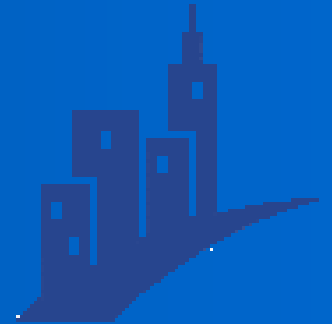


The Brookings Institution

Center on Urban and Metropolitan Policy

Bruce Katz, Director



Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania

Philadelphia Forum
December 8th, 2003



The Purpose

- **Summarize the latest demographic and market trends affecting the Commonwealth**
 - 6 regions**
 - 8 metropolitan areas**
- **Provide new analysis of trends affecting “older” and newer “outer” communities in the state**
- **Present a state policy agenda that links the state’s competitiveness to the revitalization of older places**



The Process

- **Held listening sessions in the 8 metro areas**
- **Gathered new data from Census and other federal and state data sources, updating to 2002 where possible**
- **Synthesized existing research**
- **Generated new analysis, with key research partners, on local government structures and the location of state spending**
- **Worked closely with dozens of experts and practitioners throughout the state at every stage**



Overview

We conclude:

- Pennsylvania ranks low on demographic and economic performance and high on sprawl and abandonment
- These twin patterns undermine the state's competitiveness and are fiscally wasteful
- These patterns are not inevitable; state policies facilitate sprawl and promote abandonment



Overview

We also conclude Pennsylvania can build a competitive future:

- The state has enviable assets – strong “eds and meds” sector, large numbers of “imported” students, historic communities, affordable living, and natural resources
- Yet Pennsylvania must revive its cities, boroughs, and older townships to leverage these assets
- State policies must change to revitalize older communities and set a new economic course for the Commonwealth



Main Findings

I

The state ranks low on demographic and economic trends and high on sprawl and abandonment

II

These trends undermine competitiveness and are fiscally wasteful

III

These trends are not inevitable

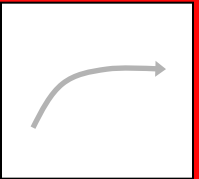
IV

Pennsylvania can build a competitive future

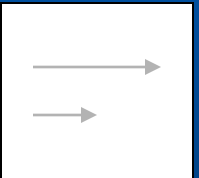
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The state ranks low on demographic and economic trends and high on sprawl and abandonment

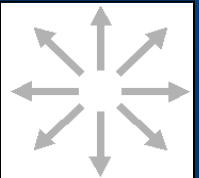
Pennsylvania is barely growing
and it's aging fast



Pennsylvania's transitioning
economy is lagging



Pennsylvania is spreading out
and hollowing out





Pennsylvania remains the 6th largest state in the union

Population,
2000

Source:
U.S. Census Bureau

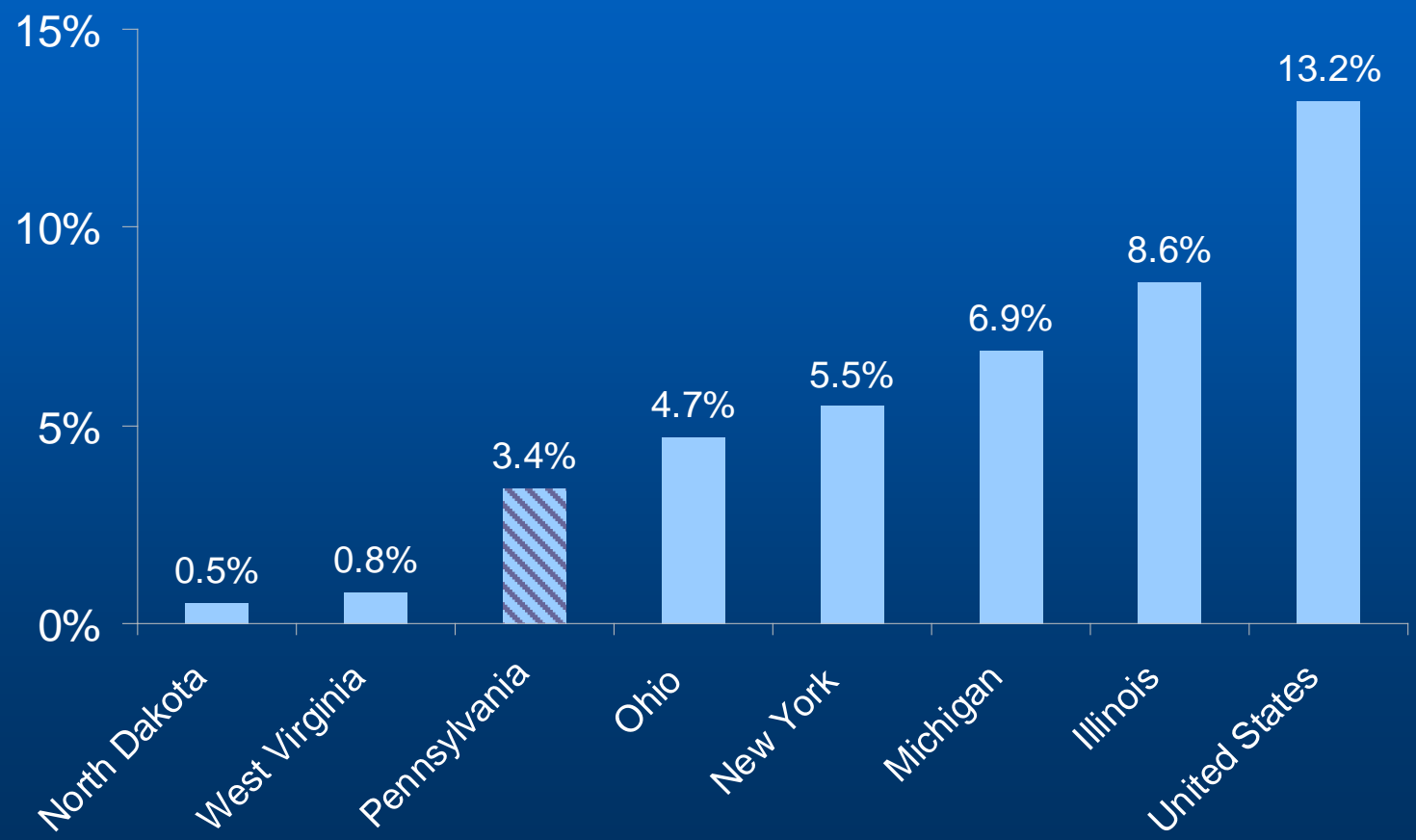
	Total Population 2000	Rank
California	33,871,648	1
Texas	20,851,820	2
New York	18,976,457	3
Florida	15,982,378	4
Illinois	12,419,293	5
Pennsylvania	12,281,054	6
Ohio	11,353,140	7
Michigan	9,938,444	8
New Jersey	8,414,350	9
Georgia	8,186,453	10



However, Pennsylvania was the third-slowest growing state during the 1990s

Percent population change, 1990-2000

Source:
U.S. Census Bureau





It experienced the 5th-largest domestic outflow between 1995 and 2000

Domestic
migration,
1995-2000

Source:
U.S. Census Bureau

	Domestic Migration	
	Net Change	Rank
New York	-874,248	1
California	-755,536	2
Illinois	-342,616	3
New Jersey	-182,829	4
Pennsylvania	-131,296	5
Ohio	-116,940	6
Michigan	-91,930	7
Hawaii	-76,133	8
Louisiana	-75,759	9
Connecticut	-64,610	10



And the Commonwealth's foreign-born population grew only modestly compared to the nation

Percent change in
foreign born,
1990 - 2000

Source:
U.S. Census Bureau

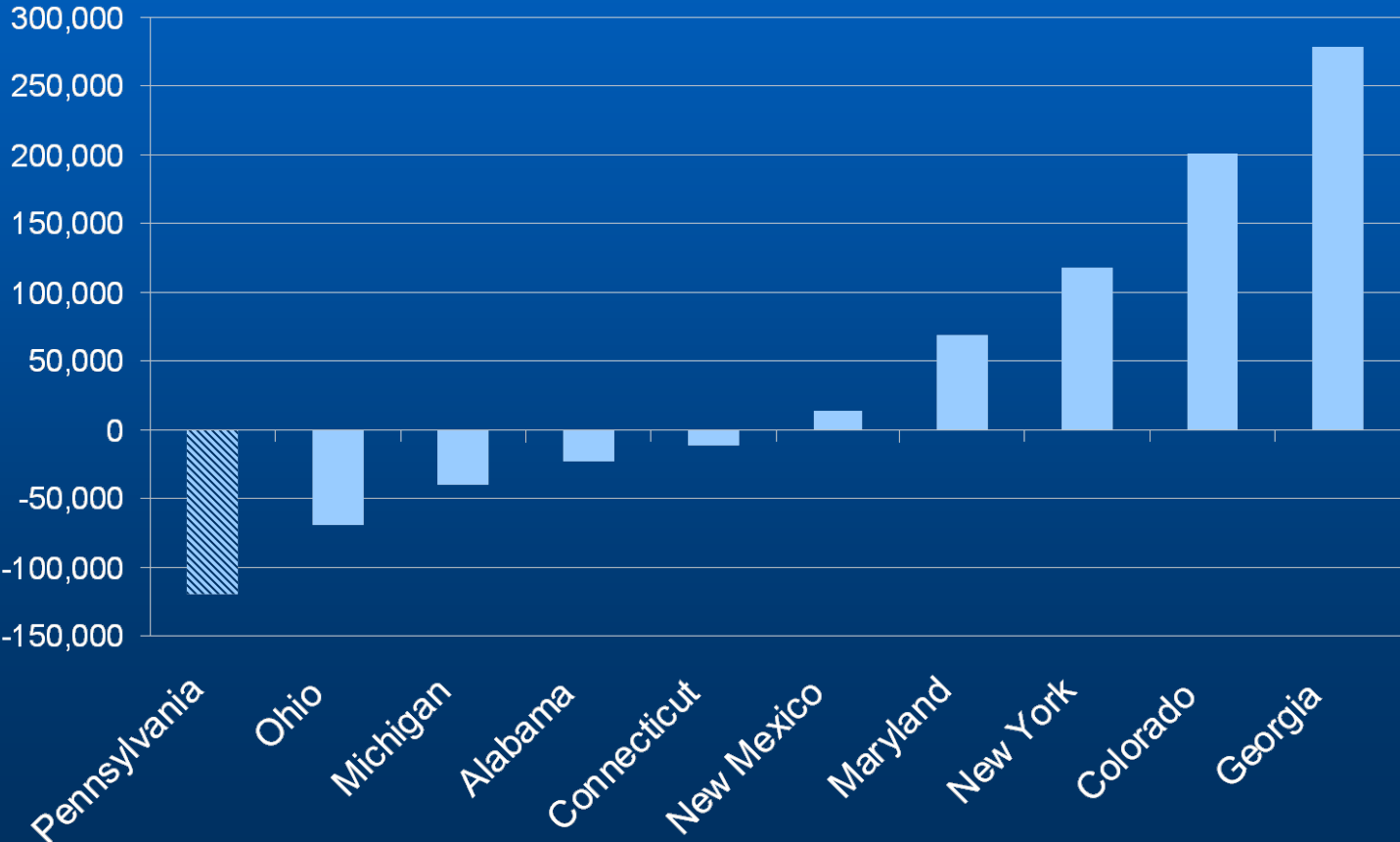
	Foreign Born	
	Percent Change	Rank
New Jersey	52.7%	32
Alaska	49.8%	33
Michigan	47.3%	34
Wyoming	46.5%	35
Pennsylvania	37.6%	36
California	37.2%	37
New York	35.6%	38
Massachusetts	34.7%	39
Louisiana	32.6%	40
United States	57.4%	

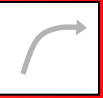


Pennsylvania also suffered the largest absolute loss of young people among states

Change age 25 - 34 cohort,
1990 - 2000

Source:
U.S. Census Bureau





Pennsylvania's share of elderly residents meanwhile ranks second only to Florida

Share of
population 65+,
2000

Source:
U.S. Census Bureau

	Population over 65	
	Share	Rank
Florida	17.6%	1
Pennsylvania	15.6%	2
West Virginia	15.3%	3
Iowa	14.9%	4
North Dakota	14.7%	5
Rhode Island	14.5%	6
Maine	14.4%	7
South Dakota	14.3%	8
Arkansas	14.0%	9
Connecticut	13.8%	10
United States	12.4%	



In sum Pennsylvania has a smaller share of young people and a higher share of the elderly than the nation

Share of
population by age,
2000

Source:
U.S. Census Bureau

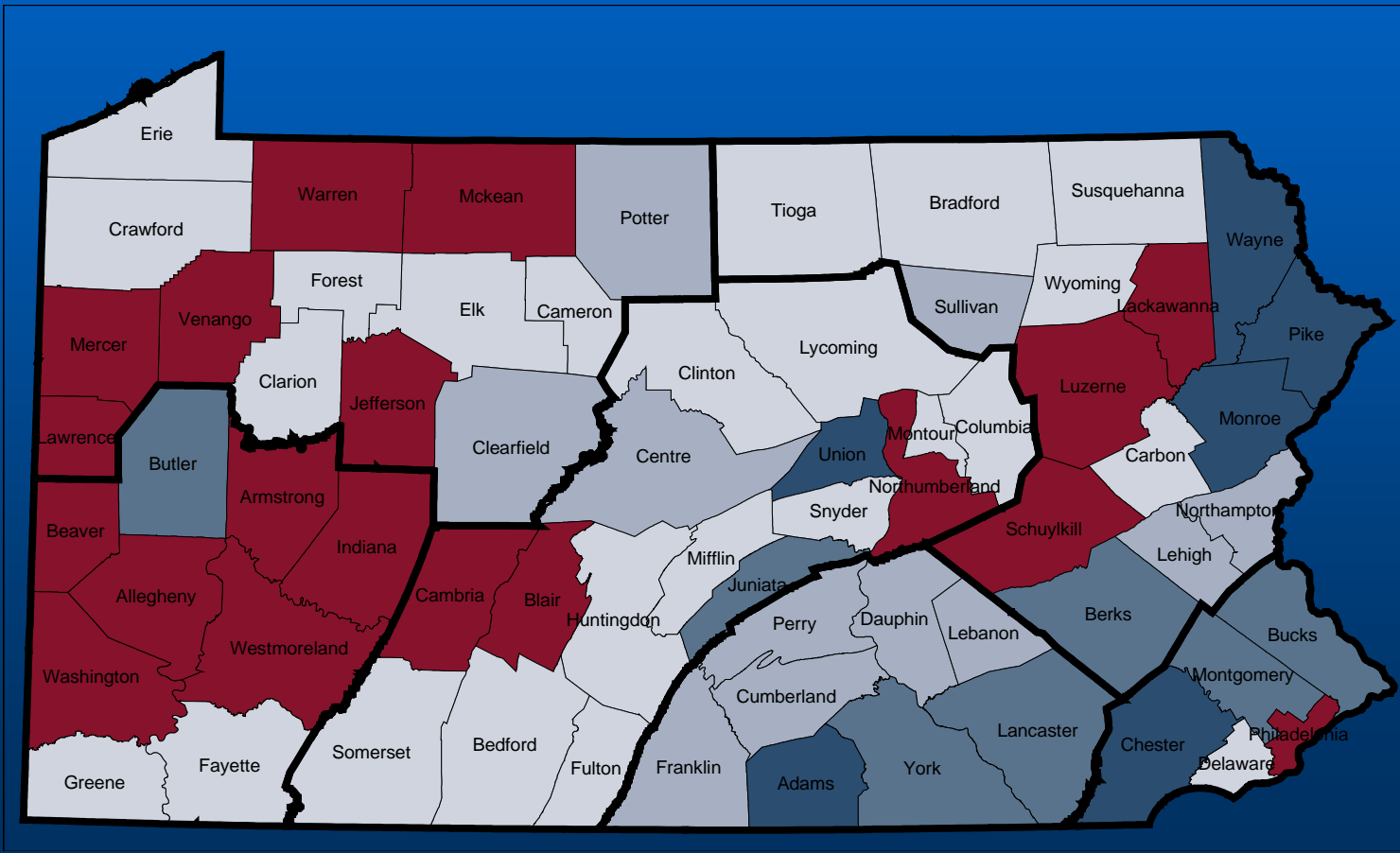
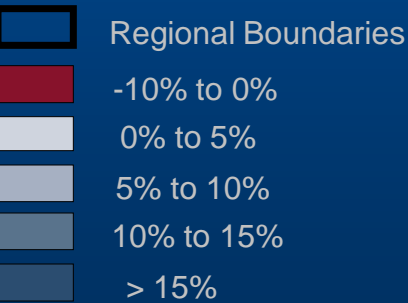
	Share of Total Population	
Age Bracket	United States	Pennsylvania
20-29	13.6%	12.0%
30-39	15.4%	14.5%
40-49	15.1%	15.5%
50-59	11.0%	11.5%
60-69	7.2%	8.1%
70-79	5.8%	7.4%



