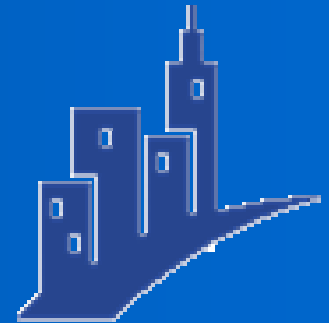


The Brookings Institution

Metropolitan Policy Program
Bruce Katz, Director



Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania

Presentation to the Pennsylvania Housing Finance Agency Forum
December 16, 2004

Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania

I

What are the major demographic, market, and development trends affecting Pennsylvania?

II

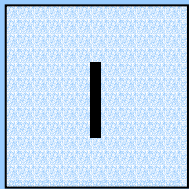
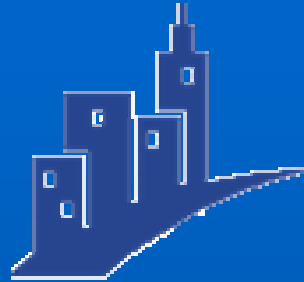
What do these trends mean for Pennsylvania?

III

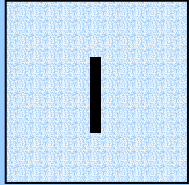
Why is this happening?

IV

Where do housing challenges and state housing policy fit in?

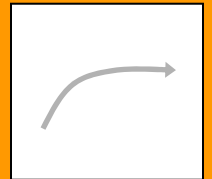


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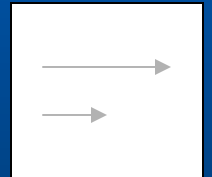


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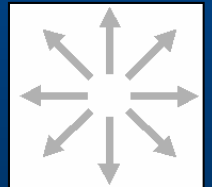
Pennsylvania is barely growing
and it's aging fast



Pennsylvania's transitioning
economy is lagging



Pennsylvania is spreading out
and hollowing out

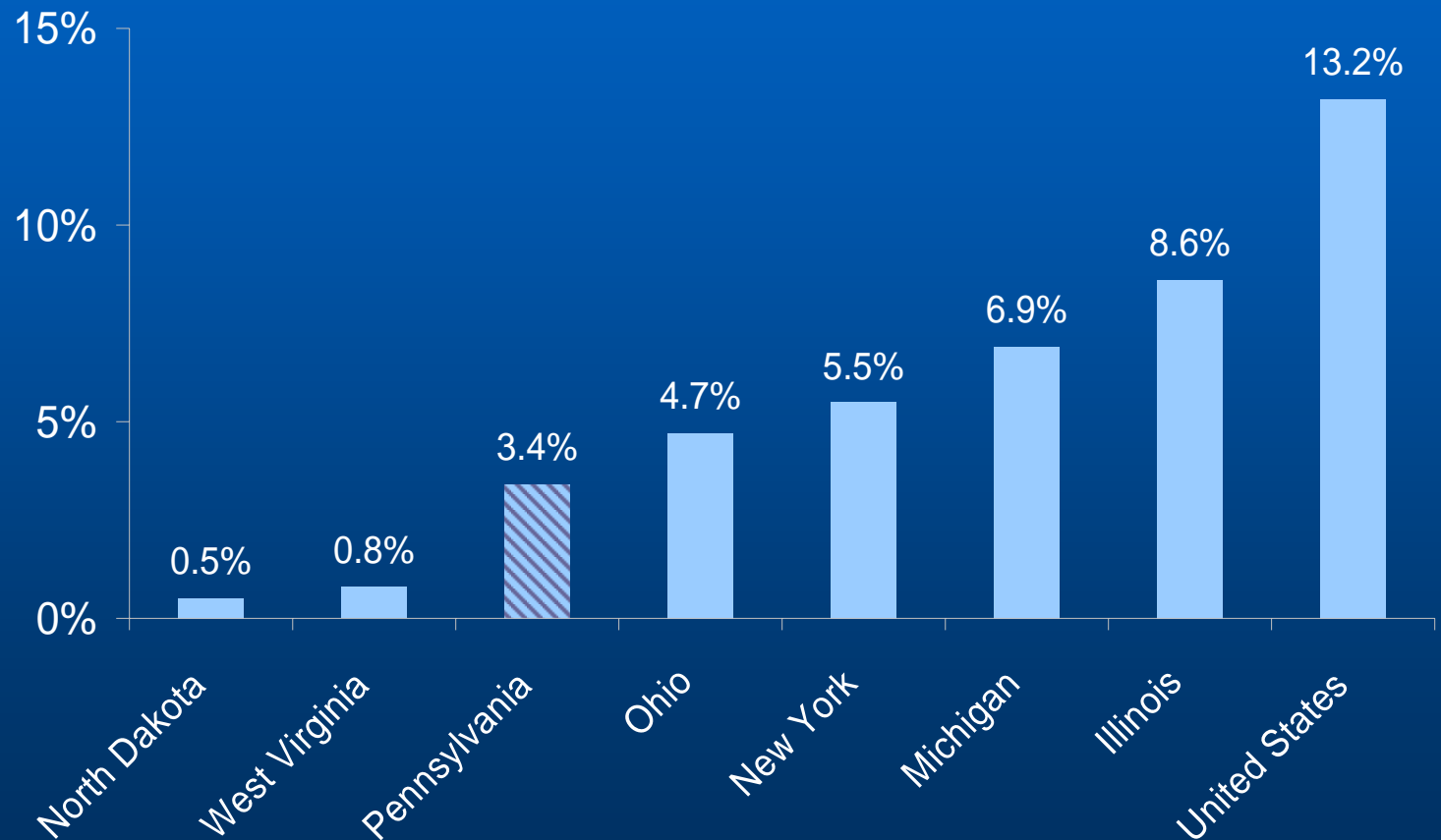




Pennsylvania was the third-slowest growing state during the 1990s

Percent population change, 1990-2000

Source: U.S. Census Bureau





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

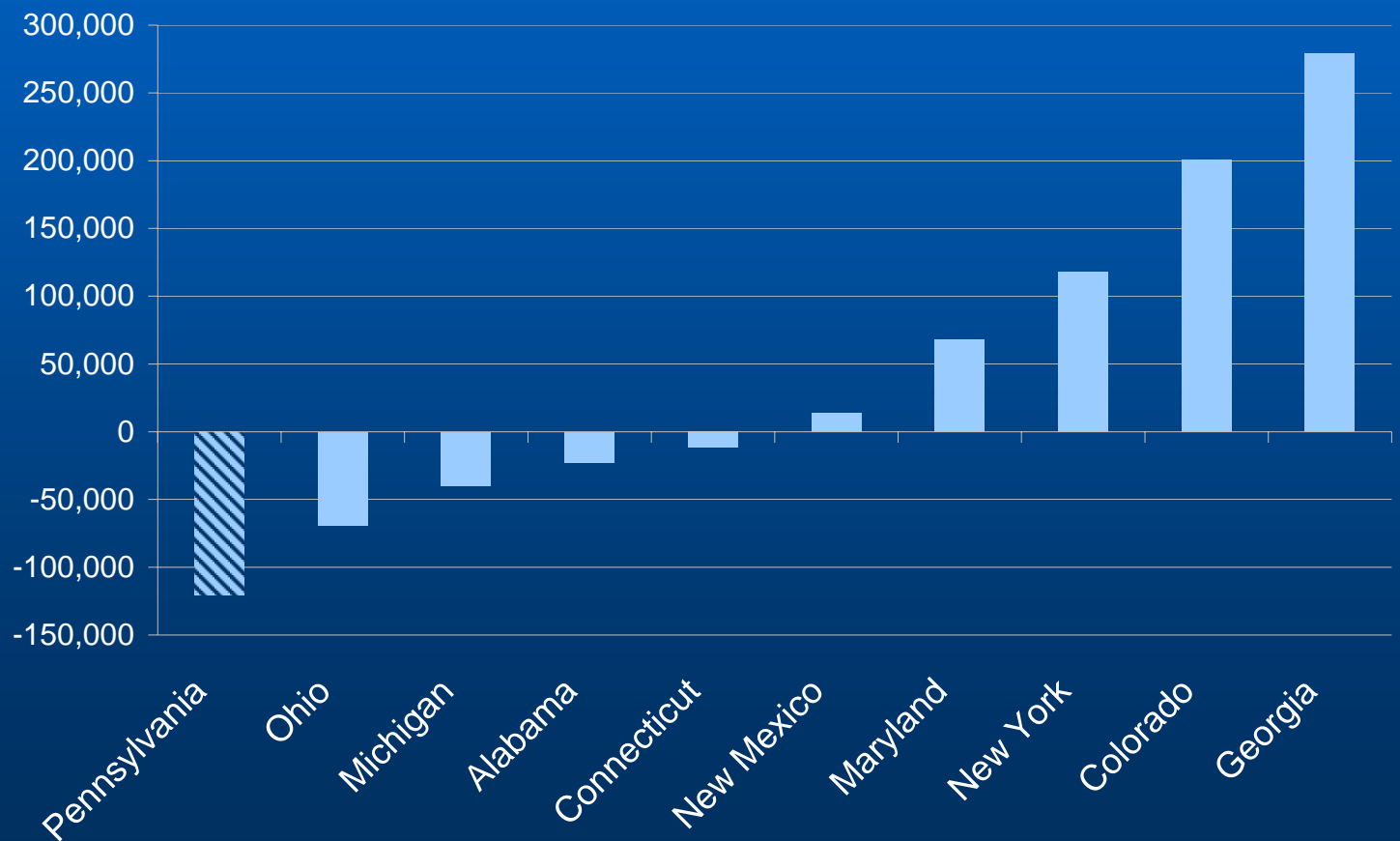
	Foreign Born	
	Percent Change	Rank
New Jersey	52.7%	32
Alaska	49.8%	33
Michigan	47.3%	34
Wyoming	46.5%	35
Pennsylvania	37.6%	36
California	37.2%	37
New York	35.6%	38
Massachusetts	34.7%	39
Louisiana	32.6%	40
United States	57.4%	



