IN PHILADELPHIA'S SHADOW:
SMALL CITIES IN THE THIRD FEDERAL RESERVE DISTRICT

A Special Report by the Community Development Studies and Education Department

FEDERAL RESERVE BANK OF PHILADELPHIA

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SMALL CITIES IN THE THIRD FEDERAL RESERVE DISTRICT

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Since 2004, the Federal Reserve Bank of Philadelphia's Community Development Studies and Education Department has sponsored a biennial conference about the issues and challenges faced by older, formerly industrial, and economically distressed communities in the United States. In 2012, the conference, on the theme of Reinventing Older Communities: Building Resilient Cities, will have a particular focus on the smaller cities of the northeastern and midwestern parts of the country. This report was prepared for the 2012 conference to describe the conditions and challenges in 13 small cities in the Third Federal Reserve District, which covers all of Delaware, the southern half of New Jersey, and the eastern two-thirds of Pennsylvania. These 13 cities share two salient features: Each city had a population of at least 50,000 in 1950, and more than 25 percent of its workforce at one time worked in manufacturing and related areas.

This report describes the changes in these cities over time, particularly since the middle of the 20th century; provides a picture of the condition of these cities today — recognizing their differences as well as their commonalities; and identifies the central challenges they face as they seek to find a stable place and meaningful role in a post-industrial economy. This report also illuminates some of the prospects for the future of these cities and some of the avenues that might be available to them as they seek to identify the role they will play in the 21st century.

CHAPTER 1

INTRODUCTION

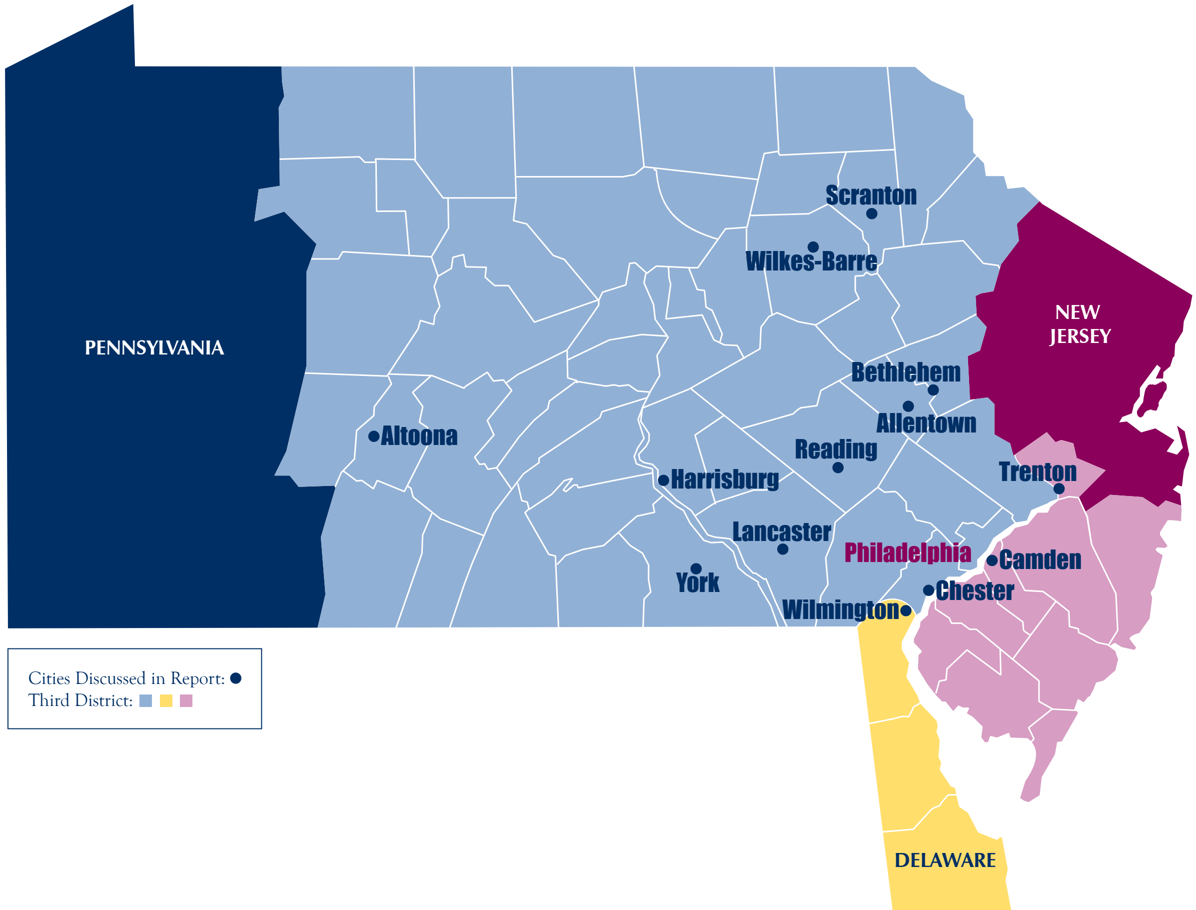
During the 19th century, the United States became the world's dominant industrial power. The process by which the country was transformed from an agrarian to an industrial nation began in a host of small cities in the northeastern United States. Even after the growth of large manufacturing centers like Detroit and Pittsburgh, many smaller cities continued to hold their own as manufacturing centers well into the 20th century. In Delaware, southern New Jersey, and eastern Pennsylvania, many colonial towns were transformed into industrial cities during the 19th century. Some cities were dominated by a single industry, such as Chester's shipyards, Bethlehem's steel, and Wilkes-Barre's collieries, while others were highly diversified. Trenton's flagship industries were ceramics and steel cable, but its industrial products included food processing, automobiles, watches, cigars, rubber tires, and bottled beer. York produced steam engines, automobiles, paper, and ceramics, as well as the Peppermint Pattie.[1]

As with many such cities around the United States, all of these cities lost much or most of their industrial base after the end of the Second World War and have struggled both to find a new post-industrial identity and to identify new 21st century economic drivers to replace their lost manufacturing plants. While some cities have had some success, with Bethlehem and Lancaster becoming tourist destinations and Wilmington a center for banking and finance, they all face daunting economic, social, and physical challenges. Many have lost a significant part of the population they once had, which in most of these cities reached its peak at some point between 1920 and 1950. As many of their middle class residents have departed for the suburbs, and much of their younger generation for other parts of the nation, these cities have come to contain growing numbers of poor residents, many with limited attachment to the workforce.

In recent decades, however, many of these cities, including Allentown and Reading, have become major immigrant destinations, a process of change that has created both opportunities and tensions. As the demand for public services from their changing populations has increased, however, their resources have diminished, placing them under increasing fiscal strain. Aging buildings and infrastructure demand a level of investment that is often unavailable, while substandard housing and neighborhood blight are widespread. In cities like Camden or Chester that continue to lose population, vacant, abandoned housing and industrial buildings are a pervasive presence, dominating whole blocks and neighborhoods.

[1] Sadly, the Peppermint Pattie is no longer made in York, but in Hershey, PA.

MAP



Before delving into the substance of the paper, however, it is important to answer a threshold question: Why do these cities matter, and why are they an important subject for investigation? This question has come to the fore in the last few years, as greater attention has been paid to what have been called shrinking or legacy cities, the many older cities in the United States that have been significantly depopulated and whose futures remain uncertain. Cities like Detroit, Cleveland, and Pittsburgh, all icons of the nation's history, have lost over half of their population. In the Third Federal Reserve District, Wilkes-Barre has lost over half of its population, while Scranton, Chester, and Altoona are not far behind.

This is not true, however, of all of the Third District's small manufacturing cities. Largely as a result of immigration, Allentown has a larger population today than at any time in its history, while Bethlehem, Lancaster, Reading, and York all registered significant population gains between 2000 and 2010. Population data for these cities from their peak year to 2010 are shown in Table 1. While cities' individual trajectories have varied widely, as a group these cities lost population steadily through 1980, but many have been relatively stable since.

There are many reasons to focus on these cities, their condition today, and their future prospects. First, from a strictly pragmatic standpoint, they continue to play a variety of roles in their respective regions. Cities have multiple functions, and if one function disappears, the others remain. Even without primary economic functions in the traditional sense, cities will retain substantial populations supported by public and third-party transfer payments, including governmental

TABLE 1
Population from Peak to 2010

	Pre-1950	1950	1960	1970	1980	1990	2000	2010
Allentown		106,757	108,347	109,871	103,758	105,090	106,632	118,032
Altoona	82,054	77,177	69,407	63,115	57,078	51,881	49,523	46,320
Bethlehem		66,340	75,408	72,686	70,419	71,428	71,329	74,982
Camden		124,555	117,159	102,551	84,910	87,492	79,904	77,344
Chester		66,039	63,658	56,331	45,794	41,856	36,854	33,972
Harrisburg		89,544	79,697	68,061	53,264	52,376	48,950	49,528
Lancaster		63,774	61,055	57,690	54,725	55,551	56,348	59,322
Reading	111,171	109,320	98,177	87,643	78,686	78,380	81,207	88,082
Scranton	143,433	125,536	111,443	102,696	88,117	81,805	76,415	76,089
Trenton		128,009	114,167	104,786	92,124	88,675	85,403	84,913
Wilkes-Barre	86,626	76,826	63,551	58,856	51,551	47,523	43,123	41,498
Wilmington	112,504	110,356	95,827	80,386	70,195	71,529	72,664	70,851
York		59,953	54,504	50,335	44,619	42,192	40,862	43,718

NOTE: Highest historic population is highlighted. For cities that reached their peak prior to 1950, this population is provided in the Pre-1950 column.
SOURCE: 1960, Census of Population: Volume I-Characteristics of the Population; 1990, Census of Population and Housing: Population and Housing Unit Counts; 2000, Census Summary File 1: Table P001; 2010, Census Summary File 1: Table P1. Prepared by the U.S. Census Bureau

functions, income support for the city's lower-income residents, and health care services, heavily supported by Medicare and Medicaid. The factory may close, but the city may remain a center of government — often the county seat or the home of a district court as well as local government — and a center of business, health care, and education. Over and above those continuing economic functions, the city may draw low-income migrants to its inventory of older housing, which may be highly affordable relative to housing costs in the rest of its region. This is true of many of the cities discussed in this report.

These cities are not isolated entities. They are the central places of their counties and often of their metropolitan areas as well, and their fate is closely interwoven with the future of those larger areas. Indeed, research has shown close relationships between the vitality of a region and the health of its central city (Voith 1994, Ihlanfeldt 1995). What is true in that regard for a Philadelphia or a Boston may also be true in miniature for a Scranton or a Lancaster. The population and economic activity that are affected by the future of these cities extend well beyond their boundaries. Moreover, these cities contain significant — although often underutilized — assets that may well be pivotal to the economic future of their metro areas and regions. Their rich history, their compact and walkable spatial pattern, their distinctive architecture, as well as their parks and riverfronts, all represent valuable assets that can draw new, dynamic populations and trigger future economic activity.

While this report does not presume to offer a prescription for the future of small manufacturing cities in the Third District, it is presented with the belief that a thoughtful assessment of the conditions and trends affecting these cities and their prospects for the future will add value to the work being done by practitioners and policymakers in the cities that are the focus of this paper and to that of similar cities elsewhere in the United States.

CHAPTER 2

ORIGINS AND GROWTH

The small manufacturing cities of the Third Federal Reserve District are among the oldest cities in the United States. As settlers and immigrants began to flow into the region after the founding of Philadelphia late in the 17th century, they moved up the Delaware River to Trenton and inland into eastern Pennsylvania, where Lancaster was established in 1738, York in 1741, and Reading in 1743.[2] Lancaster has laid claim to being the oldest inland city in the United States. These cities' names, all taken from English cities, reflect their origins. Wilmington and Chester, downriver from Philadelphia, are even older; initially Swedish settlements, they were taken over and renamed by the British in the second half of the 17th century. A few cities have more recent origins. Scranton and Wilkes-Barre were initially settled by migrants from New England and remained small towns until well into the 19th century, while Altoona did not exist until it was called into being by the Pennsylvania Railroad in 1849.

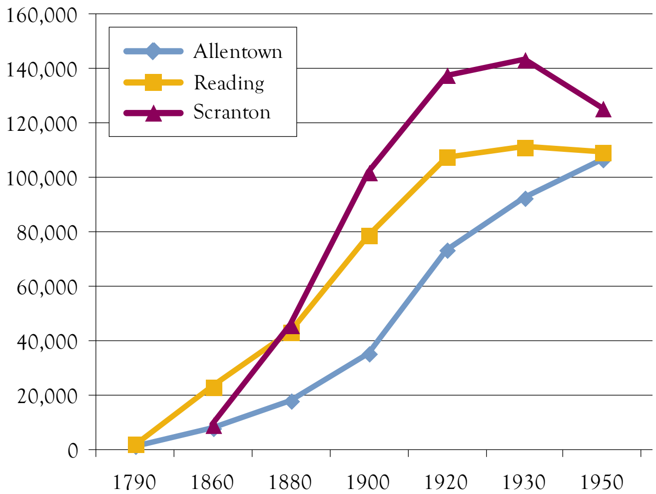
Many of these cities were county seats before the Revolution, and a number played important roles in that era. The Battle of Trenton in 1776 is widely considered to be the turning point of the American Revolution, and that city was at least briefly considered as a possible site for the nation's capital. York, having briefly hosted the Continental Congress, bills itself, with some poetic license, as the "first capital of the United States," while Allentown still takes pride in having hidden the Liberty Bell from the British during the Revolution. Two of these cities, Trenton in New Jersey and Harrisburg in Pennsylvania, became their states' capitals.

All of these towns were caught up in the industrial revolution that swept the United States in the 19th century. While some, like Reading, were ironworking centers even before the Revolutionary War, others were industrialized as they were connected by the canals built in the 1830s and the railroads that followed soon thereafter. By the mid-19th century, these cities had begun to grow at a rapid pace; Reading nearly doubled its population between 1860 and 1880 and again between 1880 and 1900. Cities like Scranton and Allentown saw similarly explosive population growth (Figure 1, on the next page). Much of this

[2] When a colonial city was "founded" can vary widely from source to source, depending on how the term is defined. Often, a small informal settlement might have come into being in the location decades before any formal action was taken to create a town, which usually began with a survey. By the time many of these cities were formally chartered, they often already had — by colonial standards — a substantial population. For example, Trenton was settled by white settlers in 1679, one of whom operated a modest grist mill, but was not organized as a town until much of the land was bought in 1714 by William Trent, who laid out streets and built a more substantial, permanent mill. Boundaries for a Trenton township were adopted in 1720, and Trenton was designated a royal borough in 1745.

FIGURE 1

Population Change in Allentown, Reading, and Scranton (1790-1950)



SOURCE: 1790, Census of Population and Housing: Heads of Families at the First Census of the United States Taken in the Year 1790; 1960, Census of Population: Volume I-Characteristics of the Population. Prepared by the U.S. Census Bureau

growth was fueled by immigration. Irish and Eastern European immigrants flocked to the anthracite coal country of northeastern Pennsylvania, while large Italian and Polish communities grew up in Trenton.

Although industrialization was a common theme, each of these cities grew differently, developing a unique industrial mix. In many cases, the nature of the mix changed significantly over time, as one industry lost ground and new ones took its place. Allentown first industrialized as a steel and iron center in the mid-19th century; as it lost ground to other cities at the end of the century, it developed new silk and textile industries as well as the Mack truck factory, which subsequently relocated to a nearby suburb but still builds trucks in the region.[3] Scranton was the first home of Lackawanna Steel; after the company moved to the Buffalo, New York, area in 1901,[4] the city shrugged off its losses and continued to grow around its role as the center of the anthracite coal industry, as well as developing important subsidiary sectors in textiles and the manufacture of phonograph records. Trenton first emerged as a major center of the ceramic industry in the second half of the 19th century, making everything from bathroom fixtures to fine porcelain. By the end of the century, the Roebling Brothers' wire rope (steel cable) factory vied with the city's potteries for bragging rights as the city's flagship industry.

The resilience that is visible in many of these cities during the late 19th and early 20th centuries reflects not only the central role these cities played in fueling the nation's economic growth but also the strength of their locally based entrepreneurial or capitalist structures. Local or civic capitalism — a system of networked "individual entrepreneurs who mastered new methods of production and marketing and who mobilized the labor needed to make their machines productive" (Cumbler 1989) and who were firmly grounded in their city and its civic and social structures — characterized both these cities' local and regional economies.

Locally rooted entrepreneurs and capitalists also often felt a responsibility to their cities, reflected in their underwriting of many of the features that in the late 19th and early 20th centuries were considered hallmarks of a beautiful and prosperous city. Many cities sported neighborhoods of fine homes, such as Centre Park in Reading or the row of mansions built

[3] Mack relocated its corporate headquarters and its engineering and product development facilities from Allentown to Greensboro, North Carolina, in 2009.

[4] The company built a large facility in a suburb of Buffalo, which was subsequently incorporated as Lackawanna, New York. The company was acquired by Bethlehem Steel in the 1920s and closed its doors permanently in 1984.

along Trenton's West State Street by members of the Roebling family.[5] Cities were embellished with parks such as Trenton's Cadwallader Park, designed by Frederick Law Olmsted, or the Mount Penn Pagoda in Reading. Colleges and universities, public libraries, and art museums were founded, and impressive city halls and other public buildings were constructed. Symphony orchestras, many of which are still active, were established. While Scranton, Trenton, and Wilmington never made any pretense of rivaling New York and Philadelphia, they nonetheless built substantially self-contained, vital artistic, cultural, and educational networks.

Although population and industrial growth were constant, the story of the small manufacturing cities in the Third District is not entirely one of progress and success. Rapid industrialization brought with it substandard and overcrowded living conditions, rampant air and water pollution, and recurrent labor strife. Even in their heyday, Chester and Camden garnered less benefit than others from civic capitalism. In contrast to many of the other cities, these were both workers' towns, making money for factory owners and other wealthy businessmen who mostly lived elsewhere. The gap between rich and poor in all of these cities was often great, although the availability of job opportunities and the growth of public education systems meant that the second and third generations often lived lives very different from those of their parents or grandparents.

