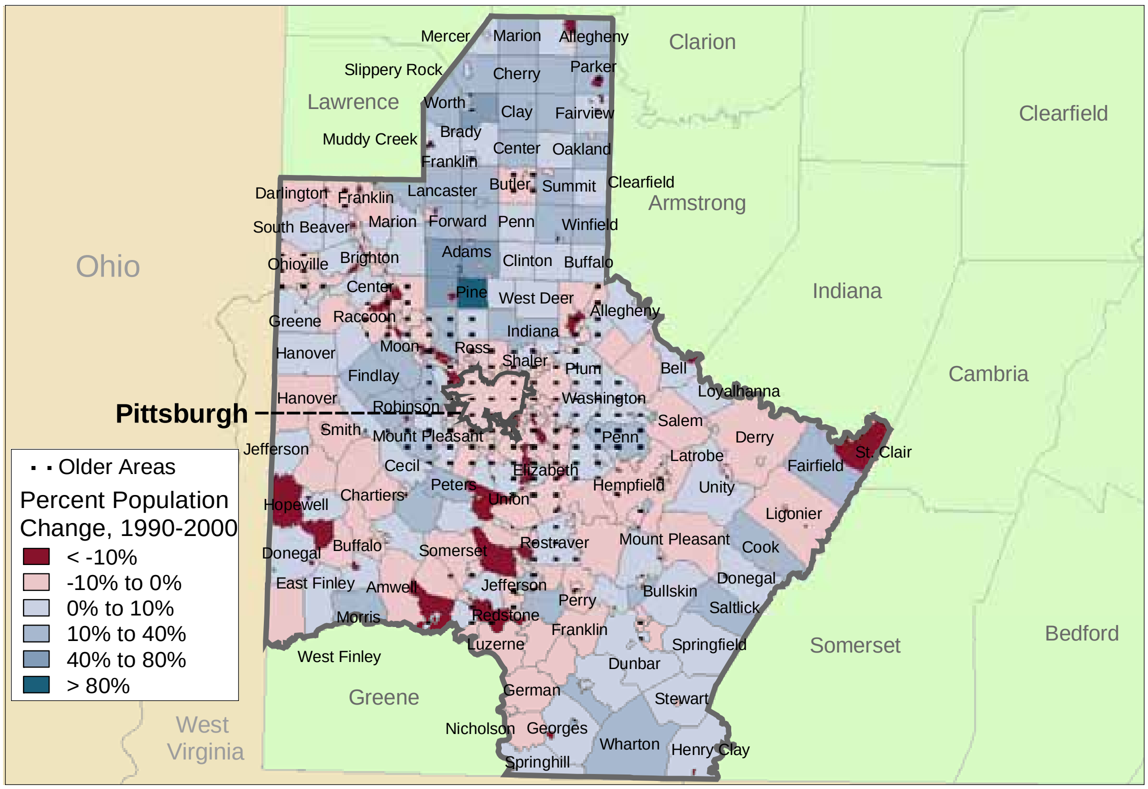
Back to Prosperity: A Competitive Agenda for *Renewing Pennsylvania*



Source: U.S. Census Bureau

A Profile of the *Pittsburgh* Area

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

Unfortunately, Pittsburgh 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 documents how trends identified in the statewide report are affecting metropolitan Pittsburgh. It also summarizes key findings about the causes of those trends and ways to respond to them.

THE TRENDS:

Metropolitan Pittsburgh continued to suffer large population losses during the 1990s

Metro Pittsburgh lost significant population in the last decade. Between 1990 and 2000, the region improved on its disastrous population losses of the 1980s but still shed over 36,100 residents. Among the state's major metros, only Scranton/Wilkes-Barre/Hazleton lost residents faster; meanwhile, Pittsburgh's 1.5 percent population decline ran counter to Pennsylvania's slow growth rate of 3.4 percent. Overall, the Commonwealth's second-largest metropolis' population exodus totaled more than 212,500 residents over the past two decades.

The region lost young adults and gained seniors during the 1990s. Pittsburgh's cohort of 25- to 34- year-olds shrunk by 8.2 percent during the decade. Only Scranton/Wilkes-Barre/Hazleton and Erie among the nine largest metropolitan areas saw larger percentage losses. During the same period, Pittsburgh's elderly population grew by over 2 percent.

Population and jobs in the region are shifting outward

Almost all of greater Pittsburgh's growth took place in its outer suburbs. Overall, the area's second-class townships were the only class of municipality that grew in the 1990s. These formerly rural areas increased in population by 6.5 percent, or 43,000 residents. Several second-class townships experienced particularly rapid growth rates, as Pine and Cranberry townships grew by 90 percent and 59 percent, respectively.