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

Population over 65

Share of
population 65+,
2000

Source:
U.S. Census Bureau

	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%	

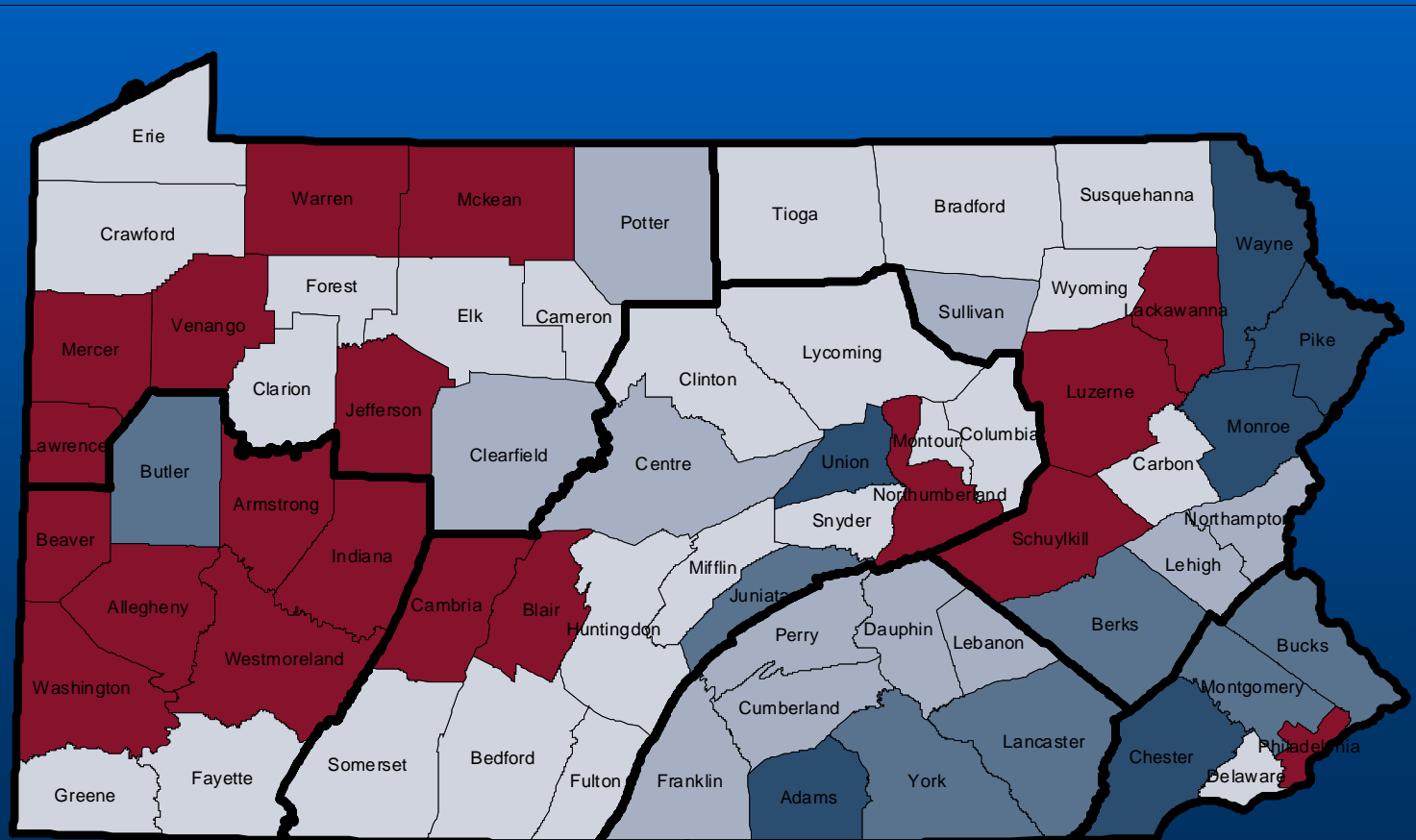
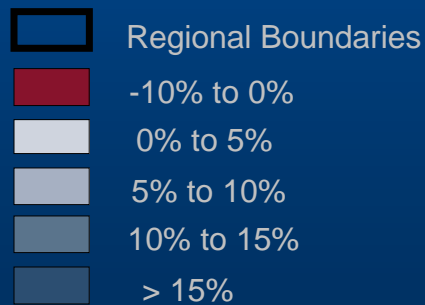


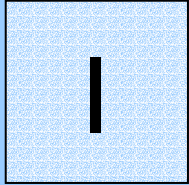
Barely Growing and Aging

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

Percent population change,
1990-2000

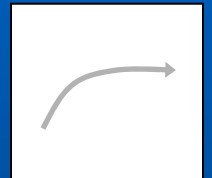
Source:
U.S. Census Bureau



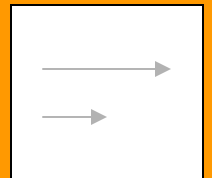


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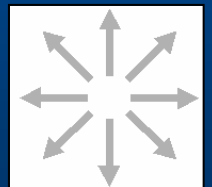
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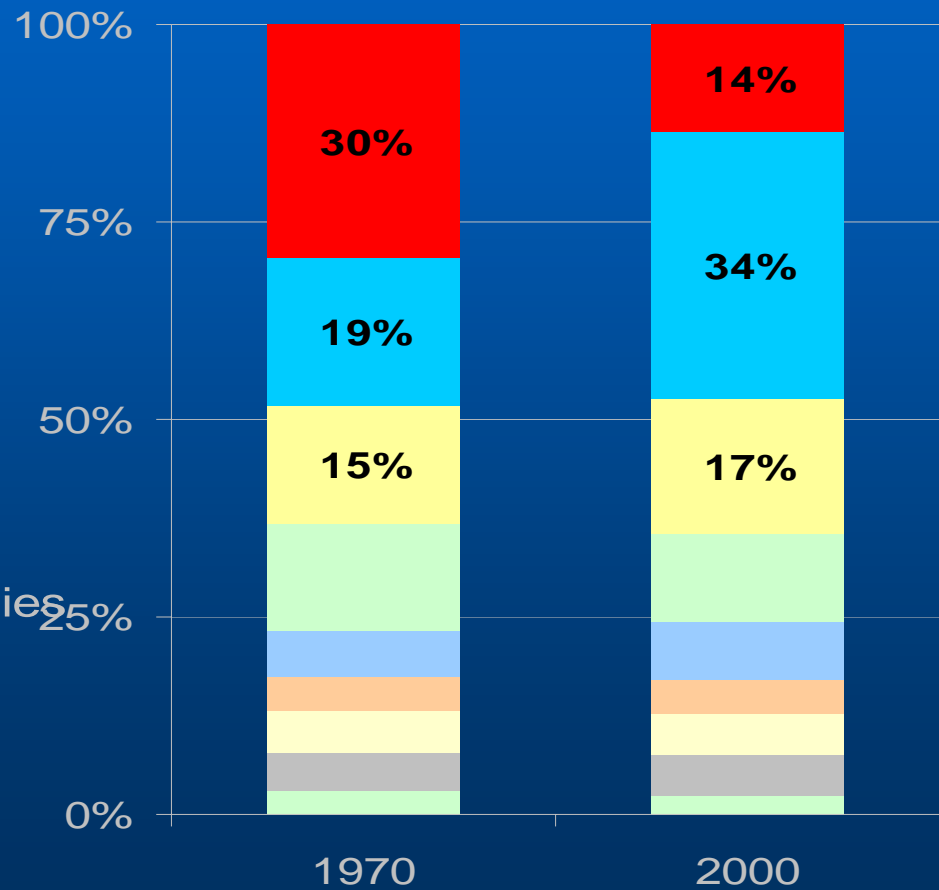


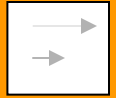
The transition to a service economy is well underway in Pennsylvania

Employment share by industry, 1970 - 2000

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

Source: U.S. Census Bureau

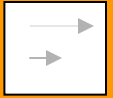




The transition could be positive for Pennsylvania because of its traction in desirable service sectors ...

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

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

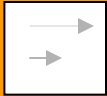


But the transition appears to be overly oriented towards low wage sectors

→ 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

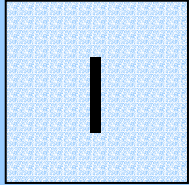


The leap to a high-road economy will be difficult since the state ranks 31st on educational attainment

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

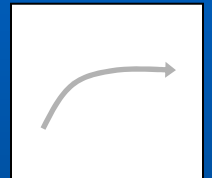
Source:
U.S. Census Bureau

	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%	

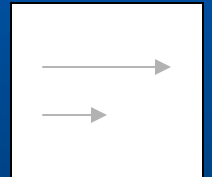


What are the major demographic, market, and development trends affecting Pennsylvania?

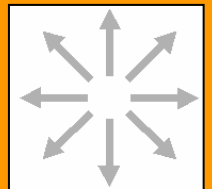
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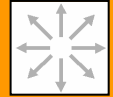


Pennsylvania's transitioning
economy is lagging



Pennsylvania is spreading out
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Here's how we looked at this: We divided Pennsylvania's 2,566 municipalities into "older," more established areas, and "outer," more rural areas.

OLDER

Cities 56

Boroughs 962

1st Class Townships 91

OUTER

2nd Class Townships 1,457

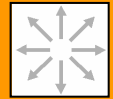
2,566



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"

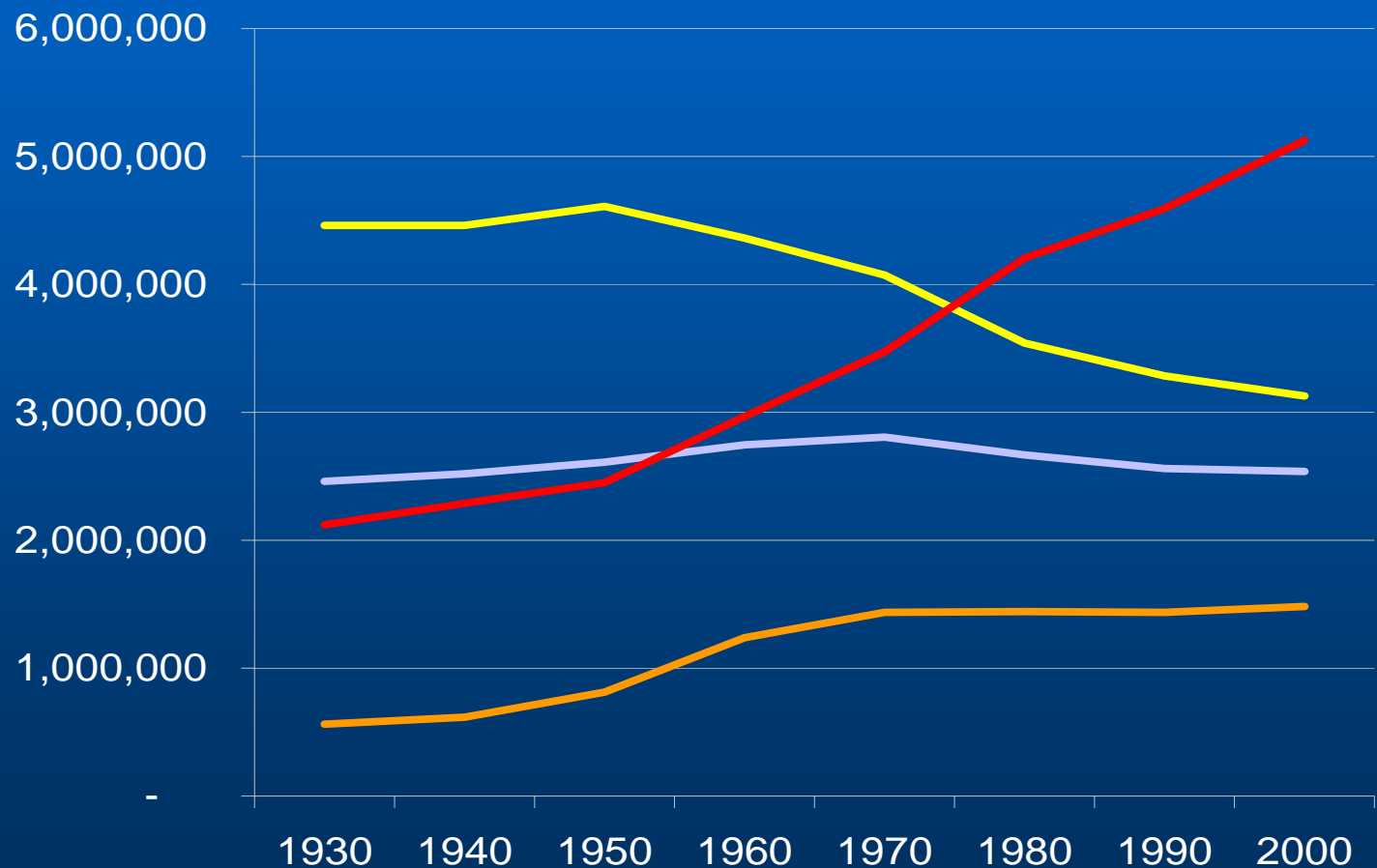


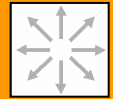
The outer townships have dominated the state's population growth for decades

