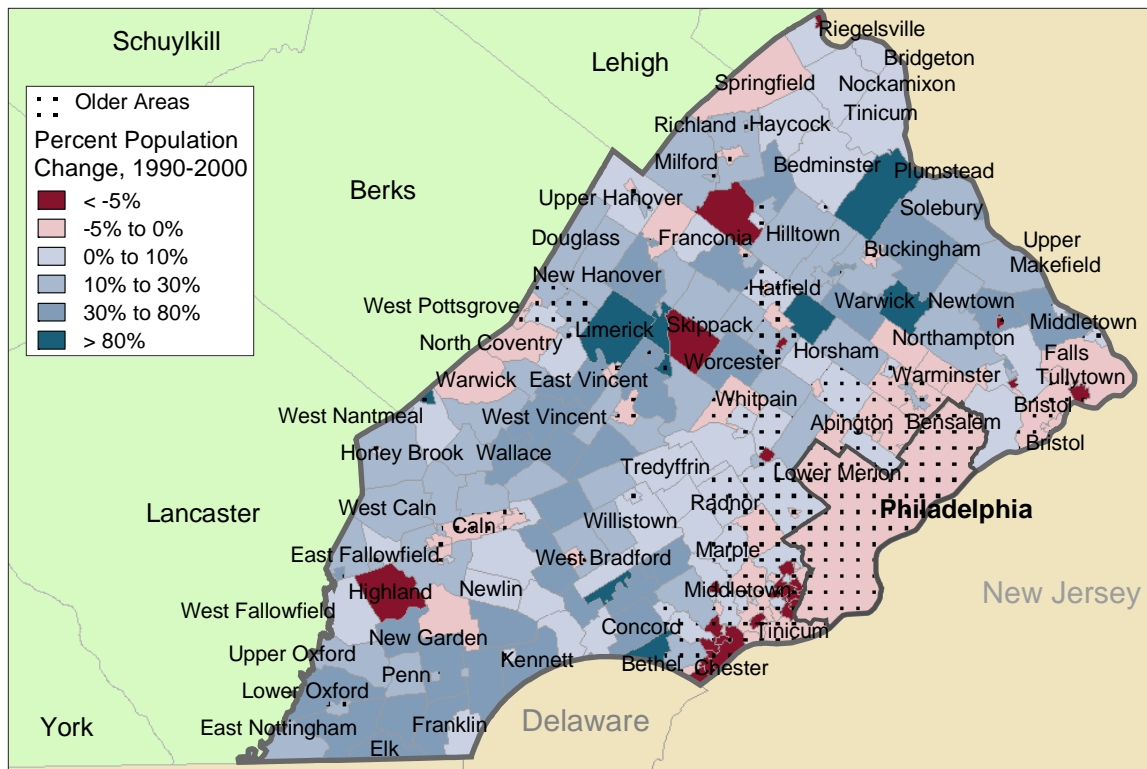


# BACK TO

# Prosperity:

## A COMPETITIVE AGENDA FOR *Renewing Pennsylvania*



Source: U.S. Census Bureau

## A Profile of the *Philadelphia* Area

Pennsylvania's cities, towns, and older suburbs are declining as the state simultaneously sprawls. Pennsylvania's economy is drifting as it responds incoherently to continued industrial restructuring.

Unfortunately, Philadelphia residents know well both of these trends, which are examined in depth in ***Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania***, a new statewide report by the Brookings Institution Center on Urban and Metropolitan Policy. Intended to inform the Commonwealth at a pivotal moment, ***Back to Prosperity*** speaks to the desire of Pennsylvanians for both vibrant communities and economic revival by offering an assessment of the state's current status, some suggestions of how it arrived there, and a policy agenda for renewal. In keeping with that objective, this region-specific profile suggests how trends identified in the statewide report are affecting Philadelphia. It also summarizes key findings about the causes of those trends and ways to respond to them.

### THE TRENDS:

**Metropolitan Philadelphia continues to grow slowly and age.** During the 1990s, the Pennsylvania side of the Philadelphia region added 120,738 residents to grow by just 3.2 percent.\* This growth was the fourth-slowest among Pennsylvania's nine largest metropolitan areas and trailed the state's overall growth of 3.4 percent. By 2000, moreover, the region's cohort of 25-to-34-year-olds had declined slightly—and by more than 4.8 percent in the region's older communities. Cities in the region lost almost 8.3 percent of these sought-after residents.