Almost all of the Pittsburgh area's growth took place in its outer townships in the 1990s

	1990 Population	2000 Population	Absolute Change	Percent Change
Older Pittsburgh	1,735,421	1,656,305	-79,116	-4.6%
Cities	567,604	520,986	-46,618	-8.2%
Boroughs	739,291	710,887	-28,404	-3.8%
1st-Class Townships	428,526	424,432	-4,094	-1.0%
2nd-Class Townships	659,390	702,390	43,000	6.5%
Metro Total	**2,394,811**	**2,358,695**	**-36,116**	**-1.5%**

Source: U.S. Census Bureau

At the same time, most older areas declined. Collectively, the region's older areas lost 4.6 percent of their population during the 1990s, with Pittsburgh-area cities and boroughs decreasing in population by 8 and 4 percent, respectively. In fact, 15 of the region's 17 cities lost population in the 1990s, as they declined by a collective 46,600 residents. For example, McKeesport in the Mons Valley dwindled by another 7.6 percent in the 1990s. The region's boroughs and first-class townships also continued to give up residents—though not so much as in previous decades. McKees Rocks Borough in the older ring and Aliquippa Borough on the Beaver/Allegheny County border lost 13.9 percent and 12.3 percent of their populations, respectively, while others like Braddock and West Sunny boroughs lost 38 and 41 percent of their populations. Meanwhile, 24 out of the 37 first-class townships in the region also declined.

Employment also decentralized during the 1990s. Almost 57 percent of the new private sector jobs created in Pittsburgh between 1994 and 2001 were located 10 miles outside the region's various central business districts. By 2000, 71 percent of Pittsburgh-area residents commuted to jobs located in the suburbs.

Metro Pittsburgh's economic performance remains sluggish

Employment at least began to grow, although at sub-par rates. Overall, the region added 101,300 jobs between 1992 and 2002—an increase of 9.9 percent. That rate represented a significant improvement on the previous decade, but lagged both the state and national employment growth rates of 11.4 and 20 percent, respectively. Among the nine largest metropolitan areas only Scranton/Wilkes-Barre/Hazleton and Erie contended with slower job growth.

This sluggishness owes in large part to the massive structural shifts that have shaken the Pittsburgh economy over the last three decades. Pittsburgh, after all, lost more than half (54 percent) of its manufacturing jobs between 1970 and 2000. None of the Commonwealth's large metros experienced so wrenching a change. Meanwhile, jobs in the retail and service sectors grew by 35 percent and 118 percent, respectively. The result: Manufacturing's share of the region's total job base has plummeted from 28 percent in 1970 to 10 percent in 2000, while the service sector has expanded from 21 percent of the area's job base to 36 percent. Retail's share also grew, from 15.8 percent of all jobs to 17.4 percent.

Income growth has become a bright spot, however. Granted, metro Pittsburgh's average household income of $50,260 remained the third-lowest among the Commonwealth's nine largest regions in 1999. Only Scranton/Wilkes-Barre/Hazleton and Erie households earned less. However, Pittsburgh-area incomes are on the rise. Between 1989 and 1999, the average household income increased by $3,088, or 6.5 percent—solid progress that surpassed the state's 5 percent growth and that of all other large Pennsylvania metro areas.

Pittsburgh also ranks high in educational attainment. In 2000, 85 percent of Pittsburgh area residents possessed a high school degree, the highest share among the nine largest metropolitan areas in the state. Even more important, 24 percent of the region's residents hold a bachelor's degree. That achievement exceeds the statewide college attainment of 22.4 percent and matches the national rate. The presence of the University of Pittsburgh and Carnegie Mellon University (CMU) in the region's center also assures that the area's older communities possess comparable education levels to the region's newer suburbs, a trend markedly different than elsewhere in the state.

THE CONSEQUENCES:

The Pittsburgh area possesses many advantages, including stunning physical beauty, great traditions, distinctive neighborhoods, and an array of powerhouse academic institutions. Nevertheless, the area's decentralizing growth patterns are weakening established communities, exacerbating fiscal problems, and contributing to economic malaise.

Greater Pittsburgh is consuming a lot of land and growing less dense. From 1982 to 1997, the region converted 201,800 acres of land to urban uses, an increase of almost 42.6 percent, while the number of households grew by only 23,740, an increase of only 2.5 percent. This means that the region developed an astonishing 8.5 acres of land for every added household. The national average was about 1.3 acres. Not surprisingly, density in the region plummeted by over 34 percent during the 15 years as greater Pittsburgh also lost 20,700 acres of prime farmland.

