



Revitalizing

OUR SMALL CITIES AND BOROUGHES

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This excerpt from a report by 10,000 Friends of Pennsylvania and the Metropolitan Philadelphia Policy Center highlights the plight of Pennsylvania's smaller cities and boroughs. These places are often faced with the same kinds of urban problems experienced in our bigger cities like Philadelphia and Pittsburgh, but they do not have the same resources available to them. This paper outlines the major barriers to redevelopment in these communities and recommends six areas of policy action and research to address these barriers.

Policy analysts in Pennsylvania and elsewhere have documented that suburban “sprawl” and decline of urban communities are related. Pennsylvania, which has over 1,000 urban communities — 56 cities and 962 boroughs — where half the Commonwealth’s population lives, must recognize and deal with this relationship. While attention is often focused on Philadelphia and Pittsburgh, less attention has been paid to the problems of the state’s large number of smaller cities, boroughs and older suburban townships.

Many of these places are in decline and any effective strategy for dealing with growth and development in the Commonwealth must include policies that

address their problems. Just as their decline has helped fuel sprawl, their revitalization will help slow it down.

The decline of small cities and towns is not inevitable. However, it will take a significant policy focus targeted to these communities to make a difference.

In the 1990s, the Philadelphia region was the slowest growing metropolitan region after St. Louis. It is not surprising that in an already slow-growth region, cities and boroughs are growing more slowly or declining. Since 1990, Southeastern Pennsylvania’s older municipalities have lost 2%

Table 1: 77 Small Cities and Boroughs in Southeastern Pennsylvania Population Change, 1990-2000

Decreased	Stable	Increased
Aldan*	Ambler*	Atglen
Bristol*	Coatesville*	Avondale
Chester*	Downingtown	Bridgeport*
Collingdale*	East Greenville	Dublin
Conshohocken*	Eddystone*	Elverson
Doylestown	Hatboro*	Glenolden*
Folcroft	Hatfield	Green Lane*
Lansdowne*	Jenkintown*	Honey Brook
Media	Kennett Square	Langhorne*
Newton	Lansdale*	Malvern
Norwood*	Narberth*	Millbourne
Pennel	Norristown*	Modena*
Ridley Park*	Phoenixville*	
Rockledge	Pottstown*	
Sharon Hill*	Quakertown	
South Coatesville*	Rutledge*	
Trainer	Sellersville	
Upland*	West Chester	
	Yeadon	
		Morrisville*
		New Hope
		Oxford
		Parkesburg
		Pennsburg
		Red Hill
		Richlandtown
		Souderton
		Schwenksville
		Trumbauersville
		West Grove
		Yardley*

Note: Communities with an asterisk lost at least 10% of their population between 1970 and 1990.

of their population while surrounding suburbs have grown by 12%. Of the 77 older cities and boroughs in Southeastern Pennsylvania, 35 lost significant population in the last decade, 19 remained relatively stable and 23 grew significantly (see Table 1). It is important to note that of the 19 communities whose population remained stable in the 1990s, ten had already lost at least 10% of their population between 1970 and 1990. Together these 77 communities comprise 19% of Pennsylvania's Philadelphia suburban population.

The trends summarized below illustrate the problems facing older cities and boroughs. Following the discussion of trends, we turn to some of the barriers that help aggravate these conditions and outline possible solutions.

Trends In Southeastern Pennsylvania's Older Cities and Boroughs

Vacancy Rates Are Higher and Homeownership Rates Are Lower. An important signal of a community's decline is an increase in vacant homes. Smaller cities and boroughs have a disproportionate share of vacant homes. The 2000 Census showed that while Southeastern Pennsylvania's older cities and boroughs contain 24% of the region's housing stock, they have 38% of its vacant housing units. A unit in an older city or borough is nearly twice as likely to

be vacant as a suburban unit. And the trend is worsening. Over the last decade, older cities and boroughs gained 25% more vacant units, while other suburban municipalities actually reduced their number of vacancies.

Crime Rates Are Higher. Crime is a serious issue for cities and boroughs in Southeastern Pennsylvania. Our research shows that older cities and boroughs suffered over six times as much violent crime per capita between 1996 and 2000 than did affluent suburbs. Property crime was 70% more common per capita in cities and boroughs than in affluent suburbs. The problem of crime in our older communities aggravates many existing ills, contributing to shrinking populations and declining tax bases.

Less Fiscal Capacity to Provide Services or Manage Problems. Tax capacity, which measures a municipality's ability to raise revenues from local property and earned income taxes combined, is growing much more slowly in smaller cities and boroughs than in the affluent suburbs. The 1990s saw an unprecedented economic boom nationally, and Southeastern Pennsylvania shared in the bounty. Between 1993 and 1999, roughly the period of greatest economic prosperity, the inflation-adjusted tax capacity of the region grew by 11.4%. But this growth was not distributed evenly. Tax capacity in



older cities and boroughs grew by only 80%, while that of affluent suburbs grew over twice as quickly, at a rate of 18.1%.