**Philadelphia continues to spread out—and hollow out.** Despite slow population growth, Philadelphia decentralized rapidly during the 1990s. Most notably, the region's outer second-class townships grew by almost 18 percent, while the region's cities, boroughs, and older townships lost 2 percent of their population. The upshot: Ninety-eight percent of the region's

household growth occurred in the area's outer townships. Likewise, 87 percent of the jobs created in the two-state region between 1994 and 2001 lay more than 10 miles from the area's central business districts. Metro Philadelphia, in short, exhibits one of the nation's most radical patterns of sprawl and abandonment.

All of the Philadelphia area's growth in the 1990s took place in its outer townships				
	1990 Population	2000 Population	Absolute Change	Percent Change
Older Philadelphia	2,744,435	2,689,059	-55,376	-2.0%
Cities	1,638,471	1,565,242	-73,229	-4.5%
Boroughs	431,648	437,367	-5,719	1.3%
1st-Class Townships	674,316	686,450	-12,134	1.8%
2nd-Class Townships	984,474	1,160,588	176,114	17.9%
Metro Total	3,728,909	3,849,647	-120,738	3.2%

Source: U.S. Census Bureau

**The region's shifting economy continues to lag the nation.**

Between 1992 and 2002, greater Philadelphia's 13.3 percent employment growth exceeded the state's 11.4 overall expansion but badly lagged the national growth of 20 percent. Likewise, the region's 4 percent household income growth between 1989 and 1999 trailed both the state's 5 percent growth and the nation's 7.8 percent progress. These figures owe in part to the area's middling educational attainment. In 2000, almost 29 percent of the Philadelphia region's residents possessed a bachelor's degree. That achievement was second only to that in State College in-state but remained far behind that enjoyed by such "tech-pole" regions as San Francisco (43.6 percent), metro Washington (41.8 percent), or Raleigh-Durham (38.9 percent).

**THE CONSEQUENCES:**

The Philadelphia area possesses superb assets, including a rich history, powerhouse "knowledge assets," thousands of students, and dozens of distinctive older neighborhoods. However, the region's decentralized growth patterns are undercutting its competitiveness.

**Sprawl and core-area decline cost taxpayers.** Low-density sprawl raises tax bills because it frequently costs more to provide infrastructure and services to far-flung communities. But urban decay is imposing even more painful costs in the region, as decline depresses property values and reduces the ability of scores of older communities to raise tax revenues. For example, market-rate property values in Philadelphia-area older communities depreciated by 8.6 percent in real terms from 1993 to 2000 compared to the outer suburban communities' strong 16.5 percent appreciation. Consequently, the disparities are widening between different areas' ability to raise revenues off of available property and local earned income tax bases using average rates. Second-class townships, for example, enjoyed a 7.5 percent increase in their tax capacity per household. By contrast, the region's numerous Pennsylvania-side boroughs and first-class townships appreciated by only 5.2 percent and 3 percent, while the area's three cities saw their overall tax capacity slip by 6.5 percent—one of the larger hits in the state.

**Urban decline is weakening many of Philadelphia's older neighborhoods and communities.** As households move outwards, vacant housing units are left behind. For that reason, vacancy rates in the region's older areas remained at around 8 percent during the 1990s—a rate *three* times higher than that in developing outer townships. Not surprisingly, housing values in older areas are lagging behind those in newer areas: In 2000, the average home value in Philadelphia's older communities was \$115,550 compared to \$217,900 in developing second-class townships. Homes in the region's cities were valued at just \$71,700 on average—less than one-third the value of exurban homes.

**Philadelphia's patterns of sprawl and disinvestment in older communities are having a negative impact on the region's attractiveness to young workers.** According to Carnegie Mellon University/Brookings Institution economic development expert Richard Florida, lively downtowns, charming traditional neighborhoods, and a vibrant cultural scene are just some of the attributes essential to attracting the young, educated workers and innovative companies that drive the new economy. Unfortunately, the energy of Center City, Chestnut Hill, Manayunk, and West Chester remains the exception to a general rule of hollowing-out older communities, neighborhood decline, and rampant suburban sprawl. These trends don't bode well for the region's future economic competitiveness, which will turn in large part on holding onto more of the top-notch students who currently pass through the region's superb colleges and universities and then depart.