Population,
1930 - 2000

Source:
Center for rural
Pennsylvania

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

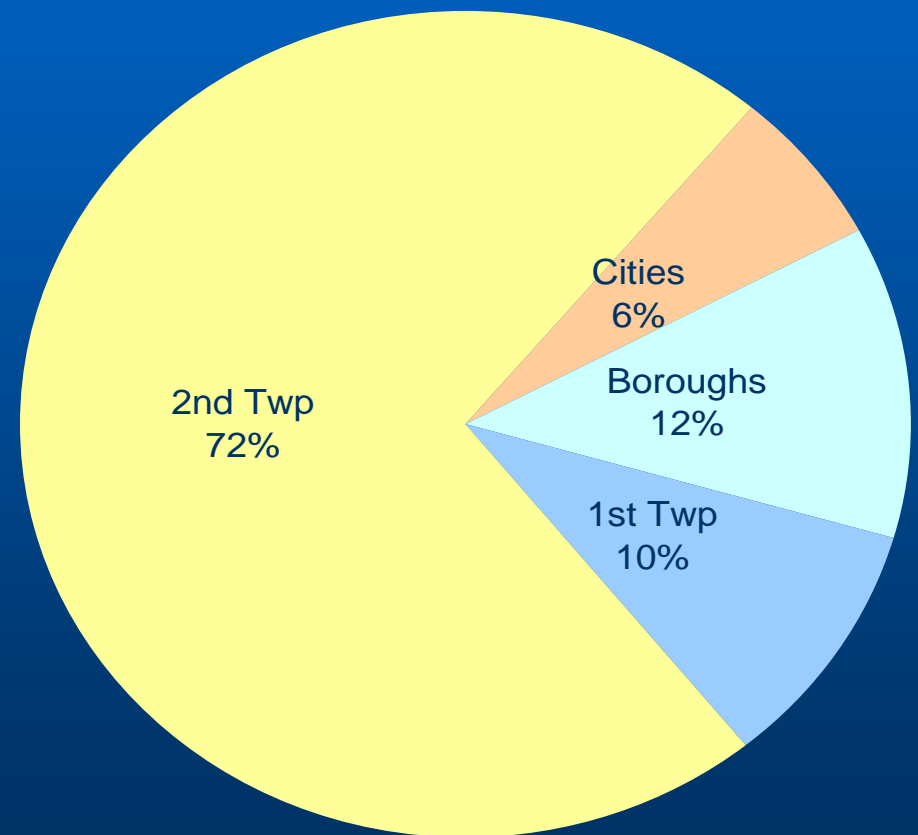


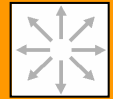


Second-class townships captured the lion's-share of new housing units . . .

Share of new housing units by municipality type, 2000

Source:
U.S. Census Bureau

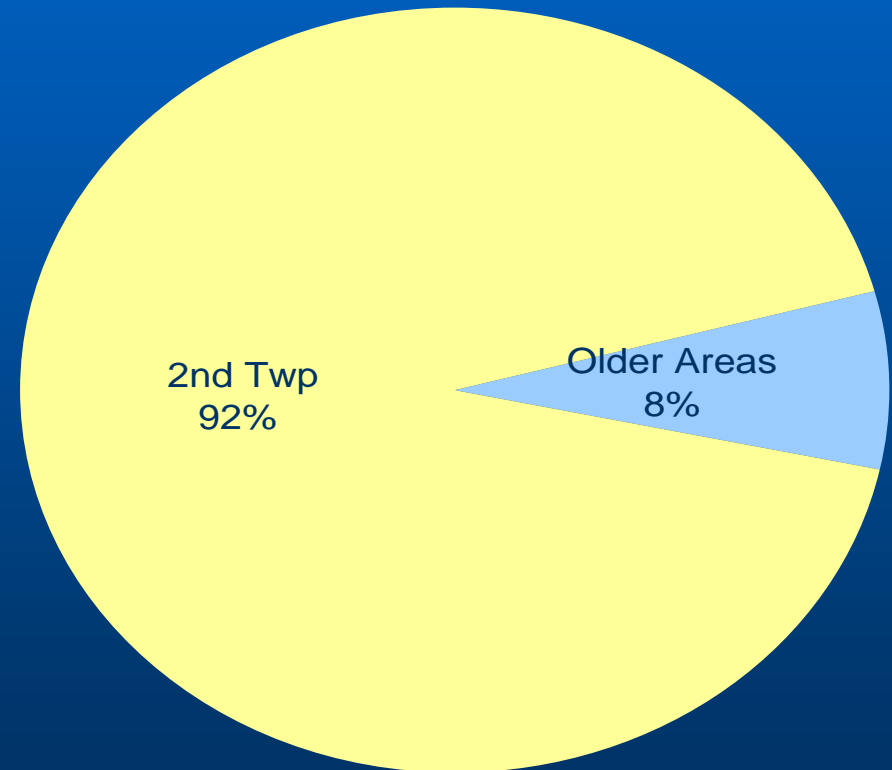


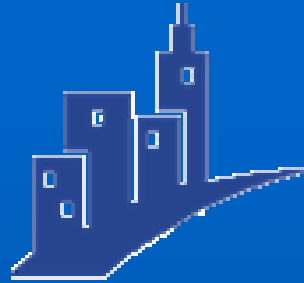


And almost all of the household growth in the state

Share of household growth, 1990-2000

Source:
U.S. Census Bureau





II

What do these trends mean for Pennsylvania?

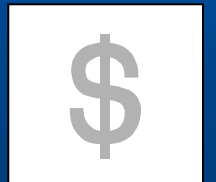
II

What do these trends mean for Pennsylvania?

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

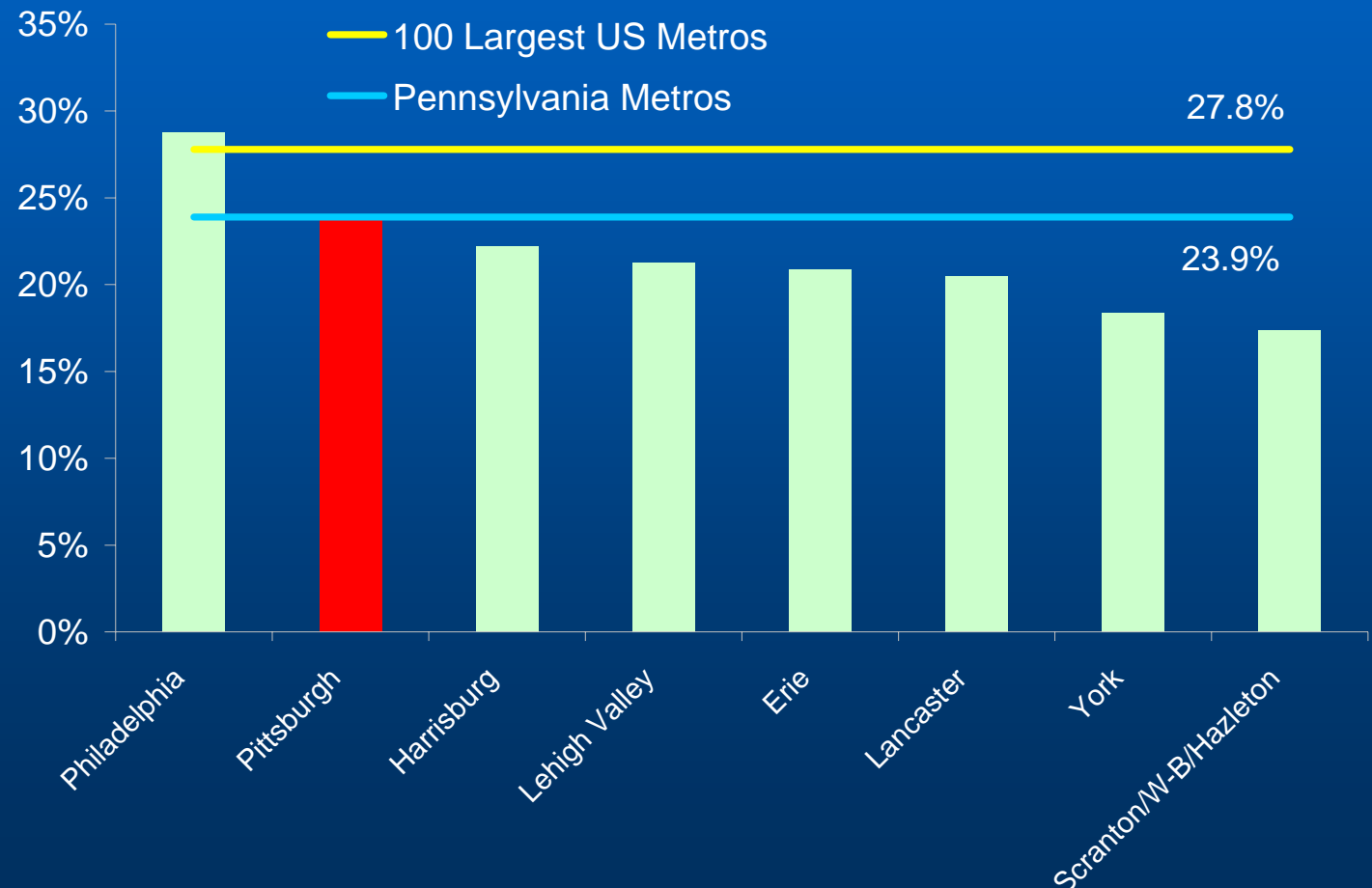
→ Income grew about 1% for every 2% growth in a metro's share of college graduates, during the 1990s



Unfortunately, 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





A serious “BA gap” also holds back Pennsylvania cities

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

Source:
U.S. Census Bureau





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

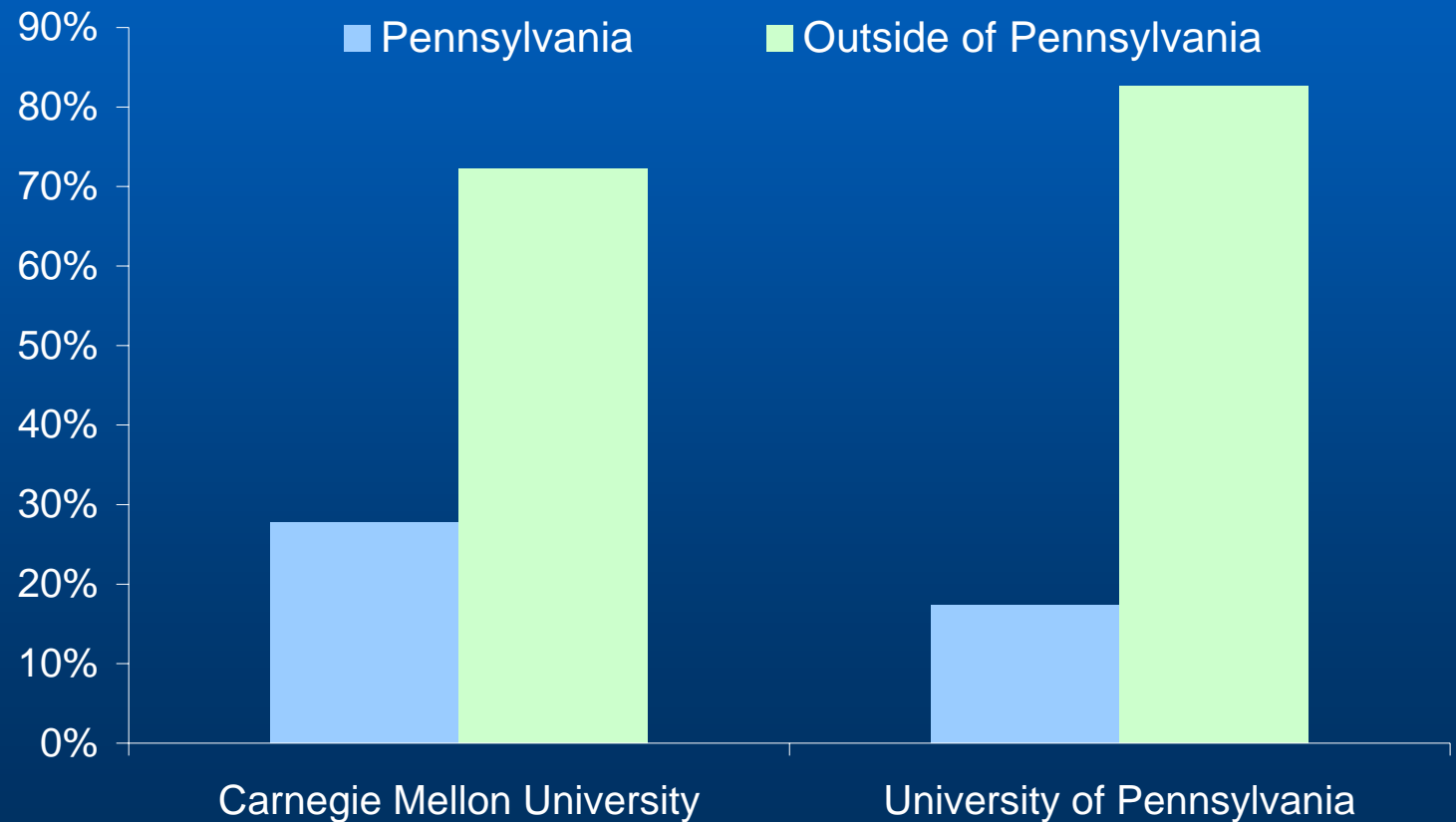
- Thick labor markets
- Vibrant and distinctive downtowns
- Plentiful amenities
- A positive, tolerant culture



However, in Pennsylvania, a thin job market, sprawl, and urban decline limit the state's ability to retain college graduates from its top universities

Current residence of university graduates, classes 1990-2000

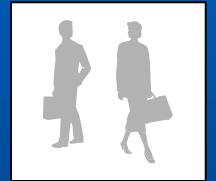
Source: Alumni offices of each university



II

What do these trends mean for Pennsylvania?