The character of these cities remained largely intact through 1950, although there is compelling evidence that, by that point, the forces of urban decline had been gathering steam since the 1920s, and these cities were living, in a sense, on borrowed time.[6] These cities still dominated their surroundings; eight of the 13 cities contained 40 percent or more of the countywide population, and four — Allentown, Altoona, Trenton, and Wilmington — contained half or more. In most of these 13 cities, household incomes and housing costs were comparable to or higher than those of their suburban surroundings, as shown in Table 2 (on the next page).

As Table 2 shows, even in 1950, Chester and Camden were already poorer relative to their suburban surroundings than the other cities.[7] They were the only cities in which median incomes were less than 90 percent of the countywide median, and median house values were less than 85 percent of the countywide median. While, on the whole, house values tracked incomes, house values in Camden and Chester were lower relative to income than in the rest of their counties, while in Bethlehem, Harrisburg, and Scranton, among others, values were higher relative to income in the city than in the surrounding area. That tendency was stronger for rents, which were, on the whole, noticeably higher and less affordable in most central cities in 1950 than in the surrounding suburbs.

Some of these variations reflect different patterns of regional growth among these cities.

[5] All of these mansions were leveled in the late 1950s as part of a project to expand New Jersey state government facilities. The site now houses the State Museum, State Library, and State Archives (originally the Department of Education).

[6] In addition to Cumbler (1989), the extent to which forces of decline had been working in cities since the 1920s and 1930s is discussed extensively in Jon C. Teaford's book and documented in detail in Douglas W. Rae's brilliant case study of New Haven, Connecticut.

[7] While they were poorer relative to their surroundings, they were not, by any means, the poorest of these cities in absolute terms. The poorest of the 13 cities, measured by median family income, were Altoona, Scranton, and Wilkes-Barre, all of which had median family incomes of roughly $2,600. The most affluent was Trenton, with a median family income around $3,200. Camden and Chester fell into the middle of the pack.

TABLE 2
City/County Demographic and Economic Comparisons (1950)

	Percentage of Countywide Population	City Median as Percentage of Countywide Median		
		Household Income	House Value	Gross Rent
Allentown	54%	100%	104%	104%
Altoona	55%	105%	103%	105%
Bethlehem	36%	101%	118%	113%
Camden	41%	89%	76%	92%
Chester	16%	79%	70%	87%
Harrisburg	45%	93%	110%	107%
Lancaster	27%	98%	97%	108%
Reading	43%	98%	93%	103%
Scranton	49%	102%	109%	105%
Trenton	56%	99%	85%	95%
Wilkes-Barre	20%	98%	105%	112%
Wilmington	50%	91%	93%	98%
York	30%	103%	101%	108%

SOURCE: 1950, Census of Population: Volume I-Number of Inhabitants and Volume II-Characteristics of the Population; 1950, Census of Housing: Volume I-General Characteristics. Prepared by the U.S. Census Bureau

Delaware County, Pennsylvania, had already seen considerable suburban growth by 1950 spurred by proximity to Philadelphia and access to mass transit, growth that was reflected in the significantly higher incomes and housing costs in the county outside Chester. By contrast, many of the townships surrounding cities like Allentown, Reading, and Trenton were still more rural than suburban in character in 1950, a pattern that would change dramatically over the subsequent decades.

These cities were still economically strong, with local economies heavily oriented toward manufacturing. In 1950, eight of the 13 cities had unemployment rates below the national average, while 11 had a higher share of their workforce in manufacturing than the national average, as shown in Table 3. Eight cities had over 40 percent of their workforce engaged in manufacturing, reflecting the extent to which these cities' local economies —particularly Bethlehem, Chester, Reading, and York — were dependent on that sector, with few or no other primary economic sectors of significance. Altoona's low manufacturing share is misleading, since that city's principal industry — railroad maintenance and repair — was not classified as manufacturing by the census. In 1950, 37 percent of Altoona's workforce was engaged in what the census classified as "railroad and railway express services." In Harrisburg, 21 percent of the workforce was employed in public administration, while railroading, employing 8 percent of the city's workforce, was also high compared to other small manufacturing cities. As was the case with income, Camden and Chester stand out with elevated unemployment rates, both by comparison to other cities in the Third District and to the nation as a whole.

In 1950, the small manufacturing cities in the Third District were still the economic centers of their respective regions. In addition to their strong manufacturing base, in an age when automobile-related strip retail development was in its infancy and before shopping malls, these cities' downtowns were also the retail and service centers for their regions, boasting large department stores and numerous movie theaters, captured in a postcard of downtown Trenton dating from 1943 (Figure 2). In 1958, even after suburban strip commercial development was well under way in the city's closer suburbs, 61 percent of all of the retail sales in Mercer County took place in Trenton.

As Table 4 shows, central city concentration of retail sales was typical at that time. Although

TABLE 3
Percentage of Workforce in Manufacturing and Unemloyment Rate (1950)

	Percentage of Workforce in Manufacturing	Unemployment Rate
Allentown	42.6%	4.1%
Altoona	11.0%	4.9%
Bethlehem	57.9%	4.2%
Camden	43.1%	8.8%
Chester	49.3%	11.7%
Harrisburg	16.2%	2.9%
Lancaster	44.4%	3.3%
Reading	47.5%	3.7%
Scranton	27.8%	6.6%
Trenton	41.4%	4.6%
Wilkes-Barre	26.9%	6.9%
Wilmington	33.0%	4.2%
York	45.9%	4.0%
Delaware	32.4%	3.1%
New Jersey	37.7%	5.1%
Pennsylvania	35.5%	5.4%
U.S.	25.9%	4.8%

SOURCE: 1950, Census of Population: Volume II-Characteristics of the Population. Prepared by the U.S. Census Bureau

FIGURE 2
Night View of Downtown Trenton (1943)

Allentown contained less than half of the population of Lehigh County (in 1960), it accounted for nearly three-quarters of all of the county's retail sales. Harrisburg captured 70 percent of the retail sales in Dauphin County, while York, with less than a quarter of its county's population, accounted for nearly half of its retail sales. Twelve of the 13 cities, including Camden and Chester, had a higher share of their counties' retail sales than of their counties' population, in most cases significantly so. As many observers have realized, the 1950s were the end of an era (Beauregard 1993), and over the course of the next decade, the forces that would push these cities into a long-term decline would become clearly visible.

TABLE 4
Percentage of Countywide Retail Trade (1958) and Population (1960)

City	Percentage of Countywide Sales	Percentage of Countywide Population	Ratio
Allentown	73%	48%	1.53
Altoona	62%	51%	1.23
Bethlehem	37%	37%	0.99
Camden	42%	30%	1.42
Chester	18%	12%	1.57
Harrisburg	70%	36%	1.93
Lancaster	38%	22%	1.75
Reading	55%	36%	1.53
Scranton	63%	48%	1.33
Trenton	61%	43%	1.43
Wilkes-Barre	32%	18%	1.75
Wilmington	61%	31%	1.97
York	46%	23%	2.00

NOTE: Ratio is calculated using unrounded values.
SOURCE: 1958, Economic Census: Geographic Area Series, Retail Trade, Tables 10, 11; 1960, Census of Population: Volume I-Characteristics of the Population. Prepared by the U.S. Census Bureau

CHAPTER 3

DIFFICULT DECADES:
FROM THE 1950s TO THE PRESENT

This section explores the trends that have been affecting the Third District's small manufacturing cities since the 1950s, and the social, economic, and spatial forces driving those trends. While all of these cities have been affected by the powerful forces of suburbanization and deindustrialization, the results have not been the same from city to city. The discussion highlights both the differences and the similarities in these cities' trajectories.

Demographic Change

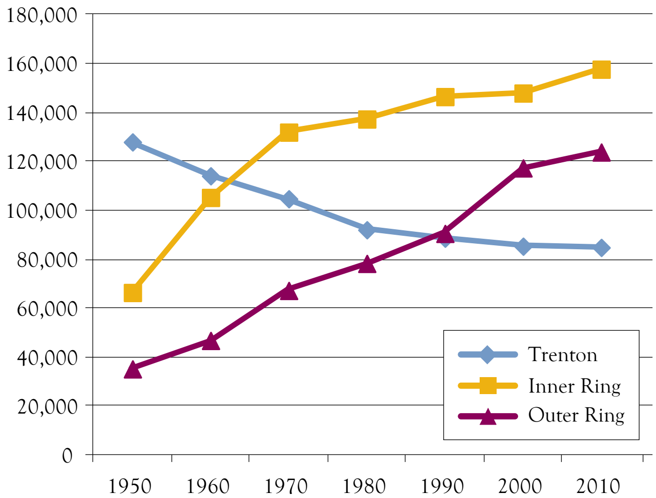
Suburbanization was not a new phenomenon in the 1950s. As Kenneth Jackson has written, not only did American suburbanization begin in the 19th century, but after 1920 "suburbanization began to acquire a new character as residential developments multiplied…and as the old distinctions between city and country began to erode" (1985, p. 189). The wave of suburbanization that began with the increased affluence and rising automobile ownership of the 1920s, however, petered out during the Depression and World War II but still suggested the contours of future fundamental demographic shifts in central city populations (Jackson 1985). After the war, suburbanization resumed with a vengeance. By the mid-1950s, new residential developments — largely modest subdivisions aimed at young families armed with FHA or VA mortgages — along with new retail developments to serve those families were proliferating.

While it would be incorrect to suggest that public policies caused these changes (Beauregard 2001), there is little question that federal policies — such as FHA programs that favored new construction and suburbanization, and the construction of the Interstate Highway System — along with state and local practices such as exclusionary zoning (Danielson 1976) both strengthened and arguably accelerated the forces working to undermine the vitality of the cities. As will be discussed later, the policies put in place as correctives to these trends, most notably the urban renewal program created in the 1949 Housing Act, were at best ineffective and at worst actively counterproductive (Teaford 2000).

The suburbanization of the Trenton area, one aspect of which is shown in Figure 3 (on the next page), offers a vivid illustration of these trends. In 1950, the city of Trenton contained nearly double the population of its three inner-ring suburbs — Ewing, Hamilton, and Lawrence townships. By 1970, the collective population of these three townships had come to exceed that of the city; by 2000, their population was nearly double that of the city, and Hamilton Township alone had a population slightly larger than that of Trenton.[8]

FIGURE 3

Changing Population Distribution in the Trenton Metro Area (1950-2010)



SOURCE: 1960, Census of Population: Volume I-Characteristics of the Population; 1970, Census of Population: Volume I-Characteristics of the Population; 1990, Census of Population and Housing: Population and Housing Unit Counts; 2000, Census Summary File 1: Table P001; 2010, Census Summary File 1: Table P1. Prepared by the U.S. Census Bureau

As late as 1980, the collective population of the nine outer-ring municipalities[9] in Mercer County was less than that of either Trenton or Hamilton. By 2000, they contained roughly one-third of the county's population, and by 2010, they were nearly 50 percent larger than the city of Trenton.

Similar trends affected all of the small manufacturing cities in the Third District, although cities like Scranton, Wilkes-Barre, and Altoona, situated in areas where little regional growth was taking place, saw much less change than others (Table 5). Allentown, at its peak population today, and Bethlehem, less than 500 people below its 1960 peak, have both also maintained relatively large population shares, in part as a result of annexation.[10] Overall, however, the 13 cities today contain only 18 percent of their counties' populations, a fact with political as well as economic implications.

As the cities' populations — for the most part — declined and their suburbs grew, the cities also became poorer in relative terms to their suburban neighbors and, in most cases, became increasingly populated by people of color. Table 6 shows city median household income as a percentage of the county median for 1949, 1979, and 1999. For most cities, the decline was precipitous during the period from 1949 to 1979, and it continued, although usually at a more gradual rate, in subsequent years.

TABLE 5

Percentage of Countywide Population (1950-2010)

	1950	2010	Percent Change
Allentown	54%	34%	-37%
Altoona	55%	36%	-34%
Bethlehem	36%	25%	-30%
Camden	41%	15%	-64%
Chester	16%	6%	-62%
Harrisburg	45%	18%	-59%
Lancaster	27%	11%	-58%
Reading	43%	21%	-50%
Scranton	49%	35%	-27%
Trenton	56%	23%	-58%
Wilkes-Barre	20%	13%	-34%
Wilmington	50%	13%	-74%
York	30%	10%	-66%

NOTE: Percent change is calculated using unrounded values.
SOURCE: 1950, Census of Population: Volume I-Number of Inhabitants; 2010, Census Summary File 1: Table P1. Prepared by the U.S. Census Bureau

[8] This actually underestimates the extent of suburban growth, because a substantial part of Trenton's suburbanization took place across the Delaware River in Bucks County, including Falls Township, which grew from 3,540 in 1950 to 35,850 by 1970.

[9] These included five townships that were largely undeveloped in 1950 and four small boroughs, including a university town (Princeton Borough) and three small market towns, all of which were largely developed prior to World War II. Needless to say, nearly all the growth took place in the five townships.

[10] Although it is clear that annexation had an effect on the population of these two cities, determining the actual population effects of the annexation is a complex matter beyond the scope of this paper.

TABLE 6
Median Household Income Trends (1949-1999)

	City Median Household Income as a Percentage of County			Change in Median Household Income (1979-99)*
	1949	1979	1999	
Allentown	100%	82%	74%	-9%
Altoona	105%	92%	86%	-9%
Bethlehem	101%	93%	79%	-9%
Camden	89%	51%	49%	10%
Chester	79%	58%	51%	-3%
Harrisburg	93%	70%	65%	-2%
Lancaster	98%	70%	65%	4%
Reading	98%	69%	60%	-4%
Scranton	102%	88%	84%	0%
Trenton	99%	62%	55%	11%
Wilkes-Barre	98%	84%	79%	-1%
Wilmington	91%	59%	67%	31%
York	103%	65%	58%	-4%

*In constant dollars. Inflation adjustment is based on the consumer price index for all urban consumers, prepared by the Bureau of Labor Statistics, and is estimated at 129.5 percent for 1979-99.
SOURCE: 1950, Census of Population: Volume II-Characteristics of the Population; 1980, Census of Population: Volume I-Characteristics of the Population; 2000, Census Summary File 3: Table P053. Prepared by the U.S. Census Bureau

The only city to reverse its relative decline between 1979 and 1999 was Wilmington, which also saw the greatest growth in real, or constant dollars, income during this period.[11]

The seeming ability of Altoona, Scranton, and Wilkes-Barre to maintain relative parity with their counties does not reflect particular economic success on their part, but rather the economic weakness of their surroundings. In addition to Wilmington, only Camden and Trenton saw more than negligible real income growth, fueled by their locations in the middle of growing metropolitan regions. Even so, both saw their incomes continue to fall behind those of their increasingly affluent suburban neighbors.

Although comparisons with the 1950 census category of "nonwhite" are imprecise, it is nonetheless clear that African-American and Latino populations showed steady growth in most of these communities during the period following 1950, as shown in Table 7 (on the next page). In 1950, African-Americans made up only a small part of each city's population. Seven of the 13 cities had nonwhite populations at or below 3 percent, and only in Chester was the share greater than 20 percent. While central cities typically had larger nonwhite populations than their suburban surroundings, the differences were usually not great: 16 percent in Wilmington and 12 percent in New Castle County; 11 percent in Trenton and 9 percent in Mercer County; and at the other extreme, 0.5 percent in Allentown and 0.3 percent in Lehigh County.

By 2010, nine of the 13 cities were "majority-minority" cities, in which the combined African-American and Latino populations represented more than half of the city's residents.

In most cities, the African-American population was already in place prior to the 1990s; indeed, in those cities with the largest share, the number of African-American residents declined between 2000 and 2010, including a drop of over 5,000 in Camden, over 2,500 in Chester, and over 1,000 in Trenton and Harrisburg. At the same time, the Latino population in many cities has grown sharply: Between 1990 and 2010, it grew from 8 to 29 percent of York's population, from 12 to 43 percent in Allentown, and from 19 to 58 percent in Reading.

The increase in the African-American and Latino populations in these cities reflected larger

[11] Wherever the text refers to constant dollars, the figures are derived by using the consumer price index for all urban consumers, prepared by the Bureau of Labor Statistics.

TABLE 7
Racial and Ethnic Change (1950-2010)

	Percent Nonwhite	Percent African-American (Not Latino)		Percent Latino (Any Race)		Total
	1950	1990	2010	1990	2010	2010
Allentown	1%	4%	10%	12%	43%	52%
Altoona	1%	2%	3%	0%	1%	5%
Bethlehem	1%	3%	6%	13%	24%	30%
Camden	14%	53%	44%	31%	47%	91%
Chester	21%	64%	73%	4%	9%	82%
Harrisburg	11%	49%	50%	8%	18%	68%
Lancaster	3%	11%	13%	21%	39%	53%
Reading	3%	9%	10%	19%	58%	68%
Scranton	1%	2%	5%	1%	10%	15%
Trenton	11%	47%	50%	14%	34%	84%
Wilkes-Barre	1%	3%	10%	1%	11%	21%
Wilmington	16%	52%	57%	7%	12%	69%
York	5%	20%	25%	8%	29%	54%
Delaware	14%	17%	21%	2%	8%	29%
New Jersey	7%	13%	13%	10%	18%	31%
Pennsylvania	6%	9%	10%	2%	6%	16%
U.S.	10%	12%	12%	9%	16%	29%

NOTE: Total is calculated using unrounded values.
SOURCE: 1950, Census of Population: Volume II-Characteristics of the Population; 1990, Census of Population: Volume I-General Population Characteristics; 2010, Census Demographic Profile Data: Table DP-1. Prepared by the U.S. Census Bureau

regional trends that saw minority populations rapidly growing throughout most of the metropolitan areas in which these cities are situated. In most cases, while the minority share of the city's population continued to grow, the increasing number of African-American and Latino households moving to the suburbs actually lowered the percentage of the county's minority population that lived in the cities. For example, while 74 percent of Dauphin County's African-American population lived in Harrisburg in 1990, the city's share had dropped to 53 percent by 2010; similarly, while 43 percent of New Castle County's Latino population lived in Wilmington in 1990, the city's share had dropped to 19 percent by 2010. Despite the growing minority presence in the suburbs, the cities remained areas of high minority concentration compared to their suburban surroundings. Less than 10 percent of the population of Dauphin County outside Harrisburg in 2010 was African-American compared to 50 percent inside the city.