Older Philadelphia municipalities' capacity to raise tax revenue stagnated as outer townships' grew in the 1990s

	Tax Capacity per Household		
	1993*	2000	Percent Change*
Older Philadelphia	\$535	\$533	-0.4%
Cities	\$416	\$389	-6.5%
Boroughs	\$557	\$586	5.2%
1st-Class Townships	\$809	\$833	3.0%
2nd-Class Townships	\$949	\$1020	7.5%
Metro Total	\$642	\$456	4.8%

Source: Ameregis, Inc. tabulation of data from the Governor's Center for Local Government Services  
\*Adjusted for inflation

**Decentralization has left the poor and minorities**

**concentrated in the region's core.** In 2000, 23 percent of those living in Philadelphia's cities lived below the poverty line, compared to only 3.6 percent of those in the area's outer suburbs. Philadelphia's minority population is also becoming more segregated: Between 1990 and 2000, the region's older areas together lost more than 248,000 white residents, while their total minority population grew by 192,800. By 2000, 95 percent of the area's black and 88 percent of the area's Hispanic residents lived in Philadelphia's older cities, boroughs, or first-class townships. Given Philadelphia's decentralizing employment patterns, these trends underscore that the area's minority workers are becoming increasingly isolated from job opportunities.

**Greater Philadelphia is consuming a lot of land.** From 1982 to 1997 the Pennsylvania side of the region converted 131,000 acres of land to urban uses as it accommodated about 122,300 new households. That means the region required about an acre of land to accommodate each new household, which explains why density in the region declined by almost 18 percent over the 15 years. These figures also suggest why metro Philadelphia lost nearly 55,000 acres of prime farmland during those years—and why Chester County alone lost 29,400, the largest single loss by a county.

**BEHIND THE TRENDS:**

How Philadelphia is growing in part reflects broad national trends such as the widespread preference for newness and suburban living; the relative decline of cities; and a shifting economy. It also reflects the more local fact that the City of Philadelphia, with its wage tax, maintains one of the highest big-city tax burdens in the country, which has helped drive jobs and people to the suburbs. Still, a number of state-specific policies and characteristics have also influenced how the region is growing.

- **Governmental fragmentation:** As in regions throughout the Commonwealth, the large number of 242 Pennsylvania general purpose governments in the area complicates coordination, exacerbates its unbalanced and sprawling growth patterns, and undercuts its economic competitiveness. Fragmentation hinders the region’s ability to mobilize its talents to generate quality growth.
- **Weak planning:** Virtually all of the Philadelphia’s municipalities have a comprehensive plan and zoning ordinance. Still, the Commonwealth’s planning system does not require the region’s numerous municipalities to plan cooperatively, or to zone in accordance with regional or county plans. What results is variable. The region boasts numerous outstanding multi-municipal planning efforts such as those in the Pottstown, Upper Perkiomen, and Indian Valley areas. But in many places a lack of coordination leads to chaotic and redundant development—and sprawl.
- **Non-strategic investment policy:** State investments in highways and economic development have also contributed to

sprawl, core decline, and inefficiency.

On the transportation side, 58 percent of Pennsylvania’s classifiable road and bridge investments (\$949 per capita) flowed to outer or rural townships statewide, while only 42 percent (\$500 per capita) was invested in older areas during the years 1999–2002. Even “preservation” (or maintenance) spending flowed disproportionately to outer areas despite the crumbling condition of much urban infrastructure in Philadelphia and elsewhere.

Meanwhile, three of the state’s major economic development programs—the Pennsylvania Industrial Development Authority (PIDA), the Opportunity Grant Program (OGP), and the Infrastructure Development Program (IDP)—have distributed subsidies haphazardly. Together, these programs distributed about \$57 per capita to projects located in outer suburban areas of Philadelphia region and just \$39 to projects in established older communities. OGP provided about \$13 to projects in older communities and \$36 to newer ones. This unfocused dispersal of business subsidies represents a missed opportunity to channel investment toward revitalizing established municipalities and neighborhoods. Moreover, the fact that the Pittsburgh, Scranton/Wilkes-Barre/Hazleton and Lehigh Valley areas all secured more subsidies per capita may point to the Philadelphia region’s lack of strategic cohesion in pursuing its economic development.

- **A shifting economy:** National and regional shifts away from manufacturing, a rise in generally lower-paying service and retail jobs, and a concurrent decentralization of employment have all contributed to the Philadelphia region’s lackluster economic growth, deterioration of older core communities, and sprawling fringe development.
- **Barriers to reinvestment:** Despite attempts to amend relevant laws, significant regulatory and financial barriers remain to the redevelopment of vacant, contaminated or dilapidated land and structures. These barriers are inhibiting the rehabilitation or reuse of available land and historic assets in Philadelphia’s older communities, and so help to keep residents and businesses locating in outer suburban areas where development remains easier.