Regionally, Pennsylvania's growth took place in the eastern and south-central regions; western and central counties lost population

Percent population change, 1990-2000

Source: U.S. Census Bureau

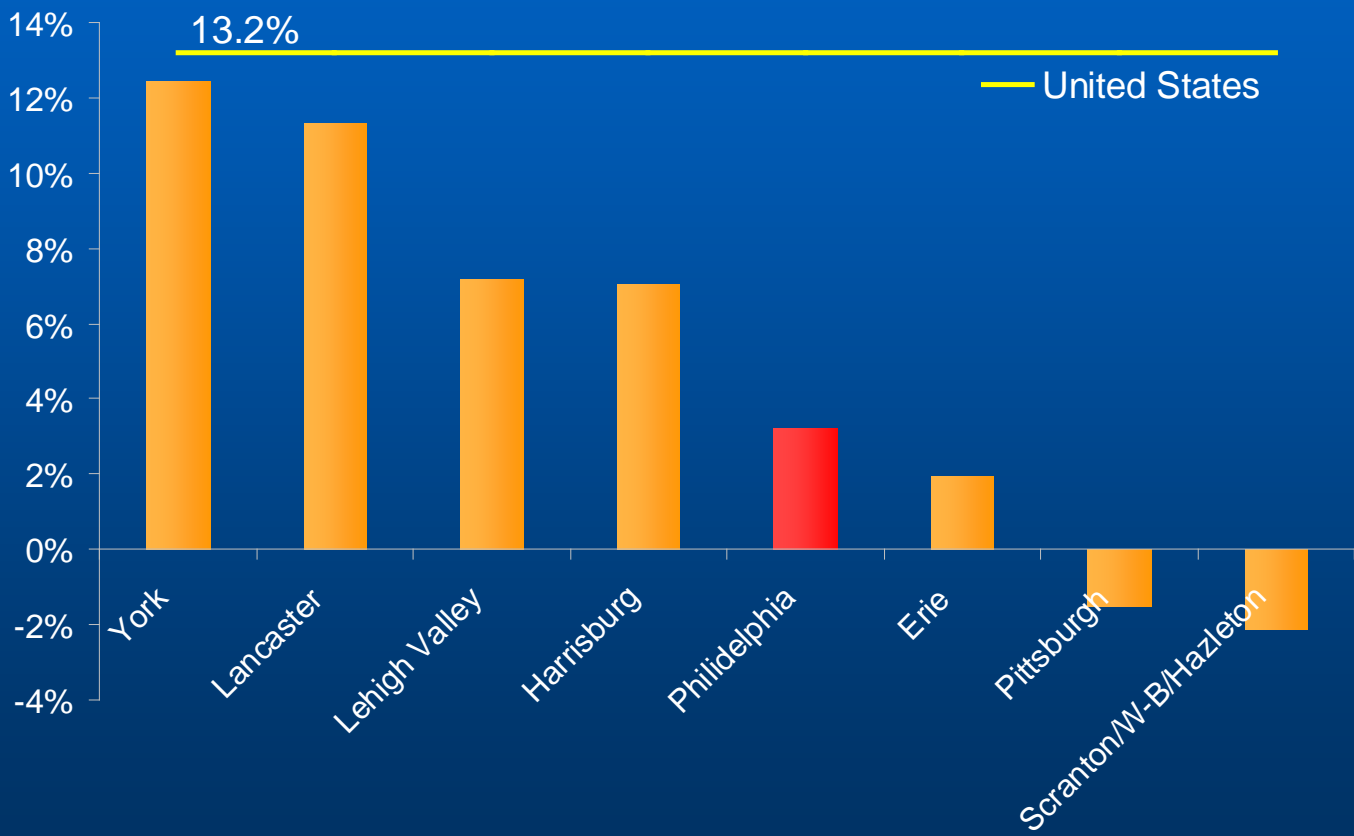




Nevertheless, even York—the fastest growing metro—grew more slowly than the nation as a whole, with Philadelphia growing much slower

Percent population change, 1990-2000

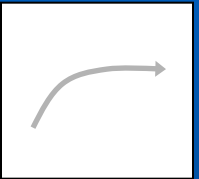
Source: U.S. Census Bureau



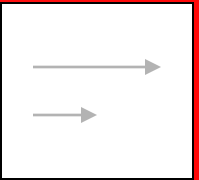
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The state ranks low on demographic and economic trends, and high on sprawl and abandonment

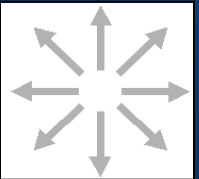
Pennsylvania is barely growing
and its aging fast



Pennsylvania's transitioning
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Pennsylvania is spreading out
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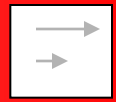


From 1992 to 2002, Pennsylvania ranked 47th among states on employment growth

Percent change in
employment,
1992 - 2002

Source:
U.S. Census Bureau

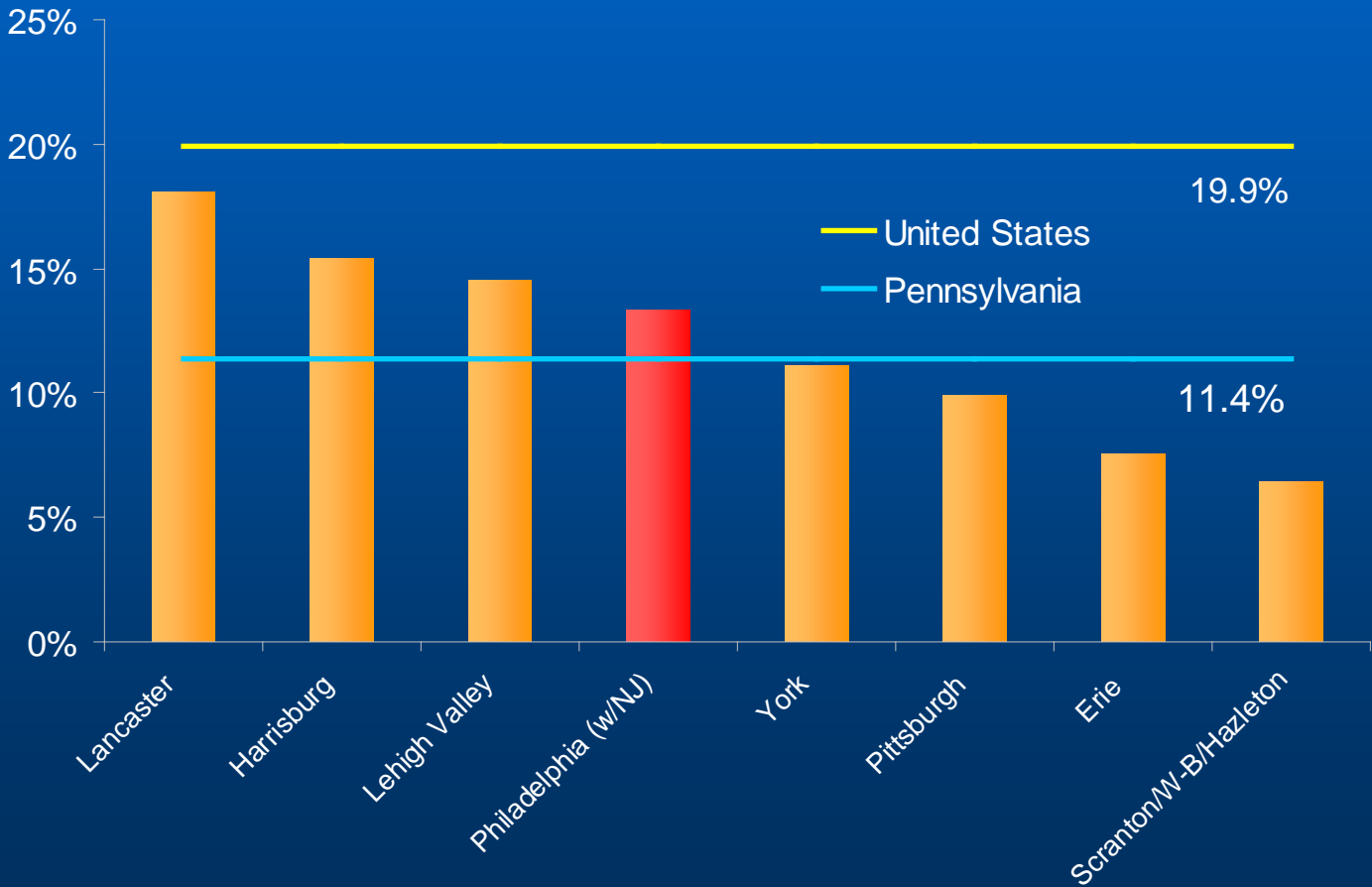
	Employment Growth	
	Percent Change	Rank
Indiana	13.2%	42
Rhode Island	12.8%	43
Alabama	12.7%	44
Illinois	12.6%	45
Ohio	12.3%	46
Pennsylvania	11.4%	47
Connecticut	9.3%	48
New York	9.2%	49
Hawaii	2.3%	50
UNITED STATES	20.0%	

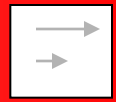


All of Pennsylvania's metro areas—including Philadelphia--
under-performed the nation in employment growth between 1992
and 2002

Change in
employment,
1990 - 2000

Source:
U.S. Census Bureau



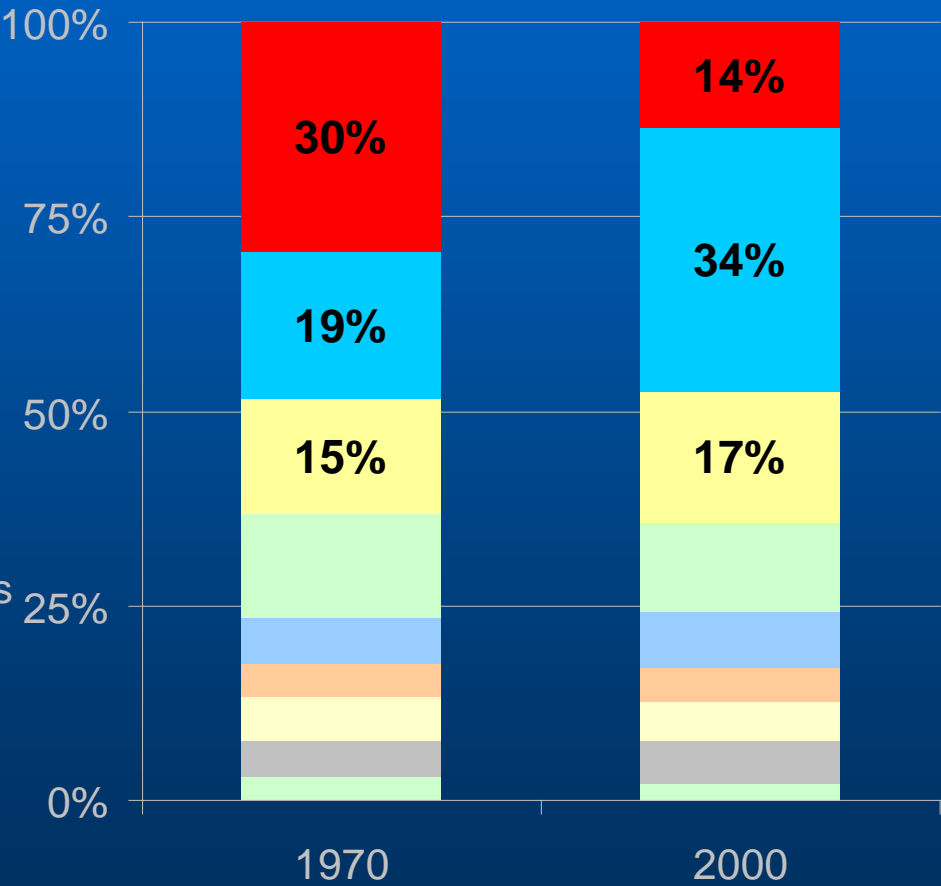


The transition to a service economy is well underway in Pennsylvania

Employment share
by industry,
1970 - 2000

Source:
U.S. Census Bureau

- Manufacturing
- Services
- Retail
- Government
- FIRE
- Wholesale
- Transportation/Utilities
- Construction
- Agriculture/Mining





The transition could be positive for Pennsylvania because of its traction in desirable service sectors ...

Employment by
selected industry,
2000

- **Pennsylvania ranks 5th among states in its share of service jobs in education**

Source:
Bureau of Labor
Statistics

- **Pennsylvania ranks 6th among states in its share of service jobs in healthcare**



But the transition appears to be overly oriented towards low wage sectors

- **Wal-Mart is now the largest private employer in the state**
- **In 2000, over 61 percent of Pennsylvania's workers were employed in occupations with average wages of less than \$27,000 per year compared to 50 percent nationally**
- **For example, 1.6 million people are employed in either administrative support or sales**



As a result, Pennsylvania landed in 40th place among states on growth in average household income

Percent change in
average household
income,
1989-1999

Source:
U.S. Census Bureau

	Average Household Income	
	Percent Change	Rank
Massachusetts	6.8%	36
Oklahoma	6.5%	37
Vermont	5.7%	38
New Hampshire	5.2%	39
Pennsylvania	5.1%	40
Delaware	4.7%	41
New Jersey	4.6%	42
California	3.8%	43
Maine	3.2%	44
UNITED STATES	7.8%	



The leap to a high-road economy will be difficult since the state ranks 31st on educational attainment

25+ with a BA
diploma or higher,
1990-2000

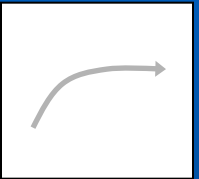
Source:
U.S. Census Bureau

	BA Attainment	
	Share	Rank
New Mexico	23.5%	26
Texas	23.2%	27
Maine	22.9%	28
North Carolina	22.5%	29
Wisconsin	22.4%	30
Pennsylvania	22.4%	31
Florida	22.3%	32
North Dakota	22.0%	33
Wyoming	21.9%	34
Michigan	21.8%	35
UNITED STATES	24.4%	

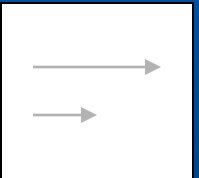
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The state ranks low on demographic and economic trends, and high on sprawl and abandonment

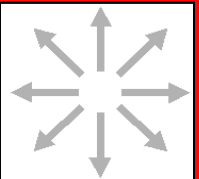
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Pennsylvania has 2,566 municipalities: cities, boroughs, first-class townships, and second-class townships

OLDER

Cities	56
--------	----

Boroughs	962
----------	-----

1st Class Townships	91
---------------------	----

OUTER

<u>2nd Class Townships</u>	<u>1,457</u>
	2,566



Compared to older municipalities, second-class townships are larger in land mass and lower in residential density

	Average Area (Sq. Mi.)	Average Density (People per Sq. Mi.)
Older Pennsylvania	2.6	2,500
Cities	8.3	6,621
Boroughs*	1.5	1,733
1st-Class Townships	10.1	1,621
2nd-Class Townships	28.3	124
State Total	17.1	278