Economic Change

The first wave of postwar suburbanization was largely residential, with modest retail growth largely oriented to serving the immediate needs of the new suburbanites. By the 1960s that had begun to change. The Cherry Hill Mall, the first enclosed suburban shopping center east of the Mississippi, opened in 1961, only five miles from downtown Camden. It was the harbinger of a significant trend. The Oxford Valley Mall in Langhorne, Pennsylvania, opened in 1973, and the Quaker Bridge Mall in Lawrence, New Jersey, opened in 1975. These two malls, which contained 2.4 million square feet of retail space, flanked the city of Trenton, with both situated little more than six miles from the city's center. For downtown Trenton, which was already reeling from the aftereffects of the 1968 riots,[12] the malls' impact was little short of catastrophic. Between 1967 and 1977, retail sales in Trenton dropped by 55 percent in constant dollars and have never recovered.

The pattern was similar elsewhere. In the Camden area, the Cherry Hill Mall was followed by the Echelon Mall in 1970. The Whitehall Mall opened outside Allentown in 1966, followed by the Lehigh Valley Mall in 1976 immediately north of Allentown. These two malls added a total of 1.6 million square feet of retail space. The Park City Center Mall, west of Lancaster, opened in 1972, barely three miles from downtown Lancaster, with over 1.4 million square feet of retail space.[13]

The central city share of countywide retail sales declined in 12 of the 13 cities between 1958 and 2007, while the actual volume of sales in constant dollars declined in nine of the 13 cities, as shown in Table 8. Although the trend line was generally negative across these and similar cities elsewhere, significant differences are visible in individual city trajectories. Excluding Bethlehem, the two cities that lost the least retail market share to their respective counties (Altoona and Scranton) and the one city that increased its share of countywide retail sales (Wilkes-Barre) are situated in the only three counties that lost population between 1950 and 2010, where suburban growth offered the least competition to the central city. Conversely, the cities in the three fastest growing counties — York, Lancaster, and Wilmington — all lost significant amounts of retail market share. The hardest hit cities, however, were Camden, Chester, and Trenton, all three of which during these years effectively lost whatever central retail functions they once had.

TABLE 8
Retail Sales Trends (1958-2007)

	Percent of Countywide Sales		Percent Change	Change in Retail Sales Volume*	
	1958	2007		City	County
Allentown	73%	26%	-65%	-10%	158%
Altoona	62%	45%	-28%	56%	115%
Bethlehem	37%	20%	-45%	25%	126%
Camden	42%	5%	-89%	-80%	86%
Chester	18%	1%	-92%	-87%	61%
Harrisburg	70%	14%	-79%	-61%	90%
Lancaster	38%	15%	-62%	12%	195%
Reading	55%	15%	-73%	-38%	130%
Scranton	63%	30%	-52%	-17%	73%
Trenton	61%	8%	-87%	-75%	96%
Wilkes-Barre	32%	36%	12%	123%	98%
Wilmington	61%	13%	-79%	-36%	206%
York	46%	7%	-85%	-63%	154%

*In constant dollars. Inflation adjustment is based on the consumer price index for all urban consumers, prepared by the Bureau of Labor Statistics, and is estimated at 717 percent for 1958-2007.
NOTE: Percent change is calculated using unrounded values.
SOURCE: 1958, Economic Census: Geographic Area Series, Retail Trade, Tables 10, 11; 2007, Economic Census: Geographic Area Series, Retail Trade, Table EC0744A1. Prepared by the U.S. Census Bureau

Although retail sales were an important economic factor in these cities in the 1950s, manufacturing was their lifeblood. That was to change dramatically, but unevenly, over the next few decades. While some cities began to lose important parts of their industrial base as early as the 1950s, others maintained their base largely intact well into the 1970s. By that point, however, all of the Third District's small manufacturing cities were seeing significant declines in manufacturing activity.

One of the first casualties was the Ford assembly plant in Chester, which closed its doors in 1961. Another early casualty was the Roebling Wire Works, Trenton's flagship manufacturing

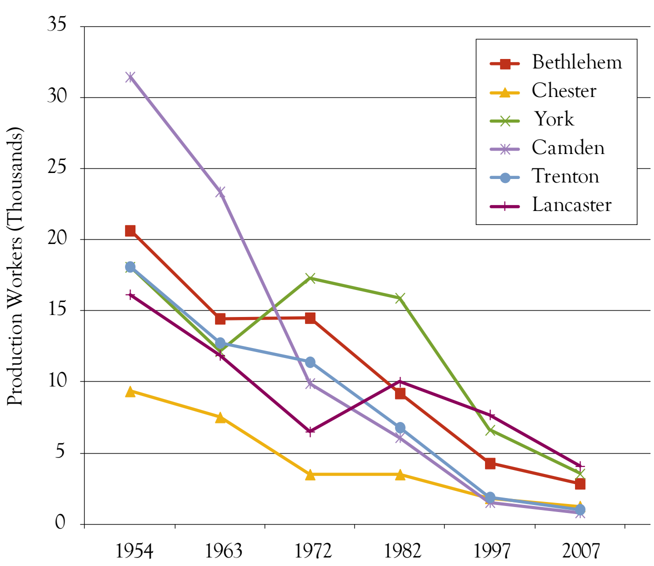
[12] The effect of the riots on downtown Trenton was described by Mickle as follows: "The losses to downtown businesses were put at $7 million – not including what could have been if Trenton's commercial engine hadn't been killed off. Any plans to rebuild downtown were thwarted by insurance companies that dropped business coverage within hours of the chaos. […] After the racial strife in that senseless spring, Trenton's fancy downtown jewelry and clothing stores were gone. No longer were there department stores, furniture salons, sporting goods shops and meat markets." This may be something of an exaggeration, but it is telling just the same.

[13] Fortunately for the city's tax base, if not its downtown businesses, the Park City Center was situated within the Lancaster municipal boundaries, rather than in a nearby suburban jurisdiction, as was usually the case.

plant, which rapidly declined after the family relinquished control of the company in 1951. The first sections of the plant were closed in 1953, much of the rest in 1962. By 1968, the plant was entirely dark (Cumbler 1989). The New York Shipbuilding Company on the Camden waterfront built its last ship in 1967, while Chester's Sun Shipbuilding Company closed in 1977. Although the Bethlehem Steel plant in Bethlehem did not close its doors until 1995, by that point it was employing only a small fraction of the workers who had worked there 40 years earlier.

Although all of the cities' manufacturing trajectories have been downward, there are important variations between cities (Figure 4). Camden's decline has been the most consistent and precipitous, going from over 30,000 manufacturing production jobs in 1954 to 23,000 in 1963, 9,900 in 1972, and barely 800 in 2007. York, by contrast, managed to maintain a relatively stable manufacturing base well into the 1980s. In 1997, York still contained over a third of the number of manufacturing workers it had in 1954, but it lost nearly half of its remaining manufacturing jobs over the ensuing decade.

FIGURE 4
Manufacturing Production Jobs in Selected Cities (1954-2007)



SOURCE: 1954-1982, Economic Census: Geographic Area Series, Manufacturing; 1997, Economic Census: Geographic Area Series, Manufacturing, Table 4; 2007, Economic Census: Geographic Area Series, Manufacturing, Table EC0731A1. Prepared by the U.S. Census Bureau. 1954-82 data distributed by the University of Virginia's County and City Data Books website.

Table 9 compares all 13 cities with respect to both the number of manufacturing establishments and the number of manufacturing jobs between each city's 1954-1963 peak year and 2007, the most recent year for which data are available. A number of important trends can be discerned from Table 9. Most obviously, the overall trend is downward, both with respect to the number of establishments and the number of jobs. At the same time, there are significant variations between cities. Reading, York, Lancaster, and Bethlehem have maintained a more substantial industrial base than the other cities; at the other extreme, Camden, Trenton, and Wilmington have seen once-substantial industrial bases wither to near-extinction. Along with the loss of their manufacturing base, these cities saw a significant rise in unemployment. Today, as shown later in Table 16, with few exceptions, unemployment in these 13 cities is significantly higher than the statewide and national rates.

The disparity between the drop in the number of manufacturing establishments and the number of manufacturing jobs reflects an important shift in the nature of manufacturing in these cities, paralleling a larger national shift. As a recent Brookings Institution report notes, "Unlike the days when large companies dominated the nation's commodity production, today's manufacturing landscape is largely occupied by decentralized networks of small, specialized firms — many of which are hidden in plain sight in America's urban areas" (Mistry and

TABLE 9
Manufacturing Sector Trends

	Establishments			Total Employment			Average Jobs / Establishment	
	Peak (1954-1963)	2007	Percent Change	Peak (1954-1963)	2007	Percent Change	Peak (1954-1963)	2007
Allentown	302	184	-39%	25,062	3,350	-87%	84	18
Altoona	70	51	-27%	5,671	1,060	-81%	89	21
Bethlehem	100	65	-35%	27,328	5,383	-80%	279	83
Camden	263	56	-79%	39,486	2,851	-93%	162	51
Chester	83	29	-65%	11,464	1,625	-86%	143	56
Harrisburg	145	43	-70%	10,144	1,269	-87%	74	30
Lancaster	199	95	-52%	20,764	5,270	-75%	112	55
Reading	321	116	-64%	22,203	8,043	-64%	73	69
Scranton	272	89	-67%	18,697	3,023	-84%	69	34
Trenton	334	67	-80%	21,112	1,609	-92%	78	24
Wilkes-Barre	205	35	-83%	13,154	1,440	-89%	70	41
Wilmington	186	77	-59%	23,944	1,578	-93%	129	20
York	238	89	-63%	23,791	5,749	-76%	100	65
Total of 13 Cities	2,718	996	-63%	262,820	42,250	-84%	97	42

SOURCE: 1954-1963, Economic Census: Geographic Area Series, Manufacturing; 2007, Economic Census: Geographic Area Series, Manufacturing, Table EC0731A1. Prepared by the U.S. Census Bureau. 1954-63 data distributed by the University of Virginia's County and City Data Books website.

Byron 2011). The remaining factories in these cities are significantly smaller than the firms that dominated many of these cities 50 or more years ago. While in 1963 the average manufacturing firm in Allentown employed 84 people, today the average firm has only 18 employees. While markedly depleted compared to its historical peak, manufacturing remains a significant economic sector in these 13 cities, with almost 1,000 firms and over 40,000 primary workers.

Physical Change

The loss of manufacturing firms, retail trade, and — in most cases — large numbers of residents has inevitably led to far-reaching changes in the physical fabric of the Third District's small manufacturing cities since the 1950s, reflected not only in abandoned houses and industrial plants and vacant storefronts but also in the nature of the development that took place in their stead during the same period.

The principal changes in the housing stock in these cities, with certain exceptions, were threefold: (1) a decline in the number of households; (2) a decline in the level of homeownership; and (3) an increase in the number and percentage of vacant housing units. These trends are shown in Table 10 (on the next page). In Chester between 1950 and 2010, the number of occupied housing units (i.e., households) declined by 34 percent and the homeownership rate fell to 39 percent, while, despite extensive demolition over the years, the number of vacant units increased from 395 to over 2,000, representing over 15 percent of the city's housing stock. Camden saw the greatest loss of homeownership, as the number of homeowners in the city fell from over 21,000 to fewer than 10,000, and the homeownership rate fell from 62 percent to

TABLE 10

Change in Households, Tenure, and Vacancy Rates (1950-2010)

	Percent Change in Number of Households	Homeownership Rate		Vacancy Rate	
		1950	2010	1950	2010
Allentown	41%	58%	48%	1.8%	8.8%
Altoona	-15%	62%	65%	1.8%	8.9%
Bethlehem	63%	58%	54%	1.4%	5.9%
Camden	-29%	62%	39%	2.9%	13.7%
Chester	-34%	50%	39%	2.2%	15.2%
Harrisburg	-25%	48%	39%	2.3%	15.1%
Lancaster	16%	51%	44%	1.6%	6.8%
Reading	-7%	58%	42%	1.8%	12.4%
Scranton	-17%	45%	51%	1.5%	11.2%
Trenton	-11%	59%	38%	1.6%	13.5%
Wilkes-Barre	-20%	47%	49%	1.3%	13.9%
Wilmington	-9%	51%	48%	2.1%	12.8%
York	-12%	52%	42%	1.9%	12.1%
Delaware	279%	59%	72%	6.8%	15.7%
New Jersey	134%	53%	65%	8.5%	9.5%
Pennsylvania	72%	60%	70%	4.0%	9.9%
U.S.	173%	55%	65%	6.9%	11.4%

SOURCE: 1950, Census of Housing: Volume I-General Characteristics; 2010, Census Summary File 1: Table QT-H1. Prepared by the U.S. Census Bureau

39 percent. These are long-term structural trends, which must be distinguished from short-term adjustments experienced elsewhere as a result of the boom-bust housing cycle of the past decade.

The exceptionally low vacancy rates in 1950 — by contemporary standards — reflect a historical moment when the rebuilding of the nation's housing stock after decades of neglect had barely begun and a growing population fueled by the postwar baby boom was still crammed into housing constructed largely before 1929. While vacancies today in a few cities, most notably Bethlehem and Lancaster, are not high by current standards, most of these cities show highly elevated vacancy rates, reflecting the weak housing demand that most are experiencing. Many of these vacant units have been abandoned by their owners and are likely, sooner or later, to face demolition.

The decline in homeownership rates is significant, as it runs counter to a significant rise in the national rate over the same period.[14] Most of these cities' homeownership rates in 1950 were close to and often above the national rate of 55 percent. By 2010, 12 cities — the sole exception being Altoona — had homeownership rates well below the national rate of 65 percent, while the actual number of homeowners had dropped in nine of the 13 cities. This is likely to have major implications for these cities in general and for many of their neighborhoods. While investor ownership is not in itself bad, it can be a problem if it comes to dominate an area's housing stock, particularly in low-value areas where nonoccupant buyers may be more likely to be short-term speculators than long-term investors (Mallach 2010).

In those cities that have lost substantial parts of their peak population, the effects have been uneven. While some residential areas remain vital, others have been extensively disinvested and abandoned, with some characterized more by their vacant land than by the remaining structures (Figure 5). Demand for housing in these areas is so weak that vacancy, for any reason, is all but tantamount to abandonment (Mallach 2011). Even in many areas that still retain their traditional fabric and have seen less abandonment, deterioration and

[14] Strictly speaking, the national homeownership rate rose steadily until 2004-2006, when it peaked at slightly over 69 percent. It has been declining steadily since then.

FIGURE 5
Aerial View of City Blocks in Chester, PA

SOURCE: Google Earth

deferred maintenance — reflecting both the poverty of the residents and the increase in nonoccupant ownership — are often widespread. Many of these neighborhoods, which are often rich in historic and architectural character, are at risk of further decline in the future.

Since these cities were all but fully built-up prior to World War II, most of the often considerable amount of vacant land in these cities is the product of large-scale demolition of their pre-1950 housing stock. Between 1950 and 2000, Camden and Chester each demolished nearly 40 percent of their pre-1950 housing stock, Harrisburg demolished one-third of its pre-1950 stock, and Altoona and Wilmington demolished over 25 percent.[15] While there is little doubt that many valuable older buildings were lost in this process, particularly during the heyday of urban renewal in the 1950s and 1960s, the scale of demolition nonetheless reflects the lack of demand for housing in many of these cities' neighborhoods, a continuing condition that has led to the creation of a substantial surplus of older housing units.

Although impossible to measure with precision because of the absence of quantitative data, similar processes of disinvestment took place at the same time with respect to industrial and commercial properties. As once-strong manufacturing concerns closed their doors, their places were rarely taken by new firms. While some industrial buildings have been reused for other purposes, such as the VF Outlet Village in Reading,[16] many sat empty and were often ultimately abandoned by their owners. Similar fates befell many retail and office buildings, both in downtowns and in the linear neighborhood retail corridors that characterized cities built before widespread automobile ownership. Downtown Trenton boasted four department stores and four movie theaters in 1950; by the end of the 1970s, all were gone. In the most severely affected cities like Camden or Chester, vacant storefronts are the rule rather than the exception. Even in stronger downtowns, such as Allentown's Hamilton Mall, while most storefronts are occupied, many occupants are transitory, low-end businesses whose minimal capital investment in either the premises or their merchandise is readily visible.

Challenges and Responses

As the forces of suburbanization and deindustrialization began to affect the Third District's small manufacturing cities in the 1950s, these cities found themselves confronting a series of challenges

[15] These data should be seen as an approximation of the level of demolition, rather than the actual number, which is unavailable. It is derived by comparing the figure for total housing units in 1950 with the figure for units reported as having been constructed prior to 1950 in the 2000 census, a figure for which the margin of error is likely to be substantial. Similar data are not available from the 2010 census.

[16] The outlet mall, however, is not in the city of Reading but in the adjacent borough of West Reading.

posed by these forces, including demographic changes resulting in a smaller and poorer population; the loss of major manufacturing establishments; a declining role as the central retail district in the region; and falling property values and investment in the city's building stock. While their leaders were not passive in responding to these challenges and sought out whatever resources they could find, trying as best they knew how to stem their decline, their responses were often ineffective.

