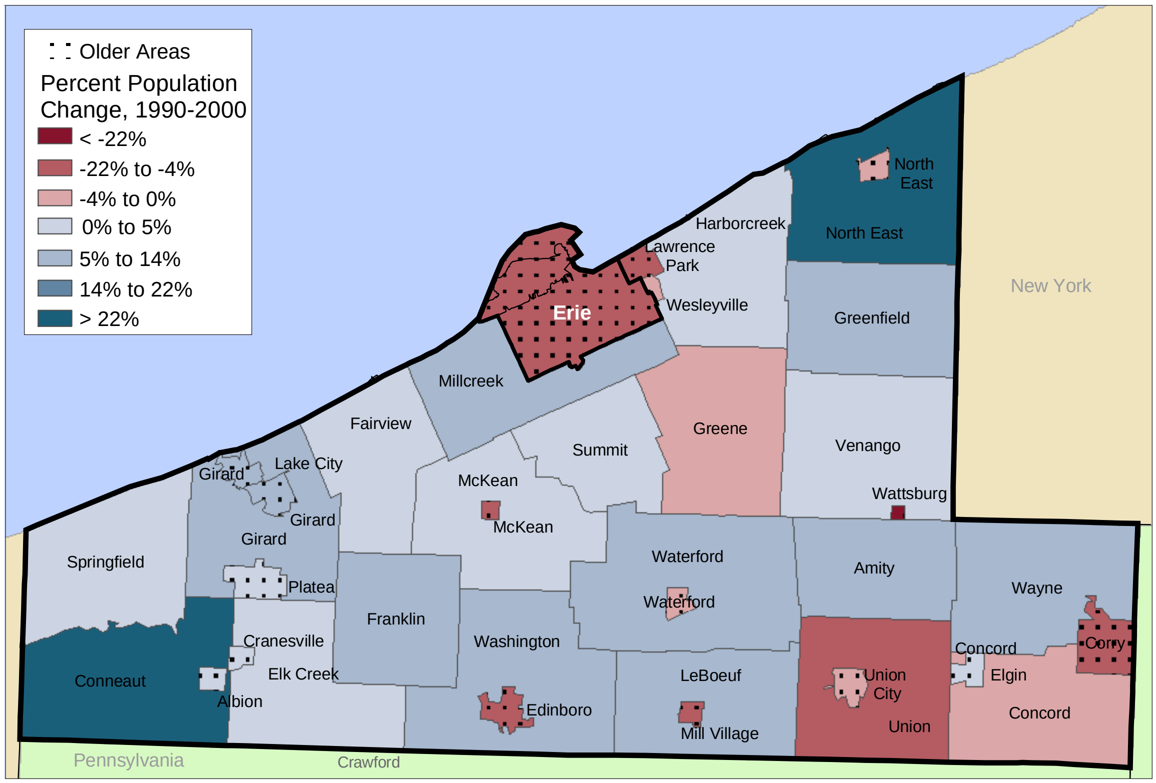
Back to Prosperity:

A Competitive Agenda for *Renewing Pennsylvania*



Source: U.S. Census Bureau

A Profile of the ***Erie*** Area

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

Unfortunately, Erie residents know first-hand 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 simultaneous desire of Pennsylvanians for vibrant communities and economic revival by offering a sober 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 the Erie area. It also synopsizes key findings about the causes of those trends and ways to respond to them.

THE TRENDS:

Metropolitan Erie experienced meager population growth during the 1990s

The Erie region barely grew during the 1990s. During the decade, the area's population increased by only 1.9 percent as it added less than 5,300 people to reach a population of almost 281,000. This growth rate made the Commonwealth's ninth-largest metropolitan area one of its slowest growing.

The region also suffered a dramatic decline in its population of young adults. Erie's cohort of 25- to 34-year-olds declined by an extraordinary 21 percent, the steepest such drop observed amongst the state's nine largest metros. Meanwhile, the region's share of seniors (those aged 65 and above) edged up to 14.3 percent in 2000, a mid-range figure among the nine larger metro areas.

Both population and economic activity in the region continue to decentralize

All of Erie's growth took place in the outer suburbs. Between 1990 and 2000, the region's second-class townships grew by 9.1 percent, adding 11,400 new residents. Waterford and North East townships exemplified this expansion as they grew at rates of 14 percent and 22.6 percent. Conneaut Township doubled in population—but only thanks to the construction of a new prison.

