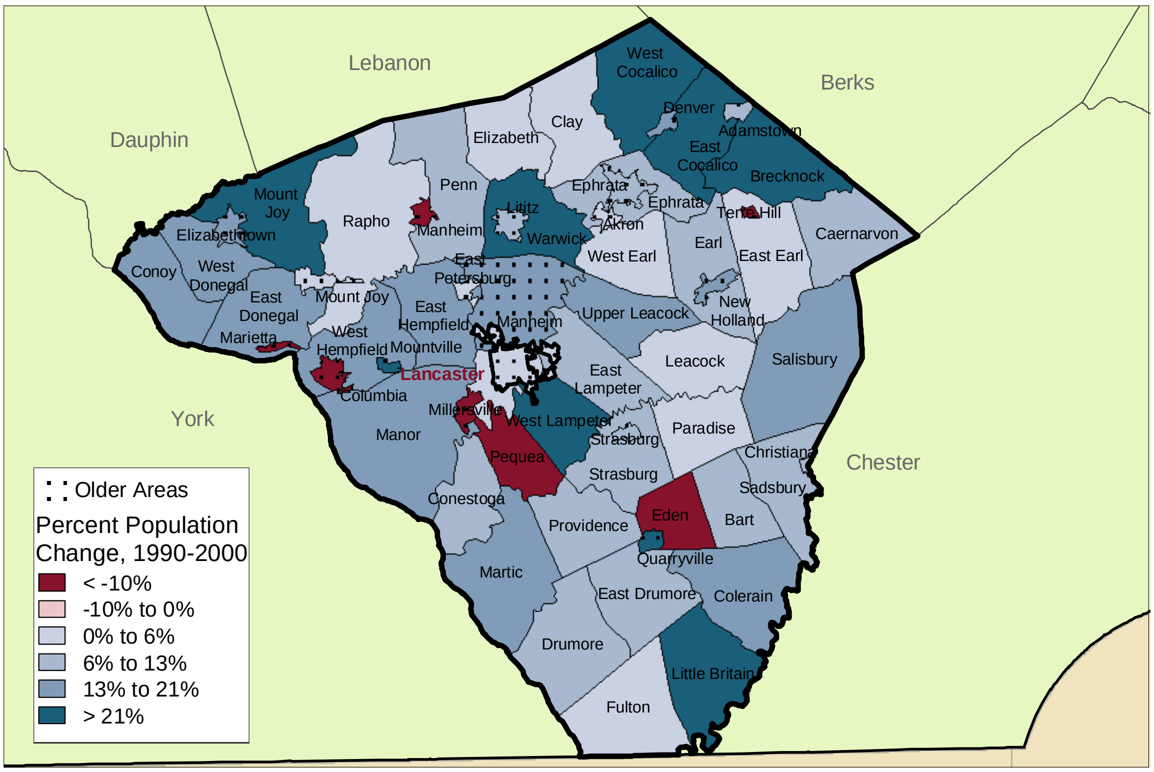
Back to Prosperity:

A Competitive Agenda for *Renewing Pennsylvania*



Source: U.S. Census Bureau

A Profile of the **Lancaster** 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, metropolitan Lancaster knows 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 metro Lancaster. It also synopsizes key findings about the causes of those trends and ways to respond to them.

THE TRENDS:

Lancaster grew robustly during the 1990s

Greater Lancaster's rate of population growth ranked second in the state during the 1990s. During the decade, the area grew by 11.3 percent, a rate of growth second only to greater York amongst the state's largest metros. The region added nearly 48,000 residents, as Lancaster remained the Commonwealth's sixth-largest metropolitan area with a population of 470,660 in 2000. Unlike most other metros, however, Lancaster's growth rate actually slowed slightly in the 1990s compared to the 1980s.

The region lost young adults during the 1990s, however, while registering the largest percentage growth of seniors among the larger metropolitan areas. Lancaster's cohort of 25- to 34- year-olds decreased 4.5 percent during the decade. At the same time, its 65-and-over population increased by 19 percent, the highest percentage jump among the state's nine largest metropolitan areas.

Population and employment in the region are shifting outward

Seventy-six percent of the region's population growth took place in Lancaster's outer suburbs. Overall, the region's outermost second-class townships grew by 14.6 percent during the 1990s, adding a total of 36,400 new residents. Warwick and West Lampeter townships experienced the highest growth rates as each grew by over one-third.