The urban renewal program, a major federal initiative to help cities counteract the forces affecting their economic and physical vitality, was enacted as part of the federal Housing Act of 1949. During the 1950s, these cities began to take advantage of this program, and over the course of the next two decades, most of the 13 cities used federal funds to stem the course of decline. Since the 1970s, although the federal urban renewal program was abolished in 1974, cities have continued to pursue similar efforts, using the legal tools, such as eminent domain, that continue to be available under state law in all three states. While there is no body of documentation that would allow us to chart the overall course of redevelopment in these 13 cities, this section will offer some illustrations and draw some at least preliminary conclusions about the thrust of local efforts to address urban decline. A case study of Trenton has been provided to offer a more detailed picture of the efforts of one of these cities.[17] (See *Trenton's Efforts at Urban Revitalization: From the 1950s to the 2000s* on pages 24-25.)

Many of the initial urban renewal efforts were focused on revitalizing downtown areas that had lost ground to suburbanization. Trenton and Reading both made unsuccessful efforts to create downtown shopping malls, clearing land that was later used for other purposes.[18] Lancaster was successful in building a downtown shopping mall, but while the mall, known as Lancaster Square, was intended to be a vehicle for downtown revitalization, it was a failure (Schuyler 2002). Half of the complex — which straddled Queen Street — has been demolished, while the other half is vacant and awaiting likely demolition. Since then, Lancaster's downtown revival has moved forward elsewhere, largely through the cumulative effects of numerous small-scale efforts.

Allentown's Fourth Street Urban Renewal project removed a large mixed-use area adjacent to the city's downtown, replacing it, however, largely with public facilities, including a new City Hall, county courthouse, and public safety facility. In a step also pursued by many other cities, Allentown subsequently reconfigured its main downtown street, Hamilton Street, into the Hamilton Mall. Although the initial plans to make the five blocks between Fifth and Tenth streets traffic-free were abandoned, wider sidewalks, canopies, landscaping, and additional traffic signals and pedestrian crossings were constructed. Retail activity on Hamilton Street continued to decline, however, including the closing of the city's iconic Hess's department store (Whelan and Zwikl 2008).

The Harristown Development Corporation (HDC) was created by the city of Harrisburg in 1974 to revitalize its lagging downtown, which one writer characterized as "filled with XXX [adult]

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[17] Gathering material on public and private actions that took place over 60 years ago in these cities, where the only information is in the form of long-buried newspaper accounts, government reports, and other official documents and where participants are often no longer available for interviews, is a daunting task, impossible to do without months or years of on-site research. The case study of Trenton's activities is made possible by the author's personal experience and documents collected while serving as director of Housing and Economic Development for the city of Trenton from the fall of 1990 to the spring of 1999.

[18] http://explorepahistory.com/hmarker.php?markerId=1-A-245, accessed July 17, 2011.

theaters, strip clubs and bars" (Gaetani 2005). Its mission was to "revive Harrisburg's failing downtown and to reestablish the Harrisburg core area as the heart of the City, the economic and cultural center of the metropolitan area and as a thriving capital city."[19]

HDC's first project was Strawberry Square, a 1.1-million-square-foot office and retail development at Third and Market streets. Since then, HDC has carried out a number of office and commercial development projects, as well as public and education buildings and streetscape improvements in downtown Harrisburg, including the creation of International House, a residential facility for international and U.S. students, scholars, and interns in downtown Harrisburg.[20] HDC is still in business after 37 years and can point to a credible list of achievements. Although it is impossible to draw a direct connection, it is notable that despite significant population loss, Harrisburg has retained a more substantial pool of retail business and private-sector professional employment than most of the other cities in the District.[21]

As Harrisburg, Trenton, and other cities show, the end of federal urban renewal funds did not mean the end of urban redevelopment and revitalization efforts. Cities continue to use the powers granted them under state urban renewal enabling laws while developing other strategies for public investment in private-market development, such as tax-increment financing, the use of tax-exempt debt to finance ancillary facilities such as parking structures, as well as specific state initiatives, such as those that have spearheaded Wilmington's revitalization.

The redevelopment of the lands along the Christina River in Wilmington is an impressive example of a post-federal revitalization strategy. As the Riverfront Development Corporation's website describes the results:

> Since 1996 when the Riverfront Development Corporation of Delaware launched a major state-funded effort to restore the area's economic vitality, Riverfront Wilmington has emerged as hot property for real estate development of all kinds. Dilapidated warehouses have been replaced with restaurants, shops, and a regional conference facility. Vacant historic buildings have been preserved and restored to serve as corporate headquarters for major employers. A shoreline once strewn with litter and debris is now lush with native plantings. Crumbling parking lots have been converted into parkland and spacious gathering areas for concerts, festivals, and community celebrations. Every acre of the redevelopment area has undergone environmental improvements to accommodate revitalization efforts, enhance the landscape and restore the ecology. A scenic Riverwalk and new roadway are providing access to the once-hidden beauty of this meandering waterway.[22]

Notwithstanding the self-congratulatory tone of the above, the results are objectively impressive,

[19] http://www.strawberrysquare.com/about.html, accessed July 17, 2011.

[20] http://www.ihousehbg.org/IH_Harrisburg_Magazine.pdf, accessed July 19, 2011.

[21] One factor unrelated to local strategies that has been suggested to account for some of the difference between Trenton's and Harrisburg's level of downtown activity is state size. While both are state capitals, geographically speaking, New Jersey is a much smaller state than Pennsylvania. As a result, almost all New Jersey state legislators and private individuals, as well as those traveling from New York or Philadelphia doing business with state government, can do so comfortably without staying overnight in Trenton, in contrast to Harrisburg, which is a considerable distance from most of the state's population centers. This may partially explain the fact that revenue from food, lodging, and entertainment in Harrisburg is significantly greater than in Trenton.

[22] http://www.riverfrontwilm.com/about-the-riverfront-development-corporation/, accessed July 19, 2011.

TRENTON'S EFFORTS AT URBAN REVITALIZATION: FROM THE 1950s TO THE 2000s

Trenton's recognition of its need for renewal was spurred by the 1957 publication of an article in *House & Home* magazine, based on a study by a University of Pennsylvania team, which described a hypothetical "case city" clearly recognizable as Trenton and predicted that it would be a "low-income ghetto" by 1980. Although the article was denounced by city officials, a contemporary noted that "it said what everyone around here really thought but did not have the stomach to say" (Shuman 1958).

Trenton had already begun to take advantage of the federal urban renewal program, initiating its first urban renewal project in 1954 in Coalport, an area north of downtown flanking the newly constructed Route 1 freeway. The project, however, which displaced some 400 largely African-American families and was designed to create a new industrial district for small manufacturing firms, was a failure. It drew few firms, and in the 1970s, under pressure from the federal government to close out the project, the city sold the last vacant parcel to itself for construction of a new police headquarters and municipal court. Trenton continued aggressively to seek federal urban renewal funds, and over the course of the 1950s and 1960s, the city obtained funds to redevelop most of the city's downtown as well as the nearby historic Mill Hill area.

The city's downtown redevelopment strategies tended to focus largely on providing facilities for state government, reflecting the extent to which the city's role as state capital was coming to outstrip its other economic functions. The city's two major downtown urban renewal projects of the 1960s, which between them led to the displacement of over 2,000 families, resulted in the construction of a series of state office buildings, along with some 500 units of subsidized housing, adding little to the city's economic base. A planned downtown shopping mall, for which the city acquired land and covered over a picturesque creek running through downtown, failed to materialize. Another significant effort to rebuild the downtown retail base was the conversion of two blocks of West State Street into a pedestrian mall, which opened in 1973. The mall was generally acknowledged to have made the already bad retail conditions worse, and the street was reopened to traffic in the 1990s.

In the late 1970s the city took the lead in creating the New Trenton Corporation (NTC), a public-private partnership modeled on the Harristown Development Corporation established in 1974 in Harrisburg. The mission of the NTC was to spur the economic development of the city and "bring the city back where it should be" (NTC 1977). In that same publication, the city highlighted 10 "milestone redevelopment projects" representing $156 million ($582 million in 2011 dollars) of investment. Six of the "milestones," however, were state or city government facilities, three were publicly subsidized low-income housing developments, and the tenth was a publicly funded energy co-generation plant. None were true private investments, nor did any look to the private market for its success. Meanwhile, in 1978, three of the city's few remaining major manufacturers closed, eliminating 1,000 jobs (Brenna 1979). The only private market success that the city could point to was Mill Hill, where the rehabilitation of historic row houses, public open space, and a modest amount of historically sensitive infill development led to the creation of an attractive but small downtown residential area. The area did not achieve true market vitality, however, until the mid to late 1990s.

Through the 1980s, the two principal prongs of the city's redevelopment continued to be state government buildings downtown and subsidized housing elsewhere. The NTC faded out of the picture, but under Governor Thomas Kean, the state government began to take a more aggressive role toward its capital city, building three major state office buildings and using long-term state office leases as an inducement for private developers to build additional taxpaying office buildings, some of which also contained modest amounts of space for private tenants or ground floor retail space. Responding to the city's lack of systematic planning during the 1980s, in 1988 the state legislature created a state agency, the Capital City Redevelopment Corporation (CCRC), whose mission was to develop a master plan for downtown Trenton and coordinate the state's investment in that area. Although the CCRC still exists, it has never played a significant role (except perhaps briefly during its first two years of existence) in shaping the city's downtown.[a]

By the early 1990s state government had largely stabilized its Trenton footprint, and since then, there has been little

[a] In this author's opinion, the CCRC made a critical mistake at its very beginning by choosing to treat its charge to develop a downtown master plan as a design task, rather than one of preparing a strategic plan focusing on mobilizing and coordinating public and private investment. The resulting master plan was a detailed and largely unworkable document, including a detailed urban design code. Most of CCRC's efforts over the next few years were devoted to attempts to enforce the design code rather than develop an overall strategy for the downtown area. Moreover, after the end of 1989, when Governor Kean left office, CCRC never had the stature within state government to affect the decisions by other state agencies with respect to downtown Trenton.

growth in its building inventory. The 1990s saw the city adopt different strategies, in which public resources were used to leverage private investment unrelated to state government, including the conversion of a large part of the former Roebling Wire Works into a mixed-use complex, including retail and office space and senior housing,[b] and the development of a downtown conference hotel under the Marriott flag.

In other areas, the city initiated a redevelopment strategy in the Canal Banks area north of downtown centered on mixed-income development for residential homeownership and established a manufacturing attraction and retention program focused primarily on encouraging the growth of small manufacturers already in the city. Over the course of four years, the city was able to assist over 15 firms, adding roughly 500 manufacturing jobs to the city's job base. Reflecting the city's continuing difficulties, however, those years saw the loss of Trenton's last large "legacy" manufacturing plant, eliminating 800 jobs in one blow. The 1990s also saw the development by Mercer County of a minor league baseball stadium and an indoor arena, both of which were financed by the county through bond issues.

Some individual development projects, most planned in the 1990s, came to fruition in the 2000s, but little new activity ensued despite considerable developer interest during the first part of the decade. While a long-awaited new railroad station, replacing a rundown 1970s structure, was finally constructed, plans to create an office hub around the station stalled with the economic downturn. While the residential market appeared to be gathering steam during the first half of the decade, later events revealed that much of the seeming improvement was fueled by subprime lending and speculation. From 2006 to 2009 the number of residential sales in Trenton dropped by 60 percent and the median sales price by 55 percent. Meanwhile, the city continued to lose jobs as Mercer Hospital closed and the *Trenton Times* newspaper, for many years the city's largest for-profit corporation, was downsized substantially.

It is not hard to fault many of the strategies and specific decisions by Trenton's elected officials, planners, and business leaders, although one should hesitate to do so given the limited options available at the time. Even so, a strategy that did little but add state office buildings must be seen in retrospect as a poorly conceived one. Not only did the proliferation of state office buildings do little to enhance downtown activity, since the vast majority of state workers commuted from outside the city, but the construction of those buildings led to the removal of hundreds of older residential and commercial buildings, many of a scale and character that might have led to future downtown revival. In their place are an architecturally undistinguished collection of concrete and glass behemoths and a sea of parking lots. Roughly half of the total frontage of West State Street for nearly a mile through downtown Trenton is occupied by state office buildings.

All along, Trenton was at both a political and a legal disadvantage. With state government not subject to local land use regulation, the state could – and often did – build whatever it chose, wherever it chose. Many of the city's efforts to further construction of state facilities can be seen not so much as its own initiatives but as strategies to gain a role in the siting and planning of buildings that would be built in any event while attempting to see that state facilities were built in the city rather than elsewhere. How much the city actually benefited from those efforts is uncertain.

Similar reservations can be expressed about the extent to which little housing other than publicly subsidized low-income housing was pursued; yet, at a time when funds for low-income housing were relatively abundant and the idea of market-building - that is, concentrating on rebuilding the housing market through strengthening consumer demand for the community's housing stock - was not widely recognized as a strategy for urban revitalization, too harsh a critique would be inappropriate. Cities with far more resources and capacity than Trenton were also too overwhelmed by the effects of white flight and racial transition to mount market-oriented neighborhood strategies. Still, in retrospect, a strategy to mitigate some of the effects of those transitions might have paid off in subsequent decades.

Moreover, it is debatable whether the more intentionally market-oriented strategies of the 1990s were any more transformative. While the Canal Banks redevelopment, the reuse of the Roebling Wire Works, and similar projects improved parts of the city, they generated little in the way of spontaneous improvement or stronger market conditions outside the projects themselves. Similarly, while the largely low-wage jobs created in these projects were not insignificant, they at most blunted the trajectory of decline.

In short, for all the expenditure of time, effort, and money, Trenton was manifestly in far worse shape demographically and economically in 2010 than it had been in the 1950s. Whether it was in worse shape than it would have been without this expenditure can never be determined.

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[b] Initial planning for this project had already taken place during the late 1980s. Efforts to expand the Roebling redevelopment to create additional facilities, including a science and technology museum, a small performing arts facility, and market-rate housing were unsuccessful.

including a wide range of art, cultural, and entertainment facilities; office and retail space; and some 1,200 units of market-rate housing, including The Residences at Christina Landing, a tower where the smallest apartments rent for $1445 a month.[23] The area's redevelopment was spearheaded by the Riverfront Development Corporation, created by the Delaware legislature in 1995, and provided with state funds to initiate the redevelopment effort. Wilmington has also seen significant growth in its financial sector, with over 14,000 new jobs created between 1997 and 2007, as the city capitalized on state legislation that created a uniquely favorable business climate for financial institutions,[24] some of which have located in the riverfront district, enhancing the mix of uses in the area.

If the 1950s and 1960s were the era of the federal urban renewal program, and the 1970s and 1980s saw the beginnings of new approaches to public-private investment reflected in the Harristown experience, since the 1990s, urban redevelopment activity in these cities has been characterized by an eclectic mix of efforts and initiatives. Arts, entertainment, and the creation of visitor destinations have been major focuses of many cities' strategies; Wilmington, Lancaster, and Bethlehem, among others, have made major efforts to craft distinctive images for themselves based on history, arts, and tourism. The arts form the central theme of Lancaster's strategy for revitalization, including an important role for the Pennsylvania College of Art & Design and the proliferation of art galleries in the city's downtown. Bethlehem is developing a major arts and entertainment center around the former Bethlehem Steel factory known as SteelStacks, designed to ultimately include a wide variety of performing and visual arts venues as well as public open space and commercial facilities. This complex will retain many architectural elements of the old steel factory as the site is redeveloped and will use related motifs in the new buildings on the site. Wilmington's riverfront, discussed above, contains the Delaware Center for Contemporary Arts, two theater companies, and OperaDelaware.

At the same time, sports facilities have proliferated, representing a total public-sector investment of hundreds of millions of dollars. Ten of the 13 cities have constructed minor league baseball stadiums, housing seven teams affiliated with Major League Baseball and three independent league teams. A smaller number of cities, including Reading, Wilkes-Barre, and Trenton, have built multi-purpose arenas, while Allentown has announced plans to build an 8,500 seat arena in the heart of that city's downtown (Assad 2011). The case, however, for a positive economic impact resulting from these facilities, beyond a handful of sports bars and souvenir shops, is weak (Zimbalist and Noll 1997, Coates and Humphreys 2003), although the potential value of the intangible effect of such facilities should not be ignored (Chapin 2002).[25]

During the same period, residential and

[23] Anecdotal evidence suggests, however, that residential occupancy levels in the city's upscale riverfront developments are not high. While that may be a legitimate short-term concern, from the standpoint of the city's redevelopment, it is not a long-term problem, since these buildings represent a permanent asset for the city, whatever their current occupancy level.

[24] The Financial Center Development Act, passed in 1981, encourages national banking and financial service companies to put their headquarters in the state with looser banking restrictions on items such as closed-end credit and loans. At the same time, small banks in the area are protected by preventing out-of-state holding companies from buying more than 5 percent of voting shareholding stock in local Delaware banks (Reeve 2003). In addition, the state has created a unique chancery court designed to foster expeditious and expert resolution of business disputes.

neighborhood strategies have also evolved. While residential strategies from the 1950s and 1960s were hardly monolithic, large-scale demolition was widespread, and sensitive strategies involving rehabilitation and in-fill development such as Mill Hill in Trenton or New Haven's Wooster Square project (Hommann 1965) tended to be exceptions. This was in part driven by the zeitgeist and in part by the availability of relatively large amounts of federal money that could be used for large-scale acquisition, relocation, and demolition. Allentown's Little Lehigh Urban Renewal project, initiated in 1967, displaced some 600 families.

Most of these projects, particularly after enactment of the 1968 Housing Act, which led to a generous flow of federal housing subsidy funds under the Section 235 and 236 programs, were designed to accommodate subsidized, means-tested housing. The Little Lehigh project came to a halt in 1973 when President Nixon announced a moratorium on continued funding of subsidized housing under the Section 235 and 236 programs.[26] The project was finally completed in 1984 with the construction of a market-rate, not subsidized, housing development (Wittman 1985).