At the same time, greater Erie's older communities have been declining. Altogether, the two cities, the region's boroughs, and its more established townships lost 4.1 percent of their residents—about 6,100 people—during the 1990s. Wattsburg and Edinboro boroughs lost one-fifth and one-tenth of their respective populations during the decade, with Edinboro's decline in part reflecting enrollment declines at Edinboro University. In this same period, the City of Erie lost about 5,000 residents, or 4.6 percent of its population.

Most of the Erie area's growth took place in its outer townships in the 1990s

	1990 Population	2000 Population	Absolute Change	Percent Change
Older Erie	150,881	144,750	-6,131	-4.1%
Cities	115,934	110,551	-5,383	-4.6%
Boroughs	30,637	30,151	-486	-1.6%
1st-Class Townships	4,310	4,048	-262	-6.1%
2nd-Class Townships	124,691	136,093	11,402	9.1%
Metro Total	275,572	280,843	5,271	1.9%

Source: U.S. Census Bureau

Employment also decentralized during the 1990s. Eighty percent of the new private-sector jobs created in the region between 1994 and 2001 were located more than five miles from Erie's central business district, and 30 percent were located more than ten miles away. By 2001, 57 percent of metropolitan area residents were commuting to jobs outside of the region's two cities.

Erie's economic performance trails that of other Pennsylvania metropolitan areas

Erie's employment growth between 1992 and 2002 remained sluggish. During this period, the Erie region gained 9,200 jobs to increase its job base by 7.5 percent—growth that substantially lagged the statewide expansion of 11.4 percent. Only Scranton/Wilkes-Barre/Hazleton among the largest economies added jobs more slowly. Meanwhile, job growth in all the state's metros lagged the national average of 20 percent.

Long-term economic shifts have hit Erie hard. From 1970 to 2000, the region lost almost 21 percent of its manufacturing jobs, while jobs in services and retail increased by 162 percent and 66 percent, respectively. Overall, the share of the region's jobs in manufacturing declined from 38 percent to 21 percent, while the share of service jobs almost doubled from 17 percent to 31 percent. And yet, manufacturing still matters a lot in Erie, as the sector remains more than 50 percent bigger than the state average share of 14 percent and still employs a larger share of the region's workers than in any other metro except York.

Incomes in the Erie region have stagnated, meanwhile. Between 1989 and 1999, average household income in the region grew by only $930 (or a paltry 2 percent) even as it grew 5 percent statewide and 7.8 percent nationwide. No metropolitan area in the state saw slower income growth. In fact, by 1999 Erie's average household income of $46,000 trailed that in all of the largest metros except for Scranton/Wilkes-Barre/Hazleton, and trailed the statewide average of $52,681 by some $6,000.

The Erie region rates relatively high on high school graduation but relatively low on higher education. About 85 percent of greater Erie's residents possess a high school degree, a rate second only to Pittsburgh among the nine largest metros and slightly ahead of the statewide average of 82 percent. The percentage of residents holding a bachelor's degree remains just 20.9 percent, however—lower than the respective state and national averages of 22.4 and 24.4 percent and less than in every larger metropolitan area but Lancaster, Scranton/Wilkes-Barre/Hazleton, and York.

THE CONSEQUENCES:

Erie's meager population growth may have bred stability and, in some quarters, contentment. But the fact remains that the region's strikingly uneven patterns of sprawl and core decline are bringing with them a number of negative impacts that are likely degrading the region's future prospects:

Greater Erie is consuming a lot of land as it sheds density. Between 1982 to 1997, the Erie area developed 4.5 acres for every new household compared to the national average of 1.3. In aggregate terms, the region increased its urbanized footprint by 32,400 acres, or almost 50 percent, during years when the number of households grew by less than 7,300, or only 7.4 percent. As a result, density in the region declined by 33 percent. Erie County also lost 5,300 acres of prime farmland during this period.

Urban decline is weakening many of greater Erie's older neighborhoods and communities. As households move outwards, vacant housing units are left behind. Consequently, vacancy rates in the area's cities, boroughs, and older townships increased during the 1990s from 6.6 to 7.6 percent—a rate nearly double that found in the region's developing outer townships. Not surprisingly, housing values in the older areas lag those in newer areas. In 2000, the average home value in the Erie region's older communities was $74,800, compared to $129,200 in newer second-class townships.