Source:
U.S. Census Bureau
*Includes one "town"

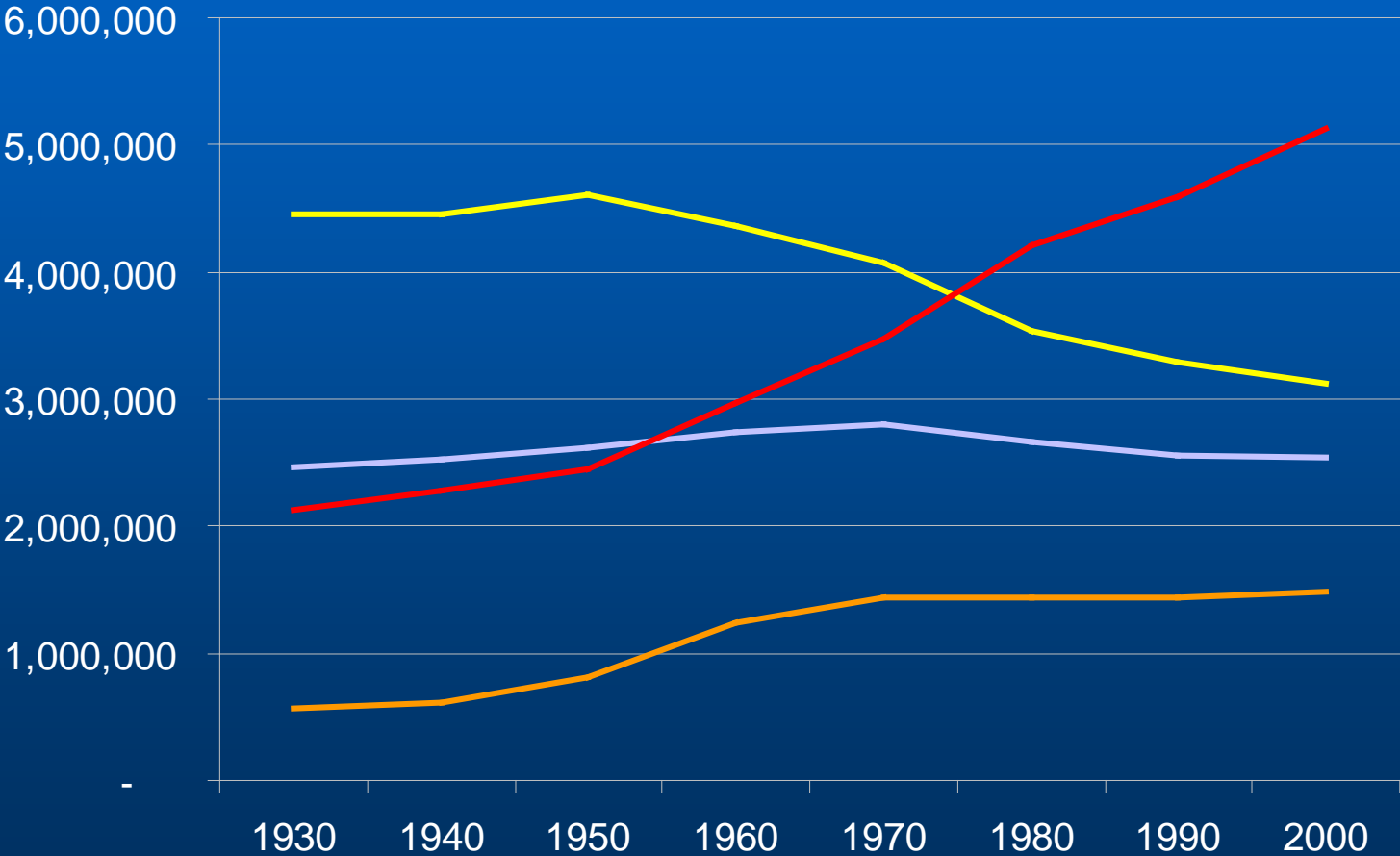


The outer townships have dominated the state's population growth for decades

Population,
1930 - 2000

Source:
Center for rural
Pennsylvania

- Cities
- Boroughs
- 1st Twp
- 2nd Twp

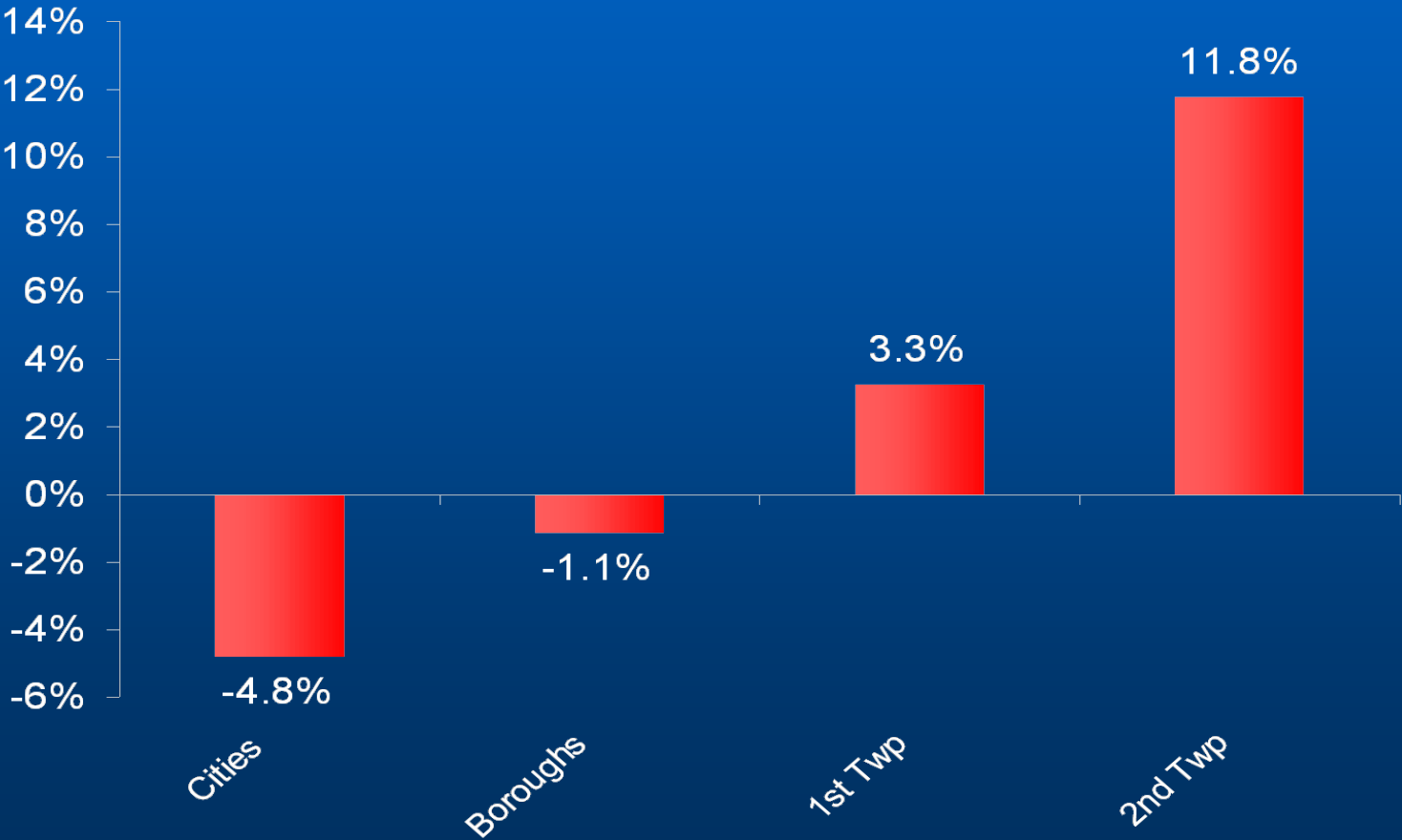




During the 1990s the second-class townships dominated population growth in state

Change in
population,
1990 - 2000

Source:
U.S. Census Bureau

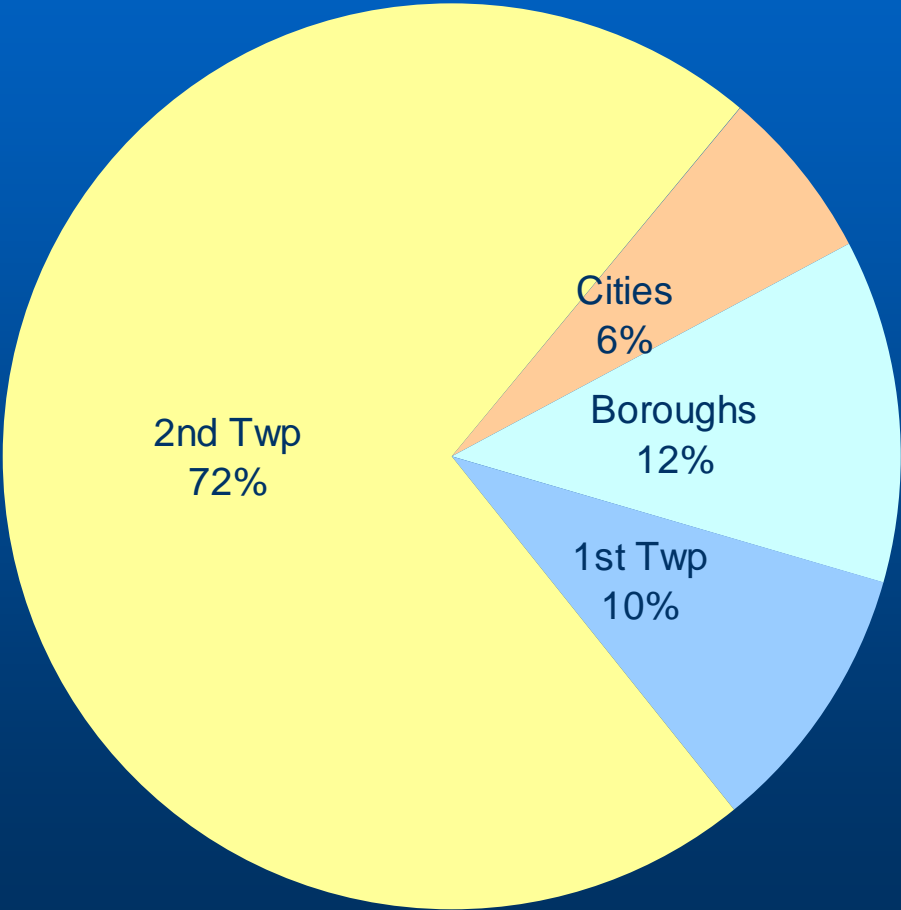




Second-class townships captured the lion’s-share of new housing units . . .

Share of new housing units by municipality type, 2000

Source:
U.S. Census Bureau

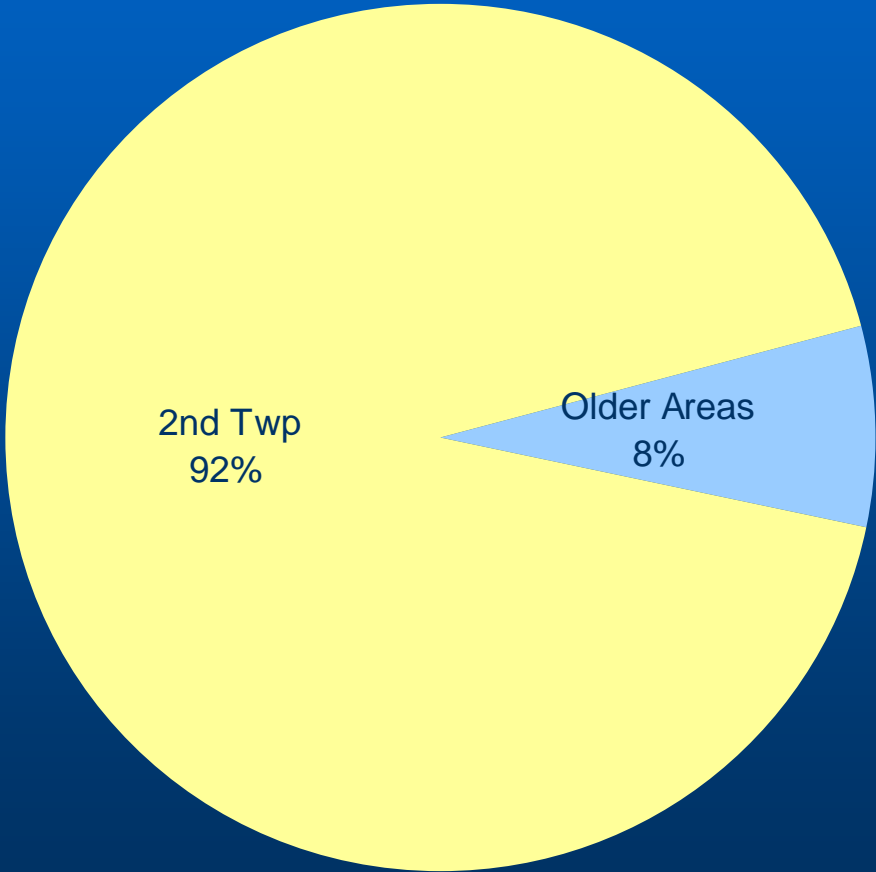




And almost all of the household growth in the state

Share of household growth, 1990-2000

Source:
U.S. Census Bureau

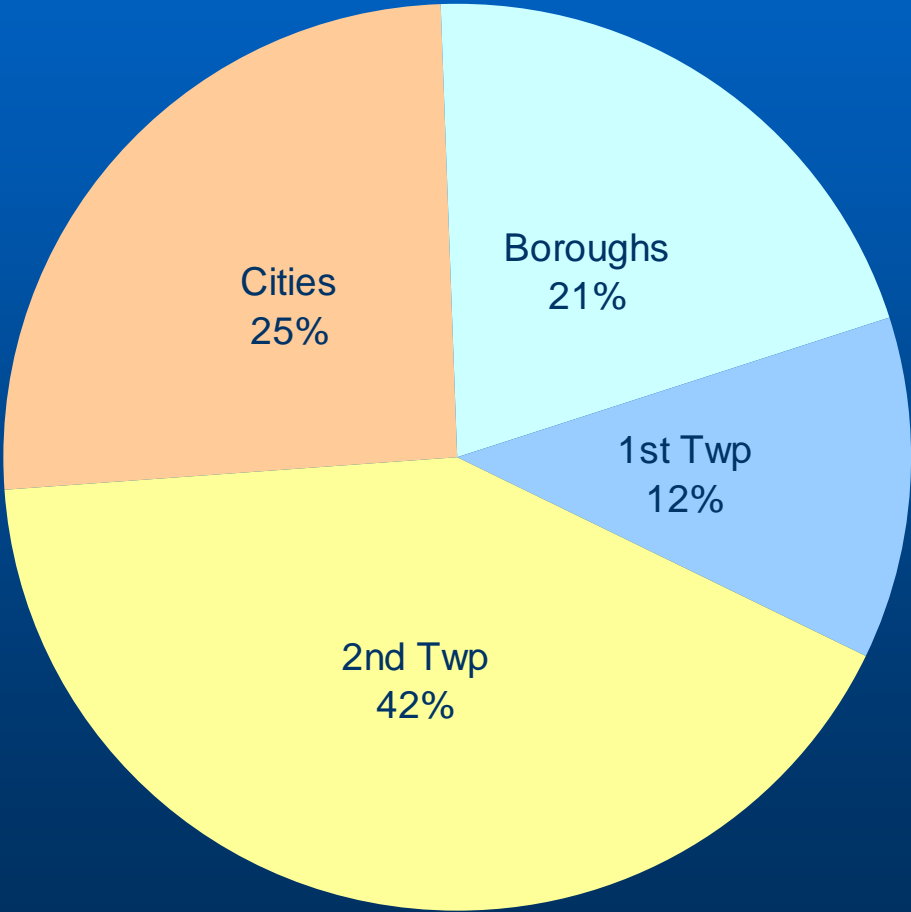




The “outer” townships now constitute 42 percent of the state’s population, up from 23 percent in 1950