The trend toward market-driven development reflects a number of factors, including the relative scarcity of affordable housing subsidy funds, but even more a recognition of the importance of a healthy housing market to the vitality of a city or a neighborhood, as well as the widespread desire on the part of public officials to draw more middle- and upper-income residents to cities that have become disproportionately poor and service-dependent. These objectives are reflected in the emergence — often with various forms of public-sector assistance — of large-scale market-rate housing developments such as those on the Wilmington riverfront, or smaller projects such as Uptown Lofts in Lancaster or the Lofts at 2nd in what Wilmington has dubbed its LOMA (Lower Market) Design District.

In short, each of the small manufacturing cities in the Third District has made and continues to make efforts to counteract the forces of decline affecting them and to rebuild their economic and physical conditions around their changing realities. The condition of these cities today reflects the underlying social and economic forces driving their trajectories, as well as the mixed results of their efforts to influence those forces over the past 60 years.

[25] One area that has not been as well explored in the literature is the opportunity cost associated with the diversion of substantial public resources to these projects, rather than being used either for improved public services or alternative economic development strategies.

[26] http://explorepahistory.com/hmarker.php?markerId=1-A-3DE, accessed November 26, 2011.

CHAPTER 4

DAUNTING CHALLENGES:
THE STATE OF THE DISTRICT'S CITIES TODAY

The dynamics of change over the past more than 60 years have left the Third District's small manufacturing cities facing difficult conditions and daunting challenges. Despite the many efforts at rebuilding and revitalization over the decades, these cities are for the most part in worse condition than they were in 1950 — in some cases far worse — and beset by a variety of difficult, seemingly insurmountable, challenges in rebuilding their physical infrastructure, recreating a solid and sustainable economic base, fostering stronger housing markets, and finding the path to fiscal solvency.

At the same time, it is clear that for all the many similarities among these cities, the differences are equally important. Some cities are clearly faring better than others, at least with respect to certain measures, while others are falling behind. It is difficult to tell, of course, whether those variations reflect the results of intentional strategies by effective political and civic leaders, the level of civic capacity, differences in their baseline conditions, differences in their regional locations and other external factors, or simply good or bad luck. In all likelihood, all of these factors are involved.

While the issues of leadership and civic capacity are difficult to measure and are not addressed here, they are nonetheless likely to be important factors in a city's ability to build on its assets, mobilize its resources — financial and human — and move forward (Briggs 2008). Although well beyond the scope of this report, it is worth noting that a number of the more successful cities, in the sense of rebounding from the loss of their manufacturing base and building new economic roles, have benefited from capable, energetic mayoral leadership.[27]

Social and Economic Conditions of the Population

A city can be viewed through a variety of lenses. While it is a governmental entity, as well as a defined geographic area containing buildings and land, a city is most fundamentally a social and economic entity. As such, its role is to serve as a frame for economic activity and to provide housing and services to its population. A successful city can be defined as one that offers its residents adequate sustenance and economic opportunity and houses a diverse and productive population. As Glaeser (2011) points out, a successful city is not a city without poor people. A successful city, however, provides opportunity to its poor while containing within its boundaries a healthy mix of lower-, middle-, and upper-income households.

[27] In that light, it is worth mentioning, among others, Mayor Christopher Doherty in Scranton, Mayor Richard Gray in Lancaster, and Mayor James Baker in Wilmington. On the opposite side of the ledger, the combination of political and fiscal incapacity led the state of New Jersey to take over the city of Camden in 2002.

Poverty and Income. In that last respect, these cities vary widely. The percentage of the population below the poverty level[28] in these cities ranges from a high of over 38 percent, or nearly two of five residents, in Camden, to a low of 15 percent — close to the national average of 13.5 percent between 2005 and 2009 — in Bethlehem. Bethlehem also tops the list in median household income, while incomes in Chester and Camden are less than half the national median. More telling, though, is the ratio between those living in households with incomes more than double the poverty level and those living in households below the poverty level. Households with incomes more than double the poverty level (or roughly $44,000 for a family of four in 2009) are highly likely to contain employed household members and to be paying income and property taxes and are unlikely to be relying on subsidized services and transfer payments. Conversely, individuals in households with incomes below the poverty level are disproportionately likely to be receiving public assistance, including food stamps, housing vouchers, and Medicaid, and less likely to be paying much in either income or property taxes.[29] Thus, the ratio between the two populations, referred to here as the economic dependency ratio, reflects the extent to which a community's population is economically dependent or independent. A higher ratio indicates a stronger household economic base. Data on population in poverty and the economic dependency ratio are shown in Table 11.[30, 31]

Bethlehem, with a ratio of 4.13, has more than

TABLE 11
Household Income, Poverty, and Economic Dependency (2005-2009)

	Median Household Income	Median Household Income Rank	Percentage of Population in Poverty	Economic Dependency Ratio	Economic Dependency Ratio Rank
Allentown	$36,454	3	23.9%	2.15	6
Altoona	$33,623	6	18.9%	3.04	2
Bethlehem	$44,983	1	15.1%	4.13	1
Camden	$25,418	12	38.3%	0.89	13
Chester	$24,978	13	36.1%	1.04	11
Harrisburg	$31,676	8	29.2%	1.60	9
Lancaster	$32,845	7	26.1%	1.75	8
Reading	$27,887	11	34.5%	1.04	12
Scranton	$34,782	5	19.2%	3.03	3
Trenton	$35,372	4	23.4%	2.12	7
Wilkes-Barre	$28,699	10	23.8%	2.23	5
Wilmington	$39,130	2	22.3%	2.49	4
York	$29,223	9	32.3%	1.24	10
Delaware	$57,618	–	10.5%	7.10	–
New Jersey	$68,981	–	8.8%	8.94	–
Pennsylvania	$49,737	–	12.1%	5.88	–
U.S.	$51,425	–	13.5%	5.09	–

NOTE: Calculations by author
SOURCE: 2005-09, American Community Survey: Tables B19013, S1701. Prepared by the U.S. Census Bureau

[28] In 2009, the official federal poverty level for a family of four was $22,050. This figure is not adjusted for variations in income or cost of living in different parts of the United States.

[29] Households above the poverty level but earning less than two times that amount, or "near-poor" households, could fall in either category.

[30] In this and many subsequent tables, columns have been added to show the relative rank of each of the 13 cities with respect to the variables shown. While these columns do not add substantive information to the table, they are provided as a convenience to the reader to more readily assimilate the information in the table. These rankings are used, moreover, in the final section of the paper to provide the framework for comparing cities and for constructing the typology presented in that section.

[31] Some caution must be applied to the use of data from the five-year American Community Survey, as the margin of error or uncertainty governing this data set can be substantial for smaller geographies. For example, the median income figure for Harrisburg for 2005-2009 ($31,676) is presented with a margin of error of +/- $2,129 at the 90 percent confidence level; that is, there is a 90 percent probability that the actual number will be between $29,547 and $33,805, an extremely wide range of variation. Moreover, this means that there is a 10 percent (small, but not negligible) probability that the actual number is outside this range. While the data from the decennial census long form were also based on a sample, it was (a) a substantially larger sample than that used in the American Community Survey; and (b) clearly grounded in a single point in time.

TABLE 12

Percent Change in Median Household Income*

	All Households		By Race/Ethnicity (1999-2005/09)**		
	1989-1999	1999-2005/2009**	White (Not Latino)	African-American	Latino (Any Race)
Allentown	-8.3%	-11.6%	-8.4%	-0.5%	-13.2%
Altoona	1.6%	-7.6%	-6.8%	-27.1%	N/A
Bethlehem	-6.1%	-2.5%	1.4%	-2.6%	-11.1%
Camden	0.2%	-15.7%	-14.5%	-19.9%	-4.6%
Chester	-8.3%	-24.6%	-14.3%	-25.9%	N/A
Harrisburg	-1.5%	-8.6%	4.2%	-18.3%	-20.1%
Lancaster	-0.3%	-14.3%	-11.0%	-21.4%	-12.1%
Reading	-10.2%	-18.9%	-15.0%	-21.9%	-13.0%
Scranton	1.8%	-6.3%	-4.2%	-34.4%	-26.0%
Trenton	-10.1%	-11.6%	-6.2%	-21.0%	11.0%
Wilkes-Barre	1.8%	-16.6%	-16.3%	N/A	-32.7%
Wilmington	-1.0%	-13.5%	2.7%	-23.0%	-27.0%
York	-9.7%	-14.3%	-9.4%	-4.0%	-22.6%
Delaware	1.1%	-5.6%	-4.5%	-4.8%	-10.3%
New Jersey	0.3%	-2.9%	-0.7%	-7.0%	-5.7%
Pennsylvania	2.7%	-3.7%	-2.2%	-11.3%	-6.1%
U.S.	4.0%	-4.9%	-4.3%	-9.1%	-5.6%

*In constant dollars. Inflation adjustments are based on the consumer price index for all urban consumers, prepared by the Bureau of Labor Statistics, and are estimated at 34.4 percent for 1989-99 and 28.8 percent for 1999-2009.

**Incomes reported in the 2005-09 American Community Survey are inflation-adjusted to 2009 dollars. N/A indicates that the margin of error for the income estimate exceeded 30 percent of the estimate itself and thus was deemed too unreliable to include in the table.

NOTE: Highlighted cells indicate real income growth (i.e., growth outpacing inflation).

SOURCE: 2005-09, American Community Survey: Tables B19013B, B19013H, B19013I; 2000, Decennial Census Summary File 3: Tables P053, P152B, P152H, P152I; 1990, Census of Population: Social and Economic Characteristics, CP-2, Table 3. Prepared by the U.S. Census Bureau

four persons in households with incomes more than double the poverty level for every one under that level; Camden, with a ratio of 0.89, has more residents living below the poverty level than with incomes more than double that level. Nationally, the ratio is just over 5 to 1.

While all of the cities have higher poverty levels and lower economic dependency ratios than their respective states or than the United States, there is great variation among them. Three cities — Camden, Chester, and Reading — contain exceptionally high concentrations of poverty and proportionately few nonpoor households. York is not far behind. As will be seen below, these cities also have elevated unemployment rates and low levels of educational attainment. By contrast, in addition to Bethlehem, whose population is significantly less poor than that of any other city, Altoona and Scranton also have relatively low poverty rates and high economic dependency ratios. These city-to-city variations, however, are only part of the story. As Table 12 shows, there are also significant disparities in these cities' income trends over time and by racial and ethnic group.

As a whole, these cities are steadily falling behind national trends in income growth. Between 1989 and 1999, none of these cities exceeded the national growth rate and only four saw growth that was at least greater than zero after being adjusted for inflation. The remaining nine lost ground in constant dollars, with Reading, Trenton, and York seeing the most significant losses. Between 1999 and 2005-2009, matters became substantially worse, although part of the apparent decline reported during this period in Table 12 can be attributed to differences between the decennial census and the American Community Survey, which was shown to underestimate income by roughly 4.6 percent relative to the 2000 census (Posey, Welniak, and Nelson 2003). Only one city, Bethlehem, outpaced the national trend, while no city saw real inflation-adjusted income growth. Most saw significant losses. Households in Chester experienced a loss in *nominal* income of nearly 3 percent, reflecting a nearly 25 percent decline in inflation-adjusted median income in that city.

Estimates of income growth or decline reflect the combined effect of two distinct trends: first, a lag in income growth of African-American and Latino households relative to that of white households; and second, the increase in the minority share of the population. The median household income for white households exceeds the overall percent change in every city, while the reverse is true for African-American and Latino households in the great majority of cases. Between 1999 and 2005-2009, African-American households in particular lost ground, experiencing sharp reductions in real income in 10 of the 13 cities and in all of the cities with large African-American populations. While the white population in three cities — Harrisburg, Wilmington, and Bethlehem — saw real income gains, their African-American and Latino residents fell farther behind economically. Racial/ethnic income disparities are more pronounced in Wilmington than in any of the other 12 cities.

This is not a function of income loss within a stable pool of African-American households in these cities but a reflection of important shifts in the demographics of these cities' populations. Upwardly mobile and successful African-American households are flowing out of the cities to their suburban neighbors and are being replaced, if at all, by poorer households. While the number of African-American households in Trenton stayed largely the same, the number living in Mercer County outside Trenton grew by nearly 18 percent between 2000 and 2005-2009. During that period, the nominal median income of African-American households living outside Trenton rose by nearly 20 percent, compared to less than 2 percent in the city. Thirty-six percent of those living in the city earned less than $20,000 per year, compared to less than 10 percent of those living outside.[32]

With few exceptions, incomes for nonwhite populations in these cities not only lag significantly behind those of their white counterparts but are also lower than those of their racial/ethnic counterparts nationally. Trenton is the only city where the Latino median income exceeds the national Latino median, while Allentown and Bethlehem — both with relatively small African-American populations — are the only two cities where median incomes for African-American households exceed the national African-American median. Assuming these cities' African-American and, particularly, their Latino populations continue to increase, these growing income disparities will take on increasing importance as a factor in these cities' ability to regain prosperity and reclaim a significant regional role.

Age. Age distributions in these small manufacturing cities tend to follow the pattern of racial/ethnic distribution and immigration. The three cities that have small minority communities and have seen little recent in-migration — Altoona, Scranton, and Wilkes-Barre — are seeing significant aging of their population, with the percentage of their population that is over 65 well above the national average of 13 percent. Some residential areas in these three cities may soon fit the pattern of what are known as naturally

[32] Suburban African-American households in Mercer County are quite affluent, with a median income more than double those in Trenton and significantly above the overall national median. Over a quarter of African-American households in suburban Mercer County have annual incomes above $100,000, according to the 2005-09 American Community Survey.

TABLE 13
Population Age Profile (2010)

Percentage 65 and Over	City	Percentage Under 18	Percentage 65 and Over
Above the National Average	Scranton	20.4%	16.4%
	Bethlehem	19.9%	16.2%
	Wilkes-Barre	20.3%	16.2%
	Altoona	22.6%	15.6%
Similar to the National Average	Allentown	26.2%	11.9%
	Wilmington	24.4%	11.6%
Below the National Average	Chester	27.2%	10.4%
	Reading	31.0%	9.3%
	Harrisburg	26.8%	9.1%
	York	28.7%	8.9%
	Trenton	25.1%	8.8%
	Lancaster	25.6%	8.6%
	Camden	31.0%	7.6%
U.S.	–	24.0%	13.0%

NOTE: Table sorted in descending order of percentage 65 and over.
SOURCE: 2010, Census Demographic Profile Data: Table DP-1. Prepared by the U.S. Census Bureau

occurring retirement communities (NORCs) as a result of their concentration of elderly residents (Lanspery and Callahan 1994). Most of the other cities, however, have much younger populations and a smaller share of elderly residents than the national average, as shown in Table 13. Camden and Reading stand out: Nearly one-third of the residents in those two cities are under 18 years old.

As with income, the overall age distribution in these cities masks significant racial and ethnic differences. As Table 14 shows for five cities with highly racially and ethnically diverse populations, elderly residents are disproportionately white and non-Latino, while the younger residents are predominantly African-American or Latino. In Bethlehem, 24 percent of the population is Latino, but 44 percent of the city's residents under 18 are Latino. In Allentown, non-Latino whites make up 43 percent of the population but 81 percent of the population over 65.

This is not surprising, but it is significant. Although all but a few of these cities contain large minority populations, most are in the midst of an ongoing demographic transition. White non-Latino populations are aging and likely to continue to decline, while Latino populations in particular are young and likely to grow over the coming years. Even more than with respect to the income data presented earlier, this information stresses the importance of both increasing economic opportunities and building greater civic engagement for the growing demographic sectors of these cities' populations. In important respects, they represent the future of these cities.

TABLE 14
Race/Ethnicity by Age Group for Selected Cities (2010)

	Total Population			Population Under 18			Population 65 and Over		
	White (Not Latino)	African-American	Latino (Any Race)	White (Not Latino)	African-American	Latino (Any Race)	White (Not Latino)	African-American	Latino (Any Race)
Allentown	43%	13%	43%	20%	17%	62%	81%	5%	13%
Bethlehem	65%	7%	24%	42%	12%	44%	88%	2%	9%
Lancaster	41%	16%	39%	20%	20%	56%	68%	10%	20%
Reading	29%	13%	58%	12%	14%	75%	68%	10%	22%
Trenton	13%	52%	34%	5%	56%	38%	31%	55%	12%

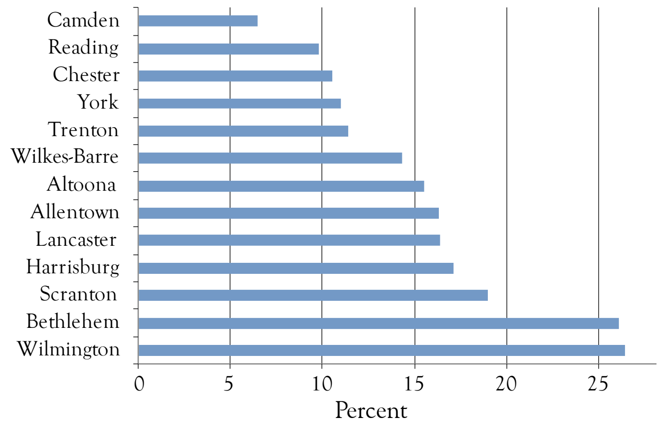
NOTE: The three categories do not sum to 100 percent because not all races are included in the table. Additionally, the African-American and Latino categories are not mutually exclusive in this table, so individuals who reported both characteristics are included in both columns.
SOURCE: 2010, Census Demographic Profile Data: Table DP-1; 2010, Census Summary File 1: Tables P12B, P12H, P12I. Prepared by the U.S. Census Bureau

Educational Attainment. An extensive body of literature has documented the relationship between educational attainment of the population and economic growth (Kodrzycki 2002, Glaeser and Shapiro 2001, Gottlieb and Fogarty 2003, among others). Within the broad spectrum of educational attainment, the most significant measure appears to be the percentage of adults who hold a BA/BS degree or higher; the national organization CEOs for Cities has put it unequivocally: "We know that educational attainment is the biggest predictor of success for cities and metro areas today. The research is unassailable."[33]

As Figure 6 shows, the 13 cities vary widely in this critical measure. In only two cities, Wilmington and Bethlehem, is the share of the population over 25 with a BA/BS degree or higher reasonably close to the national level of 27.5 percent. After those two cities, the percentages drop off sharply: At 17 percent, Harrisburg's share of college-educated adults is little more than half the national level. Chester, Reading, and, above all, Camden are in the most problematic position. In Camden, only slightly more than 6 percent of adults have a college degree, while over 40 percent lack even a high school diploma. The educational deficit in Reading is nearly as severe: Less than 10 percent of adults have a college degree, and nearly 37 percent have not graduated from high school.