Urban decline is weakening many of Pittsburgh's older neighborhoods. As households move outwards, vacant housing units are left behind. Vacancy rates in the region's older communities increased from 6.7 to 7.8 percent during the 1990s, while vacancy rates in outer suburban areas remained steady at 4.7 percent during this period. Meanwhile, home values in older areas lag significantly behind those in newer ones: In 2000, the average home in the region's older communities cost $99,011 compared to $124,234 in newer second-class townships.

Sprawl and decline of core areas both burden 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 reduces older communities' ability to raise tax revenues. Property values in Pittsburgh's older communities, for example, appreciated by only 12.6 percent from 1993 to 2000, compared to 30.7 percent in outer suburban communities. This contributed to significant disparities between different areas' ability to raise revenues off of the available property and income tax bases using average rates. For example, the region's second-class townships experienced a 20.8 percent inflation-adjusted increase in their tax capacity per household, compared to increases of only 8.7 percent in area cities and 14.7 percent across older Pittsburgh.

Pittsburgh's patterns of sprawl and disinvestment in older communities are undercutting the region's attractiveness to young workers. According to CMU/Brookings Institution economic development expert Richard Florida and others, lively downtowns, charming traditional neighborhoods, and a vibrant cultural scene are essential to attracting the young, educated workers and innovative companies that drive the new economy. Unfortunately, the Pittsburgh 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 attracting and holding onto the young people needed to bolster the region's economic competitiveness.

Sprawl has also left the poor and minorities concentrated in the region's core. In 2000, almost 12 percent of those residing in Pittsburgh's older areas lived below the poverty line, compared to only 8.3 percent of those living in the area's outer suburbs. Greater Pittsburgh's minority population is also becoming more segregated. Since the 1990s, the region's cities together lost almost 58,200 white residents, while their minority population increased by 11,567. By 2000, over 95 percent of the region's black and over 80 percent of the region's Hispanic residents lived in Pittsburgh's cities, boroughs, or first-class townships. Metro Pittsburgh's decentralizing employment patterns are consequently isolating minorities from regional job opportunities.

BEHIND THE TRENDS:

How Pittsburgh 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 characteristics have also influenced the region's development patterns and competitiveness.

- ***Governmental fragmentation:*** Like regions throughout the Commonwealth, the Pittsburgh area's very large number of general purpose governments-—418, about 18 per 100,000 people compared to 6.1 per 100,000 nationally-—complicates coordination, exacerbates unbalanced growth patterns, increases the costs of government, and undercuts the region's economic competitiveness.

- ***Weak planning:*** Sustainable Pittsburgh reports that more than 125 municipalities in the region are participating in some form of multi-municipal planning. This is encouraging. Still, the lack of a state requirement that localities plan cooperatively and integrate planning and infrastructure development frequently leads to redundant, low-quality sprawl.

- ***Non-strategic investment policy:*** Three of the state's major economic development programs—the Pennsylvania Industrial Development Authority (PIDA), Opportunity Grant Program (OGP), and Infrastructure Development Program (IDP)-— allocated about $68 per capita to projects in established municipalities in the Pittsburgh region and about $70 to developments in outer suburban areas. This high level of financial assistance to outlying developments contributes to decentralization and represents a lost opportunity to focus resources on revitalizing older communities.

Economic development subsidies from three key DCED programs* flowed about equally fast to outer townships as to established communities

	Spending per Capita
Older Pittsburgh	$68.41
Cities	$134.18
Boroughs	$50.94
1st-Class Townships	$15.74
2nd-Class Townships	$70.32
State Total	**$68.97**

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

- ***A shifting economy:*** Reflecting broad national trends, Pittsburgh's shift away from manufacturing, its rise in generally lower-paying service and retail jobs, and its general decentralization of employment have all contributed to the region's lackluster economic growth, urban core decline, and sprawling fringe development.

- ***Barriers to reinvestment:*** Despite attempts to amend relevant laws, significant regulatory and financial barriers remain to the redevelopment of vacant, contaminated or dilapidated land and structures. These barriers inhibit the rehabilitation or reuse of available land and historic assets in Pittsburgh's older communities and ultimately prompt residents and businesses to continue locating in outlying suburban areas, thus perpetuating the current cycle of disinvestment.

A COMPETITIVE AGENDA FOR GETTING BACK TO PROSPERITY

Greater Pittsburgh, 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 Pittsburgh's and its 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.

The Brookings Institution
Washington, DC

CENTER ON URBAN AND METROPOLITAN POLICY
1775 Massachusetts Avenue, NW • Washington, DC 20036-2103
Phone: (202) 797-6139 • Fax: (202) 797-2965
www.brookings.edu/urban