meanwhile, this Pacific Rim city has other qualities to recommend it, including great food, a glorious setting, enough rain to keep the locals' complexions looking dewy—and, yeah, lots of smart people. **JANE BENNETT CLARK**

### 3 WASHINGTON, D.C. MONUMENTAL GROWTH

Every tourist knows postcard D.C., the city that is home to the White House, the Capitol and all those free Smithsonian museums. But those of us who live in D.C. know better. Our home is chock-full of job prospects, entertainment venues and great neighborhoods.

And it is booming. Blame it on big-government spending or credit Obama mojo, but the federal city is growing. D.C. proper, which now has a population of about 600,000, gained more new residents between July 2008 and July 2009 than in any other one-year period since World War II.

And it's not just people who are relocating here. Five large companies—Computer Sciences, Hilton Worldwide, Northrop Grumman, SAIC and Volkswagen North America—have relocated to the greater D.C. region in the past two years.

Only 11% of the D.C. population works directly for the federal government. That said, the Beltway is a hub for large defense contractors, such as General Dynamics and Northrop.

Small and midsize businesses blossom here, too, in part because government-contracting rules require the big guys to spread the wealth.

The local tech sector has evolved far beyond government contracting. Virginia Tech is building an \$80-million technology research center in Arlington, Va., that will analyze the human genome, among other projects.

Picture the D.C. region as a lifestyle smorgasbord. You can patronize world-class restaurants, such as Komi, in Dupont Circle, or chow down on Julia's Empanadas and other cheap eats. Rock Creek Park, the U.S. National Arboretum and the National Mall offer ample green spaces.

You'll appreciate these opportunities for relaxation after battling the region's notoriously gridlocked traffic, which is admittedly a drag. So is the area's expensive real estate market, although you do have a wide range of choices of places to live. For instance, you can enjoy condo living in the city's Dupont Circle neighborhood; ease into the leafy suburban neighborhoods of northwest D.C., Bethesda, Md., and Fairfax, Va.; dwell in historic homes on Capitol Hill; or party in the hipster haven of Logan Circle. A 650-square-foot, two-bedroom condo in Logan Circle sells for \$430,000; a 2,200-square-foot, three-bedroom house in suburban Bethesda goes for \$700,000; and you can buy a 3,500-square-foot, five-bedroom brick colonial in Fairfax for \$840,000. **THOMAS M. ANDERSON**

### 4 BOULDER, COLO. SCIENCE MEETS SCENERY

It's a city of crunchy environmentalists, early adopters and entrepreneurs, meandering bike paths, and restaurants powered by wind energy. You'll find scores of art galleries, performing-arts venues and chic boutiques—even a Tesla Motors electric-sports-car dealership. Boulder is an intellectual hot spot where environmental and scientific ideas blossom into businesses.

Three economic drivers power Boulder: the University of Colorado,

●● Kiplinger.com

#### WALKING TOURS, PODCASTS AND MORE

Learn how your city stacks up, see walking tours of top cities, read longer city stories and use our calculator to see which city is best for you at [kiplinger.com/links/bestcities](http://kiplinger.com/links/bestcities).

# THE MAKING OF THE TOP TEN

Some key numbers *Kiplinger's* used to choose our Best Cities for 2010 are at right. But numbers are only a fraction of the factors we considered. Our process is based on the work of Kevin Stolarick, of the Martin Prosperity Institute, a think tank that studies economic prosperity. Stolarick came up with a formula that identifies cities with current and likely future growth in high-quality jobs and income. We also weighed affordability and public-transit infrastructure—the latter being an important factor to ensure continued growth in certain metro areas.

Stolarick also included in the formula a measurement of the "creative class," a product of his work with Richard Florida, academic director of the Martin Institute and author of *The Rise*

*of the Creative Class*. Creative-class workers—scientists, engineers, educators, writers, artists, entertainers and others—inject both economic and cultural vitality into a city and help make it a vibrant place to live.

We have found that the creative class roughly matches the majority of *Kiplinger's* readers, so it's also a good proxy for where you may want to live.

We whittled the list of candidates to ten cities based on the

numbers and our preliminary reporting. To come up with our final rankings, we traveled to the top ten cities to interview business and community leaders and residents. Rankings reflect both the data and our judgments.

	City	Population		Unemployment rate <sup>§</sup>	Income growth <sup>¶</sup>	Cost-of-living index	Median household income	Percentage of workforce in creative class
		MSA <sup>*</sup>	City					
1	Austin, Tex.	1,705,075	777,783	7.1%	11.5%	91.7	\$59,221	37%
2	Seattle, Wash.	3,407,848	582,490	9.0	12.3	123.3	66,465	34
3	Washington, D.C.	5,476,241	591,833	6.7	5.4	137.9	85,824	44
4	Boulder, Colo.	303,482	98,238	6.4	17.0	125.3	66,463	43
5	Salt Lake City, Utah	1,130,293	185,411	7.1	11.8	100.0	60,012	31
6	Rochester, Minn.	185,618	101,659	6.8	9.6	98.8	63,842	37
7	Des Moines, Iowa	562,906	200,010	7.1	9.9	92.1	57,854	33
8	Burlington, Vt.	208,055	38,989	6.0	16.8	119.9	40,539	35
9	West Hartford, Conn.	1,195,998	63,908	8.0	10.0	119.6	67,171	38
10	Topeka, Kan.	230,842	128,486	6.9	11.7	89.1	49,348	33

<sup>\*</sup>Metropolitan statistical area (MSA). <sup>§</sup>Rate for MSA, except for West Hartford <sup>¶</sup>Reflects growth from 2005 to 2008 <sup>#</sup>National average equals 100. <sup>‡</sup>As of 2008. SOURCES: Bureau of Labor Statistics, Connecticut Department of Labor, Connecticut Economic Resource Center, Council for Community and Economic Research (C2ER), The Martin Prosperity Institute, U.S. Census Bureau.