

**Reversing Philadelphia's Population Decline:  
An Economic Development Strategy For The City**

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## Background: A Brief History Of Philadelphia's Population Decline

In pledging to reverse Philadelphia's continuing population loss --almost 700,000 since 1950, and 170,000 during the past decade alone -- Mayor Street must arrest a residential decentralization process that began at least as far back as the Civil War. First documented in 1958 by Hans Blumenfeld in a report for the Philadelphia Housing Association, the thinning-out of the city remained obscure from general view until the 1960 census. Prior to that time, population losses in inner areas of the city were being more than offset by urban growth occurring farther out, though still inside city boundaries. When vacant land for residential construction within the city became scarce in the late 1950s and metropolitan population growth had to be accommodated almost entirely in the suburbs, the spreading out of population finally became apparent even though its long history was not yet broadly recognized.

Although Blumenfeld's analysis has never been fully replicated for cities other than Philadelphia, the phenomenon appears to be widespread, having occurred in urban areas of every size and socio-economic-racial description. It also appears to have had two somewhat distinct phases. During the first phase, extending from the end of the Civil War to the end of World War II, the driving centrifugal force causing population decentralization was almost entirely rising incomes. As earnings across the entire income spectrum rose steadily over the 80-year period, families and unrelated individuals moving either into or within metropolitan areas found themselves able to afford dwellings that in earlier generations would have been too expensive for households of their relative economic status. The poorest families and unrelated individuals were able gradually to move out of overcrowded flats into apartments of their own, while households at various points farther up the income scale were able to move outward from apartments to row houses, from row houses to modest-size detached homes with small yards, and from these homes to spacious suburban dwellings still more distant from the urban core.

In the second phase of the thinning-out process, beginning after World War II and still on-going, rising incomes have continued to play a dominant role, widening the disparity between the increasingly commodious homes that more and more households in metropolitan areas can afford and what central-city housing stocks -- largely modest-size homes with little or no garage space -- can provide. During the last-half century, however, two other factors have also contributed importantly to residential sprawl.

The first has to do with accessibility. The shift from rail to automobile and truck transportation, a transformation which was impeded for almost two decades by the Depression and World War II, has fostered substantial employment decentralization and accelerated the decentralization of families that was already in progress. Indirectly illustrative of the impact of this shift is a 30-year projection of regional trends for the Philadelphia area that was made in 1930 before the likely impact of these new forms of transportation was fully appreciated. The projection accurately forecast both population and employment for the 8-county area but under-estimated land consumption for urban development by one-half.

The second factor has to do with the precarious fiscal situation of many central cities. In cities which have experienced a significant net loss of jobs and upper-income households, the ability of local government to provide residents with a high-quality living environment has become increasingly difficult, and the resulting visible deterioration of many urban neighborhoods has provided an additional impetus to thinning-out. Philadelphia's response to its fiscal problems – raising the wage tax to a burdensome level – has served to reduce the city's residential competitiveness even further by encouraging much more job decentralization than would have otherwise occurred. Onerous insurance premiums on automobiles and homes have not been helpful either.

### Failed Efforts To Combat The City's Population Loss

Not only has the thinning-out of urban population been widely occurring for a very long period of time, until the post-World War II period it was universally sought. Contrary to the situation today where urban sprawl is deplored, from the late 19th century until around the mid-1950s, population decentralization both in the Philadelphia area and in metropolitan regions throughout the world was viewed as an important objective that public policy should promote. The evils of urban overcrowding were a constant theme in the popular press, and various devices to relieve overcrowding -- most notably new towns -- were attempted. It was only when it became apparent that central-city population loss was due almost exclusively to the net-outmigration of middle- and upper-income families -- the only ones who could afford new suburban housing -- that city governments became concerned and took actions (such as neighborhood stabilization and residential revitalization in central business districts) to reverse the trend. Had it been

lower income families who moved to the urban fringe, as is the case in metropolitan regions in many other countries, central cities undoubtedly would have been delighted to see their aggregate population figures drop.

While central cities expanded their efforts to recapture some of their lost middle- and upper-income population, a parallel set of efforts starting in the 1960s sought to open up housing opportunities in the suburbs to lower-income central-city families. Illustrative of this policy thrust were Paul Davidoff's Suburban Action Institute, the famous Mount Laurel, New Jersey open-housing decision, the emphasis in the Housing Act of 1974 on measures to counteract income and racial isolation in large urban areas, several judicial decisions also aimed at income and racial isolation, and various so-called regional "fair-share" housing schemes. Had these initiatives been more successful, they would have emptied out central cities to an even greater extent than has been the case.