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

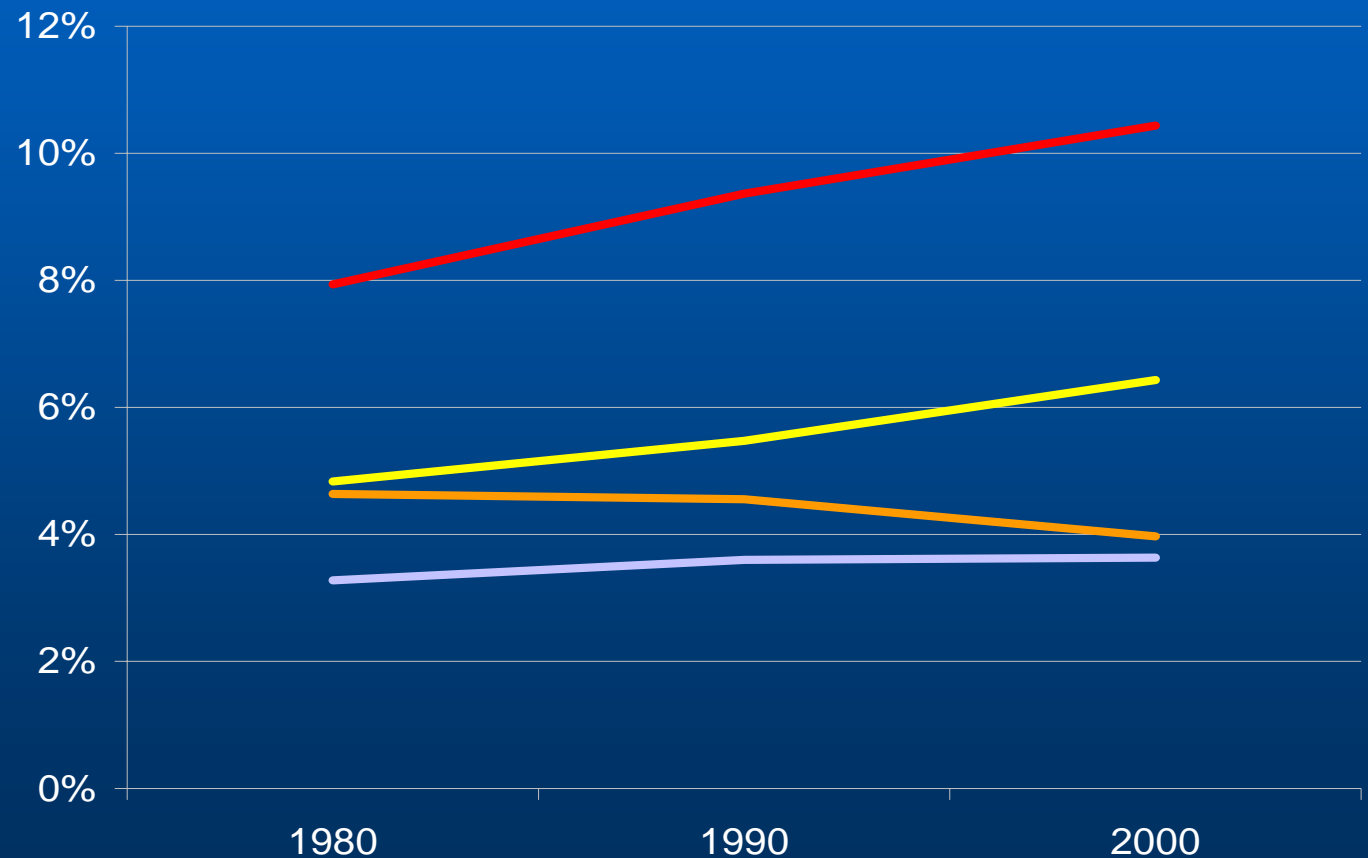


In Pennsylvania, though, another cost of sprawl is urban decline; for example, vacancy rates in older municipalities have worsened over the last two decades

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

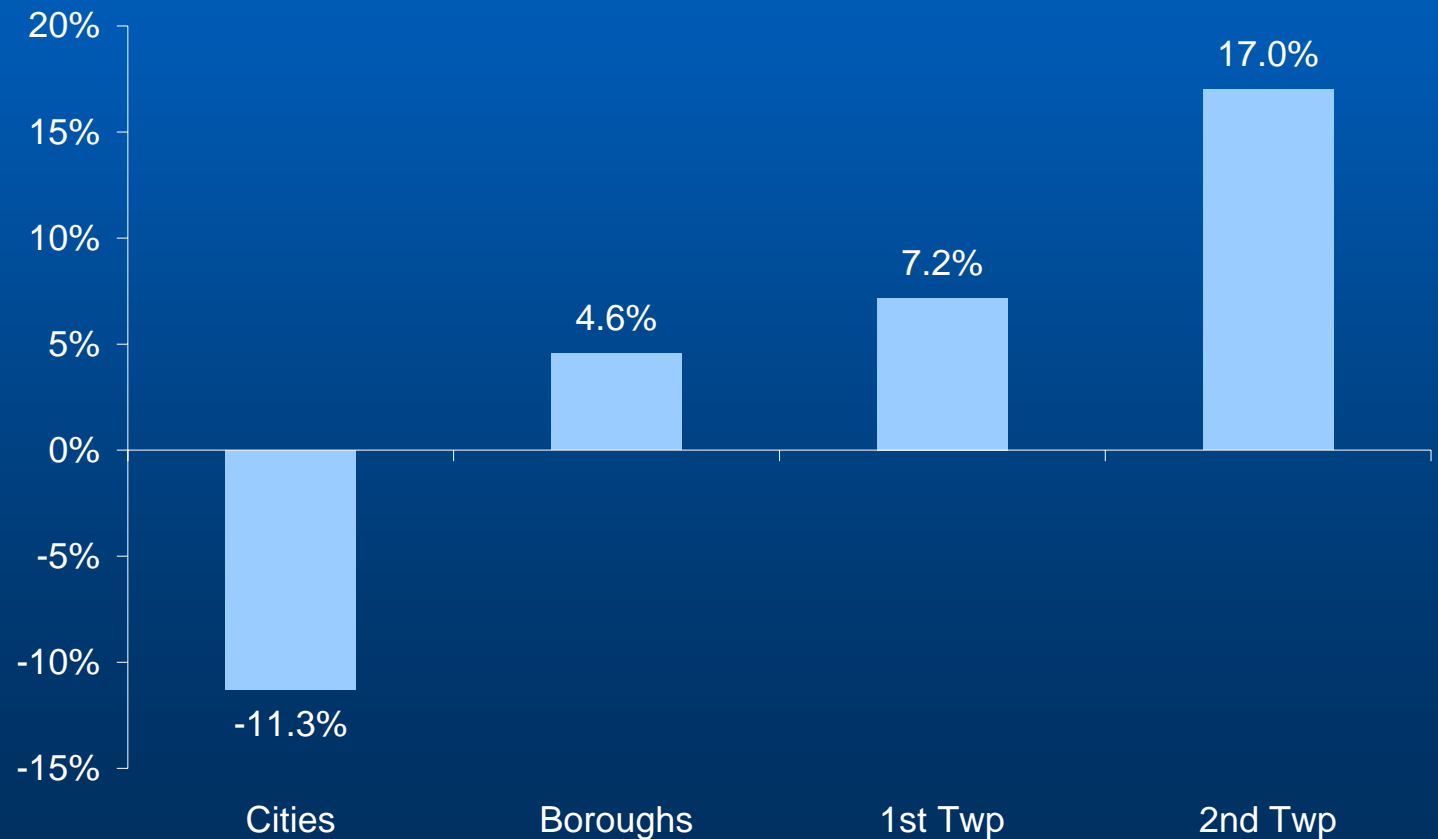
	2000 Average Home Value
Older	\$102,775.72
Cities	\$73,479.03
Boroughs	\$99,410.47
1st-Class Townships	\$153,170.52
2nd-Class Townships	\$145,183.17
State Total	\$120,741.27




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

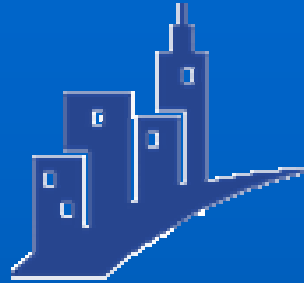
Percent change in market value property, 1993-2000

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

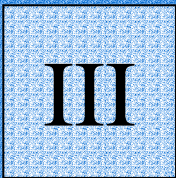




Ultimately, these factors lead to reduced revenues and higher tax rates for older municipalities

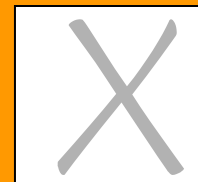


Why is this happening?

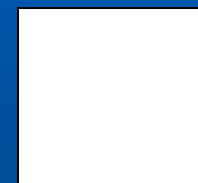


Why is this happening?