Share of total population, 2000

Source:
U.S. Census Bureau

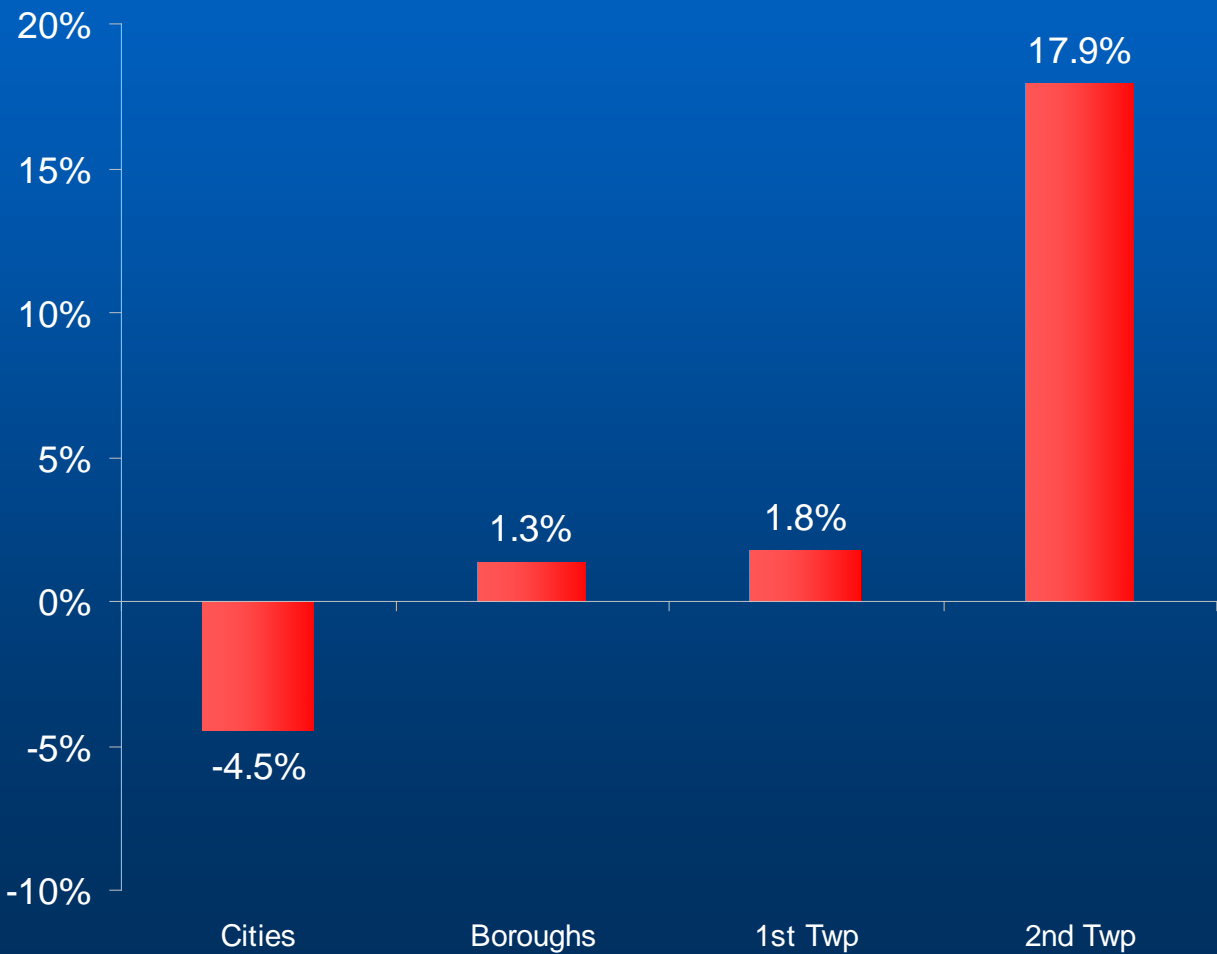




Philadelphia followed the same pattern of growth as the state with respect to municipal types

Change in population, Philadelphia Metropolitan Area 1990 - 2000

Source: U.S. Census Bureau



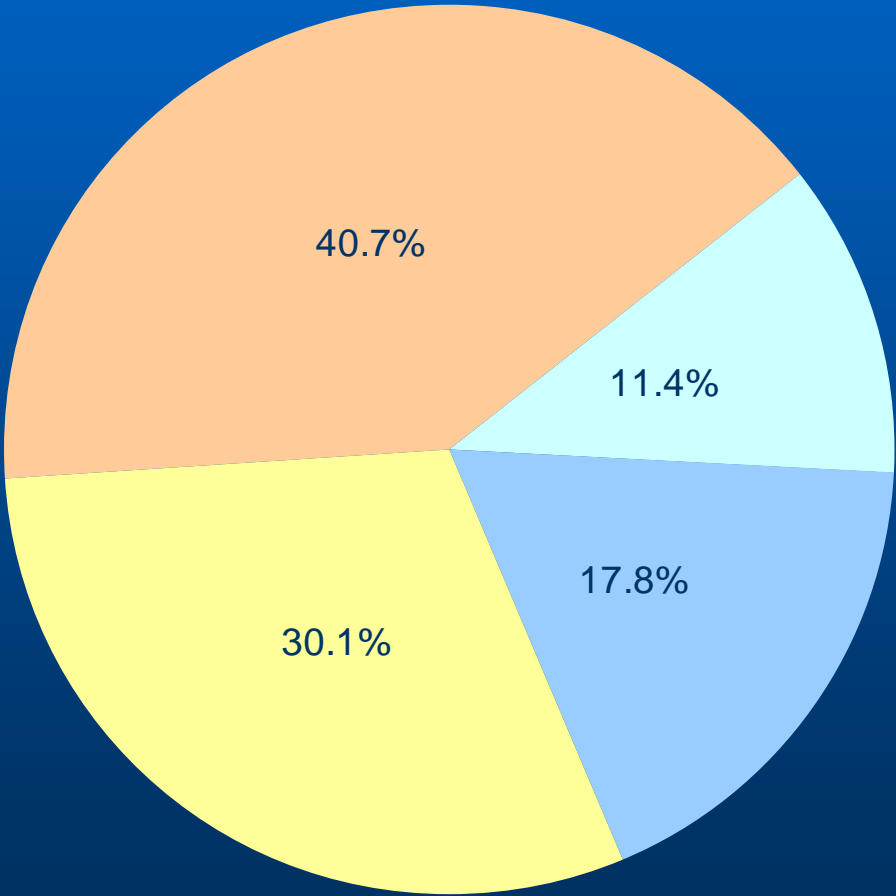


However, cities still constitute the largest share of population in the Philadelphia metropolitan area

Share of total population, Philadelphia Primary Metropolitan Area, 2000

Source: U.S. Census Bureau

- Cities
- Boroughs
- 1st Twp
- 2nd Twp





Overall, Pennsylvania built 2 new housing units for every 1 new household, the 3rd-highest ratio in the country

Ratio of new housing units to net household change, 2000

	New Housing Units : Net HH Change	
		Rank
West Virginia	2.73	1
North Dakota	2.32	2
Pennsylvania	1.94	3
Alabama	1.92	4
Mississippi	1.90	5
Maine	1.79	6
Iowa	1.78	7
Missouri	1.78	8
Hawaii	1.78	9
Ohio	1.77	10

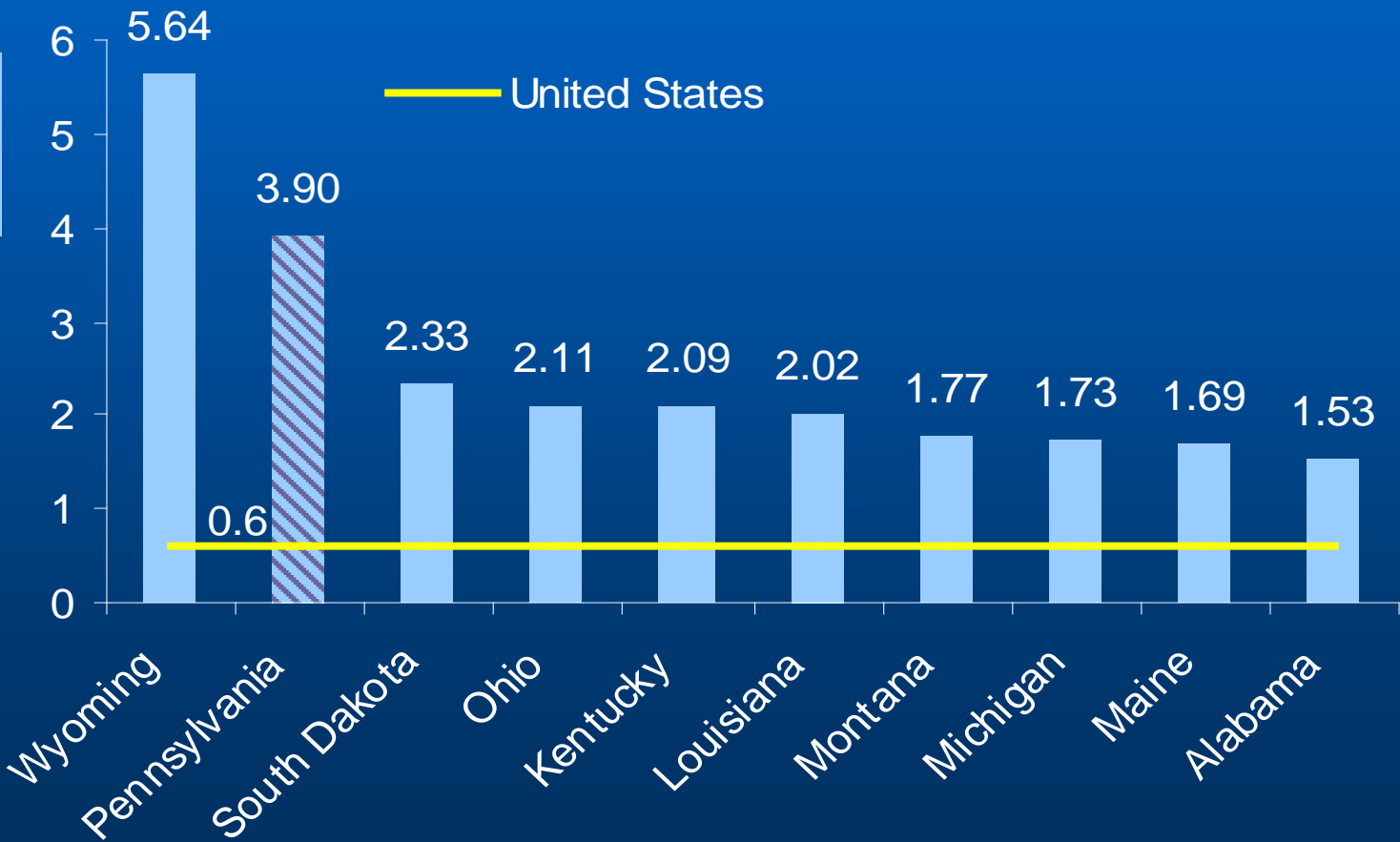
Source:
U.S. Census Bureau



In fact, Pennsylvania has the second-highest ratio of land consumption to population growth among the 50 states

Urbanized acres
per new resident ,
1982-1997

Source:
USDA Natural Resources
Inventory,
U.S. Census Bureau





Main Findings

I

The state ranks low on demographic and economic trends and high on sprawl and abandonment

II

These trends undermine competitiveness and are fiscally wasteful

III

These trends are not inevitable

IV

Pennsylvania can build a competitive future

II

These trends undermine competitiveness and are fiscally wasteful

Sprawl and urban decline hinder the state's ability to compete for educated workers



Sprawl and urban decline are burdening taxpayers





Economic success increasingly turns on attracting and retaining highly-educated people

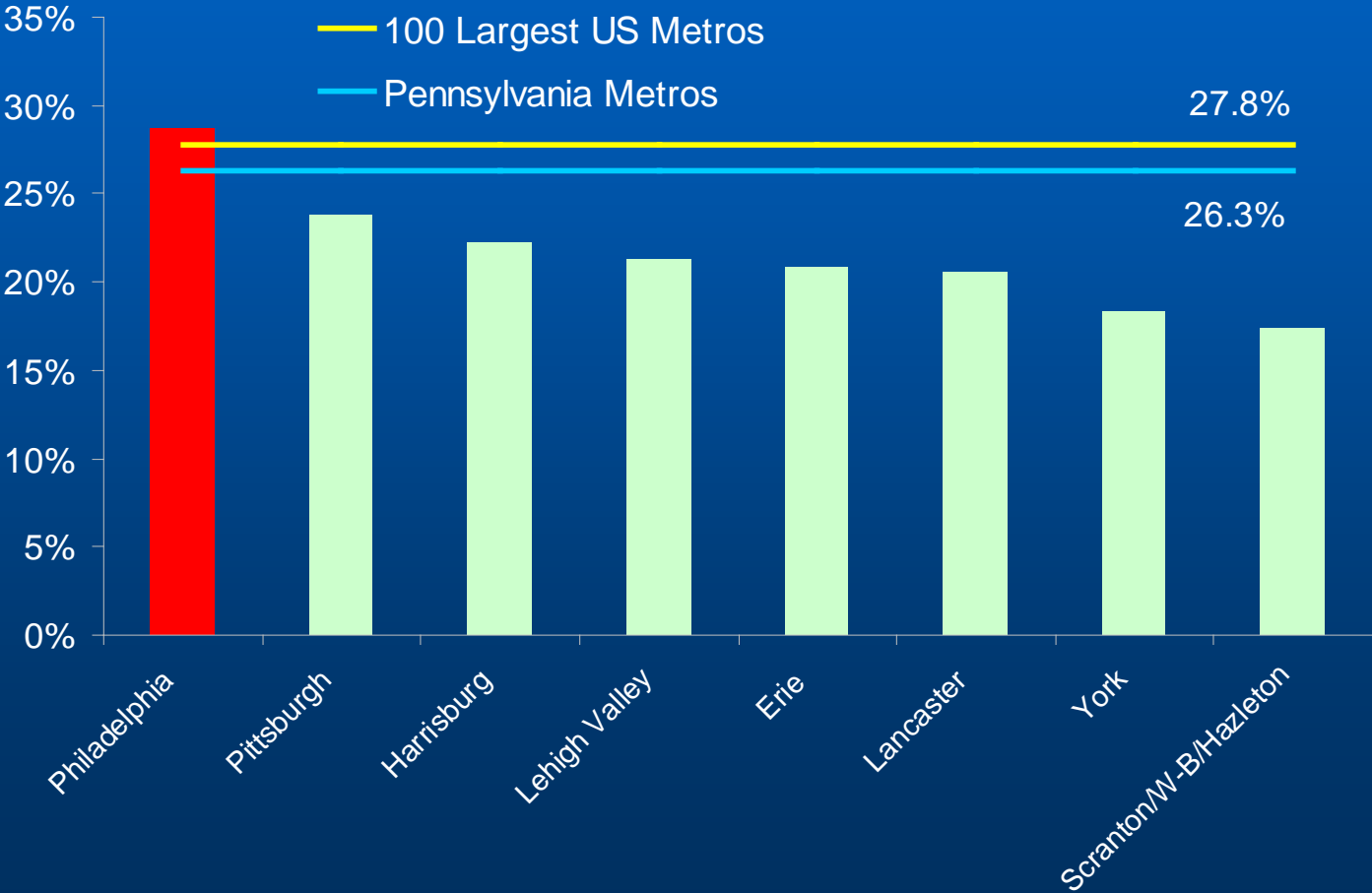
- Ideas, innovation, and creativity now drive the economy
- Success requires large numbers of people with a college education and high skills
- For every 2% growth in a metro's share of college graduates, income grew about 1% during 1990s



Pennsylvania's metropolitan areas lag the national metro average in educational attainment, with Philadelphia being the exception