Fragmented Governance Structure Limits Capacity for Growth. The trends of decline and segregation are exacerbated by Pennsylvania's fragmented system of governance. Pennsylvania has 2,567 municipalities, 501 school districts, hundreds of agencies and thousands of authorities. The Philadelphia region alone has 238 municipalities, and ranks high among the most politically fragmented metropolitan regions. These small governing jurisdictions, while effective for the purpose of bringing representation close to residents and businesses, have little capacity to deal with growth and development issues.

Six Barriers to Reinvestment and Six Potential Solutions

The experience of smaller cities and boroughs described above is mirrored in metropolitan regions across the country. But decline is not inevitable, as is evidenced by the health of certain older suburbs in the Minneapolis-St. Paul and Cleveland regions, and in our own region in Narberth, West Chester and Swarthmore, to name a few examples. The preceding trends highlight the need for policies that will attract people and investment back to smaller cities and boroughs; and for governance systems, including tax systems that support such redevelopment. The six problems and corresponding policy solutions outlined below address these issues.

Tax Policy and School Funding

The Problem: Reliance on the property tax to fund the majority of school costs places a heavier burden on older developed communities than on other municipalities. Due to the concentration of affordable housing in older communities, these communities have the greatest costs associated with education, including poorer students, yet they often have the lowest tax capacity due to decreasing tax base. In addition, the enormous needs of the school districts greatly diminish the capacity of local governments in these communities to provide other municipal services, adding to the vicious cycle of decline and requiring higher taxes for poorer services. The business people, developers, and local officials we interviewed agree that reliance on the property tax for school funding is a key factor in the continuing decline of cities and boroughs.

The Solution: If Pennsylvania were to fund schools from a broad-based source other than the local property tax, or at the least increase the state share of school funding to help level the playing field among taxpayers and municipalities, much of the tax burden on older communities would be eased. There are several proposals in the Pennsylvania General Assembly that address school finance reform through a reduction in the property tax and an accompanying increase in other taxes. Recent bipartisan proposals and the revival of the Tax Reform Caucus indicate a growing interest in providing alternatives to a heavy reliance on the local property tax. In addition, recent takeovers by the Commonwealth of failing urban school districts are an indication of state level recognition of the need to address funding, as well as management and curriculum issues.

Stabilize Residential Markets

The Problem: The market in depressed areas is uncertain and in some cases limited. Those promoting redevelopment must be able to demonstrate a demand for new housing and commerce, as investors are unlikely to be attracted to neighborhoods perceived as being poor investment risks, ethnically or racially segregated, dangerous, or unpleasant places to live. Promoters must also be able to provide developers with “buildable” sites, but older communities often lack the large tracts of vacant land that builders and realtors traditionally prefer. Consequently, spurring development is challenging because the market evaluation needed to demonstrate demand is difficult where no new residential developments have occurred in recent years and where there are few comparables to evaluate market performance. High potential demolition costs further discourage developers evaluating built-out communities.

The Solution: Neighborhood stabilization programs would help protect a homeowner’s investment in the event of neighborhood decline, discouraging “white flight” and relocation to the suburbs and encouraging the purchase of homes. By reassuring homeowners within “endangered neighborhoods” that they will be able to re-capture at least the value they originally paid for their homes when they do decide to sell, these programs could stabilize real estate markets and attract developers currently apprehensive about built-out neighborhoods. Capitalizing on recent legislation enabling the creation of neighborhood improvement districts would complement these efforts and have a similar impact.

Pennsylvania should also work to relieve the financial burdens on older communities, which currently provide a disproportionate level of social services at the local level. By ensuring that affordable housing is constructed in the same communities as new expensive housing, a new policy could move low-income individuals closer to new job hubs. Further, passing currently proposed legislation that would enable better tax delinquency and property maintenance code enforcement would also help communities assemble the larger tracts of developable land that many builders prefer.

Reduce Financial Barriers to Commercial Development

The Problem: Developers and financial institutions perceive an increased financial risk when pioneering developments designed to create or stimulate new markets or serve as catalysts for revitalization and thus require a greater up-front return.

The private development community is a critical player in the redevelopment of real estate. While much successful development has been done in large cities, real estate development opportunities in more rural suburban areas are typically perceived as less risky, are thought to have higher returns, or both. In many cases, there are financing gaps in projects due to rehab costs that will not be supported by market rent levels. Programs are needed to lower financing costs to meet market rents and to make investment returns competitive with suburban levels.