Not only do these cities vary significantly in the overall percentage of adults with higher education, they vary even more greatly in terms of the share of young adults with higher education. As a general rule, young adults in the United States are significantly more likely to have college degrees

FIGURE 6
Percent of Adults with a Bachelor's Degree or Higher (2005-2009)



SOURCE: 2005-09, American Community Survey: Table DP02. Prepared by the U.S. Census Bureau

than elderly individuals, partly because of the greater availability of higher education, and even more so because of the greater likelihood of women earning college degrees than in years past. Table 15 compares the percentage of adults 25 to 34 with college degrees to the percentage for adults 65 and over. While in most of the cities increased educational attainment among younger adults largely parallels or exceeds national trends, in two cities in particular, Camden and Reading, the share of young adults with a college degree is less than a third of the national level and, in Reading, is even below the level reported for older adults, something that could have a potentially significant impact on the future economic development potential of these cities.

Since these cities were historically manufacturing cities, in which formal education was not a criterion of employability, it is not surprising that few older adults in these cities, outside Bethlehem and Wilmington, have a college degree. The percentage of young adults with a degree, however, is likely to carry significantly more weight for these cities' futures. In that respect, the low educational attainment of young adults

[33] CEOs for Cities refers to this as the "talent dividend"; see http://www.ceosforcities.org/work/talentdividendtour, accessed August 24, 2011.

TABLE 15

Percent of Adults with a Bachelor's Degree or Higher by Age Group (2005-2009)

	25-34 Years	65 Years and Over	Ratio
Allentown	18.8%	11.4%	1.65
Altoona	23.8%	9.5%	2.51
Bethlehem	33.8%	17.4%	1.94
Camden	7.1%	N/A	N/A
Chester	12.5%	N/A	N/A
Harrisburg	22.0%	11.1%	1.98
Lancaster	22.3%	9.5%	2.35
Reading	9.7%	11.1%	0.87
Scranton	27.6%	10.8%	2.56
Trenton	10.4%	N/A	N/A
Wilkes-Barre	18.5%	9.2%	2.01
Wilmington	37.1%	17.8%	2.08
York	12.6%	N/A	N/A
Delaware	32.6%	20.5%	1.59
New Jersey	39.6%	20.5%	1.93
Pennsylvania	34.2%	15.3%	2.24
U.S.	30.5%	19.3%	1.58

NOTE: N/A indicates that the margin of error for the estimate exceeded 30 percent of the estimate itself and thus was deemed too unreliable to include in the table.
SOURCE: 2005-09, American Community Survey: Table S1501. Prepared by the U.S. Census Bureau

in Camden, Chester, Reading, Trenton, and York is likely to be a significant constraint on future opportunities in these cities. By contrast, most prominently in Wilmington and Bethlehem — where the typical young adult is more likely to have a college degree than his or her counterparts in the rest of the United States — and to a lesser extent in Altoona, Harrisburg, Lancaster, and Scranton, greater educational attainment among young adults is an important present and future asset for these cities. In other cities, increasing their share of college graduates and reducing the number without a high school diploma may have to be an important element in any strategy for change.

School quality itself is another factor that is clearly relevant to a city's social and economic condition. School quality clearly directly affects intergenerational economic mobility and opportunity and significantly affects housing markets, influencing consumer choice not only on the part of households with children but arguably among others who may see it as a surrogate for stability and potential appreciation of house values (Ramsay, Sanchez, and Wanzer 2006; Varady and Raffel 1995). While this must be acknowledged, drawing meaningful comparisons between school districts is highly problematic; this is not only a function of data problems but of a more fundamental issue of what to measure. While there is a growing body of research on measuring school performance, applying the sorts of measurements that might potentially make a comparative analysis of these 13 cities and their school districts meaningful is a task well beyond the scope of this paper.

Unemployment and Labor Force Attachment. The most direct measure of the economic condition of a population can be found in their relationship to the world of work, specifically, the extent to which they are engaged in that world, known as labor force participation, and the extent to which those engaged actually have work, which is used to calculate the unemployment rate. Since most people under 20 or over 65 do not participate in the labor force, Table 16 (on the next page) compares participation rates across cities by looking solely at those between the ages of 20 and 64.

While all of these cities have labor force participation rates that are lower than those in the states in which they are situated, the disparity in some cases is modest, but in others, it is substantial. The greatest disparities are in Camden and Chester, which also have the highest unemployment rates. Roughly half of the adults between 20 and 64 in these two cities are either unemployed or outside the labor force,

TABLE 16
Labor Force Characteristics (2005-2009)

	Labor Force Participation Rate*	Percent Higher/ Lower Than State**	Unemployment Rate	Unemployment Rate Rank
Allentown	74.6%	-3.0%	10.4%	5
Altoona	74.1%	-3.5%	8.2%	4
Bethlehem	76.6%	-1.0%	7.2%	2
Camden	65.7%	-14.0%	18.1%	13
Chester	64.2%	-13.4%	15.6%	12
Harrisburg	76.5%	-1.1%	10.4%	6
Lancaster	72.0%	-5.6%	10.9%	8
Reading	72.2%	-5.4%	15.1%	11
Scranton	73.7%	-3.9%	6.0%	1
Trenton	73.6%	-6.1%	13.9%	10
Wilkes-Barre	71.9%	-5.7%	7.8%	3
Wilmington	75.8%	-3.0%	10.5%	7
York	72.8%	-4.8%	13.1%	9
Delaware	78.8%	–	6.5%	–
New Jersey	79.7%	–	6.9%	–
Pennsylvania	77.6%	–	6.8%	–
U.S.	77.6%	–	7.2%	–

*For those age 20-64
**City rate minus state rate
SOURCE: 2005-09, American Community Survey: Table B23001. Prepared by the U.S. Census Bureau

while if Camden had a labor force participation rate equal to the statewide rate, it would have over 6,000 more workers living in the city than it currently does, something that would have a major impact on the city's economic prospects.

Strikingly, the lowest unemployment rates, outside the relatively prosperous city of Bethlehem, are in the three relatively isolated cities of Altoona, Scranton, and Wilkes-Barre, which have seen little immigration and have experienced among the most sustained levels of population decline of any of the cities studied. The workforce in these cities may be shrinking in parallel with the decline in employment opportunities, suggesting that the cities may be adapting economically to decline in important ways.

The cities with the greatest workforce distress on these measures are Camden and Chester, where labor force participation among adults in their prime working years is lowest and unemployment most pervasive. Camden, Chester, and Reading all had average unemployment rates in excess of 15 percent between 2005 and 2009, and it is likely that unemployment is higher now in these cities, as is the case nationally. In all of the 13 cities, however, with the exception of Scranton, unemployment rates exceed statewide rates.

Crime. The level of crime is both a significant measure of social stability and quality of life in a community as well as an important factor affecting its potential for economic growth. As Michael Porter (1997) has written, "Crime, with its associated fears and costs, is one of the greatest barriers to inner-city economic revitalization." Table 17 shows three measures of crime by city: the violent crime rate[34] per 100,000 residents in 2009, the change in that rate over the past decade, and the number of murders[35] in 2009.

While this information must be interpreted with care in light of local variations in reporting, it is nonetheless illuminating, as it highlights the extreme range of conditions found in these 13 cities. Four cities — Altoona, Bethlehem,

[34] Violent crime for purposes of FBI Uniform Crime Reports is the sum of murder, nonnegligent manslaughter, forcible rape, robbery, and aggravated assault.

[35] In the Uniform Crime Reports, this category includes nonnegligent manslaughter as well as murder.

TABLE 17
Violent Crime

	Violent Crime Rate Per 100,000 Residents (2009)	Percent Change in Rate (2000-2009)	Number of Murders (2009)
Allentown	698	8%	13
Altoona	369	-5%	1
Bethlehem	303	-3%	1
Camden	2,380	14%	34
Chester	2,647	-12%	14
Harrisburg*	1,770	21%	16
Lancaster	847	-22%	9
Reading	953	-14%	12
Scranton*	395	50%	1
Trenton	1,397	-13%	17
Wilkes-Barre**	420	-28%	10
Wilmington	1,849	4%	17
York***	1,261	35%	10
Delaware	637	-7%	41
New Jersey	312	-19%	319
Pennsylvania	381	-9%	661
U.S.	429	-15%	15,241

*Trend reflects years 2001-2009.
**Trend reflects years 2002-2009.
***Trend reflects years 2004-2009.
SOURCE: 2000-09, FBI Uniform Crime Reports. Prepared by the National Archive of Criminal Justice Data. Distributed through UCRADATATOOL.gov

Scranton, and Wilkes-Barre — have violent crime rates that are below the national average, while another four — Camden, Chester, Harrisburg, and Wilmington — have rates that are more than four times the national average. While seven cities have seen their violent crime rate decline during the past decade, in parallel with national trends, six have seen it go up. Only two cities, Lancaster and Wilkes-Barre, have seen their violent crime level decline over the past decade at a rate greater than the national average.

Murders garner a significant amount of coverage in the local media and thus may influence the perception of crime most sharply. While the number of murders and the murder rate vary widely from year to year in many small cities, during 2009 the number of murders in each of these cities, except for Altoona, Bethlehem, and Scranton, was clearly high enough to be a matter of significant public concern. Although Wilkes-Barre's overall crime rate is below the national average, the number of murders in that city in 2009 became a matter of widespread public outcry (Talarico 2009). Predictably, the city's police chief responded that "all for the most part involve people in close relationships. […] The law-abiding citizen is very safe. Very few people know someone who was affected by a violent crime" (Talarico 2009).

It is interesting that Wilmington, which appears in many respects to be one of the most successful of the cities in terms of its economic growth and revitalization, also has one of the highest crime rates of any of the cities.[36] Wilmington has made many efforts to address its crime issues, including installing surveillance cameras in the city's downtown, maintaining the largest police force relative to population of any of the 13 cities,[37] and implementing an unusual initiative in which photographs and the identification of individuals

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[36] The number of murders in Wilmington increased to 27 in 2010.

[37] According to the city's website, accessed August 25, 2011, the city had 311 sworn officers in its police department, a ratio of one police officer for every 227 residents. While Camden had a higher ratio of officers to residents in 2009, that city was subsequently forced to lay off a significant part of its force, bringing its total to slightly over 200 sworn officers.

arrested for the possession or selling of narcotics are posted on the city's website. Despite these efforts, crime remains high.[38]

How the crime rate affects a city's fortunes is not a simple equation. Violent crime often varies widely within a city, with some areas being significantly safer and others significantly less so. To the extent that other data suggest that Wilmington is becoming an increasingly bifurcated city socially and economically, with some sectors of the population and some geographic areas gaining prosperity and others lagging behind, crime may come to be seen as compartmentalized and not perceived to be affecting some parts of the city as much as others. In that event, it might have less effect on the redevelopment of those areas, although it would still undermine both the quality of life and the revitalization potential of those areas in which it continued to be, or was perceived to be, a problem.[39]

Housing Market Conditions

The strength of its housing market is not the only way in which the health of a community can be measured, but it is a critical one for many reasons. Strong housing markets increase property values and municipal revenues; arguably more important than that is the extent to which strong housing markets are an all but essential *sine qua non* of healthy neighborhoods, which are in turn the foundation of a healthy city. Neighborhood health is strongly driven by the expression of consumer choices, reflected in decisions to buy a home in a neighborhood, or, if already living in the area, staying there rather than moving out (Brophy and Burnett 2003). As a result, in recent years, neighborhood revitalization strategies have been increasingly grounded in strategies designed explicitly to build stronger neighborhood-scale housing markets (Boehlke 2004, Mallach 2008).

Closely related to this is the recognition that building housing market demand is often the most productive strategy to foster the revitalization of underutilized downtowns or older industrial or loft areas (Leinberger 2005). Residential reuse has catalyzed the revitalization of such disparate areas as Cleveland's Warehouse District and Washington Avenue in St. Louis. In short, housing market conditions matter deeply to the vitality and future of older cities. Although housing market conditions in general have changed dramatically since the collapse of the housing bubble that characterized most of the United States during the first half of the last decade, the underlying principles that determine market vitality or weakness are still very much the same. If anything, stripped of some of the anomalous behavior that threw many analysts off during the bubble years, they are more readily visible.

A number of indicators can be used to measure the health of a city's housing market, as well

[38] The effect of a larger police force on the crime rate is uncertain. It is notable that among the 13 cities, there is a strong positive relationship between the size of the police force and the crime rate, suggesting that increasing the size of the force is a response to high crime rates, rather than a step that leads to lower rates (although one can speculate that if the police force in a city like Wilmington or Harrisburg were smaller, the crime rate would be even higher). The table below shows the median size of police forces (measured in terms of population per sworn officer) for the cities broken into high-, medium-, and low-crime thirds (4, 4, and 5 cities). It shows that low-crime cities typically have half the police officer density of high-crime cities.

Crime Rate	Population Per Officer
High	261
Medium	364
Low	527

[39] It is worth noting that another highly bifurcated small city, Jersey City, New Jersey, which has seen extraordinary levels of investment in upscale housing development and costly nonresidential development since the 1980s — largely near its waterfront and in areas close to its downtown — continues to have violent crime rates roughly the same as those of Wilmington. They do not appear to have significantly impaired its substantial, albeit partial, economic transformation.

as that of individual neighborhoods within the city.[40] The key issues that are addressed by these indicators are as follows:

- How readily are homes selling in the city and its neighborhoods?
- What prices are homes selling for?
- Who is buying: owner-occupants or absentee investors?
- How many homes are sitting vacant?

All housing markets compete with one another for residential demand. Cities compete with other cities, villages, and townships in their housing market area, while neighborhoods compete with other neighborhoods in the same city as well as beyond. By measuring sales volume, prices, and homeownership trends, these indicators can be used to gauge the relative extent to which a city or neighborhood is effectively competing for its share of market demand.

The choice of these indicators also reflects the fact that, with rare exceptions, a city's housing market, as well as the strength of its neighborhoods, is far more strongly driven by home buying than by rental decisions. Homeownership decisions are much more sensitive to neighborhood conditions than rental decisions, which tend to be shorter-term decisions driven by a more narrow economic calculus. Moreover, while a healthy rental housing stock is an important part of any community, a strong homeownership base is central to neighborhood vitality, with considerable evidence to support the claim that homeownership is strongly and positively associated with neighborhood social benefits (Galster 1987 and many others) and property values (Rohe and Stewart 1996, and Coulson, Hwang and Imai 2002, 2003).[41]

Sales Activity. House sales volumes have dropped sharply throughout the United States since the end of the housing bubble in 2006-2007, and Table 18 (on the next page) shows that the small manufacturing cities of the Third District are no exception. Comparing house sales between 2006 and 2009 in these cities and in their surrounding counties offers a sense of the extent to which declines reflect regional trends or are driven by forces more specific to the particular city. In the cities of Altoona and Scranton, sales volumes did not decline as steeply as they did in their suburban surroundings. Elsewhere, declines in sales were greater in the central cities, suggesting that their markets have been disproportionately affected by the collapse of the housing bubble than their surrounding suburbs. Chester in particular, along with Reading and Camden, shows the greatest disparities between city and countywide trends.

Despite these declines, the real estate market is still very active in many cities, and current sales volumes in many cities still appear to be at or near levels capable of absorbing all or most of the stock that becomes available. This is based on assumptions about the flow of housing inventory into the market. Widely accepted national rules of thumb suggest that between 6 and 7 percent of single-family houses come on the market each year (Fabozzi 2005). Assuming that to be the case, then an annual rate of one sale for every 14

[40] The data sets analyzed in this section are available at the census tract level, which typically contains between 600 and 2,000 households. Even in small cities, neighborhoods are rarely much smaller.

[41] The interplay between homeownership as a tenure choice and residential stability, whether as owner or renter, with respect to many of the social benefits often associated with homeownership is complicated. There is some research evidence that the favorable child outcomes associated with homeownership may have as much or more to do with stability (Barker and Miller 2009). The association between homeownership and stability, however, is a powerful one, at least in an American context, so that in some respects the dichotomy is not as significant as it may appear.

to 17 properties, or a ratio of properties to sales of between 14:1 and 17:1, should provide for reasonably complete absorption of the housing stock coming on the market.[42]

By this measure, demand in most of these cities appears to be keeping pace with supply, although, as will be discussed below, the picture is more complicated and, in some, more problematic. Scranton, Altoona, and Camden have the weakest overall demand. In the first two cities, low demand reflects the continued weak economic conditions and population loss at the regional level but may also reflect a more stable population and a lower level of activity needed to absorb homes coming on the market.[43] In Camden, weakness in the city's housing market exists despite relatively strong market conditions in the region as a whole.

Most of the cities, however, also have vacancy rates significantly higher than what would be considered a healthy level for a sound housing market. Table 18 shows housing vacancy rates recorded in the 2010 census. Except for Bethlehem and Lancaster, all of these cities have excessively high vacancy rates, even though many may also have relatively high levels of demand, as reflected in the ratio of properties to sales.