Metropolitan population 25+ with a BA degree or higher, 2000

Source:
U.S. Census Bureau

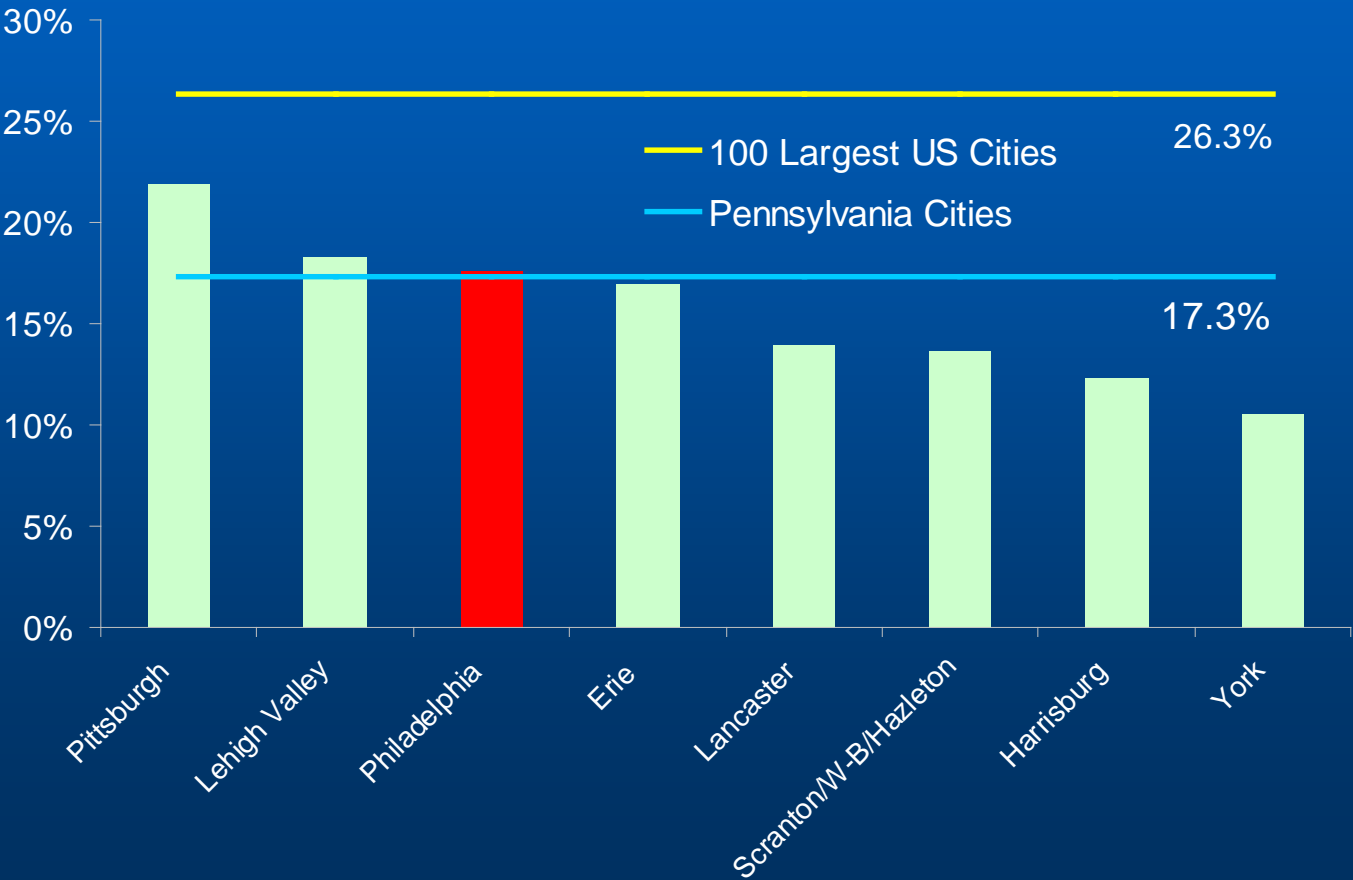




In Pennsylvania cities, the “BA gap” is even more pronounced

City population
25+ with a BA
degree or higher,
2000

Source:
U.S. Census Bureau





Across the nation, the cities and metros with highest shares of educated workers have common qualities:

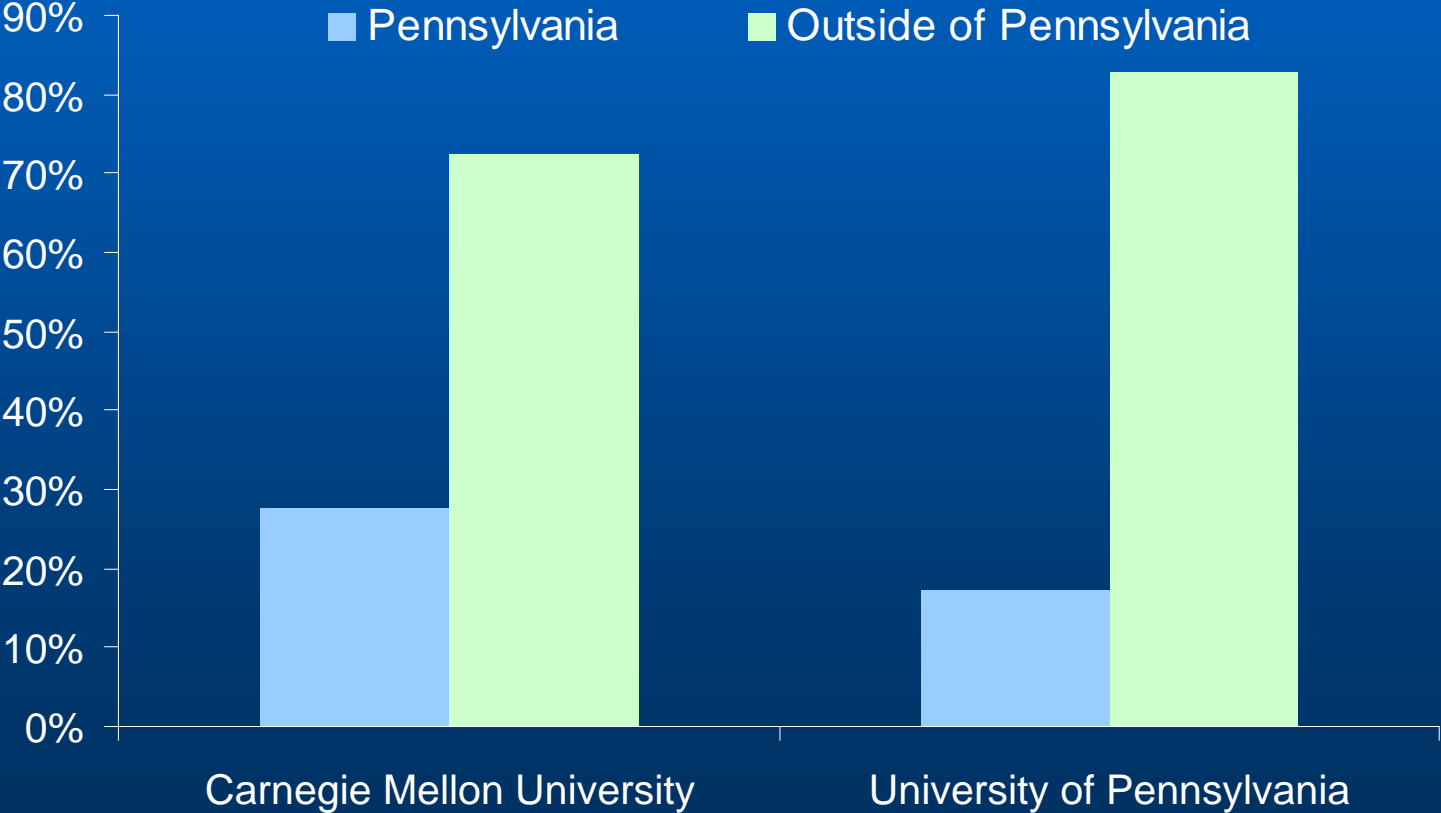
- Thick labor markets
- Vibrant and distinctive downtowns
- Plentiful amenities
- A positive, tolerant culture



However, in Pennsylvania, sprawl and decline limit the state’s ability to retain college graduates from its top universities

Current residence of university graduates, classes 1990-2000

Source:
Alumni offices of each university





Pennsylvania lost more migrants than it gained in all educational categories as it entered the new millennium

Migration by
educational
attainment,
1999-2001

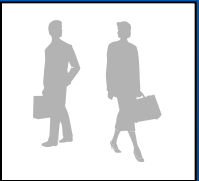
Source:
Gordon F. De Jong,
“Pennsylvania’s Brain
Drain Migration and
Labor Force Education
Gap, 2000”

- Between 1999 and 2001 more than 20,000 adults who had college and graduate or professional degrees left
- An additional 21,400 adults with some college training also left

II

These trends undermine competitiveness and are fiscally wasteful

Sprawl and urban decline hinder the state's ability to compete for educated workers



Sprawl and urban decline are burdening taxpayers





The costs of sprawl are well-researched and well-recognized

Low density development increases demand for:

- New schools
- New roads
- New public facilities
- Sewer and water extensions

Low density development increases the costs of key services:

- Police
- Fire
- Emergency medical

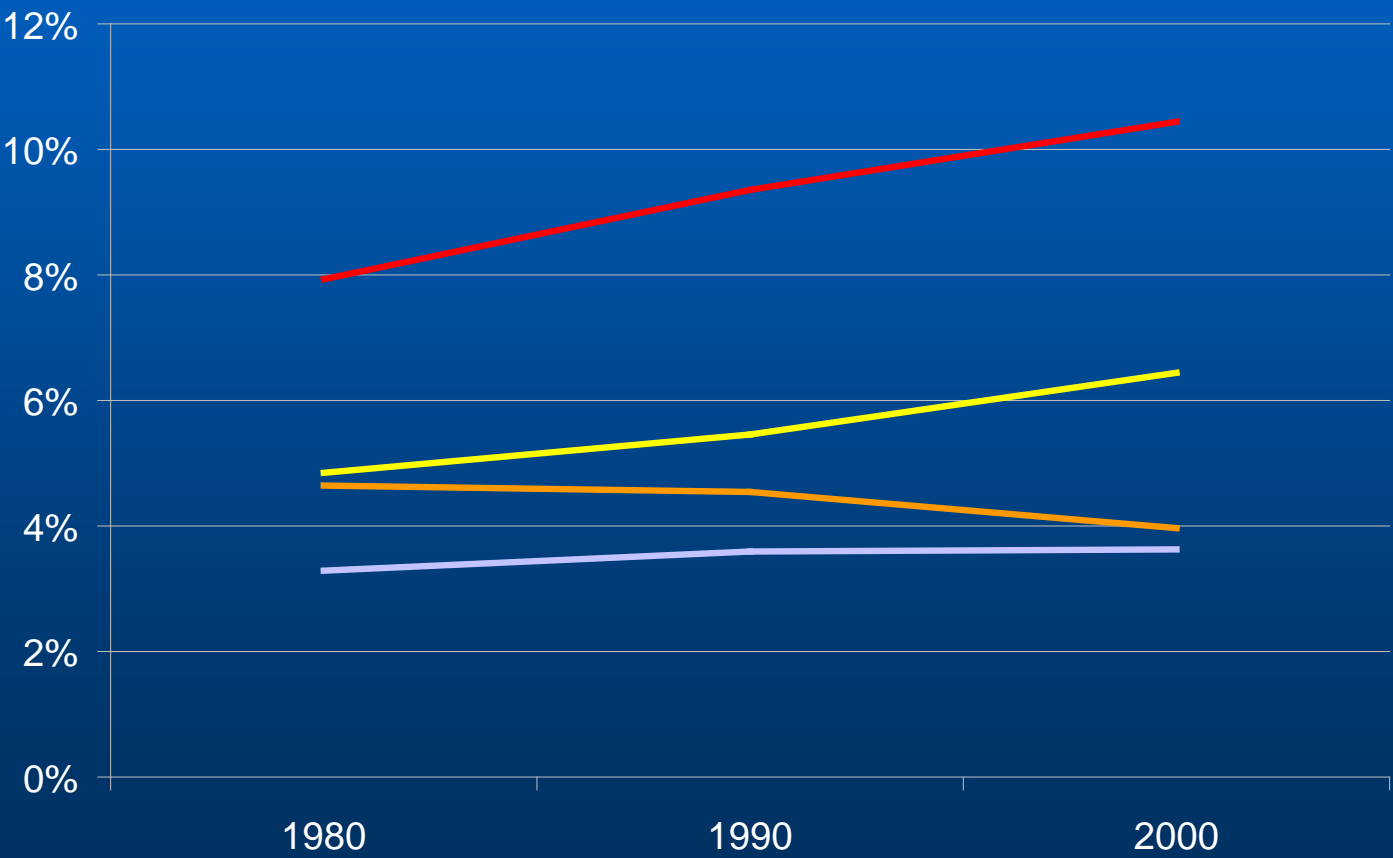


In Pennsylvania, the flip side of sprawl is abandonment; vacancy rates in older municipalities have worsened over the last two decades

Vacancy rates, 1980-2000

Source:
U.S. Census Bureau

- Cities
- Boroughs
- 1st-Class Townships
- 2nd-Class Townships





As a consequence, home values in older municipalities generally trail those in outer townships

Average home
value,
2000

Source:
U.S. Census Bureau

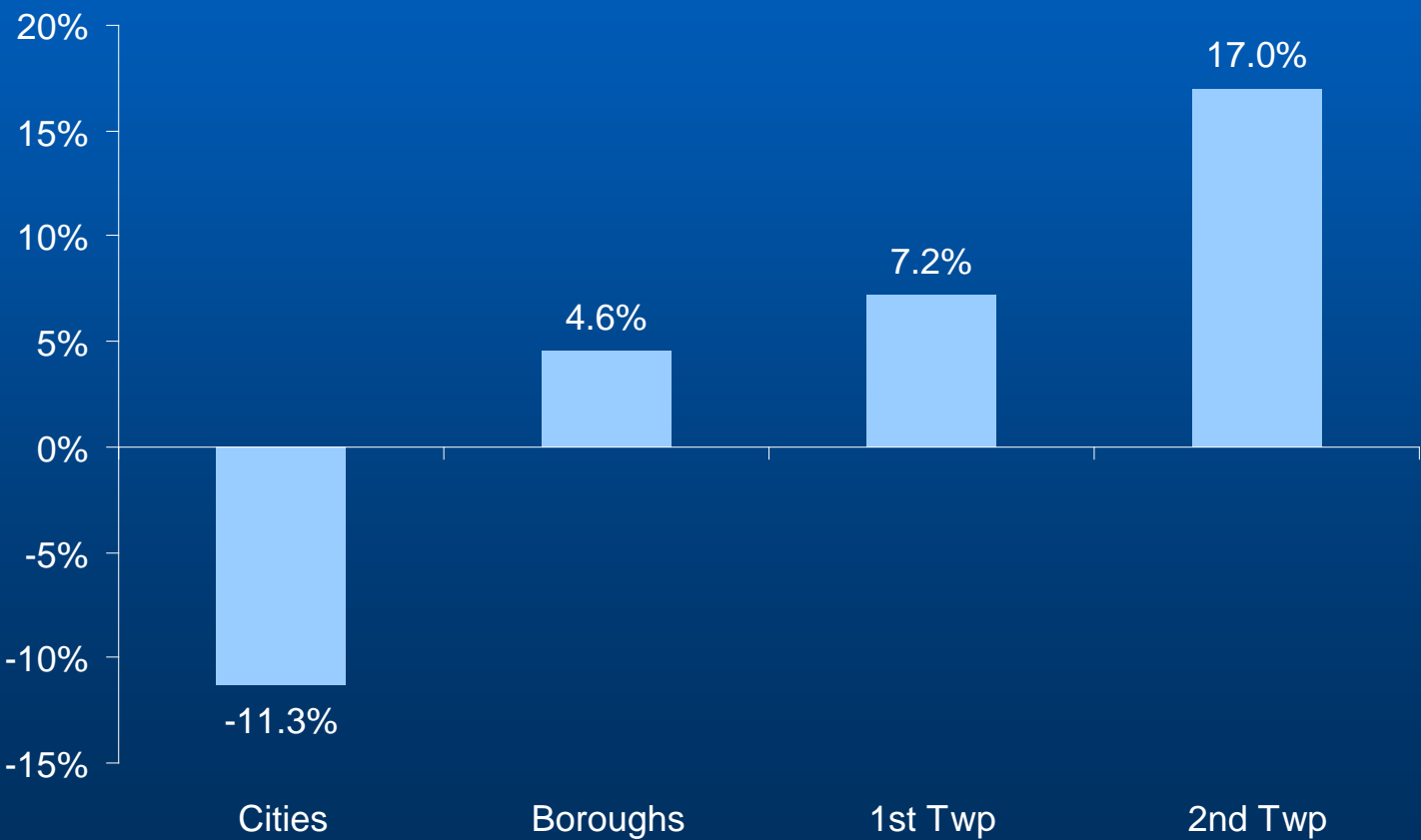
	2000 Average Home Value
Older	\$102,775.72
Cities	\$73,479.03
Boroughs	\$99,410.47
1st-Class Townships	\$153,170.52
2nd-Class Townships	\$145,183.17
State Total	\$120,741.27



