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Reversing Philadelphia's Population Decline

William G. Grigsby

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[Sidebar: An economic development strategy to accelerate urban revitalization.]

In pledging to stem Philadelphia's continuing population loss--almost 600,000 since 1950, and 70,000 during the past decade--Mayor John Street must arrest a residential decentralization process that began at least 140 years ago. Long before the appearance of the automobile, the Federal Housing Administration, the interstate highway program, mortgage interest deductions for home owners, racial change, and other alleged causes of flight to the suburbs, cities like Philadelphia had been decentralizing. Although first revealed by the 1860 and 1870 censuses, the thinning-out process was for many years obscured from view because population losses in the inner core were more than offset by growth at the outer city limits. After the late 1950s, however, when good quality vacant land for residential use within the city became scarce, the continued outward push of metropolitan population growth was accommodated almost entirely by the suburbs. When the 1960 census made clear that population spread had crossed city boundaries, this long-standing phenomenon finally became broadly recognized.

The phenomenon of population decentralization has occurred in U.S. cities of every size and racial composition. It has had two distinct phases. The first, extending from the end of the Civil War to the end of World War II, was driven almost entirely by rising incomes. As earnings rose steadily over this 80-year period, people found themselves able to afford less dense housing. The poorest households were gradually able to move from notoriously overcrowded flats into apartments of their own, while more well-to-do households were able to exchange apartments for modest-size single-family homes with small yards, and modest city houses for spacious suburban dwellings still more distant from the urban core. Only in the cases of families migrating out of the inner city was the outward movement "a flight from blight". More typically, families left clean, safe neighborhoods with reasonably good schools in order to live in what they perceived to be more pleasant areas.

The second phase of the thinning-out process began after World War II. During this period, rising incomes continued to play a dominant role, widening the disparity between the increasingly spacious homes that more and more households in metropolitan areas could afford and the small dwellings (with little or no yard and garage space) in central cities. Over the last fifty years, however, two new factors have also contributed to residential decentralization.

The first was the shift from rail to automobile and truck transportation, a change that was delayed for almost two decades by the Great Depression and World War II. This shift fostered substantial employment and retail decentralization and accelerated the suburbanization of households that was already being fed by rising incomes. Illustrative of the impact of this shift was the 30-year projection of regional trends for the Philadelphia area that was made in 1930 before the likely impact of the automobile and truck was fully appreciated. The projection accurately forecast both population and employment for the 8-county metropolitan area but under-estimated the amount of land consumed by urban development by 50 percent.

The second factor was the worsening fiscal situation of many central cities. In cities that experienced a significant net loss of jobs and upper income households, the ability of local government to provide a high-quality living environment became increasingly difficult. The visible deterioration of public services and of many neighborhoods provided additional impetus to the

thinning-out process. Philadelphia's response to its fiscal problems -- raising taxes to burdensome levels -- further reduced the city's residential competitiveness, encouraging more job decentralization than would otherwise have occurred. Onerous insurance premiums on automobiles and homes due to high crime rates and other factors also fed the process.

FAILED EFFORTS

Not only has the thinning-out of the urban population been occurring for a very long time, until the post-World War II period it was universally considered desirable. While urban sprawl today is widely deplored, from the late-nineteenth century until the mid-1950s population decentralization was viewed as an important public policy objective in metropolitan regions throughout the world. The evils of urban overcrowding were a constant theme, both in the popular and the scholarly presses. The commonly recommended solutions to overcrowding were more housing construction in the suburbs and new towns. Not until it became apparent that population decentralization was confined almost exclusively to middle- and upper-income families--the only ones who could afford new suburban housing--did central-city policy makers become concerned. With limited financial resources, severe political constraints, and inadequate understanding of the macro forces causing decentralization, they undertook neighborhood stabilization and revitalization programs in an attempt to reverse the trend.

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 the efforts of the Suburban Action Institute, the famous Mount Laurel, N.J. open-housing decision, and various so-called fair-share housing schemes. These efforts were not particularly effective. Had they been more successful, they would have emptied out central cities at an even faster rate.