There are two separate explanations for the apparent disparity between a typical ratio of properties to sales and an above-average vacancy rate. The first, more benign, explanation is that cities are not single housing markets but clusters of sub-markets with widely varying conditions. Thus, most cities will have some areas in which real estate activity is strong and vacancies few, and other areas in which demand is weak and vacancies are accumulating. Thus, citywide data at best offer a crude picture of the various forces working on the local housing market. The relatively high vacancy rate in Wilmington, for example, is largely attributable to six census tracts in the central and eastern parts of the city with vacancy rates from 16 to 24 percent,

TABLE 18
Home Sales and Housing Vacancy

	Change in Sales Volume (2006-2009)		Ratio of Single Family Properties to Home Sales (2009)	Housing Vacancy Rate (2010)	Housing Vacancy Rank
	City	County			
Allentown	-55%	-47%	13.9	8.8%	3
Altoona	-57%	-67%	31.8	8.9%	4
Bethlehem	-30%	-22%	22.6	5.9%	1
Camden	-65%	-53%	34.2	13.7%	10
Chester	-59%	-40%	16.3	15.2%	13
Harrisburg	-46%	-37%	13.5	15.1%	12
Lancaster	-47%	-38%	15.6	6.8%	2
Reading	-47%	-33%	11.7	12.4%	7
Scranton	-38%	-44%	34.5	11.2%	5
Trenton	-60%	-51%	16.6	13.5%	9
Wilkes-Barre	-67%	-62%	22.6	13.9%	11
Wilmington	-51%	-48%	28.5	12.8%	8
York	***	***	14.6	12.1%	6

*** Sales volumes are available but are not reported because of concerns about data quality.
NOTE: Ratio of single-family properties to 2009 home sales is calculated using the number of one-unit structures (detached and attached) from the 2005-09 American Community Survey, Table B25024, prepared by the U.S. Census Bureau. Calculations by the author.
SOURCE: 2006-2009, Home Sales Data. Prepared by Boxwood Means. Distributed by The Reinvestment Fund's PolicyMap; 2010, Census Summary File 1: Table QT-H1. Prepared by the U.S. Census Bureau

[42] One can only speculate on whether current market conditions have rendered this traditional rule of thumb less valid. While one might argue that the flow of REO properties onto the market has increased available supply, thus requiring a higher percentage of sales to inventory to ensure absorption, market weakness and the large number of homeowners being "underwater" and thus unable to sell may well have had an opposite effect.

[43] While the median length of time for homeowners in their unit was longer than the national average in most of the 13 cities according to the 2005-09 American Community Survey, this was particularly true for homeowners in two cities. The typical homeowner moved into his or her unit in 1997 nationally, but in Scranton and Wilkes-Barre, comparable estimates were 1988 and 1986, respectively.

reflecting the significance of the variation between neighborhood sub-markets in each city's overall housing market.

A second explanation, and a matter of greater concern, is the effect of major changes in the housing market on the frequency of real estate transactions. As the homeownership rate declines and more of the stock becomes absentee-owned, turnover may increase because absentee owners are less likely to hold properties as long as owner-occupiers in markets where they have low expectations of significant near-term price appreciation. As investors increase their market share, the likelihood of "flipping" properties for a profit may also increase.[44] As a result, a ratio of properties to sales that may be more than ample to absorb the supply in a stable environment may be inadequate to do so in an unstable housing market where widespread absentee ownership, investor buying, and speculation may be taking place. In such a case, elevated vacancy levels may potentially arise and ultimately lead to housing abandonment despite relatively high sales volumes. This is likely to be further exacerbated in low-price areas by the economic difficulty of restoring houses, once neglected or vandalized, to productive use because the cost to rehabilitate the property is likely to exceed its ultimate market value. Such instability is affecting many of these cities.

Sales Prices. The second marker of housing market conditions is the price at which houses are being sold. Low house prices tend to be a powerful measure of weak demand for housing, reflecting both limited consumer interest in an area and little consumer confidence in future value appreciation. Low prices tend to trigger a vicious cycle in neighborhood conditions. Homeowners are less inclined to improve their properties, and prospective investors show less interest in either buying vacant houses for rehabilitation or building on vacant lots, as they realize that the replacement cost — the cost of either rehabilitation or new construction — will exceed the resulting value of the home. As a result, in low-value areas, even if demand is present, vacant houses in need of more than modest repairs and vacant lots tend to remain vacant, often blighting their surroundings.

Table 19 (on the next page) shows key data with respect to sales prices in these 13 cities.[45] As with other data, they show marked differences between the cities. Bethlehem clearly has the strongest housing market of any of the cities. House prices are highest, by a substantial margin, and it is clearly strongly competitive within its housing market area, in this case represented by Northampton County. Prices in Bethlehem are close to the county median, while prices in the city stayed relatively stable between 2007 and 2009, in sharp contrast to what was taking place throughout most of the nation.

There is a substantial gap between Bethlehem

[44] The subject of landlord behavior is a complex and important one that has not seen the level of empirically based research that it deserves. As George Sternlieb (1966) pointed out long ago, landlords are affected by a three-part calculus of risk, profitability, and capital gains, or appreciation. The three are closely related, as a market with high risk (of loss, tenant damage, nonpayment of rent, etc.) is also likely to have below-par returns and reduced potential for appreciation, while markets with little appreciation potential also typically have rents below levels that may support high-quality maintenance. While there are some responsible landlords who may maintain their properties for long-term holding while generating an adequate cash flow in markets with poor expectations of capital gains, they are likely to be more the exception than in markets with stronger expectations of gain. While these behaviors have been observed anecdotally, particularly in weak housing markets such as Cleveland, they are difficult to study empirically.

[45] The sales data available do not make possible any form of matched-pairs or repeat-sales analysis that would correct for possible variations in the size or other features of the houses sold from one year to the next. Therefore, any trend data presented are susceptible to substantial potential error as a result of such variations.

TABLE 19

City and County Home Sales Prices and Trends

	Median Sales Price (2009)*	Median Sales Price Rank	Change in Median Sales Price (2007-2009)		City Median as Percentage of Countywide Median (2009)
			City	County	
Allentown	$101,900	2	-14%	-3%	64%
Altoona**	$63,500	6	15%	11%	78%
Bethlehem	$146,000	1	-7%	-9%	85%
Camden	$42,000	11	-40%	-8%	23%
Chester	$25,000	13	-43%	-3%	14%
Harrisburg	$50,000	8	10%	11%	37%
Lancaster**	$88,000	4	4%	-2%	54%
Reading	$38,000	12	-16%	-1%	28%
Scranton	$75,000	5	-23%	-12%	66%
Trenton	$46,000	10	-55%	-8%	20%
Wilkes-Barre	$48,500	9	-2%	-5%	57%
Wilmington	$94,500	3	-22%	-8%	46%
York	$53,000	7	-29%	-11%	36%

*Rounded to the nearest $500.
**Data were not available for the cities of Altoona and Lancaster, so weighted medians were calculated using census tract level data on the number of home sales and median sales price.
SOURCE: 2007-2009, Home Sales Data. Prepared by Boxwood Means. Distributed by The Reinvestment Fund's PolicyMap

and the other cities with respect to sales prices, but five other cities — Allentown, Altoona, Lancaster, Scranton, and Wilkes-Barre — can be considered at least moderately competitive within their market areas. Scranton's competitive position is arguably enhanced by its location in an economically weak region, which maximizes the relative value of the city's own assets. Similarly, although house prices are low in Wilkes-Barre, that condition is less a reflection of the city's weak competitive position as it is of the region's overall weak housing demand. Within its regional constraints, Wilkes-Barre is not doing badly.

Other cities are clearly less competitive. The dramatic decline in prices in Camden, Chester, and Trenton since 2007 reflects not only current market weakness but also the extent to which prices in those cities, as in many other urban places elsewhere in the United States, were pushed upward during the bubble years by the lethal combination of speculative buying and easy access to subprime mortgage products.

Median sales prices nearly tripled, from $50,000 to $145,000, in Trenton between 2000 and 2007 while doubling in Camden over the same period. Between 2000 and 2006, when they peaked, median prices increased by 130 percent in Chester, from $40,000 to $92,000.[46] Cities where price increases were unrelated to any fundamental changes in social or economic conditions have typically seen house prices plummet since 2006 or 2007.[47] Most of the other 13 cities were less affected by the boom-bust cycle of the past decade. Although Lancaster saw an increase of 66 percent in its median sales price

[46] www.trulia.com, accessed January 29, 2012.

[47] Perhaps the most extreme example of this phenomenon is Detroit. Property values in that city, according to the Case-Shiller index, dropped nearly 50 percent from December 2005 to December 2010 and, in current dollars, they are now at the same level as in 1994. In inflation-adjusted dollars, the average house in Detroit today is worth only two-thirds of what it was worth in 1994. According to the Detroit Board of Realtors, the average sales price in Detroit for the first 10 months of 2010 was $16,036.

between 2000 and 2006, prices in that city have remained stable, showing a small increase between 2007 and 2009.

The locus of market competition is in part the city and in part specific neighborhoods within the city. Even a city that may not be competitive as a whole may contain areas that compete effectively within the regional market, such as Centre Park in Reading or Shipoke in Harrisburg. The overall competitiveness of the city, however, is likely to drive the extent to which its neighborhoods are competitive. In Bethlehem, one can say that most of the city's neighborhoods are competitive, while in Lancaster or Allentown it might be appropriate to say that many of the city's neighborhoods are competitive. In some other cities, only a few neighborhoods are likely to be drawing their share of regional housing market demand. Identifying neighborhoods that have potential market assets and framing strategies to enable them to become more competitive within their regional housing markets may be an important strategy for such cities to pursue.

Homeownership. The third critical measure of housing market conditions is the strength of homeownership within the market as a whole. As Table 20 (on the next page) shows, the housing stock of all of these cities is largely made up of single-family structures (detached and attached); except for Scranton, 60 percent or more of each city's housing stock is single family, in many cases mostly row houses, reflecting their historical origins as offshoots of Philadelphia. Although the presence of rental housing is an important part of any housing market — and one- and two-family homes have always been a major part of the rental stock — maintaining a significant homeownership share may be critical for neighborhood stability. A declining homeownership rate in a neighborhood, either through slow, long-term decline or through rapid turnover, can lead to destabilization. This is particularly the case if the decline is precipitated by rapid turnover, which may be accompanied by speculative buying or flipping. If prices decline sharply, investors more interested in "milking" a property for its rental income and moving on, rather than responsible investors interested in retaining long-term ownership, may come to dominate the market (Mallach 2010).

While long-term trends can be tracked through the decennial census, as shown in Table 20, short-term change is harder to measure. No reliable and readily available source distinguishes directly between buyers for owner-occupancy and investor-buyers. Fortunately, it is possible to combine data on home sales and purchase mortgages to develop a good proxy measure. Since the great majority of owner-occupant buyers obtain mortgages, while an even larger majority of absentee buyers use cash or nonmortgage capital sources such as investment pools for their purchases, the ratio between total sales and mortgages in a given year becomes a surrogate for direct measurement of the number or percentage of absentee buyers.[48] In rough terms, if an area's ratio of sales to mortgages is below two to one, purchases in that area are likely to be dominated by owner-occupiers rather than

[48] According to data from the Campbell/Inside Mortgage Finance *HousingPulse* Survey for February 2011, 75 percent of investor home purchases are all-cash transactions. Government-backed mortgages (including FHA, Fannie Mae, Freddie Mac, and VA mortgages) in toto amount to only 7 percent of investor purchases, while 18 percent of transactions use some other type of financing, most of which is unlikely to be subject to reporting under the Home Mortgage Disclosure Act. It is important to stress that the ratio of sales to mortgages is an *approximation* of the relationship between absentee buyers and owner-occupiers, not an exact measure of the relationship. Roughly 20 to 25 percent of all owner-occupant homebuyers purchase their homes through all-cash transactions, a percentage that may be higher in areas with strong cash-based service economies or extremely low house prices.

TABLE 20
Homeownership Indicators

	Single-Family as Percentage of All Units (2005-2009)*	Change in Homeownership Rate (1950-2010)**	Ratio of Sales to Mortgages (2009)		Ratio of Sales to Mortgages Rank
			City	County	
Allentown	61%	-9%	2.63	1.60	6
Altoona	75%	2%	1.44	1.47	1
Bethlehem	68%	-4%	1.96	1.53	5
Camden	68%	-23%	4.20	1.74	12
Chester	71%	-12%	10.19	2.73	13
Harrisburg	61%	-9%	3.46	1.90	8
Lancaster	62%	-7%	1.77	1.58	4
Reading	63%	-15%	4.17	2.25	11
Scranton	54%	6%	1.71	1.37	3
Trenton	60%	-21%	4.04	1.71	10
Wilkes-Barre	64%	2%	3.91	2.43	9
Wilmington	64%	-3%	1.52	1.39	2
York	63%	-10%	2.80	1.52	7

*Includes one-unit detached and attached structures
**1950 homeownership rate minus the rate in 2010
NOTE: Calculations by the author
SOURCE FOR HOME SALES: 2009, Home Sales Data. Prepared by Boxwood Means. Distributed by The Reinvestment Fund's PolicyMap
SOURCE FOR UNIT TYPE: 2005-2009, American Community Survey: Table DP04. Prepared by the U.S. Census Bureau
SOURCE FOR HOMEOWNERSHIP: 1950, Census of Housing: Volume I-General Characteristics; 2010, Census Summary File 1: Table QT-H1. Prepared by the U.S. Census Bureau

investors; if the ratio is significantly higher than two to one, the converse is likely to be true.

Most of these cities have seen a steady erosion of homeownership since the 1950s. The exceptions are the three cities of Altoona, Scranton, and Wilkes-Barre, where a growth in the homeownership rate suggests another dimension of the pattern of "stability in decline" that appears to characterize those three cities. In some cases, as in Bethlehem or Wilmington, the decline in homeownership has been modest, while in others, most notably Camden, Trenton, and Reading, it has been precipitous.

Looking at the ratio of sales to mortgages in 2009, some cities appear to be drawing strong demand from owner-occupiers, most notably Altoona, Bethlehem, Lancaster, Scranton, and Wilmington. While this may not be true for all neighborhoods in these cities, it is true for many. In Lancaster, 11 of 15 census tracts had ratios of sales to mortgages of 2.0 or less in 2009, suggesting that homebuyer demand was widely distributed across that city. All five of these cities appear to have relatively stable homeownership trends, with ownership levels in Wilmington and Lancaster potentially rebounding from earlier declines.

At the other end, housing markets in Camden, Trenton, Reading, and, in particular, Chester appear to be dominated by investors. In 2009, although over 700 houses were bought in Chester, only 70 purchase mortgages were made in that city, 30 of which were made in two of the city's 14 census tracts. While in a market with a high vacancy rate and depressed prices, an uptick in home purchases by responsible investors can represent a sign of hope and foretell a possible turnaround in the housing market, the dynamics of these markets are such that responsible investors are likely to be the exception. House prices are low enough in Chester, as well as in many parts of the other three cities where investors dominate the market, to enable an investor to buy a house, pocket the rental income for a few years while putting little or no money into the property, and then walk away from the house with a profit realized entirely from cash flow. Because market conditions in these cities appear too unsettled to be drawing many responsible investors seeking steady cash flow and long-term appreciation, it is far more likely that investor purchases represent further decline rather than optimism.

Other cities show more mixed patterns. While Allentown and York continue to draw some demand from owner-occupiers, it is uncertain whether it is enough to sustain current levels; continued gradual erosion in these cities' homeownership rates is more likely. The fact that this demand exists, however, suggests that Allentown and York might be able to more readily mount strategies to increase that demand than might other cities, where the demand — reflecting a lack of consumer confidence in the city's quality of life or its future prospects — is far more limited. Wilkes-Barre presents a different uncertain picture. Although the homeownership rate in that city, as with Altoona and Scranton, has grown slightly on a long-term basis since the 1950s, the ratio of sales to mortgages suggests that erosion of its homeownership base may now be starting to take place.

At the same time, home buying remained relatively strong in nearly all of these 13 counties. Ten had ratios below 2.0, indicating housing markets in which home buying for owner-occupancy dominated and where purchases by absentee investors represent only a small share of the market. The only exceptions to this pattern were Berks, Delaware, and Luzerne counties. Notwithstanding some gradual erosion in the national homeownership rate in recent years, homeownership is and is likely to remain the dominant consumer preference in these cities' suburbs.

Local Economies

The extent to which a city, as a bounded geographic entity, is economically productive is a separate matter from the extent to which it may be housing and providing opportunity to a socially and economically successful population. Indeed, given the permeability of municipal boundaries when it comes to the economic functions of a city or region, one can legitimately ask what significance to attribute to the level of economic activity within an arbitrarily defined area within the region, as distinct from that of the region as a whole. While this is a legitimate question, the reality is that the distinctions created by those boundaries are significant in political, social, and fiscal terms. As long as that remains the case, the level of economic activity within these cities is relevant to their present and future well-being and thus needs to be considered separately from activity occurring within the region but outside the city limits.

While there is no clear definition that measures the economic productivity of a city, as distinct from the city's success in improving the social and economic conditions of its residents, it can be evaluated to some reasonable extent by looking at a number of indicators of economic activity, such as the number of jobs and business establishments and the level of activity in various economic sectors. In addition to providing estimates of the total number of primary jobs and the percent of jobs in the public sector, Table 21 (on the next page) also provides information on the size of the private-sector job base in these cities relative to their total population, a measure that both reflects the strength of economic activity within the city and the extent to which it performs a central role in its region.[49] Table 21 also shows each city's private-sector jobs location quotient relative to its surrounding county, which is calculated as the city's share of the county's private-sector jobs compared to its share of the county's total population. A job location quotient over 1.0 indicates that the city has a greater share of the county's jobs than of its population.