In fact, deterioration in older areas slowed appreciation and even eroded property values in the 1990s, especially in Pennsylvania's cities

Percent change in market value property, 1993-2000

Source:
Ameregis Inc. tabulation of data from the Governor's Center for Local Government Services





Ultimately, these factors lead to reduced revenues and higher tax rates for older municipalities



Main Findings

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The state ranks low on demographic and economic trends and high on sprawl and abandonment

II

These trends undermine competitiveness and are fiscally wasteful

III

These trends are not inevitable

IV

Pennsylvania can build a competitive future

III

These trends are not inevitable

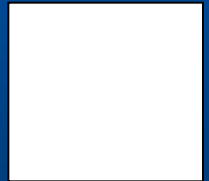
Haphazard Investments



Weak Planning




Barriers to Reinvestment



Governmental Fragmentation





Major state spending programs have either skewed funding to outer townships or failed to follow a strategic, competitive vision

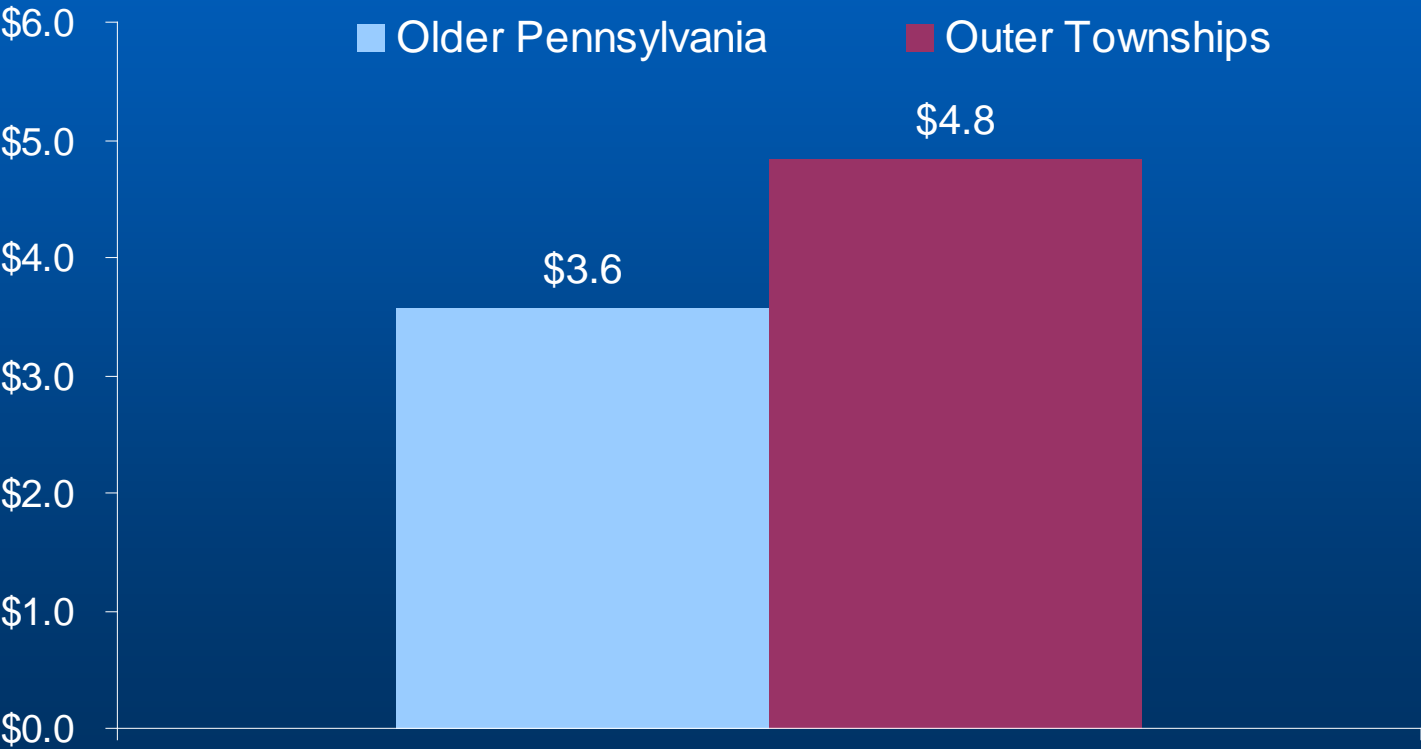


Between 1999 and 2002, outer townships received \$1.2 billion more in classifiable road and bridge spending than older areas

Total classifiable transportation investment*, 1999-2002

Source:
U.S. Census Bureau,
Anne Canby and James
Bickford, 10,000 Friends
of Pennsylvania

*In billions

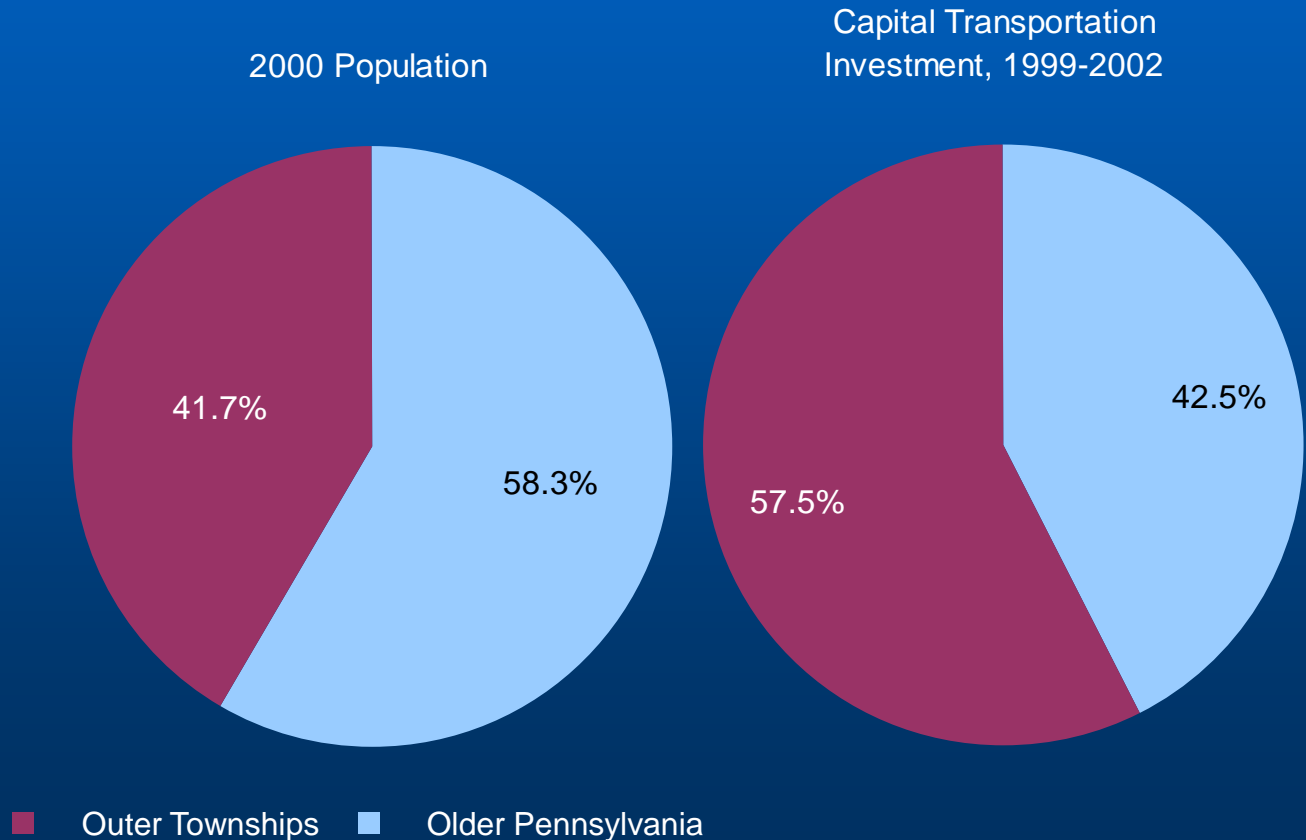




As a consequence, outer townships received 58 percent of classifiable spending during this period, although they represent only 42 percent of the state's population

Share of population versus share of transportation investment, 1999-2002

Source:
U.S. Census Bureau,
Anne Canby and James
Bickford, 10,000 Friends
of Pennsylvania

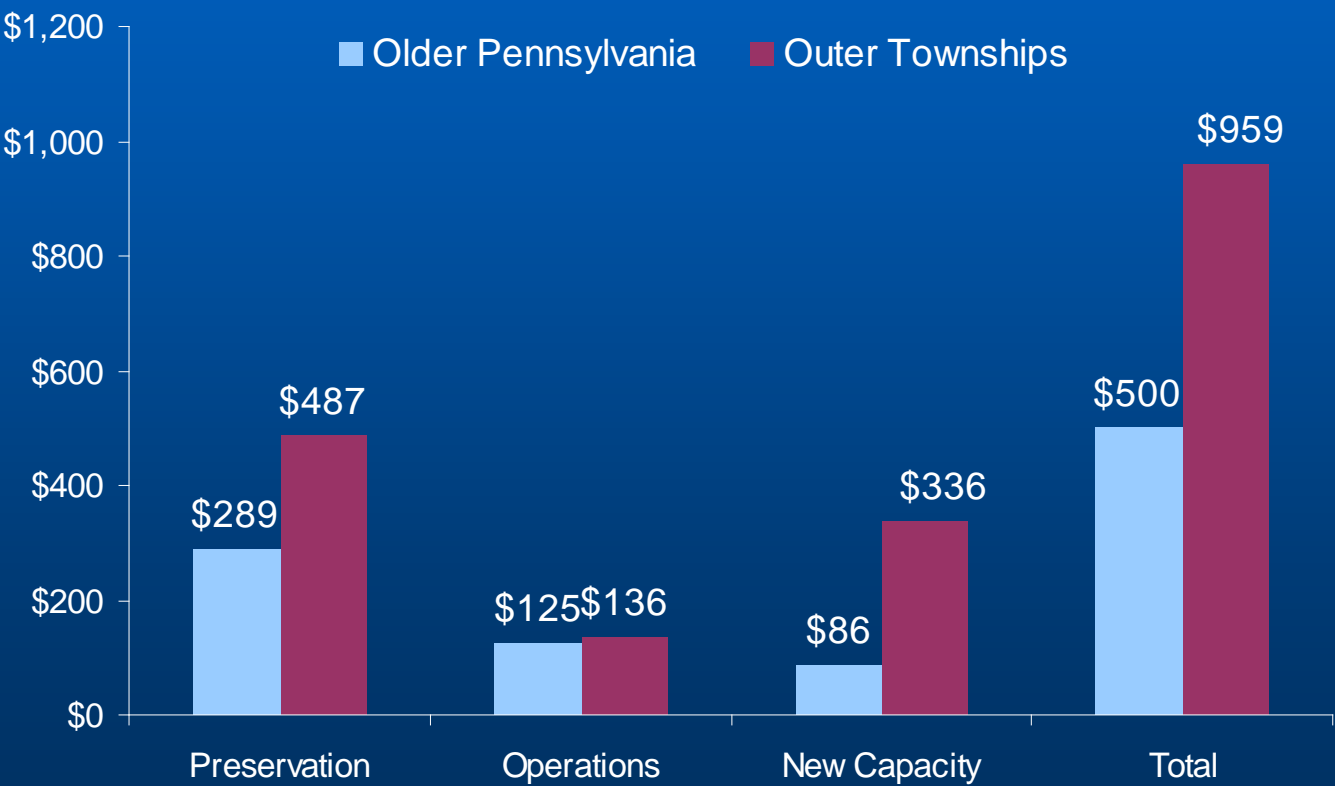




On a per capita basis, outer townships received almost double the amount of total classifiable spending that older municipalities received

Pennsylvania
Department of
Transportation per
capita investment,
1999-2002

Source:
Anne Canby and James
Bickford, 10,000 Friends
of Pennsylvania





At the same time, Pennsylvania is spreading its economic development money “all across the map”

PIDA, OFP, and IDP investments, 1998-2003

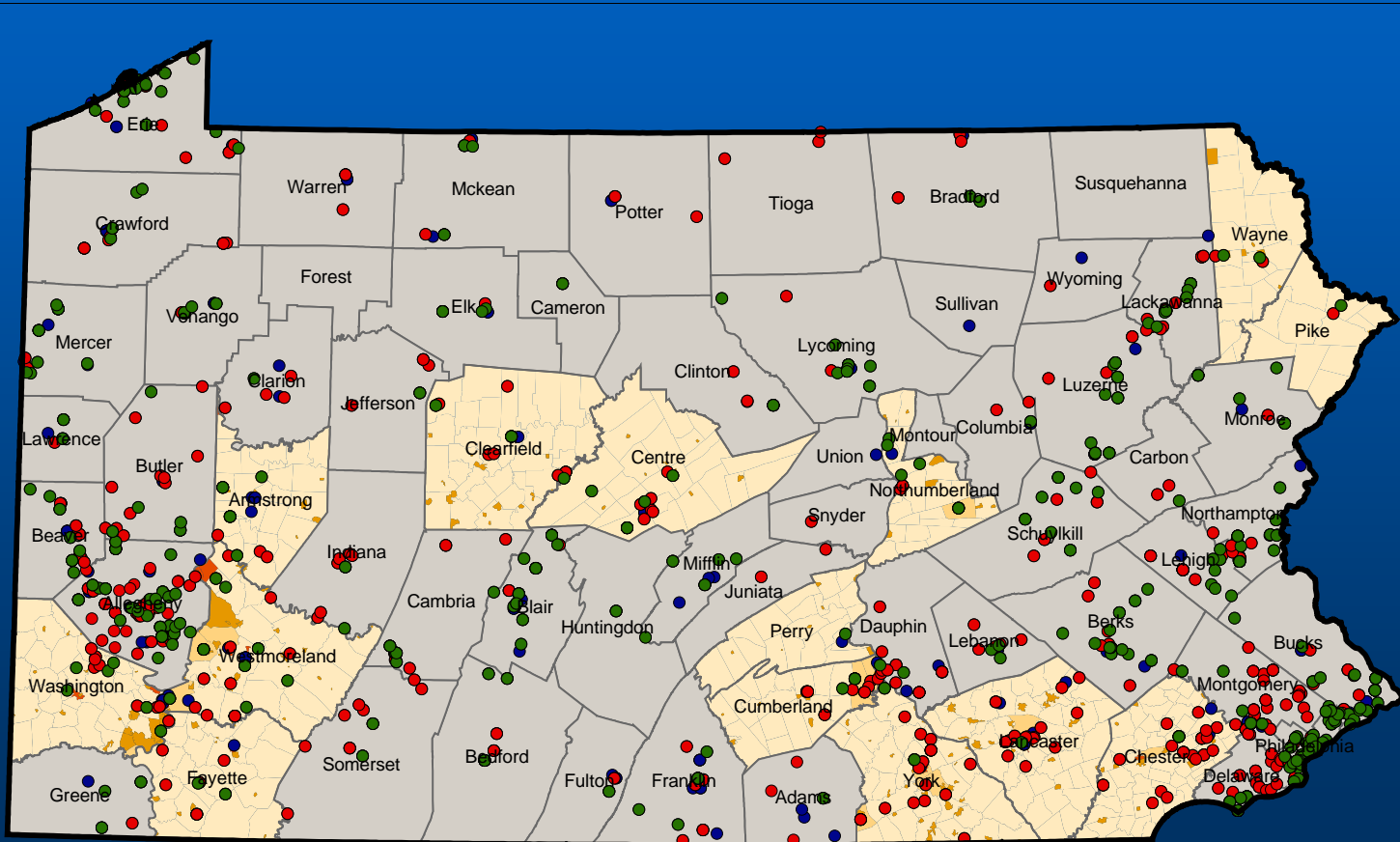
Source: Keystone Research Center

DCED Programs

- PIDA Recipients
- OGP Recipients
- IDP Recipients

Municipal Type

- City
- Borough
- 1st-class township
- 2nd-class township





On a per capita basis, DCED provided as much support through three main programs to projects in outer townships as to those in older areas between 1998 and 2003