Between 1960 and 1980, it was widely predicted that efforts to attract middle- and upper-income families back to the city would reverse the forces of decentralization. City planners were fond of pointing out that a trickle of high-income families could be observed returning to the city (primarily to the central business district) and that this trickle was about to turn into a flood as the reported emptiness of suburban life became more widely apparent. There were several challenges to this dominant view. In 1958, a report by the Institute For Urban Studies at the University of Pennsylvania forecast a continuation of the population loss for Philadelphia until at least 1970. 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 at the center. Such predictions were widely disparaged by central-city planners, who worried that these challenges to conventional wisdom undermined their recentralization efforts.

As we now know, the flood of high-income families returning to Philadelphia (and to most other central cities) never materialized. And for good reason. With each passing year, the competitive disadvantage of Philadelphia's neighborhoods has become more pronounced. Not only do the city's dis-amenities--particularly the inferior quality of many of its public schools--continue to repel many who might prefer to live in the city, but also, as a consequence of employment dispersal, far fewer workers need to live in the city in order to be near their jobs. As long ago as the mid-1950s, only one-third of the labor force in Philadelphia's seven suburban counties was employed in the city. Today, this figure stands at less than 20 percent.

But even if Philadelphia managed to solve the various problems that now repel potential homebuyers and renters, and even if it were also able to reverse the outward flow of

employment, the number of middle- and upper-income households choosing to live in the city would not increase significantly. This is because with rising real incomes, the mismatch between what metropolitan area families can afford to spend on housing and what the city's housing stock has to offer continues to widen. Residential construction in Philadelphia is not occurring at the scale necessary to narrow the income/housing-quality gap. Housing starts in the city have declined to a mere trickle, with nearly all residential construction over the last two decades consisting of subsidized units for moderate- and low-income families. Much of this construction simply channels existing demand from one low-income neighborhood to another.

WHAT TO DO NOW?

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 advocacy groups for the city's low-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. These groups have rightly deplored the insensitive displacement of low-income families that has often accompanied residential renewal. Other urban analysts have pointed out that Philadelphia would not feel it necessary to attract more well-to-do households if a regional taxation policy equalized fiscal burdens as between city and suburb.

On the other hand, attracting more of the region's middle- and upper-income residents would generate a number of important benefits to the city: augmented tax revenues; greater support for government services and cultural institutions; a larger pool of potential community leaders; more income for city businesses; reduction in the spread of blight; and preservation of undeveloped suburban land. With respect to the oft-stated and understandable fears of the forced relocation of households, Philadelphia now has thousands of abandoned acres of land that could be recycled in a manner that would unambiguously greatly improve the residential environments of the relatively few lower income families who would be displaced. Most of this abandoned land holds little prospect for business development.

If Philadelphia continues to lose population, as seems likely in the absence of significant public and private efforts to reverse this trend, the city need not necessarily become a worse place to live. Indeed, if the city were to have a population of only 1,200,000 in the year 2010, it could conceivably be a more pleasant place in which to reside than is today's city of 1,500,000 or the city of 2,100,000 that existed in 1950. However, the possibility of a smaller population enjoying an improved living environment depends on a significant increase in Philadelphians' per capita real income.

Recently Philadelphia has been compared unfavorably with several other older U.S. cities, such as Boston and New York, that have managed not to lose population during the last decade as a consequence of a large influx of foreign immigrants. In response to this experience, proposals have surfaced suggesting that Philadelphia try to stem its population loss in like manner. However, whether foreign immigration has served to improve the incomes and living environments of the indigenous populations in the recipient cities is unclear. One must be cautious, therefore, about equating gains in population with improvements in quality of life. Certainly, suburban communities have questioned whether this is so.

A RECENTRALIZATION STRATEGY

If reversing net outmigration from the city is desirable, the question becomes: Is it possible with available financial resources to arrest and reverse a trend of such long duration? The answer is a

qualified "Yes". Despite Philadelphia's growing competitive disadvantage relative to its suburbs, a significant 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 jobs, or inertia, but rather because they feel that the city, even with its problems, is a better place to live than are the suburbs. Witness, for example, the robust housing market in two of the most elite parts of the metropolitan area--Center City and Chestnut Hill--as well as in Yorktown and parts of Roxborough and Northeast Philadelphia. With creative planning, many middle- and upper-income families who move into or within the metropolitan area each year and who now opt for the suburbs might be drawn to newly constructed city neighborhoods having similar attributes.