Lancaster's older areas also grew, but less than half as fast as the outer townships. Lancaster City and the region's boroughs added about 6,600 new residents during the 1990s, to increase by a collective 4.6 percent. But the trends varied among municipalities: Mountville Borough's population increased by 24 percent, for example, while Columbia, Manheim, and Millersville boroughs' populations each *decreased* by approximately 4 percent. Overall, about a quarter of Lancaster's older areas lost population despite robust growth elsewhere.

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

	1990 Population	2000 Population	Absolute Change	Percent Change
Older Lancaster	127,816	184,217	11,401	6.6%
City	55,551	56,348	797	1.4%
Boroughs	88,385	94,172	5,787	6.5%
1st-Class Townships*	28,880	33,697	4,817	16.7%
2nd-Class Townships	250,006	286,441	36,435	14.6%
Metro Total	422,822	470,658	47,836	11.3%

Source: U.S. Census Bureau
**The region has only one first-class township*

Employment also decentralized substantially during the 1990s. Less than one out of every three jobs created in the area between 1994 and 2001 was located within 5 miles of Lancaster's central business district. In 2001, over 64 percent of the region's jobs were located outside that 5 mile perimeter.

Lancaster's economy has been outperforming the rest of the state, but still trails national averages

The region led the state's larger metropolitan areas in employment growth. From 1992 to 2002, employment increased by 18 percent as greater Lancaster added 34,900 jobs. That solid growth exceeded that of all Pennsylvania metro areas except State College, yet it still lagged the nation's 20-percent average job-growth rate. Among the largest state metros, only Lancaster and Harrisburg managed to add jobs in 2001–2002.

Metropolitan Lancaster's economy has shifted over the last three decades, as the service sector grew rapidly. Between 1970 and 2000, manufacturing jobs in the Lancaster area increased by 6.6 percent, while jobs in the service and retail sectors grew by 212 percent and 121 percent, respectively. Despite overall growth in manufacturing employment during this period, the region's share of jobs in that sector has declined from 36.4 percent in 1970 to 21.1 percent in 2000.

The region maintains relatively high incomes—but they may be plateauing. In 1999, Lancaster's average household income reached $54,889—a level exceeded only by Philadelphia. However, incomes are increasing only slowly. Between 1989 and 1999, greater Lancaster's 2.4 percent average income growth fell far short of the state's 5 percent, and the nation's 7.8 percent, progress.

Lancaster also ranks low on educational attainment. In 2000, only 77.4 percent of Lancaster residents possessed a high school degree—the lowest such share among the Commonwealth's largest metropolitan areas. For that matter, only 20.5 percent of Lancaster residents hold a bachelor's degree, compared to 22.4 percent statewide and 24.4 percent nationwide. Education levels in Lancaster City lag even farther: Just two-thirds of residents there hold a high school diploma.

THE CONSEQUENCES:

The Lancaster region's vibrant population and job growth during the 1990s reflects its many assets—the charming preserved buildings of downtown Lancaster, its beautiful farmlands, the cultural resilience of the Pennsylvania Dutch country. Unfortunately, the region's decentralizing growth patterns continue to consume the area's world-famous scenery and undermine the health of established communities.

The Lancaster area has been urbanizing a lot of land, although its land use remains relatively efficient. Due to its strong growth, the region converted 46,400 acres of land to urban uses between 1982 and 1997 as it added 36,800 households. This meant that the region required about 1.2 acres of land to accommodate each new household—a land-consumption rate more efficient than that in most other metro areas in the state (but still below average nationally). This trend also meant that Lancaster lost less density (just 16.4 percent of it) than most other metropolitan areas during those 15 years. Unfortunately, the region's strong growth and ongoing decentralization ensured that it still lost 25,200 acres of its world-famous prime farmland during the period, the second-largest county loss in the state.

Greater Lancaster's older neighborhoods are suffering as the real estate market shifts outward. As households move away from the urban core, housing units are left vacant. Vacancy rates in older communities in 2000 were *twice* as high as vacancy rates in suburban areas. From 1990 to 2000, vacancy rates in older communities increased from 3.7 to 5 percent. By 2000, homes in Lancaster's older areas were valued at $118,318. That was the highest level among Pennsylvania's nine largest metro areas. However, that figure trailed the $146,460 value of homes in Lancaster's second-class townships.