Sprawl and core-area decline are both burdening 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, as decline depresses property values and therefore reduces older communities' ability to raise tax revenues. Market-rate property values in Erie's

Erie County's two cities' capacity to raise tax revenue fell as other areas' grew in the 1990s

	Tax Capacity per Household		
	1993*	2000	Percent Change*
Older Erie	$363	$359	-1.1%
Cities	$347	$319	-8.0%
Boroughs	$402	$479	19.2%
1st-Class Townships	$547	$628	14.8%
2nd-Class Townships	$498	$542	8.9%
Metro Total	$424	$445	4.9%

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

older communities, for example, appreciated by only 4.5 percent in real terms from 1993 to 2000 compared to the outer suburban communities' strong 23.4 percent enhancement. This contributed to significant disparities between different areas' ability to raise revenues off of available property and local earned income tax bases using average rates. Second-class townships saw an 8.9 percent increase in their tax capacity per household. By contrast, the area's two cities took a substantial 8 percent hit—one of the worst in the state.

Erie's patterns of sprawl and disinvestment in older communities are having a negative impact on the region's economic competitiveness and attractiveness to young workers. According to Carnegie Mellon University/Brookings Institution economic development expert Richard Florida and others, 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 are the base of the new economy. Unfortunately, the Erie region is characterized by a hollowing-out downtown, a city that is losing population and jobs, and rampant suburban development instead of reinvestment in older, more established areas. These trends don't bode well for the Erie region's future economic competitiveness, which will turn in large part on stemming the rapid exodus of young people and persuading the "best and the brightest" to stay.

Decentralization has left the poor and minorities concentrated in the region's core. In 2000, 18 percent of those living in metropolitan Erie's older areas lived below the poverty line, compared to only 6 percent of those in the area's outer suburbs. Erie's minority population is also becoming more segregated. By 2000, Erie and Corry cities together lost 11,280 white residents, or 11.3 percent of their white populations, while their total minority population grew by 5,897. By 2000, 88 percent of the region's blacks and 81 percent of the region's Hispanic residents lived in Erie's older cities, boroughs, or first-class townships, compared to only 48 percent of the area's white residents. Given Erie's decentralizing employment patterns, these trends ensure that the region's minority workers are becoming increasingly isolated from regional job opportunities.

BEHIND THE TRENDS:

How Erie is growing partly reflects broad national trends. The widespread preference for low-density, suburban living, the relative decline of cities, and a shifting economy all parallel broader national trends. However, a number of state-specific policies and influences have also impacted the region's patterns of growth and shaped its competitiveness.

- ***Governmental fragmentation:*** Like regions throughout the Commonwealth, the Erie region's large number of 38 general purpose governments in addition to Erie County—about 14 per 100,000 people compared to 6.1 per 100,000 nationally—complicates coordination, exacerbates its unbalanced and sprawling growth patterns, and undercuts its economic competitiveness.

- ***Weak planning:*** While most of Erie's municipalities have a comprehensive plan and zoning ordinance, nothing requires them to plan cooperatively under the state's flawed planning system. Consequently, only two multi-municipal comprehensive planning efforts are now underway in the region—Edinboro Borough and Franklin and Washington townships are planning together, as are Lawrence Park Townships and Wesleyville Borough. What therefore persists in most places is chaotic and redundant low-quality development, which leads to widespread sprawl and weakened economic competitiveness.

- ***Non-strategic investment policy:*** Aggregate per capita grant and loan assistance provided through the state's three major economic development programs—the Pennsylvania Industrial Development Authority (PIDA), the Opportunity Grant Program (OGP), and the Infrastructure Development Program (IDP)— distributed $100 per capita to older urban areas in the Erie region and $72 to outer suburban areas. This reflects appropriately greater investment in Erie's older communities, but it also suggests that significant subsidies are supporting development in sprawling outer fringe areas.

- ***A shifting economy:*** Reflecting broader national economic trends, a shift away from manufacturing, a rise in generally lower-paying service and retail jobs, and a concurrent general decentralization of employment patterns have all contributed to the Erie region's lackluster economic growth, core deterioration, and sprawling fringe development.

- ***Barriers to reinvestment:*** Notwithstanding some 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 Erie's older communities, and so help to keep residents and businesses locating in outer suburban areas where development remains easier.

A COMPETITIVE AGENDA FOR GETTING BACK TO PROSPERITY

Greater Erie, 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 Commonwealth should embrace five major strategies to bolster Erie's and other 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 its regions to promote sound land use and economic competitiveness on a more coherent basis.
- **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.
- **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.
- **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.
- **Renew the state's and regional governance.** Pennsylvania should promote much more regional collaboration and cohesion.

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

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** to read the full report, other regional profiles, and additional supporting materials.

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