For a decade or two after 1960, it was repeatedly predicted that efforts to attract middle- and upper-income families back to the city would overcome the forces of decentralization. City planners in Philadelphia and elsewhere were fond of pointing out that a trickle of high-income families could be observed returning to the city (primarily to the CBD) and that this trickle would soon turn into a flood as the emptiness of suburban life became more widely experienced. There were a few challenges to this dominant view. In 1958, a report by The Institute For Urban Studies at the University of Pennsylvania forecast a large population loss for Philadelphia for the 1960-1970 decade. And about the same time, Erwin Gutkind, also at the University of Pennsylvania, predicted that the population distribution in many American metropolises would eventually have a donut shape, with most people living around the edge and a big population void in the center. These challenges to conventional wisdom were thought by central-city planners to undermine their recentralization efforts and, as a consequence, were publicly disparaged.

Contrary to prevailing expectations, the flood of higher income families returning to Philadelphia (and to most other central cities) from the suburbs has never materialized, and for good reason. With each passing year, the competitive disadvantage of Philadelphia's neighborhoods within the metropolitan area has become more and more pronounced. Not only do the city's disamenities continue to repel many potential buyers and renters who might otherwise prefer a city residence, but also, as a consequence of employment dispersal, far fewer workers in the metropolitan area

need to live in the city in order to be near their jobs. As long ago as the mid-1950s, two-thirds of the persons who worked in Philadelphia's seven suburban counties also lived there (1956 National Housing Inventory, Philadelphia Supplement). Today, with Philadelphia's much smaller employment base, that figure has risen to more than 80 percent.

But even if the City can manage to abate the various municipal problems that now turn away potential buyers and renters, and even if it is also able to reverse the outward flow of employment, the number of middle- upper-income households choosing to live in the city will not significantly increase, because with rising real income, the mismatch between what metropolitan area families can afford to spend on housing and what the city's stock has to offer will continue to widen. Residential construction in Philadelphia is not occurring at the scale necessary to narrow this income/housing gap. Housing starts in the city have declined to a mere trickle, and nearly all of the residential construction consists of subsidized units for moderate- and lower-income families. Very little of it is aimed at the middle-upper income sectors and thus does not add to aggregate demand for housing in the city. Rather much of it simply channels already existing demand for a city residence from one neighborhood to another.

#### What To Do Now: Population Recentralization As A City Economic Development Strategy?

Over the years, efforts to reverse the net outward flow of middle- and upper-income families from Philadelphia have been accompanied by doubts about the fiscal, economic, and social benefits to the city of doing so. Housing advocates for the city's lower income population, for example, have suggested that the funds needed for recentralization programs might better be used to help families already living in the city, and these advocates have rightly deplored the insensitive displacement of low-income families that has often accompanied residential renewal for the well-to-do. Other urban analysts have pointed out that the City would not feel it necessary to attract more well-to-do households if some sort of region-wide taxation policy restored fiscal equity as between city and suburb.

On the other hand, it has also been noted that more middle- and upper-income residents would not only be helpful to Philadelphia's fisc but would in various indirect ways bring about other benefits: greater support for government services and cultural institutions; a larger pool of potential community leaders; and reduction in the spread of residential decay. In addition, if the city again became attractive to families who now choose to live in the suburbs, 1,000s of acres of socially valued open land in the outlying suburban areas that would otherwise be lost to development would be saved. Perhaps most important, the new well-to-do residents would spend much of their income in the city, providing a needed financial boost for many of the families and businesses already located here. And with respect to the oft-stated fears of gentrification, Philadelphia now has thousands of abandoned acres of land that could be recycled in a manner that would actually greatly improve the residential environments of the relatively few lower income families who would have to be displaced. Nor is much of this abandoned land needed for business development.

If, however, Philadelphia continues to lose population, as seems likely in the absence of a significant public effort to reverse this trend, the city need not necessarily become a worse place to live. Indeed, if the city were to have only 1,200,000 people in the year 2010, it could conceivably be an even more pleasant place in which to reside than is today's city of 1,400,000 or the city of 2,100,000 that existed in 1950. The possibility of a smaller population enjoying an improved living environment appears unlikely, however, in the absence of a significant increase in Philadelphians' per capita real income.

Recently, Philadelphia has been compared unfavorably with other U.S. cities that have managed not to lose population during the last decade by attracting many more foreign immigrants than has Philadelphia. Whether, however, these immigrants have improved the living environments for the indigenous populations in these cities is by no means certain. So one should be cautious about equating improvements in quality of life with gains in population. Certainly, suburban communities have questioned whether this is so. Nevertheless, on balance, it does seem that reversing the net out-migration of middle- and upper-income families from the city would be a worthwhile effort, depending on the amount of subsidy required, the characteristics of the immigrant families, and the sensitivity of the recentralization programs to the needs of directly affected resident families.