PIDA, OFP, and
IDP investments
per capita,
1998-2003

Source:
Business Economic
Research Group (BERG)
analysis of DCED data

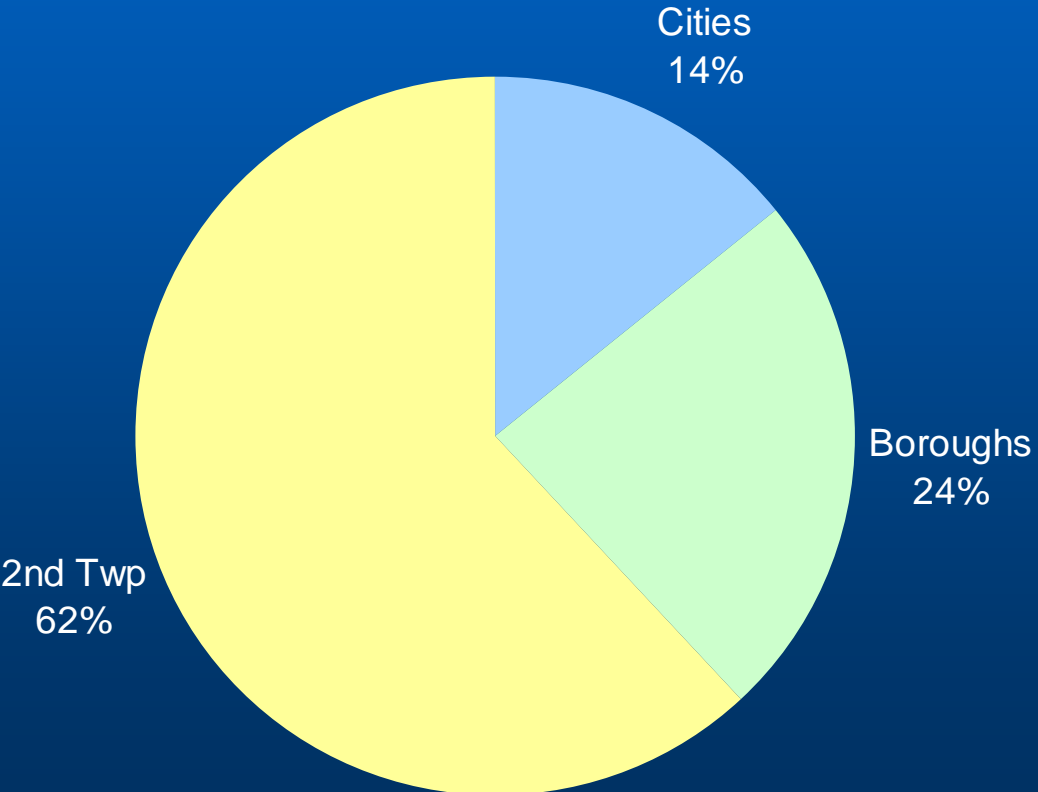
	Per Capita Spending
Older Pennsylvania	\$68.81
Cities	\$88.51
Boroughs	\$68.52
1st-Class Townships	\$28.32
2nd-Class Townships	\$71.11
State Total	\$70.33



At one extreme the PIDA industrial park program distributed 65 percent of its total subsidy spending to projects in outlying townships

PIDA investments,
1998-2003

Source:
Business Economic
Research Group (BERG)
analysis of DCED data



III

These trends are not inevitable

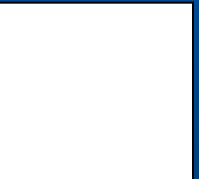
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Barriers to Reinvestment



Governmental Fragmentation





The Commonwealth lacks effective state-level planning, strategizing, and coordination capacity

- Disparate state agencies do not plan in accordance with a coherent, unified vision
- Disparate state agencies plan separately and often act at cross-purposes
- As a consequence, there is a lost opportunity to use policies to generate markets and create wealth



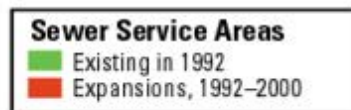
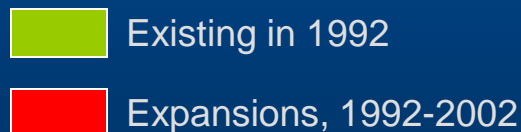
A lack of consistency requirements ensures land use planning remains essentially optional and frequently uncoordinated

- Municipalities Planning Code does not yet require zoning ordinances to conform to local or regional plans
- Required county plans remain advisory

Development is not linked to infrastructure planning in Philadelphia, where a 3.2 percent population growth was accompanied by a 22 percent increase in sewer capacity

Sewer expansion,
Philadelphia
Metropolitan Area,
1992-2002

Source:
Delaware Valley
Regional Planning
Commission



III

These trends are not inevitable

Haphazard Investments



Weak Planning



Barriers to Reinvestment



Governmental Fragmentation





Barriers to reinvestment

- Barriers to brownfield development hinder their productive reuse
- Information gaps, limited marketability, and ineffective acquisition processes keep many vacant and abandoned industrial properties idle
- Barriers to the rehabilitation of older buildings perpetuate their deterioration

III

These trends are not inevitable

Haphazard Investments



Weak Planning



Barriers to Reinvestment



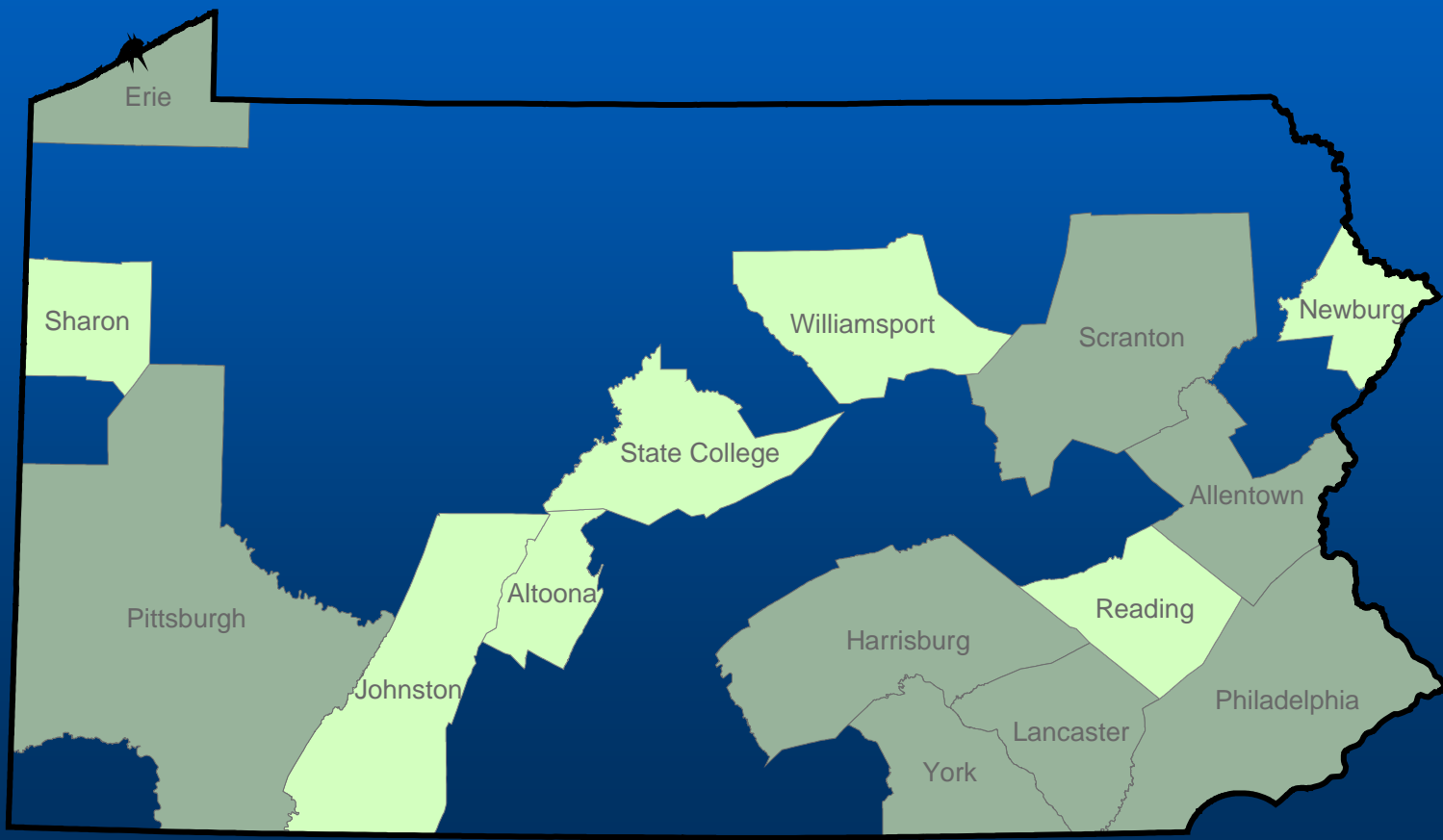
Governmental Fragmentation





Over time economic activity has clustered into one of 14 metropolitan economies

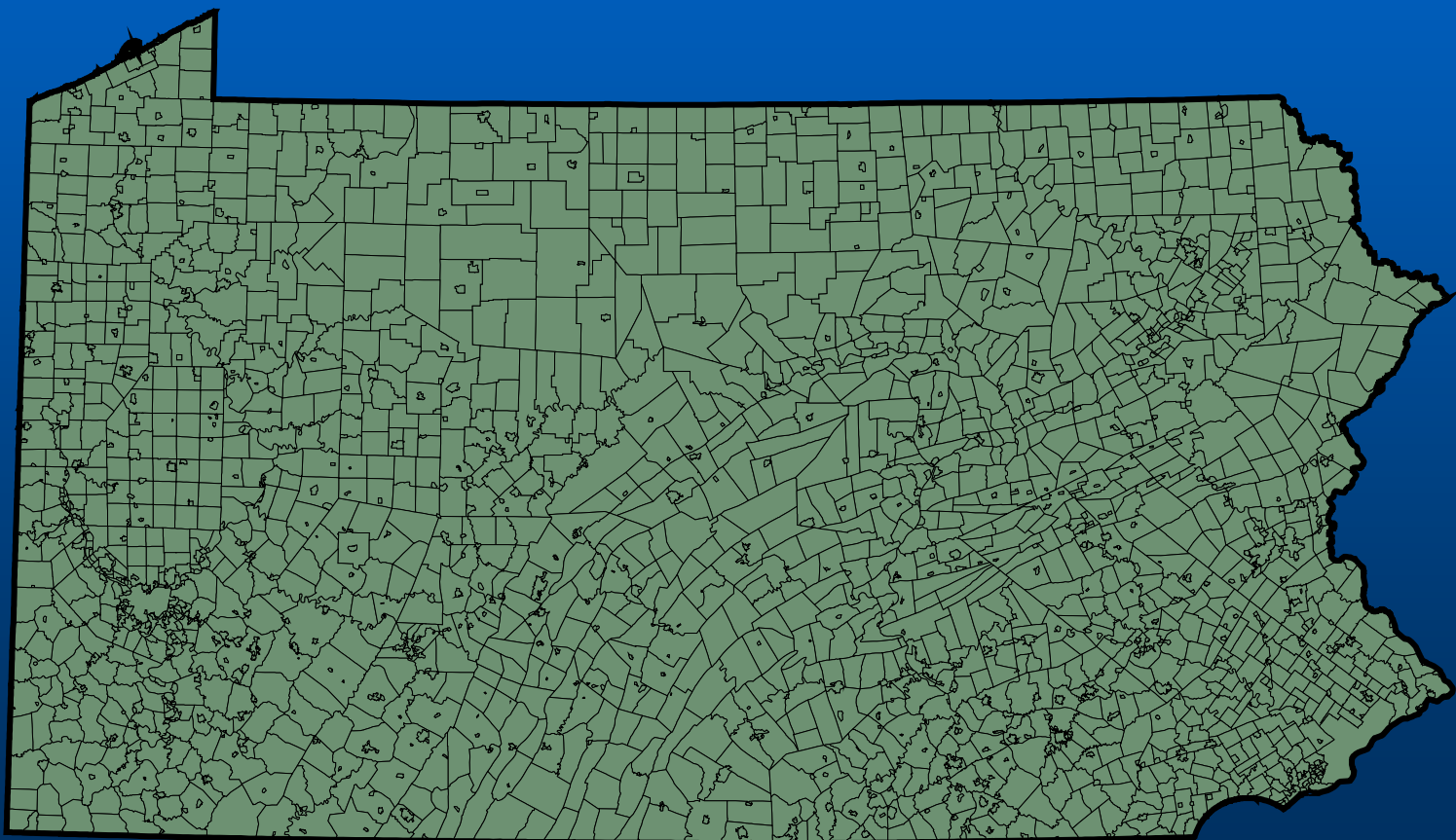
Metropolitan statistical areas, 2003





However, Pennsylvania's 2,566 municipalities drastically complicate the state's current landscape