Haphazard Investments



Weak Planning



Barriers to Reinvestment




Governmental Fragmentation





Haphazard Investments



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



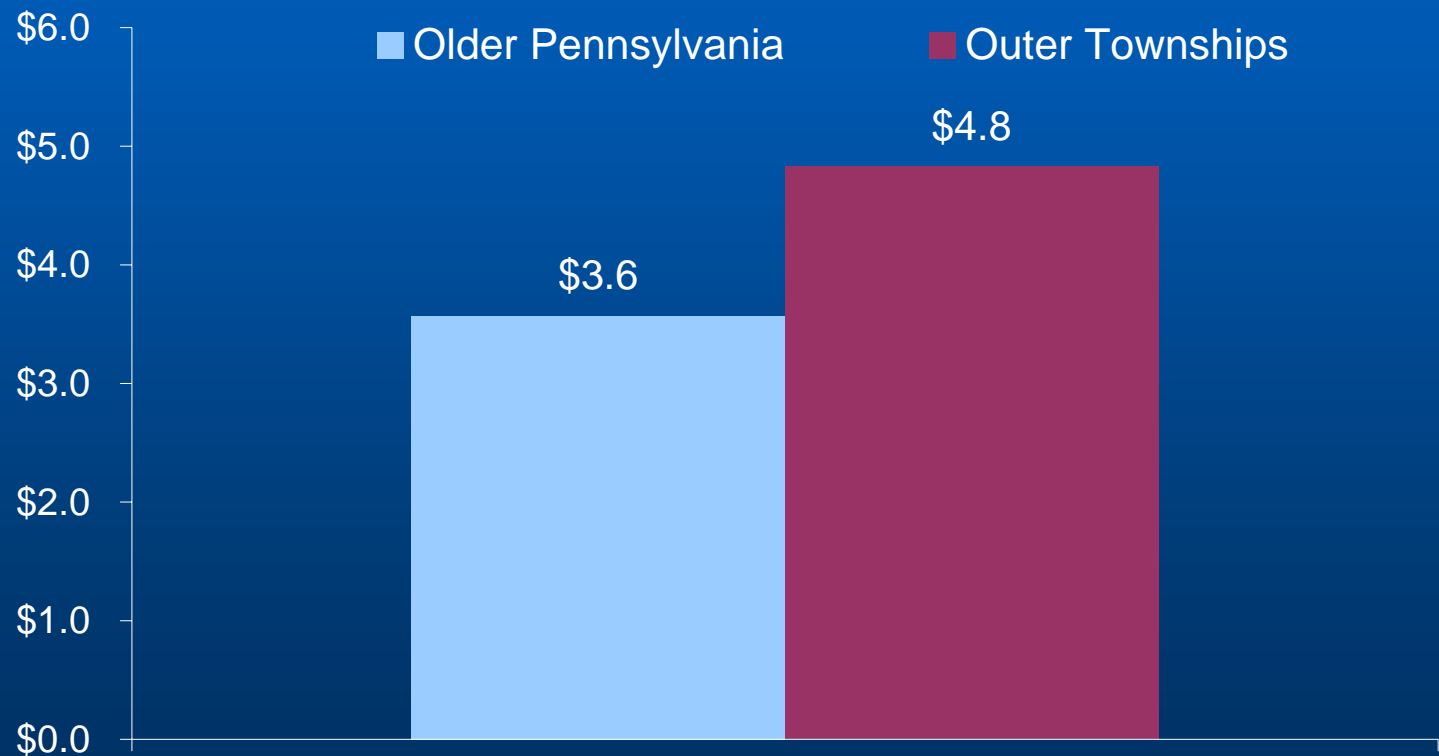
Haphazard Investments

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



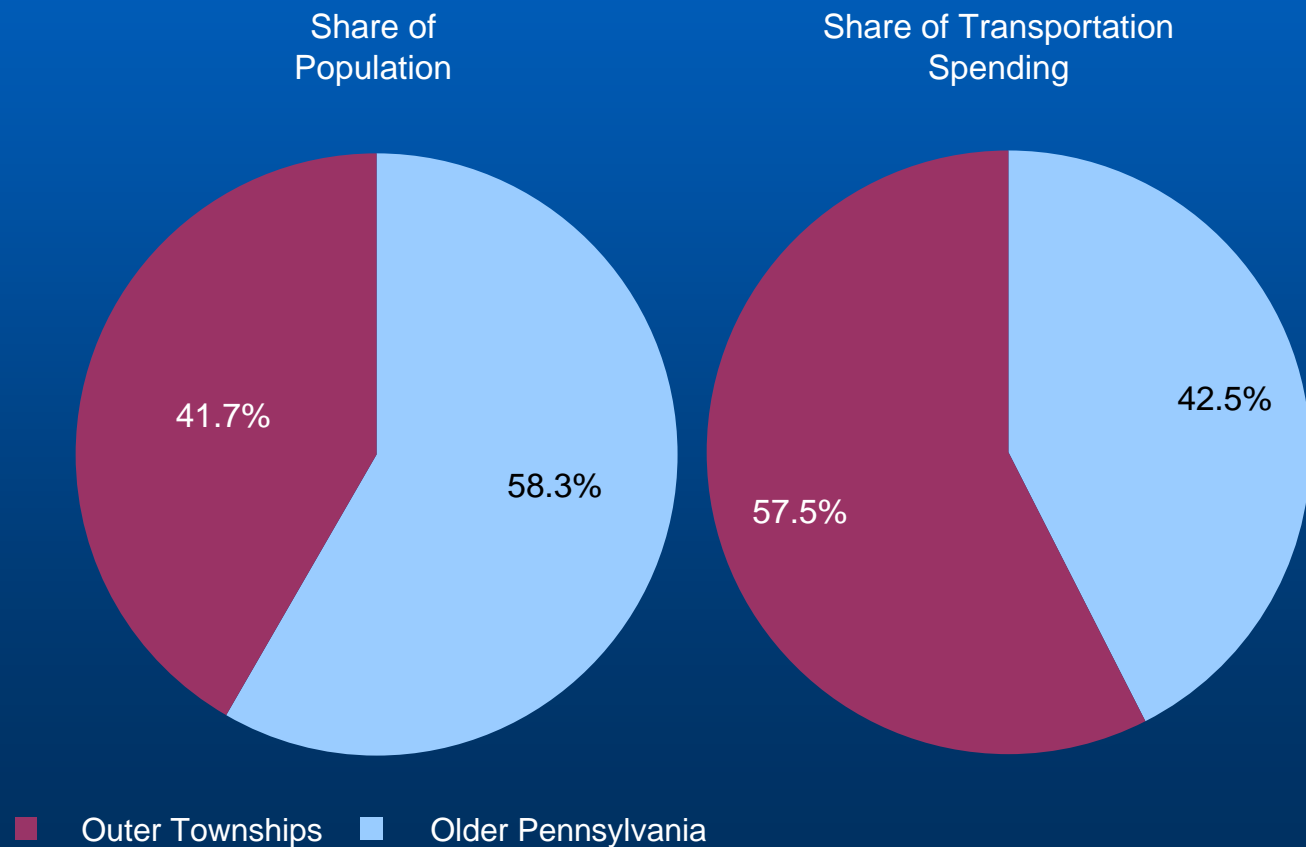


Haphazard Investments

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



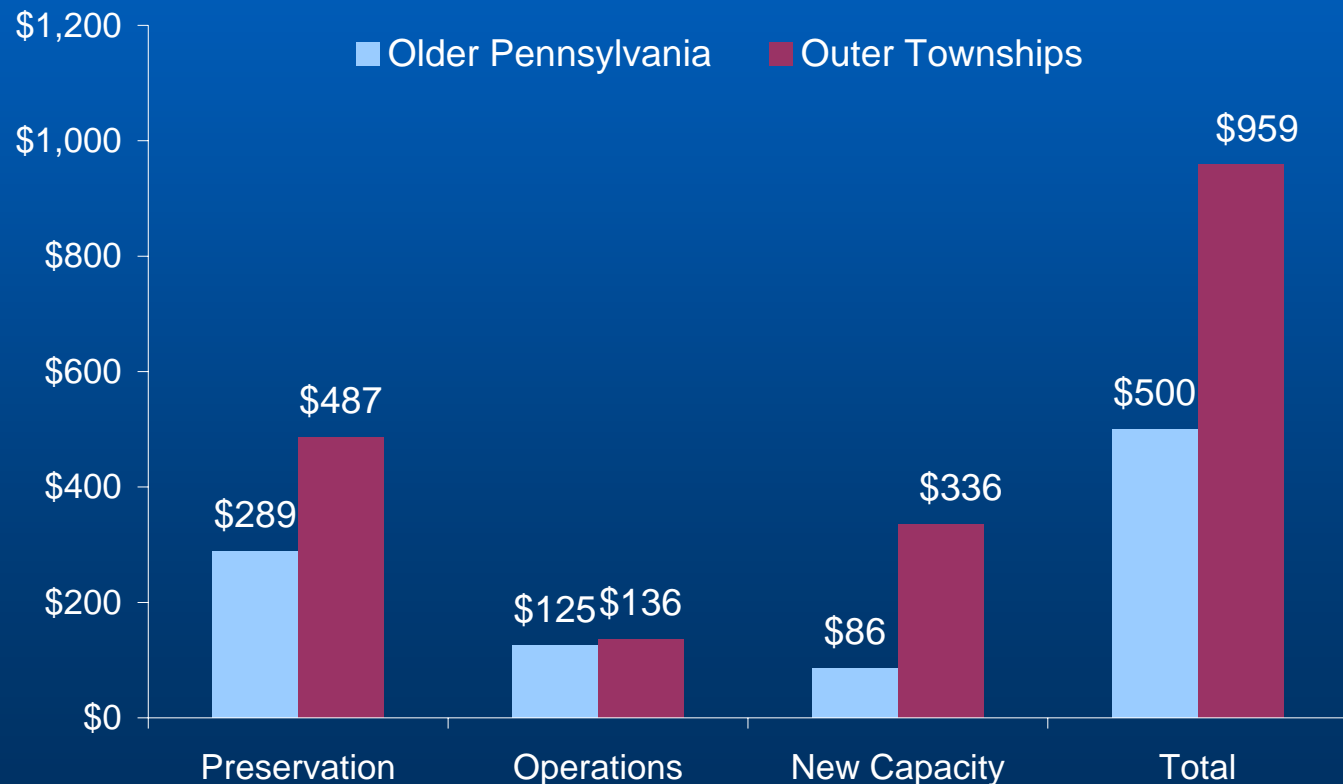


Haphazard Investments

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

Pennsylvania
Department of
Transportation per
capita investment,
1999-2002

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





Haphazard Investments

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

PIDA, OFP, and
IDP investments,
1998-2003

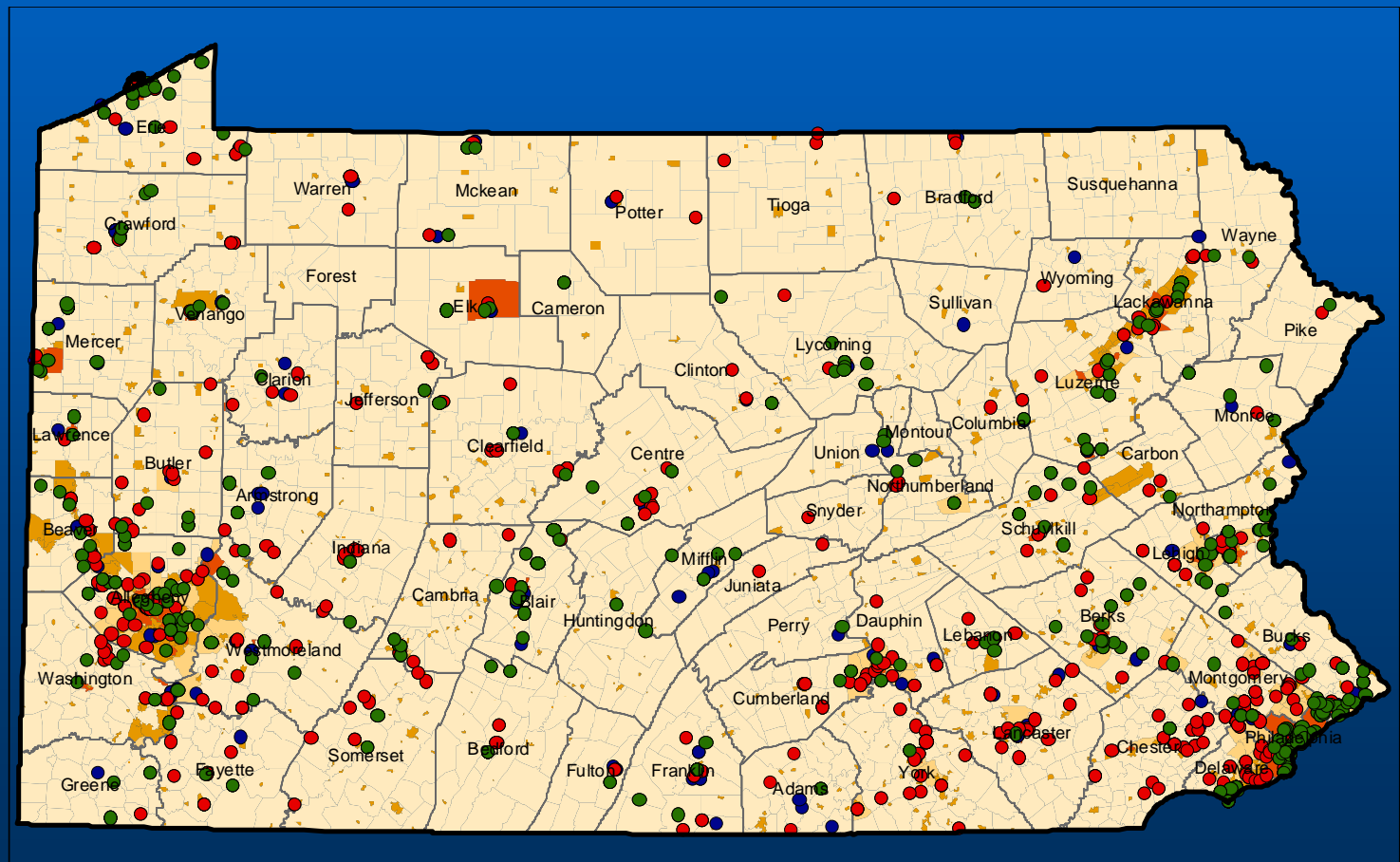
Source:
Keystone Research
Center

DCED Programs

- PIDA Recipients