The Solution: Recent activities in some communities have shown that public investments designed to capitalize on locational attributes were extremely effective in leveraging significant private investment. Mirroring the strategy employed in these projects, the state should provide gap financing directly to private developers from the Department of Community and Economic Development (DCED). The criteria for these grants and loans would

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concern a project's ability to meet minimum investment standards, i.e., to get the cost down to meet levels supported by market rents. The funds should be free of constraints that increase the cost of construction. The local municipality would have to concur and certify that the project is consistent with local plans and policies, but money would not have to flow through the locality. The program would not be aimed at large projects such as convention centers or hotels, but smaller projects such as Main Street anchor buildings.

Increase Local Governance Capacity

The Problem: Pennsylvania's extremely fragmented system of local governance is made of numerous small municipalities, often overwhelmed by day-to-day responsibilities and with few resources to access state programs or coordinate with neighboring municipalities. While most boroughs do have professional managers to help coordinate their development efforts, some have only a secretary or part-time manager. These understaffed local governments have difficulty managing the day-to-day operations of the municipality, let alone formulating and executing economic development plans in coordination with adjacent communities.

As a result, issues that need to be looked at regionally — transportation, water and sewer infrastructure, economic development, and planning for conservation of open space and natural resource amenities to attract business — are often not addressed by local governments.

The Solution: Through better information exchange and advocacy, Pennsylvania can expand the capacities of its municipalities. Governmental examples already exist in the form of regional state agency offices, but resources are insufficient. In Pennsylvania, other entities such as Councils of Government or regional planning commissions, where multiple governments agree to collaborate on policies that affect them all, are also proliferating. Outside of the state, the First Suburbs Consortium in suburban Cleveland provides another model. Depending on the particular issue, Pennsylvania and its municipalities must begin to cooperatively collect, utilize, and respond to information in order to improve the service provision and planning capabilities of older communities.

Target State Spending

The Problem: While extensive infrastructure exists in older communities, in contrast to many newer suburban locations, it is often inadequate or outdated and must be repaired before redevelopment. Exacerbating the issue, the lack of information sharing between communities prevents strategic redevelopment of infrastructure needs. Developers often face a choice between the expense and difficulty of redeveloping sites with antiquated structures and systems or building on greenfield sites.

The Solution: Again, better information sharing and utilization policies are critical. However, they must be concurrent with the development of state policies that prioritize infrastructure spending for already-developed communities.

Taking a page from Maryland's Smart Growth program, the Commonwealth could develop criteria for counties and local governments to identify priority funding areas in and around cities and towns and in suburban areas where concentrated new development makes sense. Areas in all counties, rural as well as urban, would be eligible. Growth areas would include older suburbs, boroughs and rural villages throughout the Commonwealth. Guiding principles, such as stabilizing neighborhoods, leveraging private investment in growth areas, and relieving pressure on rural lands, should be developed to inform the investment of state funds.

A number of state programs, most of them administered by the DCED, already channel funds into specific infrastructure and community development projects. These programs should be strategically packaged and used in combination with other efforts, to direct funding toward refurbishment of existing infrastructure.

Reducing Building Code Barriers Through Education and Training

The Problem: Restoring older buildings to meet current construction codes can be financially prohibitive. Existing buildings that were built to comply with an earlier building code, or with no code at all, may still be safe and sound. However the original plans, construction details, composition of materials, and the methods and means of construction are often no longer available for these buildings; researching and developing this information is costly and time consuming, often requiring destructive testing of materials. There is a lack of

uniformity among codes in different municipalities and code requirements and interpretations vary among jurisdictions and enforcement officials. In addition, many code officials are untrained in interpreting what codes are available for redevelopment and rehabilitation.

The Solution: The International Code Committee is currently drafting a new rehab code at the national level. The code will be automatically adopted into Pennsylvania's Uniform Construction Code once it is finalized (2003 expected adoption date). The new code will be more flexible and provide more tools and creativity for rehabilitation of buildings. In anticipation, the state and its municipalities should develop a program for educating all zoning and inspection officials about how to exploit the pro-redevelopment characteristics of new and ongoing codes.

Changing Direction — Investing in Traditional Communities as Assets

To reverse the pattern of sprawling suburban development and urban decline, citizens and policy-makers must view redevelopment and reinvestment in older communities as a way to relieve the growth pressures on fast-growing suburban communities while enhancing the economic health of older communities in the region and the state. The recommendations described above represent the policy solutions that have significant potential to remove barriers to redevelopment in Southeastern Pennsylvania's older developed communities. Some are politically challenging, such as tax reform, but would benefit nearly all communities in the Commonwealth. Others are simple and direct, such as private sector financial incentives. Together or individually, these recommendations will improve the economic health of smaller cities and boroughs.

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