Municipal
Boundaries,
2003





Pennsylvania has the third-largest number of general government in the country

Total local
governments,
2003

Source:
U.S. Census Bureau,
2002 Census of
Governments

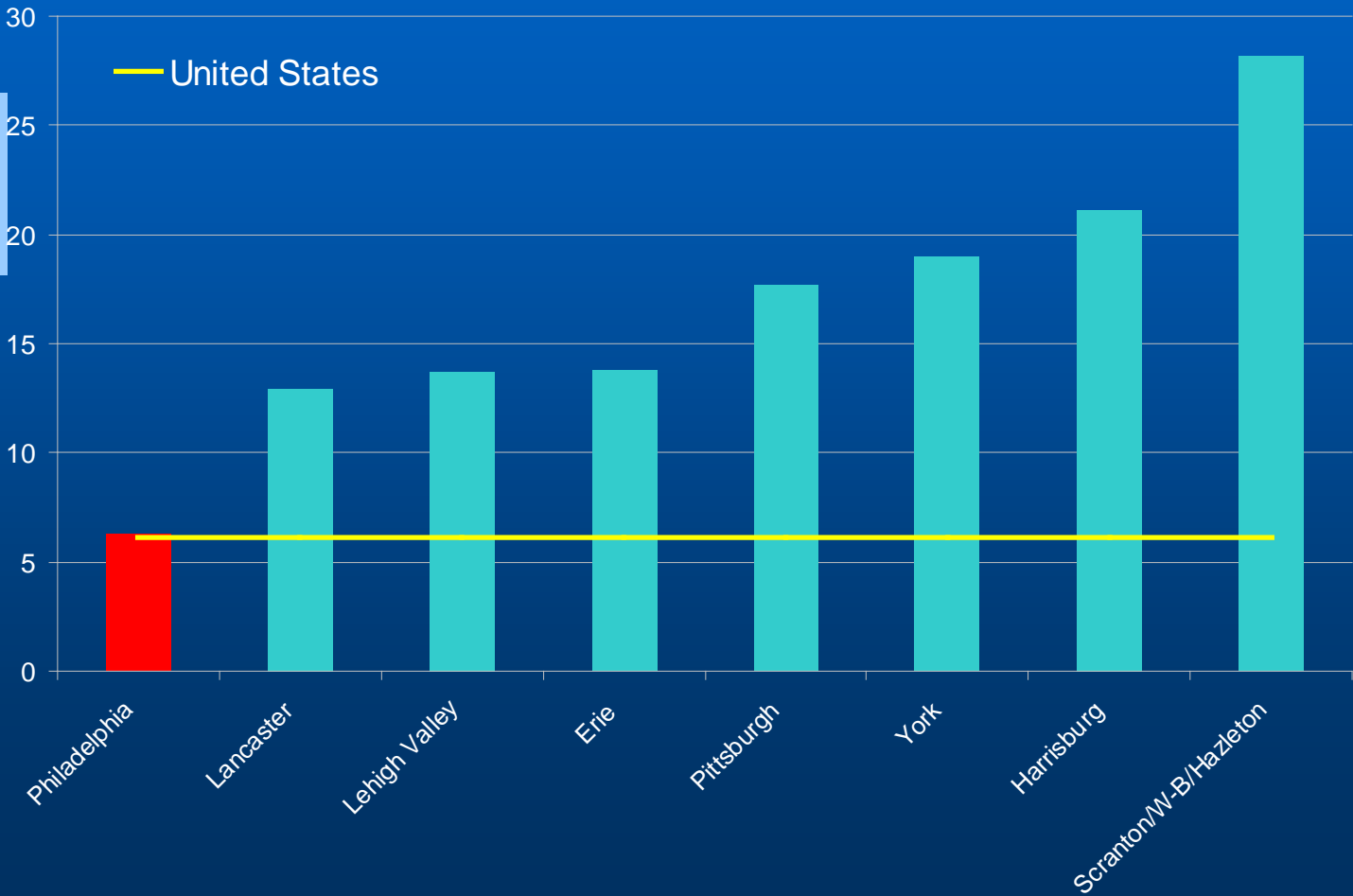
	General Governments in 2002	Rank
Illinois	2,824	1
Minnesota	2,734	2
Pennsylvania	2,633	3
Ohio	2,338	4
Kansas	2,030	5
Wisconsin	1,922	6
Michigan	1,858	7
North Dakota	1,745	8
Indiana	1,666	9
New York	1,602	10



The Commonwealth's metropolitan areas remain some of the most fragmented in the nation. Only Philadelphia displays about average numbers of governments

General governments
per 100,000 residents,
2002

Source:
U.S. Census Bureau,
2002 Census of
Governments





Pennsylvania's profusion of local governments hobbles the state's competitiveness in several ways

- CMU's Jerry Paytas concludes that between 1972 and 1997 fragmented regions saw their share of the total income generated in 285 metro areas slip
- Paul Lewis concludes fragmentation results in decreased shares of office space in central business districts, less "centrality," longer commute times, more "edge cities," and more sprawl



Main Findings

I

The state ranks low on demographic and economic trends and high on sprawl and abandonment

II

These trends undermine competitiveness and are fiscally wasteful

III

These trends are not inevitable

IV

Pennsylvania can build a competitive future

IV

Pennsylvania can build a competitive future



IV

Pennsylvania can build a competitive future

Set a Competitive Vision





The Challenge:

**The state lacks a coherent
strategy for growth and
development**



The Goal:

Pennsylvania should develop a clear, unified vision for economic success and quality development



The Policy:

- **Establish “Pennsylvania’s Vision for a Competitive Future”**
- **Make state agencies plans and actions conform to competitive vision**
- **Foster more and better regional and local planning**



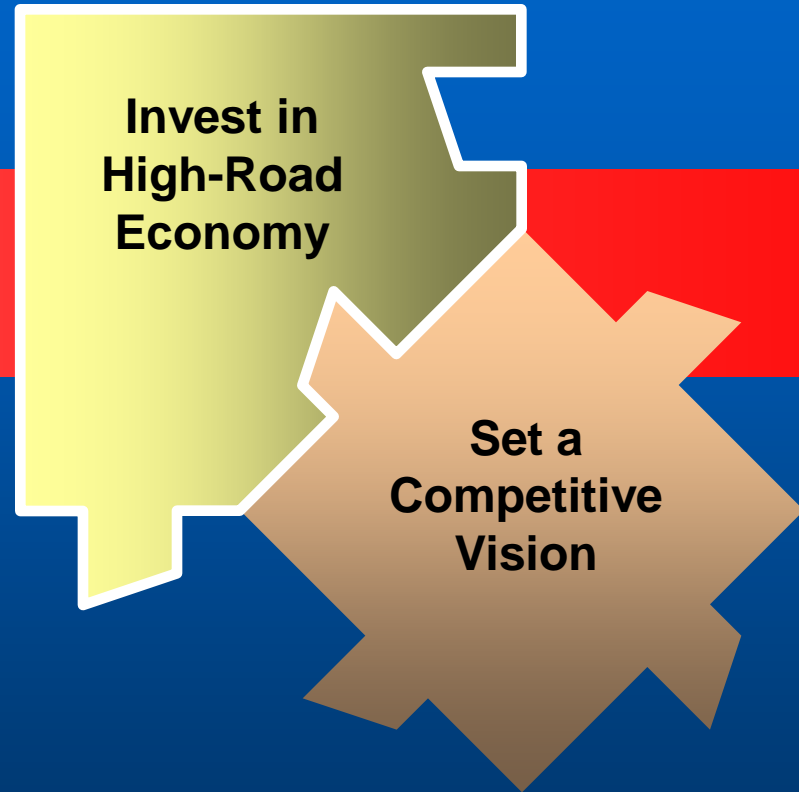
Example: Massachusetts' Commonwealth Coordinating Council

- Governor Mitt Romney has instituted a council that seeks to unite disparate state functions under a new mission of supporting revitalization, discouraging wasteful land use, and encouraging regional solutions
- Initiatives include: linking housing investments to transit stations, reusing urban land in economic development activity, and acquiring open space as a part of larger smart growth plans

IV

Pennsylvania can build a competitive future

Invest in a High-Road
Economy





The Challenge:

**Pennsylvania has not
responded adequately to
structural shifts in the economy**



The Goal:

Pennsylvania should invest in workers and sectors that will help the state produce a more competitive, higher wage future



The Policy:

- Set a state goal for higher education and align policies to achieve goal
- Reform workforce system
- Leverage sectors (e.g. “Eds and Meds”) that build a high-road economy

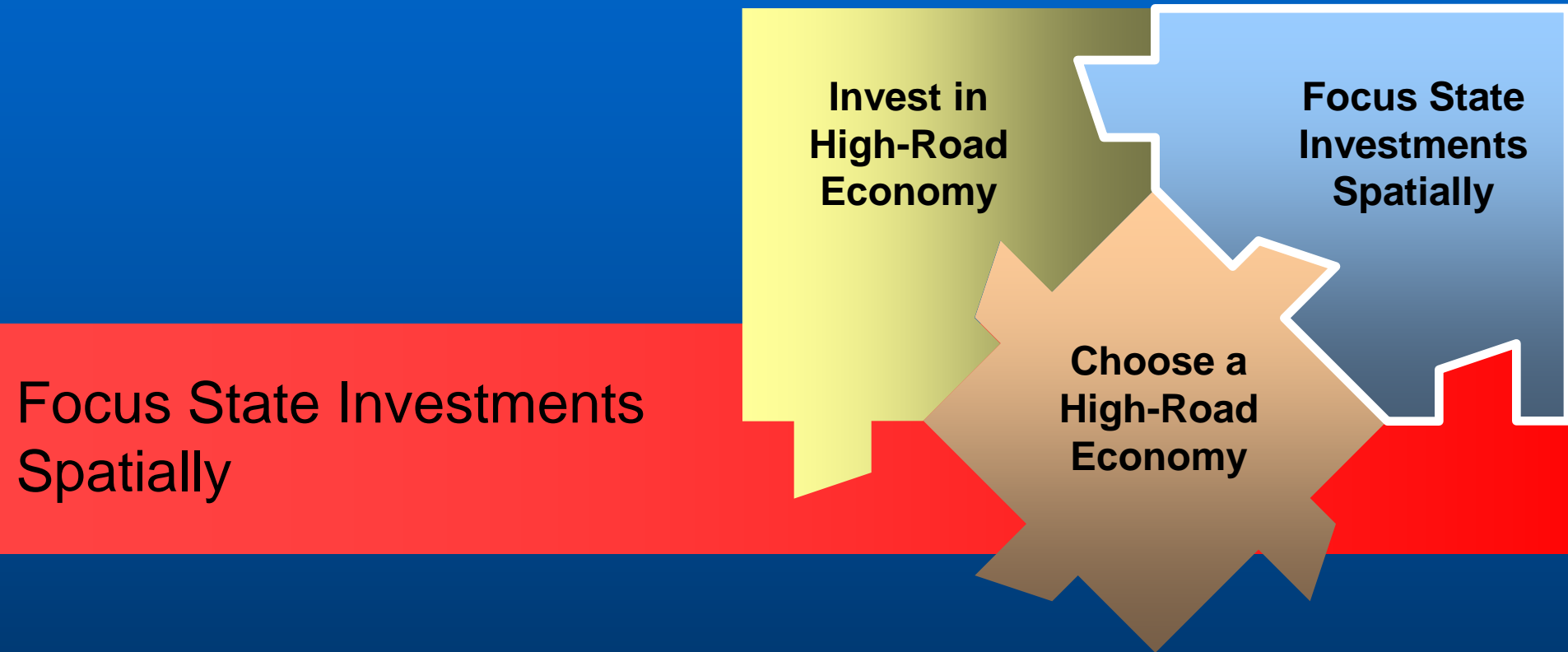


Example: Michigan's New Economic Development Agenda

- In 2003, Gov. Jennifer Granholm signed an executive order centralizing and streamlining job, workforce, and economic development functions into a single Department of Labor and Economic Growth
- Initiatives include convening mayors to discuss how to make Michigan more attractive for new jobs and residents, and engaging universities on what would encourage students to remain after graduation

IV

Pennsylvania can build a competitive future





The Challenge:

**State spending programs are
not strategically focused**



The Goal:

***Pennsylvania should make
reinvestment in older, established
communities a priority***



The Policy:

- **Have competitive vision drive investment decisions**
- **Invest in assets that drive innovation (e.g. downtowns, main streets, historic preservation)**
- **Disclose the location and impact of key investments**

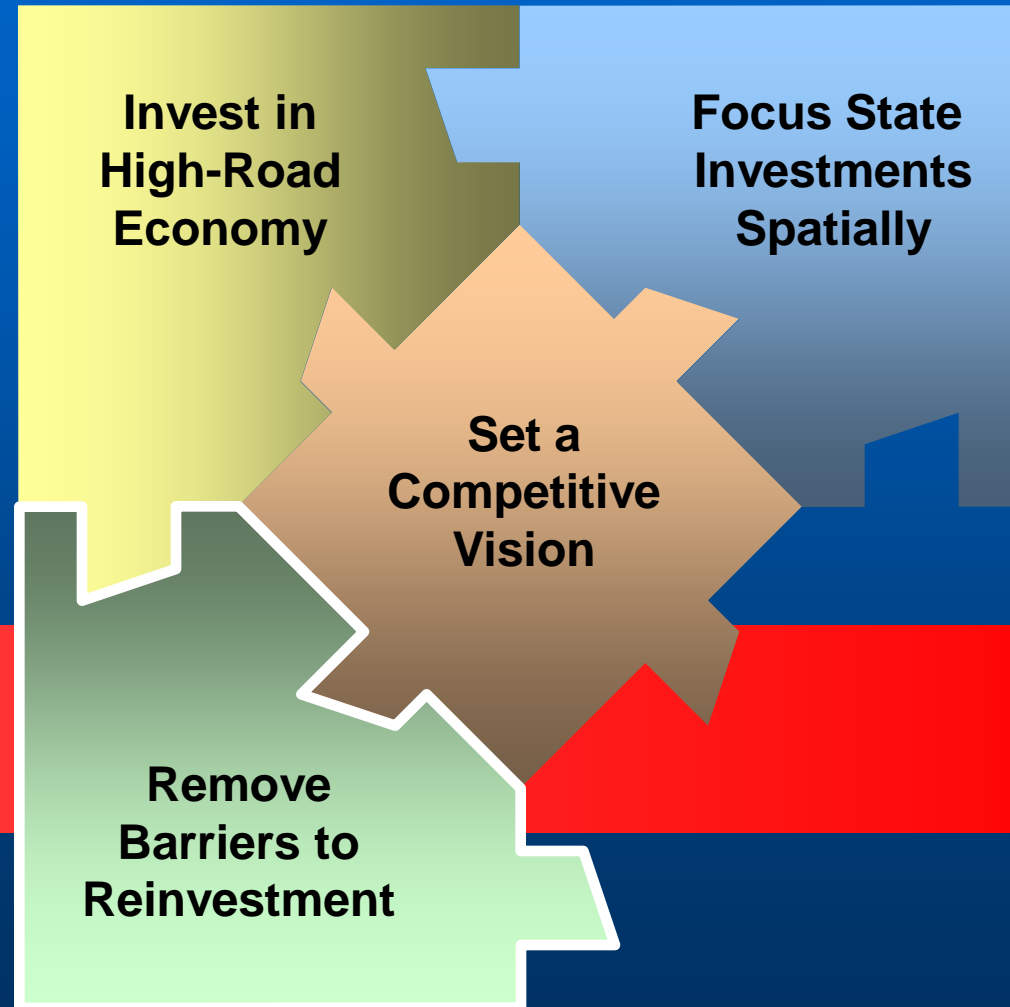


Example: Maryland's Priority Funding Areas

- In 1997, Maryland enacted several “smart growth” laws designed to steer funds into “priority funding areas” in established places where infrastructure already existed
- Withdraws state support from inconsistent or or disruptive projects and channels aid to places that most need and can best support new development
- Similar initiatives have been adopted in California and New Jersey

IV

Pennsylvania can build a competitive future



Promote large-scale
reinvestment in older areas



The Challenge:

State rules and policies present numerous barriers to the revitalization of the commonwealth's cities, boroughs, and older suburbs



The Goal:

Pennsylvania should reform policies and programs to encourage land reclamation and redevelopment in cities, towns, and older suburbs



The Policy:

- **Create a state inventory of vacant and abandoned properties**
- **Improve the state's brownfield program**
- **Create a legal climate that enables redevelopment to be timely, efficient, and profitable**



Example: Urban Redevelopment in the United Kingdom

- Launched in 1998, the United Kingdom's Previously-Developed Land (PDL) project is working to inventory all vacant and derelict land in England and Wales
- In addition, the national government has set a target that 60 percent of all the country's new housing should be built on previously-used sites by 2008
- In 2001, 61 percent of housing built was constructed on brownfields or through the conversion of existing buildings

IV

Pennsylvania can build a competitive future



Renew state and regional governance



The Challenge:

Pennsylvania's extreme government fragmentation has exacerbated unbalanced growth patterns and undercut economic competitiveness



The Goal:

***Pennsylvania should promote
more regional collaboration and
cohesion***



The Policy:

- **Convene a Pennsylvania local government commission**
- **Use regional actors to implement state programs**
- **Consider reapportioning some local, county, and regional functions**
- **Adopt reforms to ease voluntary restructuring**



Example: Texas' Distribution of CDBG Money

- With nearly 3,000 local governments, Austin turned to its 24 regional councils of government (COGs) to rationalize fund allocation and promote multi-municipal cooperation
- COGs prioritize projects based in large part on the regional value of each project
- This ensures that a regional perspective governs how funds are spent, avoiding a more disconnected, overly localized distribution system

IV

Pennsylvania can build a competitive future



www.brookings.edu/urban

www.brookings.edu/pennsylvania