- OGP Recipients
- IDP Recipients

Municipal Type

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



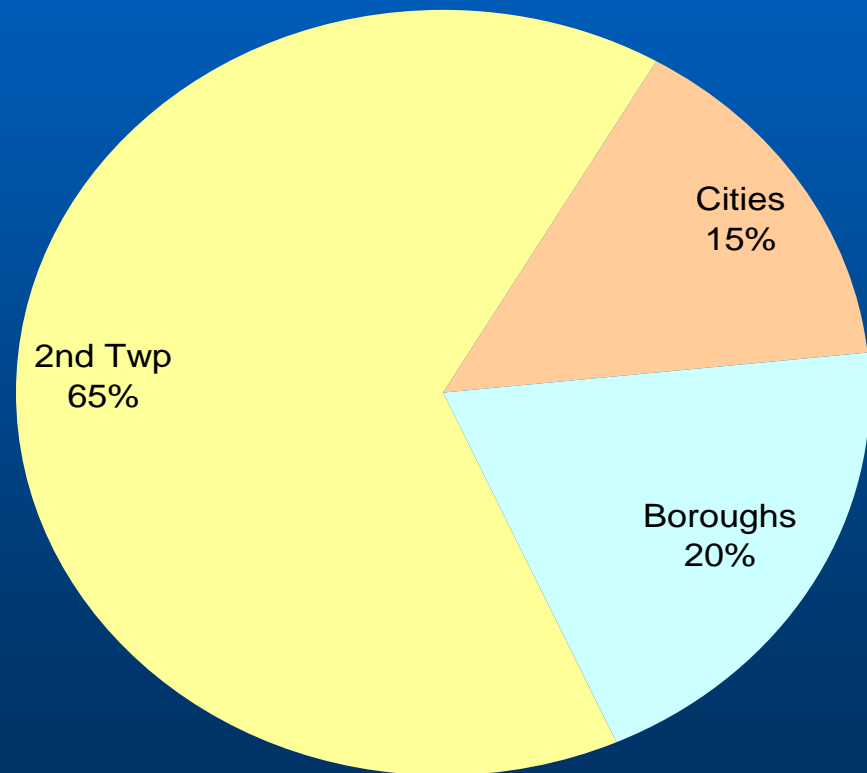


Haphazard Investments

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

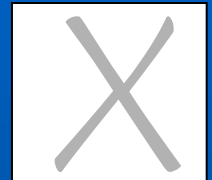
Source:
Business Economic
Research Group (BERG)
analysis of DCED data



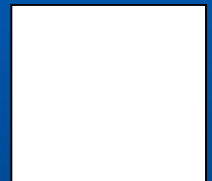
III

Why is this happening?

Haphazard Investments



Weak Planning



Barriers to Reinvestment



Governmental Fragmentation

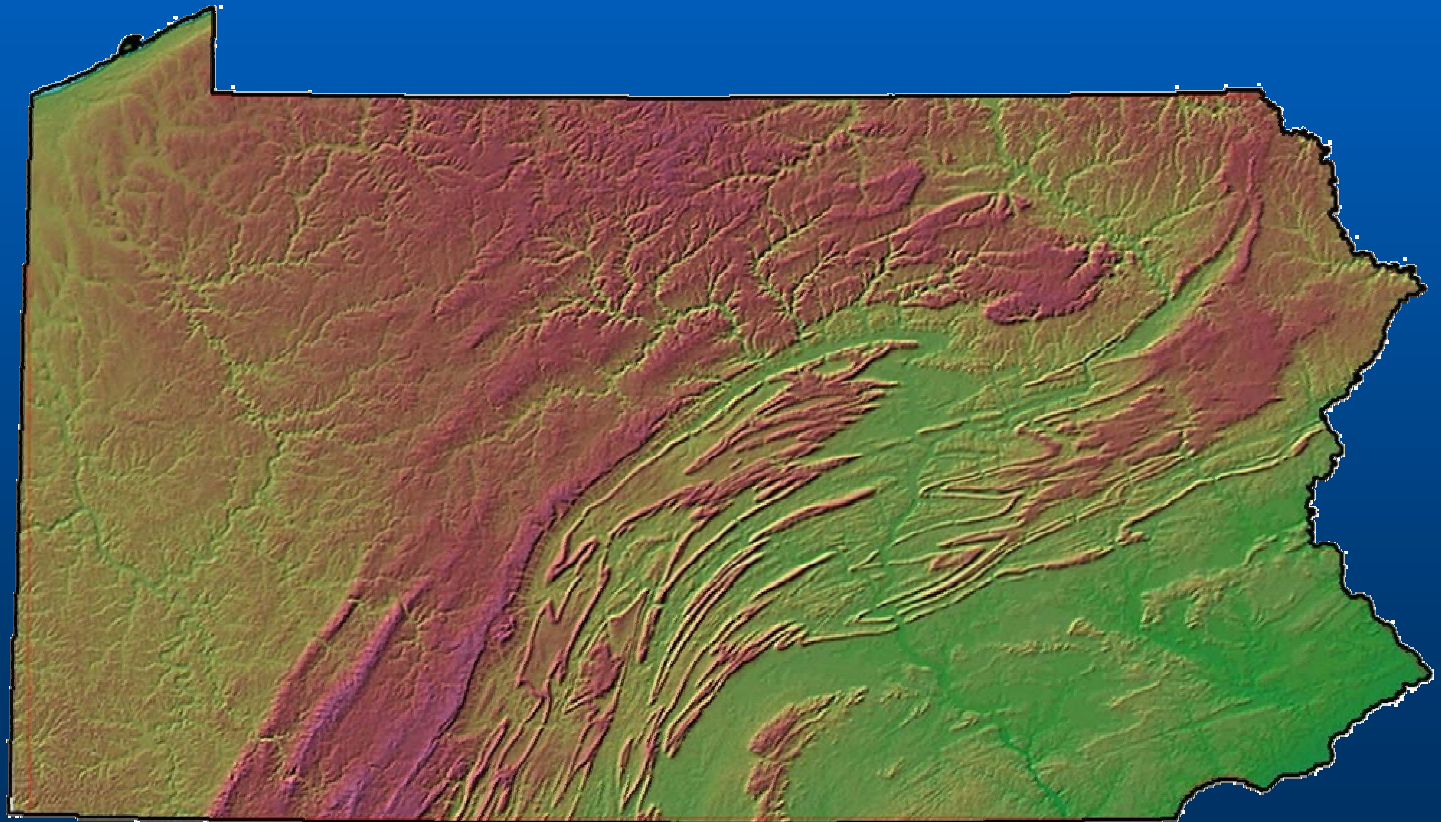




The Alleghenies divide the state into three massive topographical regions

State topography
image,
2003

Source: Ray Sterner,
Johns Hopkins University
Applied Physics
Laboratory

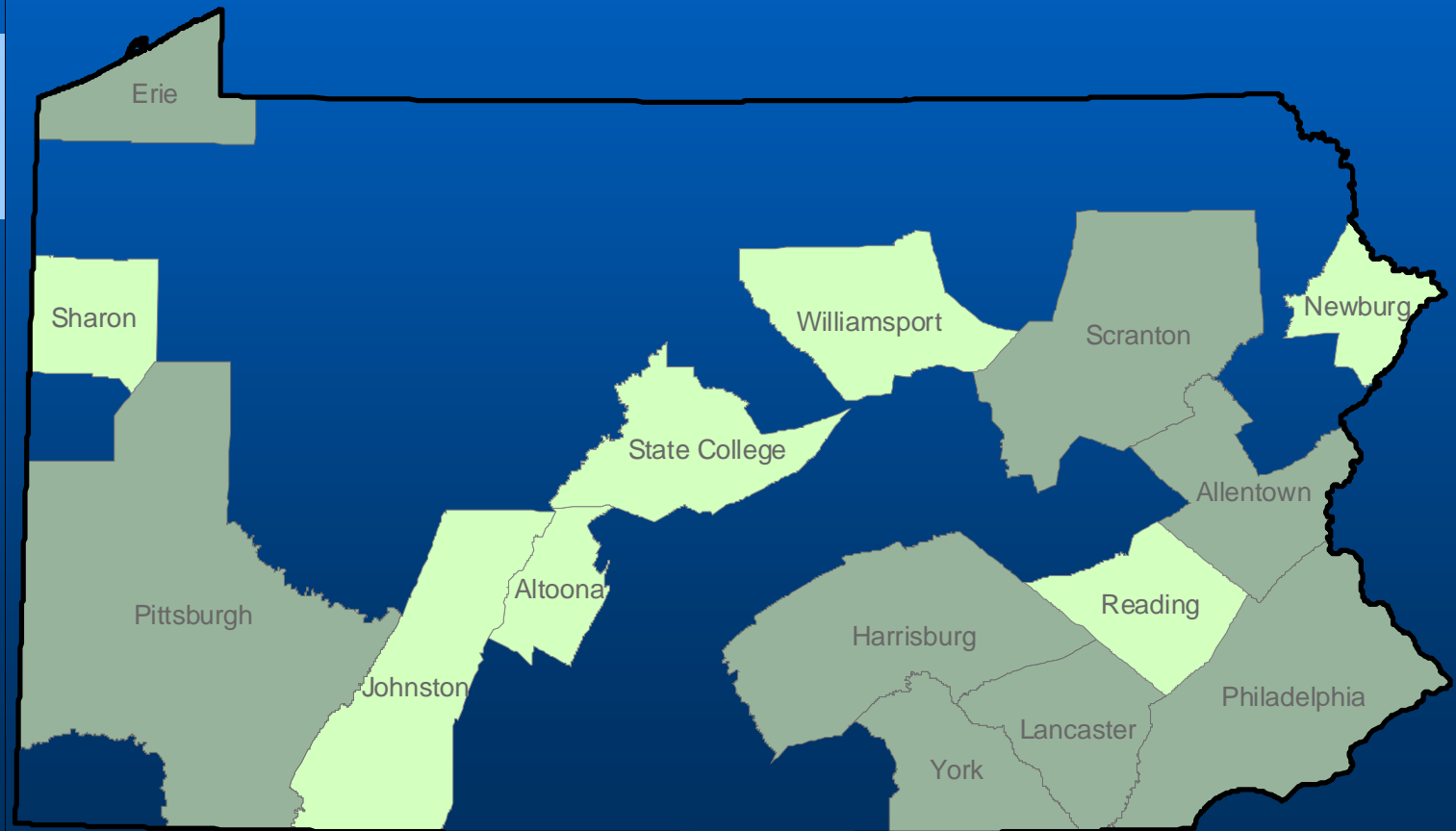


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Economically, Pennsylvania is clustered into 14 metropolitan economies