## The Outlines Of A Population Recentralization Strategy

If reversing net outmigration from the city does seem desirable, the question beomes: Is it possible, within a reasonable budget constraint, to arrest and reverse a trend of such long duration? The answer is "possibly yes". Despite Philadelphia's increasing competitive disadvantage relative to its suburbs, a large proportion of the families who live in the city do so not because their choices are constrained by low income, the legal requirements of their job, or lethargy, but rather because they feel that the city, even with its problems, is a better place to live than are the suburbs. And the number of such families does not seem to be in short supply. Witness, for example, the robust housing market in two of the most elite parts of the entire metropolitan area -- Chestnut Hill and Center City.

Many middle- and upper-income families who move into or within the metropolitan area each year and who now opt for the suburbs could possibly be drawn to existing or newly rehabilitated sections of the city -- and not just replicas of Chestnut Hill. For example, it seems likely that many retired persons would love a city address close to high quality medical care and to the cultural attractions that downtown Philadelphia and the various universities uniquely provide. These senior citizens would not be repelled by the wage tax, poor public schools, burdensome car insurance, the need to commute to a suburban job, or, if there were appropriate planning, worries about crime. At the other end of the age spectrum, many young singles who are drawn to the city initially because the downtown has become an exciting place to live might postpone departure after they married and had children, if there were three or four Masterman's in the city instead of just one. Persuading young couples to remain in the city for just a few additional years would by itself reduce the population loss and improve the income mix.

These examples are just suggestive. Throughout the city there are potential opportunities to attract more middle- and upper-income families to upgraded middle-income neighborhoods, as is already being done in Manayunk, or to expanded upper income neighborhoods, as in Center City. Most exciting would be the creation of entirely new neighborhoods, utilizing some of the city's potentially scenic Delaware River water front or its several hundred largely abandoned blocks in North Philadelphia.

While these newly created neighborhoods might most logically be attached to existing stable residential nodes, such as Yorktown, one or two of them could conceivably be at the scale of a "newtown/in-town", as described more than 30 years ago by Harvey Perloff. Possibly anchored to a major existing institution such as Temple University, they would have partially separate tax arrangements and school systems. Such a large endeavor would, of course, require public as well as private investment, and displaced families would have to be given the opportunity and encouragement to relocate within the new town rather than be pushed into other neighborhoods as happened in connection with the urban renewal programs of the 1950s and 1960s.

As an order of magnitude, a mixed-income new town/in town of 10,000 homes and apartments across a broad price and rent range might need an up-front public input of as much as \$500 million. While this is a large sum (though not when compared with investments of similar size for sports stadia), much of the outlay would be directly recoverable through enhanced residential and commercial real estate values and job creation. And the symbolic value could be enormous, leading directly and indirectly to other investment throughout the city. Although this added potential "super multiplier" effect is impossible to quantify, it could prove to be the most important impact of all.

In order to grasp these residential development opportunities, the City would first have to determine through market research the profiles of families who do not now choose city living but who have latent preferences for various types of housing environment that could be provided in different parts of the city through creative planning and design. It would then be necessary to ascertain which components of the housing/neighborhood/public-service/tax package that these households seek when choosing a home would have to be improved or newly provided in various areas of the city and at what cost in order to attract larger proportions of selected subsets of households to these sections of the city. With this information in hand, it would be possible to proceed with the physical design work, public land acquisition, and development planning necessary to produce housing opportunities in a number of neighborhoods to which private investors and, ultimately, consumers would respond in significant numbers.



Such a residential development strategy would go well beyond the City's current campaign to clean up and stabilize decaying lower-income neighborhoods and promote construction of subsidized homes primarily for moderate-income families. While these activities are worthy efforts in their own right, the neighborhoods that are targeted for this type of activity are not ones to which most families who are making a choice between city and suburb could be attracted, nor is the level or scale of improvement in these neighborhoods sufficient to do so. Reducing social and physical blight does weaken the push factors causing some families to reject Philadelphia as a place of residence, but it does nothing to offset the pull factors drawing families to suburban living.

There seems to be no immediately apparent inherent reason why Philadelphia cannot improve its residential competitiveness and in ways that will increase the City's ability to serve its existing citizenry. Through careful planning, a successful program to attract more upper-income families to the city should be able to improve the living environments of less affluent residents as well. Without accepting the reasonableness of these assumptions, it seems at least desirable to explore more thoroughly the possibilities of a residential revival for the city. The Rendell Administration was fully occupied for most of its eight-year tenure with the twin tasks of warding off financial disaster and restoring a more positive business investment climate to the city. With this work mostly completed, perhaps now is an appropriate time to think more grandly about Philadelphia's future.