Metro Philadelphia secured a lower-than-average flow of subsidies from three key DCED economic development programs\* and saw a higher-than-average share of them flow to outer townships during the years 1998–2003\*

	Metropolitan Area								State Average
	Lehigh Valley	Erie	Harrisburg	Lancaster	Philadelphia	Pittsburgh	S/W-B/H	York	
Older Pennsylvania	\$43.06	\$99.98	\$40.84	\$47.70	\$38.73	\$68.41	\$93.65	\$24.72	\$57.71
Cities	\$69.16	\$124.40	\$66.27	\$132.34	\$46.34	\$134.18	\$70.33	\$47.88	\$79.27
Boroughs	\$12.58	\$23.88	\$16.05	\$14.12	\$47.63	\$50.94	\$103.41	\$12.10	\$52.35
1st-Class Townships	\$0.00	\$0.00	\$50.02	\$0.00	\$15.64	\$15.74	\$155.60	\$22.91	\$20.68
2nd-Class Townships	\$63.90	\$71.91	\$30.91	\$4.98	\$56.87	\$70.32	\$83.82	\$24.76	\$58.00
<b>Total</b>	<b>\$49.81</b>	<b>\$86.38</b>	<b>\$36.13</b>	<b>\$21.70</b>	<b>\$44.19</b>	<b>\$68.97</b>	<b>\$90.41</b>	<b>\$24.74</b>	<b>\$57.83</b>

Source: Keystone Research Center analysis of DCED data, U.S. Census Bureau  
 \*The three programs studied were PIDA, the IDP, and the OGP

## A COMPETITIVE AGENDA FOR GETTING BACK TO PROSPERITY

Greater Philadelphia, like Pennsylvania's other regions, has the potential to build a very different future—if the state helps it focus its efforts; leverage the assets of its cities, towns, and older townships; and overhaul its most outdated and counterproductive practices. To that end, *Back to Prosperity* concludes that the Philadelphia region should urge the Commonwealth to embrace five major strategies to bolster all of its regions' capacity to grow and successfully compete:

- **Plan for a more competitive, higher-quality future.** The Commonwealth should improve Pennsylvania's state-local planning systems to enable all of its regions to promote sound land use and economic competitiveness on a more coherent basis. Metro Philadelphia's interests here and elsewhere coincide with those of the rest of the state.
- **Focus the state's investment policies.** Pennsylvania should make the most of its significant infrastructure and economic development spending by targeting its resources on the state's older, already-established places. Philadelphia again shares with the state's other regions a need for a more focused statewide investment policy.

- **Invest in a high-road economy.** Pennsylvania should invest in the workers and industries that will help its regions produce a more competitive, higher-wage future. As the state's economic leader, Philadelphia must ensure that these investments are made.
- **Promote large-scale reinvestment in older urban areas.** Pennsylvania should make itself a world-leader in devising policies and programs to encourage wholesale land reclamation and redevelopment in the regions' cities, towns, and older suburbs. Already many of the ideas needed are being explored in Philadelphia.
- **Renew the state's and regional governance.** Pennsylvania should promote much more regional collaboration and cohesion. Metropolitan regions are the fundamental unit of the unfolding new economy—and the state needs to help regions begin to organize and act along those lines.

Pennsylvania, in sum, should turn its focus back to its towns, cities, and older townships as a way of re-energizing its future.

### Definition:

\*The regional profile, as well as *Back to Prosperity*, for the most part presents information on the Pennsylvania side of the larger Philadelphia, PA-NJ Primary Metropolitan Statistical Area defined by the federal Office of Management and Budget.

### ABOUT *BACK TO PROSPERITY*

Funded by The Heinz Endowments and the William Penn Foundation, *Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania* provides an extensive statewide examination of the interrelated growth and economic challenges facing the Keystone State just now. The report focuses on the following eight key metropolitan areas: Erie, Harrisburg, Lancaster, the Lehigh Valley, Philadelphia, Pittsburgh, Scranton/Wilkes-Barre/Hazleton, and York.

Please visit [www.brookings.edu/pennsylvania](http://www.brookings.edu/pennsylvania) to read the full report, other regional profiles, and additional supporting materials.



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