Sprawl and core decline are each 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 further reduces older communities' ability to raise tax revenues. For example, market-rate property values in Lancaster's older communities appreciated by just 3.1 percent from 1993 to 2000, compared to 17 percent in suburban areas. This contributed to significant disparities between different areas' ability to raise revenues from available property and earned income tax bases using average rates. Second-class townships saw a 7.4 percent increase in tax capacity from 1993-2000, while older communities only experienced a 2.6 percent increase. Tax capacity in the City of Lancaster actually *declined* by 7.5 percent, one of the worst such hits in the state.

Decentralization is reducing Lancaster's attractiveness to young workers. According to Carnegie Mellon University/ Brookings Institution economic development expert Richard Florida and others, vibrant downtowns, charming ethnic neighborhoods, and pleasing natural scenery represent essential draws to the educated young workers needed for success in the knowledge economy. Unfortunately, the region's dispersing development, stagnating population centers, and fraying older neighborhoods do not bode well for the region's future economic competitiveness. Despite growth in the 1990s, Lancaster lost young people while its elderly population grew—a trend that will be hard to reverse if the region continues on its current development path.

Sprawl has left poor people and minorities concentrated in the region's core. In 2000, 21 percent of Lancaster City residents lived below the poverty line, for example, compared to only 6 percent of those living in the area's outer suburbs. Lancaster's minority population is also becoming more segregated. During the 1990s, 7,700 white residents left the city of Lancaster, while the minority population grew by approximately 8,471. By 2000, about three-quarters of the region's black and Hispanic residents, respectively, resided in the City of Lancaster and the region's boroughs compared to only 35 percent of whites. Given Lancaster's decentralizing employment patterns, minority residents are becoming more isolated from regional job opportunities.

BEHIND THE TRENDS:

How Lancaster grows in part reflects vast national currents. A general preference for newness and low-density living by certain population segments, the relative decline of cities, and a shifting economy all parallel broader American trends. However, a number of state-specific policies and characteristics have influenced the region's development patterns.

- ***Governmental fragmentation:*** Similar to regions throughout the Commonwealth, Lancaster's large number of 60 general purpose governments in addition to Lancaster county—about 13 per 100,000 people compared to 6.1 per 100,000 nationally—complicates coordination, at times exacerbates its unbalanced growth patterns, and likely undercuts the region's economic competitiveness.

- ***Weak planning:*** All Lancaster-area localities have a comprehensive plan and zoning ordinance, and a strong county planning effort has in many respects succeeded in coordinating land-use across the region. The Commonwealth's flawed planning system, however, does not require cooperation or consistency which leads to problems. In fact, even the county's efforts to achieve consistency between the region's myriad local plans have sometimes permitted avoidable suburban encroachment on farmland, and chaotic, low-quality development.

- ***Investment in older areas:*** 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)—allocated about $48 per person to older areas and just $5 to suburban areas. This sharp focusing of *nine* times more funding in older areas makes Lancaster a standout among Pennsylvania metros for channeling subsidies into established areas and away from outer fringe areas.

- ***A shifting economy:*** The proliferation of lower-paying retail and service-sector jobs, the shift away from manufacturing, employment decentralization, and sprawling development at the region's fringe all threaten Lancaster's economic future even despite recent employment growth and high income levels.

Economic development subsidies from three key DCED programs* were highly focused within older municipalities—unlike in many regions

	Spending per Capita
Older Lancaster	$47.70
City	$132.34
Boroughs	$14.12
1st-Class Townships	$0.00
2nd-Class Townships	$4.98
State Total	$21.70

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

- ***Barriers to reinvestment:*** Regulatory and financial barriers that prevent the redevelopment of vacant, contaminated, or dilapidated land and structures inhibit the revitalization of Lancaster's older communities. This makes it hard to leverage Lancaster's vacant land and historic assets and it can drive residential and commercial development into outer suburban areas, perpetuating the current cycle of disinvestment and sprawl.

A COMPETITIVE AGENDA FOR GETTING BACK TO PROSPERITY

Greater Lancaster, like Pennsylvania's other regions, has the potential to build a very different future—*if* the state helps it focus it 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 Lancaster'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 cities, boroughs, and older townships as a way of reenergizing 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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