For example, many retired persons would prefer to live close to the high quality medical care and cultural attractions provided by downtown Philadelphia and the city's various universities, if housing suitable to their tastes were available. Senior citizens would not be repelled by the wage tax, poor schools, burdensome car insurance, or the need to commute to a suburban job. Obviously, to attract this group it is necessary to create a living environment that is not only crime free, but actually looks and feels safe.

At the other end of the age spectrum, many young singles who are drawn to the city because downtown is an exciting place to live, would postpone departure after they had children if there were a larger number of neighborhoods of more expensive homes from which to choose, and if there were a number of public schools of outstanding quality rather than just the current handful. Persuading young couples to remain in the city for a few additional years would reduce population loss and improve the income mix.

Throughout the city there is vacant land which could be turned into middle- and upper-income neighborhoods, including a number of enclaves along the city's Delaware River waterfront and some of the hundreds of largely abandoned blocks in North Philadelphia. The potential explosion of residential moves by the aging Baby Boom generation and its echo offers a unique opportunity for the City to formulate a comprehensive array of residential development programs in anticipation of this emerging demand.

While new housing developments might most logically be attached to existing stable residential nodes, some could conceivably be at the scale of an autonomous community, a so-called "new-town/in-town", as described more than 30 years ago by the late Harvey Perloff, Dean of the School of Architecture and Urban Planning at UCLA. Anchored by a major existing institution such as a large university or hospital, the new-town/in-town would receive a boost from the City's liberal 10-year real estate tax abatement policy for new construction. Schools in the new-town/in-town would operate with the same independence as charter schools. Displaced families would be given the opportunity and encouragement to relocate within the new community rather than be pushed into other neighborhoods as happened during the urban renewal programs of the 1950s and 1960s.

As several recent Hope VI projects have shown, such mixing of income groups in new housing developments is feasible (see "Hope VI: Pleasant View Gardens," WRER Fall 1999). A mixed-income new-town/in-town with, say, 10,000 residential units covering a broad range of prices and rents might need an up-front public investment of as much as \$500 million. While this is a large sum, much of this outlay would be directly recoverable through enhanced residential and commercial real estate values and job creation. The symbolic value would be considerable, leading to other investment throughout the city. Although this added multiplier effect is difficult to quantify, it could prove to be the most important impact of all.

In order to grasp this opportunity, Philadelphia must determine through market research the profiles and preferences of families who do not now choose city living but who would do so if attractive residential environments matching their housing desires were available. Interviews

with recent movers, including both those who have just settled in the suburbs and those who have returned to the city from a suburban neighborhood, would be particularly instructive. Product characteristics and pricing, tax burdens, and accompanying services, would have to be carefully planned and calibrated in order to attract these at-the-margin households. On the basis of this information, it would be possible to proceed with the physical design work, 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. The collective response must be on the order of several thousand households per year if the income mix in Philadelphia is to be significantly improved over the next several decades.

Such a residential development strategy is significantly different from Philadelphia's current and past campaigns to clean up and stabilize decaying low-income neighborhoods and promote construction of subsidized homes primarily for moderate-income families. While these efforts have clearly been worthwhile, the neighborhoods that have been targeted for this type of activity are not ones to which most families who are making a choice between city and suburb would be attracted. Nor has the level or scale of improvement in these neighborhoods been sufficient to alter their basic characteristics and prevent their steady decline in attractiveness relative to the more expensive homes that are continuously being added to the suburban housing stock. Reducing social and physical blight weakens the factors causing some families to reject Philadelphia as a place of residence, but it has done nothing to offset the real attractions of suburban living.

Focusing residential redevelopment efforts on middle- and upper-income households, most of whom do not now live in Philadelphia, raises obvious political difficulties as elected officials are confronted with what would appear to be a choice between serving their own moderate- and low-income constituents and an unknown, nonresident, higher income group. There is no reason, however, why Philadelphia cannot improve its residential competitiveness in ways that will increase the city's ability to serve its existing residents. A carefully planned program to attract more middle- and upper-income families to the city would improve the living environments of everyone. 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 largely complete, now is an appropriate time to think more grandly about Philadelphia's future.

[Author bio: William G. Grigsby (grigsby@pobox.upenn.edu) is Emeritus Professor of City and Regional Planning at the University of Pennsylvania and a former instructor in Wharton's Real Estate program.]