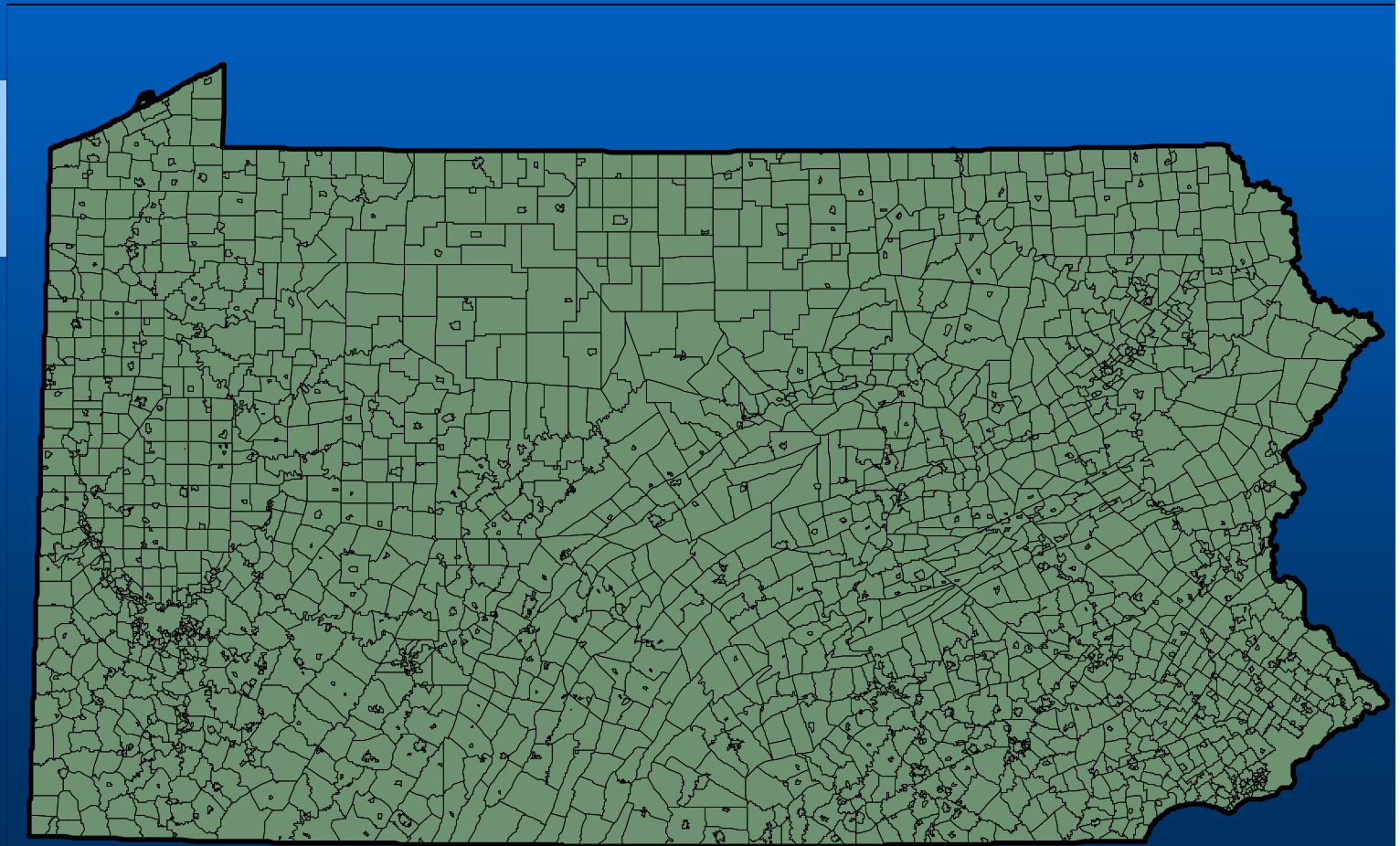
Metropolitan statistical areas, 2003





However, Pennsylvania's 2,566 municipalities are completely inconsistent with today's economic realities

Municipal
Boundaries,
2003





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

Total local governments, 2002

General Governments* **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

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

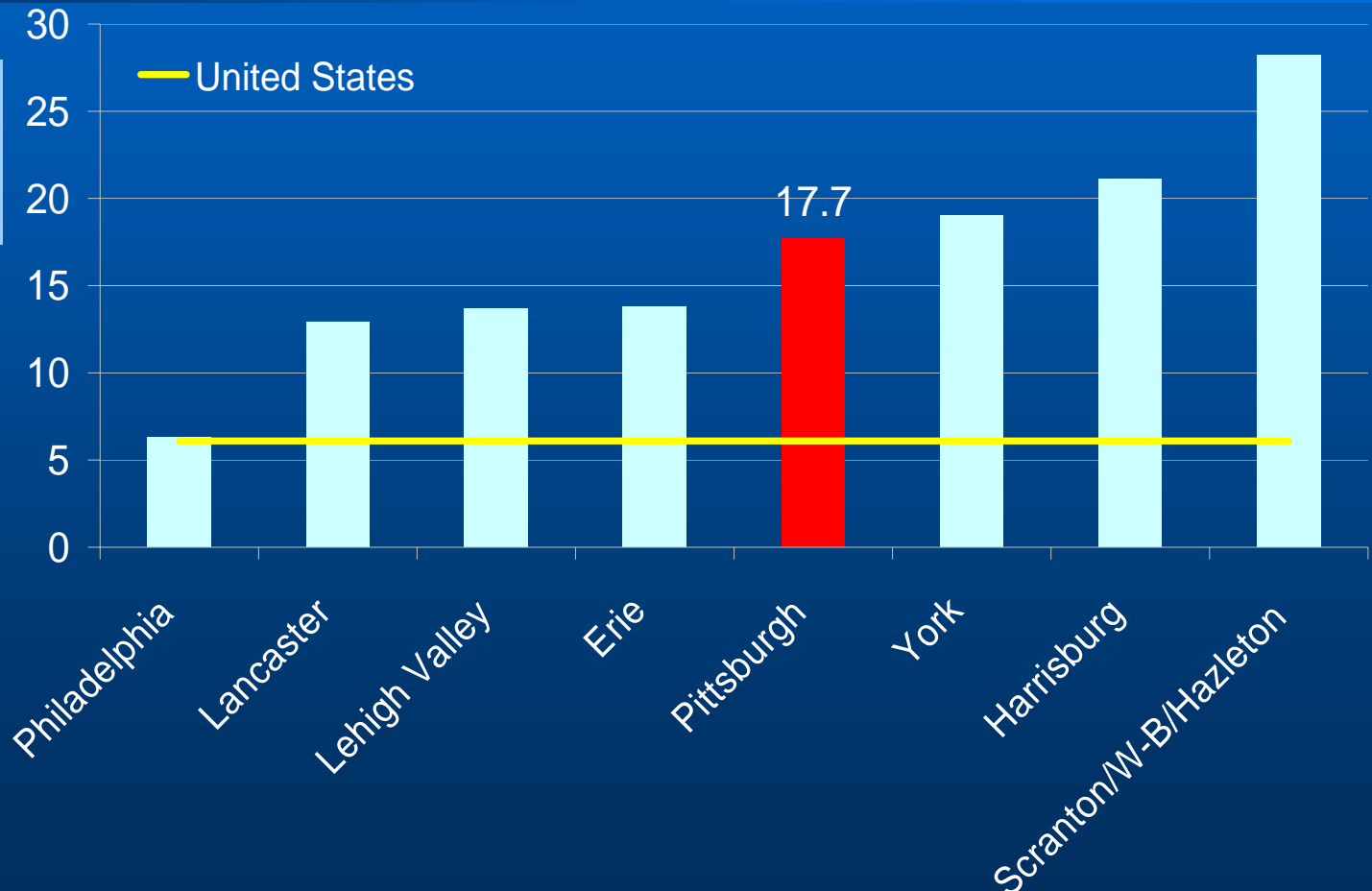
*Includes county
governments



The Commonwealth's metropolitan areas remain some of the most fragmented in the nation. Pittsburgh ranks #1 among the nation's 25 largest metros

General governments
per 100,000 residents,
2002

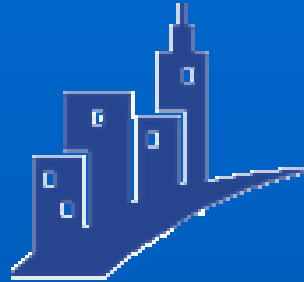
Source:
U.S. Census Bureau,
2002 Census of
Governments





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

- CMU's Jerry Paytas concludes that fragmented regions saw their share of the total income generated in 285 metro areas slip between 1972 and 1997
- 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



IV

Where do housing challenges and state housing policy fit in?

IV

Where do housing challenges and state policy fit in?

Housing challenges reflect broader state trends



But housing trends also affect state challenges



So housing policy needs to change





Affordability challenges reflect income patterns

PA burdened
homeowners and
renters,
2000

Source:
TRF calculations of U.S.
Census data

Households spending more than 30% of income on housing				
Income	Number of burdened homeowners	Percent of homeowners burdened	Number of burdened renters	Percent of renters burdened
<10K	112,469	74.2%	185,226	67.8%
10-19K	138,550	46.8%	155,392	53.9%
20-34K	156,489	30.8%	90,503	27.1%
35-49K	99,916	20.0%	13,269	6.4%
50-74K	67,495	10.1%	3,667	2.3%
75+K	25,798	6.5%	787	.9%
TOTAL	600,717	20.8%	448,844	33.3%



Pennsylvania's high share of elderly residents has significant implications for housing markets

→ More demand for retirement homes and assisted living facilities

→ Projected turnover of homes, particularly in central cities and older suburbs

→ More demand for housing with easy access to necessities of daily life



And fragmented governance distorts housing markets

→ More separate governments mean more opportunities for social and racial exclusion

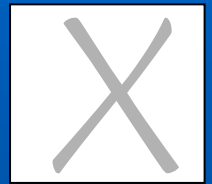
→ More separate governments also mean added regulatory barriers to housing production

→ More localized tax bases exacerbate excessive building on fringe and abandonment in core

IV

Where do housing challenges and state policy fit in?

Housing challenges reflect broader state trends



But housing trends also affect state challenges



So housing policy needs to change





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

New Housing Units : Net HH Change

Ratio of new housing units to net household change, 2000

Source:
U.S. Census Bureau

		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



But the new units are not within reach of lower-income families

→ In Pennsylvania, 82.4% of building permits authorized were for single-family units, compared to 68.8% nation-wide

→ Development has taken place in higher value areas and the new homes are significantly more expensive than existing ones

→ Statewide, at prevailing minimum wage, a family must work 102 hours/week to afford rent for a modest 2 bedroom home

Source: TRF: Choices in Pennsylvania



Location of affordable housing in distressed areas isolates low income and moderate families from opportunity

→ Affordable housing is disproportionately located in communities with the highest property tax burdens, but worst performing schools

Source: TRF, 2004

→ 20.5% of total LIHTC units in Philadelphia are located in high-poverty neighborhoods – neighborhoods with poverty rates that exceed 40 percent

Source: Freeman, 2004

→ 40% of all LIHTC units in PA (1995-2001) were located in central cities (50% in suburbs)

Source: Abt Assoc., 2003



The financing of affordable housing may impede the ability of low and moderate income households to build assets

→ PA has the 6th highest percentage of loans in foreclosure (Q1, 2004).

→ Foreclosure filings increased **112%** from 1997-2002 in South Central Pennsylvania

→ Almost half of this increase came from subprime-lenders

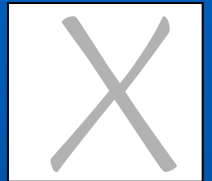
→ Subprime-lenders target low and moderate income households: low-income borrowers were 2.5 times as likely to get a subprime loan than upper income borrowers

Source: Center for Responsible Lending, 2004; ACORN, 2003

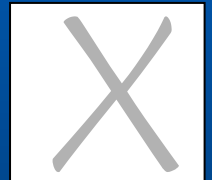
IV

Where do housing challenges and state policy fit in?

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"As the devolution of housing policies continues to unfold, there is great potential for state and local leaders to build upon the experience of the past while bringing fresh thinking to a new generation of approaches."



CENTER ON URBAN AND METROPOLITAN POLICY
THE BROOKINGS INSTITUTION
AND THE URBAN INSTITUTE

Rethinking Affordable Housing Strategies: An Action Agenda for Local and Regional Leaders

Bruce Katz and Margery Austin Turner¹

Housing policies and programs have undergone a dramatic transformation in the past several decades. The greatest change has been the federal devolution of affordable housing programs to state and local leaders, often in partnership with the private sector. This devolution, coupled with major market and demographic changes occurring in local communities, has created wide demand among state and local stakeholders for facts to help them understand "what works" in affordable housing. To that end, the Brookings Institution Center on Urban and Metropolitan Policy and the Urban Institute joined forces to examine the major lessons from 70 years of housing policies and how those lessons can inform local approaches. This action agenda, derived from the findings of that policy review, details seven principles for action to help state and local policymakers, advocates, practitioners, and foundations design more effective housing programs and strategies that truly meet the diverse needs of today's families and communities.

Since the mid-1980s, the nation's affordable housing policies and programs have undergone a profound transformation. After decades of initiatives that were designed by Washington and administered by the U.S. Department of Housing and Urban Development (HUD) and its predecessors, a palpable shift toward state and local control has dominated federal thinking. With the enactment of the Low-Income Housing Tax Credit in 1986 and the HOME program in 1990, federal policymakers essentially devolved responsibility for the design and implementation of affordable housing policies to a myriad of state and local housing agencies.

As with other domestic policies, devolution remains a work in progress. Across the nation, state and local government leaders are struggling to implement federal policies—and to effectively use available resources—in communities with significantly different market conditions, residential patterns, regulatory regimes, and local goals. These leaders—and their partners in the corporate, civic, and real estate communities—routinely ask several questions: What lessons can guide state and local efforts to design and implement effective affordable housing strategies? What affordable housing strategies have proven to be successful? In short, what have we learned from almost seven decades of trial and error in affordable housing policy?

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Seven principles for success

1. Make Policy Goals Explicit
2. Tailor Housing Strategies to Local Market Conditions
3. Housing Markets are Regional
4. Income Policy is Housing Policy
5. Regulatory Policy Makes a Difference
6. Race Matters
7. Implementation Matters

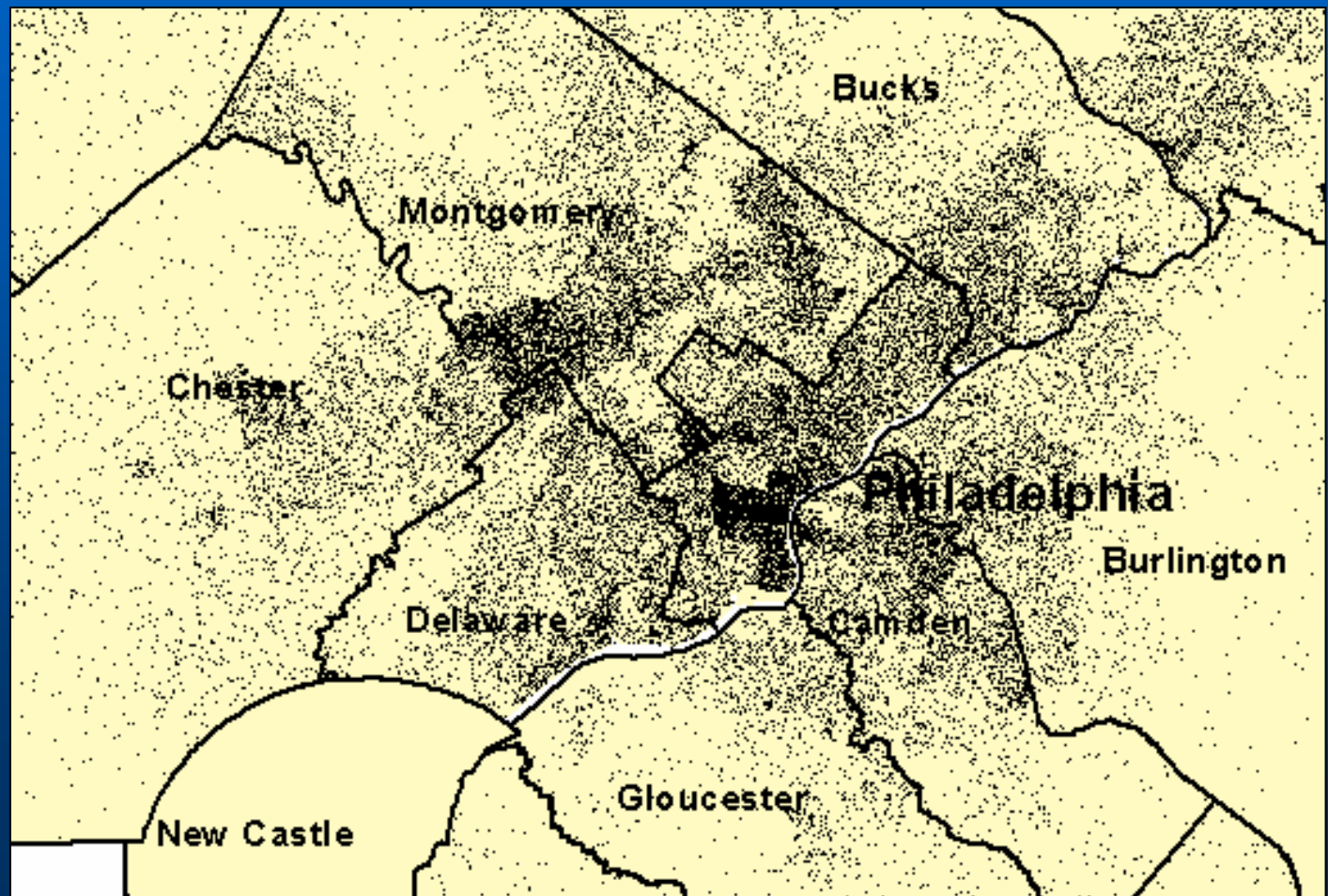


Principle Three: Housing markets are regional— Housing policies should be, too

Private Sector
Jobs,
2000

Source:
U.S. Census
Bureau Zip Code
Business Patterns

• = 50 jobs





Housing markets are regional—Housing policies should be, too

- Do not cluster affordable homes in low-income neighborhoods, especially in the core
- Enable low-income households to live closer to employment centers and better schools



Aim for this...



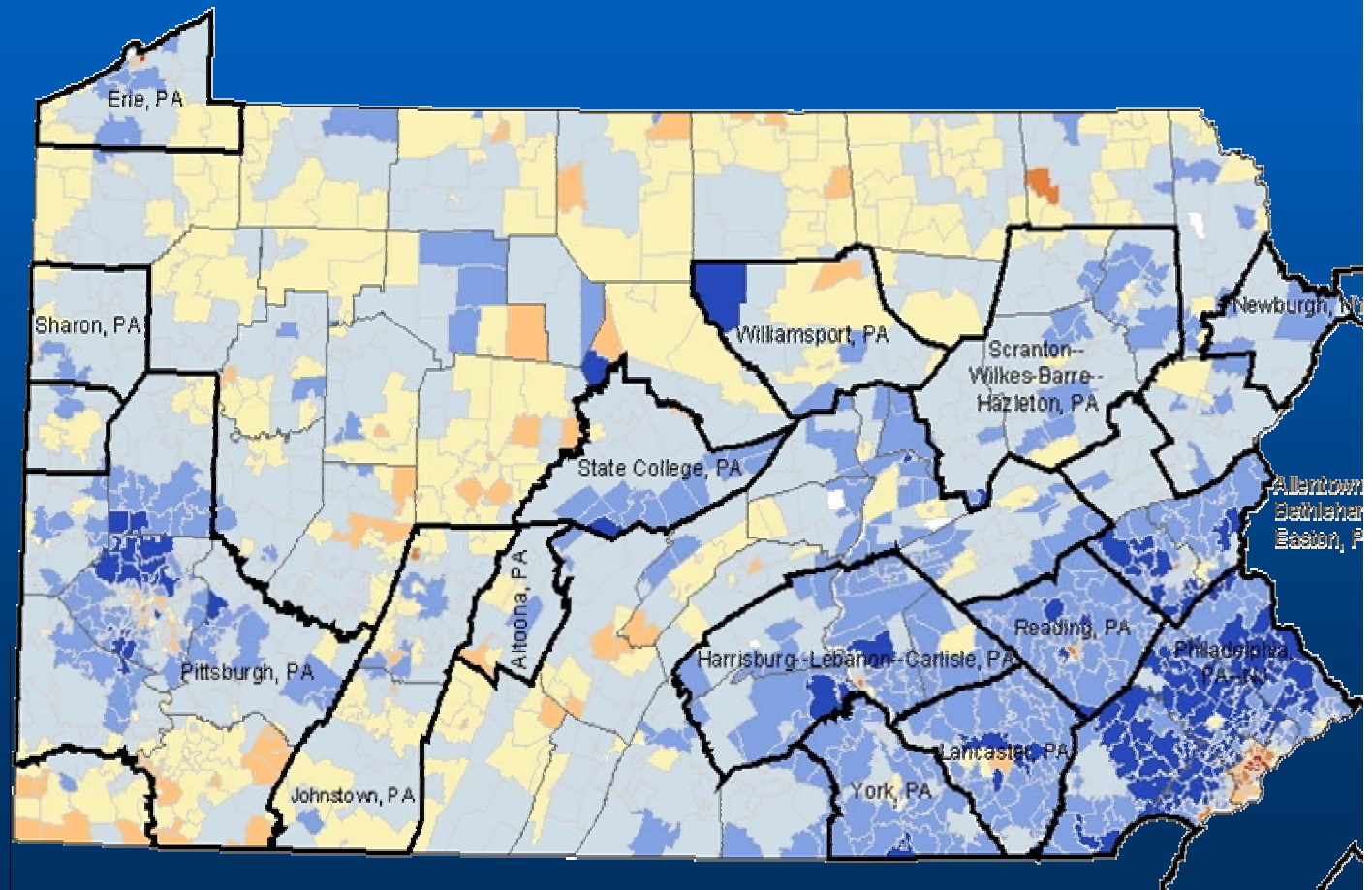
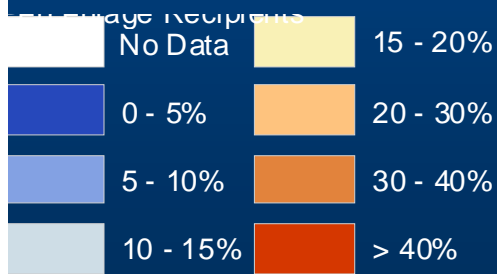
...instead of this



Principle Four: Income Policy is Housing Policy

Percent of filers claiming the EITC varies widely across Pennsylvania

Percent of filers claiming the EITC, Tax Year 2001





Income policy is housing policy

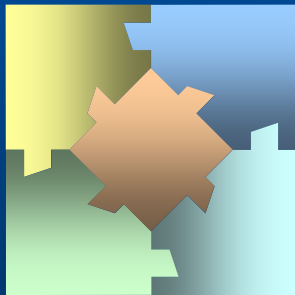
- Local leaders can impact household incomes and, by extension, housing affordability
- Raise the incomes of working families through earned income tax credit, nutrition assistance, health care, and child care

***Think of affordable housing as
workforce housing***



Principle Seven: Implementation Matters

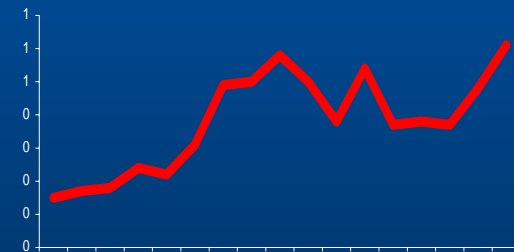
Housing policy needs to be implemented in an integrated, accountable and sustainable fashion



Integrated



Accountable



Sustainable



Implementation matters

- Housing programs should connect directly with other neighborhood interventions (e.g., schools)
- Hold implementing agencies accountable through performance measures
- Economic integration is the principle vehicle for sustainability

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ANNOUNCEMENT

Urban Center Becomes Metropolitan Program

In a major promotion, the Center on Urban and Metropolitan Policy this month became the Brookings Metropolitan Policy Program—and the first new Brookings department established since 1948. The new status reflects the rising importance of metropolitan issues to the domestic and global challenges Brookings seeks to address.

read an open letter from Brookings President Strobe Talbott

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The Washington Times
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