TABLE 21

Total and Private-Sector Employment (2009)

	Total Primary Jobs*	Private-Sector Primary Jobs	Percent of Jobs in Public Sector	Private-Sector Jobs Per Resident	City/County Private-Sector Job Location Quotient	Job Location Quotient Rank
Allentown	45,850	39,035	14.9%	0.33	0.79	12
Altoona	24,296	21,504	11.5%	0.46	1.32	5
Bethlehem	28,767	26,156	9.1%	0.35	1.36	4
Camden	32,444	21,218	34.6%	0.27	0.92	10
Chester	9,333	8,675	7.1%	0.26	0.83	11
Harrisburg	56,494	24,202	57.2%	0.49	1.03	9
Lancaster	35,877	32,427	9.6%	0.55	1.50	3
Reading	38,520	30,980	19.6%	0.35	1.09	8
Scranton	36,777	33,391	9.2%	0.44	1.20	7
Trenton	26,506	18,222	31.3%	0.21	0.53	13
Wilkes-Barre	18,412	16,813	8.7%	0.41	1.22	6
Wilmington	51,706	45,217	12.5%	0.64	1.54	2
York	26,406	22,841	13.5%	0.52	1.62	1

*A primary job is a worker's principal source of earnings (in those cases where the worker holds more than one job). There is only one primary job per worker. Excluded from this data set are federal civilian employees, uniformed military, and self-employed and informally employed workers.

SOURCE: 2009, LEHD Origin-Destination Employment Statistics. Prepared by the U.S. Census Bureau, Center for Economic Studies. Distributed by OnTheMap application, version 5.2.4. Private-sector jobs per resident calculated using Table P1 from the 2010 decennial census, prepared by the U.S. Census Bureau

Lancaster, Wilmington, and York have particularly high job location quotients, suggesting that they play a particularly strong role in their regional economies. None of these three cities are highly dependent on public-sector employment. Altoona and Bethlehem also have high job location quotients. Notably, however, only four cities — Allentown, Camden, Chester, and Trenton — have job location quotients below 1.0, reflecting a disproportionately low share of their counties' employment opportunities.

Table 22 illustrates the strength of two key economic sectors in these cities: retail and manufacturing. A number of cities are still either significant producers of manufactured goods or significant retail centers, or both. Altoona and, in particular, Wilkes-Barre continue to function as the retail centers for their relatively slow-growing regions, although both appear to be losing ground, as reflected in the loss of retail jobs, while York and Reading continue to have strong manufacturing bases. Only one city, however, appears in the top four in all three categories in Table 22: Lancaster — a net workforce-importing city that contains both a strong manufacturing base as well as a strong retail presence.

[49] The data in Table 21 are presented because of the significance of the issue, even though there are some reservations about the accuracy of the employment data. Those data, which come from the Census OnTheMap application, are drawn from data collected by the states from employers under the unemployment insurance program and reported to the Census Bureau under a co-operative agreement. Comparison of various data sets from this source on a year-over-year basis shows levels of volatility that do not appear to bear any relationship to identifiable changes in employment patterns, such as major plant closings. As a result, while gross totals are presented here, no trend analyses or more detailed sectoral analyses are included in this report.

While a strong manufacturing base is a valuable present asset, in that it may provide the city with tax revenues and a pool of relatively well-paying jobs for workers with limited formal education, its significance for the future of these cities is more uncertain. No city can reasonably assume that its manufacturing base is stable or likely to grow on its own and, thus, avoid the hard work of finding new economic engines. It is more likely that manufacturing will decline in the future rather than grow, and that the successful cities of the future will have diversified their economies significantly in other directions.

The presence of a strong job base within a city may or may not benefit the resident workforce, as large numbers of those jobs may be held by workers who commute from outside the city. As Figure 7 (on the next page) demonstrates, this is the case for cities such as Lancaster, Wilmington, and York. These cities are situated in relatively strong regions where the city contains only a small part of the region's population, and most local jobs are filled by workers commuting into the city. This is shown by the difference between "residents working in city" and "private-sector jobs" in Figure 7. At the same time, more jobs are likely to be created outside the city, drawing city residents to fill them. Only in the slow-growing regions on the periphery, notably those centered on Altoona and Scranton, are most local jobs likely to be filled by local residents. This phenomenon results in a seemingly paradoxical conclusion. While those last two cities do not have particularly large job bases relative to their populations, they have, as was noted earlier, relatively low unemployment rates. Cities like Wilmington, Lancaster, and especially York have much higher unemployment rates despite the far greater strength of their local job base.[50]

TABLE 22

Secondary Economic Activity Indicators

	Per Capita Retail Sales (2007)	Per Capita Retail Sales Rank	Change in Retail Employment (1997-2007)	Per Capita Value of Manufacturing Shipments (2007)
Allentown	$11,012	7	2%	$6,602
Altoona	$19,799	2	-14%	$4,913
Bethlehem	$9,294	8	13%	$20,137
Camden	$3,498	12	4%	$8,289
Chester	$2,783	13	-47%	N/A
Harrisburg	$11,325	6	-4%	$7,027
Lancaster	$16,029	3	10%	$25,586
Reading	$8,328	9	1%	$31,596
Scranton	$12,585	5	-33%	$8,706
Trenton	$4,738	11	-28%	$3,931
Wilkes-Barre	$45,271	1	-9%	$7,594
Wilmington	$15,606	4	12%	$5,607
York	$7,523	10	-13%	$64,064
Delaware	$15,816	–	18%	$28,599
New Jersey	$14,196	–	10%	$13,263
Pennsylvania	$13,135	–	3%	$18,488
U.S.	$12,689	–	11%	$17,290

SOURCE: 1997, Economic Census: Geographic Area Series, Retail Trade; 2007, Economic Census: Geographic Area Series, Retail Trade, Table EC0744A1; 2007, Economic Census: Geographic Area Series, Manufacturing, Table EC0731A1. Per capita retail sales and value of manufacturing shipments calculated using Table P1 from the 2010 decennial census, prepared by the U.S. Census Bureau

[50] A factor that may reinforce this pattern is the greater likelihood that people will migrate to places like Lancaster or Wilmington as compared to Altoona or Scranton in search of work, thus increasing the labor pool beyond the ability (at least in the short term) of the job base to absorb the additional workforce.

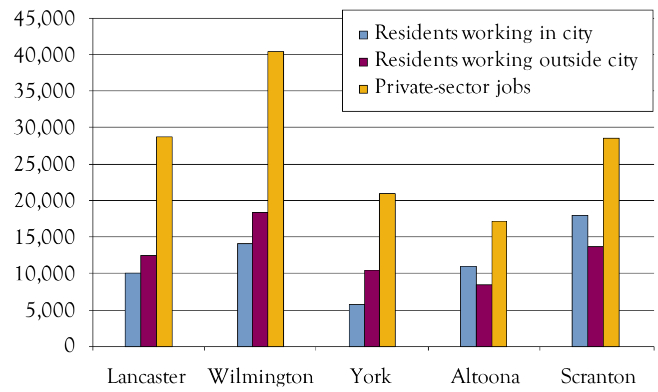
This has significant implications for public policy. It makes clear that creating jobs in a city, in and of itself, may have little or no effect on workforce opportunities for city residents. It also raises important questions about the most effective strategies through which to increase workforce participation and reduce unemployment among city residents: to maximize access to suburban job opportunities; to create additional jobs within the city — presumably with strategies to connect city residents to those jobs; or to increase the degree to which city residents can gain access to jobs already in the city, as they become available through turnover. This, in turn, demands that one gain a better understanding of why so few local jobs are held by local residents — whether it is a matter of preference, a matter of access, or a matter of a mismatch between skills and job opportunities, or some combination of all three.

The importance of local economic activity — as reflected by the measures described above — is further called into question by comparing city performance on those measures with city performance on measures of housing market strength and the social and economic condition of the population, such as unemployment, income, and educational attainment. Table 23 shows the correlation coefficients among the different variables used to inform the comparative city typology presented in the report's concluding section. Notably, while variables measuring housing market strength and social and economic conditions correlate strongly with one another, there is at most a weak relationship between either of those two categories and each city's performance on measures of local economic activity.

While recognizing the importance of locally based activity in many respects, the lack of a relationship between socioeconomic well-being and strong housing markets, on the one hand, and measures of the local economy, on the other, suggests the importance of the extent to which these cities are integrated into their regional economies. A weak local economy does not prevent its residents from finding gainful employment within the region, nor does it appear to reduce the regional appeal of its housing market or its neighborhoods, which is likely to depend on unrelated factors such as the character of the housing stock or the crime rate. This is likely to be particularly true with respect to small cities, where the suburbs are literally around the corner, and where high levels of automobile dependency and limited public transportation systems produce relatively equal access to city and suburb.

It is worth looking also at jobs by sector in these cities (Table 24, on page 50). While somewhat misleading, in that the data fail to include public-sector jobs, the table still provides a sense of how the local economies vary from one another. Reading, Chester, and York in particular still have relatively strong manufacturing bases,

FIGURE 7
Relationship Between Resident Workforce and Local Jobs



SOURCE: 2007, Economic Census: Geographic Area Series, All Sectors, Table EC0700A1; 2005-09, American Community Survey: Table B08016. Prepared by the U.S. Census Bureau

TABLE 23

Correlation Coefficients Among Measures of Social, Housing, and Economic Health

	Social and Economic Characteristics of the Population				Housing Market Strength			Local Economic Activity	
	Median Household Income	Economic Dependency Ratio	Unemployment Rate	Share of Adults with College Degree	Ratio of Sales to Mortgages	Median Sales Price	Vacancy Rate	Job Location Quotient	Per Capita Retail Sales
Median Household Income		0.86	-0.64	0.87	-0.63	0.90	-0.64	0.23	0.01
Economic Dependency Ratio			-0.84	0.79	-0.57	0.83	-0.62	0.27	0.28
Unemployment Rate				-0.74	0.60	-0.64	0.49	-0.41	-0.58
Share of Adults with College Degree					-0.55	0.83	-0.48	0.47	0.22
Ratio of Sales to Mortgages						-0.66	0.60	-0.53	-0.27
Median Sales Price							-0.84	0.39	0.06
Vacancy Rate								-0.40	-0.03
Job Location Quotient									0.33

NOTE: Cells are highlighted to indicate the significance level of the correlation: pink is significant at the 90 percent level; green is significant at the 95 percent level; and yellow is significant at the 99 percent level or higher.

although the figure for Chester is somewhat misleading because it is a large percentage of a minute figure; those three cities, however, are among the least successful of the 13 cities, as reflected in other economic indicators. Altoona and Wilkes-Barre continue to function as regional retail centers. Wilmington and Harrisburg, not surprisingly, have significantly higher professional employment levels than the other cities. Indeed, Harrisburg is notable for the disparity between its relatively strong economic performance and the generally weak social and economic condition of its residents.

Equally unsurprising is the importance of health care to the local economy. In 11 of the 13 cities, health care and social services employ 30 percent or more of the local private-sector workforce, and in two, Trenton and Camden, they employ half or more. Table 24, coupled with the information on the share of public-sector employment, reflects the extent to which most of these cities' economies are driven by the combination of what are known as "eds and meds," social services, and government.

This point is reinforced by data on the top 10 employers by sector for the counties containing the 10 Pennsylvania cities in this study, with the employers in government, health care, education, and social services highlighted (the information presented in Table 25, on the next page, is unavailable for cities). The only county in which fewer than half of the top 10 employers are in those sectors is Lancaster. Nine of the top 10 in Lackawanna County (home of Scranton) are in those sectors, beginning with Pennsylvania state government, followed by a nonprofit (but largely government-funded) social service provider, the Scranton public school district,

TABLE 24

Select Employment Sectors as a Percentage of All Private-Sector Employment (2007)

	Manufacturing	Retail Trade	Professional, Scientific, and Technical Services	Health Care and Social Assistance	Accommodation, Food Service, and Arts and Entertainment
Allentown	8%	13%	5%	38%	10%
Altoona	6%	25%	5%	35%	11%
Bethlehem	19%	11%	4%	32%	11%
Camden	15%	6%	3%	55%	4%
Chester	31%	6%	4%	34%	6%
Harrisburg	5%	12%	14%	30%	12%
Lancaster	18%	17%	6%	33%	10%
Reading	31%	11%	7%	20%	9%
Scranton	10%	14%	10%	34%	12%
Trenton	9%	8%	6%	50%	6%
Wilkes-Barre	6%	22%	5%	36%	11%
Wilmington	4%	10%	22%	27%	10%
York	26%	7%	8%	34%	8%
Delaware	9%	15%	6%	15%	10%
New Jersey	9%	13%	9%	14%	10%
Pennsylvania	13%	14%	6%	18%	10%
U.S.	12%	13%	7%	14%	12%

NOTE: Employment totals for sectors within some cities are provided as a range. In these cases, the midpoint of each range is used. Rows do not sum to 100 percent because not all employment sectors are included.
SOURCE: 2007, Economic Census: Geographic Area Series, Economy-Wide Key Statistics, Table EC0700A1. Prepared by the U.S. Census Bureau

the Community Medical Center, and the Moses Taylor Hospital. Even in the more diversified Northampton County economy, where Bethlehem is situated, the top three employers are Lehigh University, the county government, and the Bethlehem public school district. These employers are disproportionately likely to be located in these counties' central cities.

The central role of health care, education, and government in these cities' economies is both an asset and a risk. While health care has grown significantly in recent years and contains a highly diverse mix of jobs with respect to educational

TABLE 25

Top Ten Employers by Sector and County (2010)

County City	BERKS Reading	BLAIR Altoona	DAUPHIN Harrisburg	DELAWARE Chester	LACKAWANNA Scranton
1	Manufacturing	Health	Government	Manufacturing	Government
2	Health	Government	Health	Health	Social Services
3	Education	Education	Manufacturing	Government	Education
4	Government	Retail HQ	Tourism	Distribution	Health
5	Manufacturing	Goverment	Health	Education	Health
6	Government	Retail	Goverment	Government	Education
7	Retail	Government	Manufacturing	Education	Government
8	Retail HQ	Wholesale	Government	Retail HQ	Health
9	Health	Education	Distribution	Tourism	Government
10	Education	Education	Education	Health	Financial

*Crayola engages in manufacturing and tourism activities in Northampton County, with facilities in both Easton and Bethlehem.
NOTE: Employers in government, health care, education, and social services are highlighted.

requirements and skill levels, it is heavily dependent on transfer payments — largely from government but also from the private insurance industry — and susceptible to public policy changes, as are social service and education providers. Similarly, local government, particularly in cities with constrained and often shrinking fiscal resource bases, is more likely to shrink than to grow over the coming years.

One other issue that deserves note because of its significant implications for future economic vitality is the worsening fiscal condition of these small industrial cities. Trenton and Camden, facing declining levels of state aid, have both laid off large numbers of municipal workers during the past two years, including many police officers and firefighters. While Pennsylvania's cities have benefited from a greater diversity of revenue sources than their New Jersey counterparts, as well as from typically smaller local government employment bases, they have not been immune from fiscal stress. Lancaster has only recently dug itself out of a deep financial hole, while both Reading and Harrisburg[51] are experiencing severe financial difficulties. Even relatively prosperous Wilmington, with strong wage-tax revenues, while avoiding layoffs, abolished 13.3 full-time-equivalent positions in its fiscal 2011 budget.[52]

The fiscal pressures facing these 13 and many other older cities reflect a structural problem arising from a limited and often shrinking revenue base, substantial fixed costs for service delivery, and massive legacy costs associated with obligations for pensions and retiree health benefits (Mallach and Scorsone 2011). Steps taken to balance the budget that, in turn, reduce the quality of service delivery, infrastructure, or the physical environment may also jeopardize the future revitalization prospects of these cities. Given the extent to which the municipal revenue base is determined by state law and the extent to which these cities rely on state assistance, this issue may ultimately need to be addressed at the state, rather than the local, level.

[51] Harrisburg's structural financial problems were vastly exacerbated by the collapse of a large, complex and highly risky debt structure associated with a massive incinerator project. The sheer magnitude of the incinerator debacle, which has left the city with a debt of nearly $300 million, places Harrisburg in a separate category from other Pennsylvania cities. As of this writing, the state has declared a financial emergency in Harrisburg and has taken control of the city's finances.

[52] http://www.wilmingtonde.gov/docs/165/FY11Budget.pdf, accessed January 29, 2012.

LANCASTER Lancaster	LEHIGH Allentown	LUZERNE Wilkes-Barre	NORTHAMPTON Bethlehem	YORK York
Health	Health	Government	Education	Health
Insurance	Health	Government	Government	Government
Manufacturing	Temp Agency	Government	Education	Government
Wholesale	Manufacturing	Health	Insurance	Retail
Government	Education	Health	Education	Retail
Health	Government	Temp Agency	Education	Manufacturing
Retail HQ	Manufacturing	Education	Tourism	Manufacturing
Education	Health	Retail	Government	Manufacturing
Manufacturing	Education	Tourism	Retail	Health
Real Estate	Government	Retail	Manufacturing/Tourism*	Health

SOURCE: 4th Quarter 2010, Pennsylvania Top 50 Employers. Prepared by the Center for Workforce Information and Analysis, Pennsylvania Department of Labor & Industry

CHAPTER 5

CONCLUSION:
PRESENT REALITIES AND FUTURE CHALLENGES

The foregoing sections of this paper have explored the growth, the subsequent decline, and the current social, physical, and economic conditions in 13 cities in the Federal Reserve's Third District. All of these cities followed largely similar trajectories for much of their history, sharing a common course of late 19th and early 20th century growth spurred by industrialization, and then decline after 1950 triggered by a combination of suburbanization and the loss of most of each city's manufacturing base. While there were many variations from one city to the next, the historical similarities outweighed the differences.

Despite those roughly parallel trajectories, the most notable conclusion from an assessment of those cities today is not their similarities but their differences. With respect to both their present conditions and their prospects for the future, the variation between these cities is considerable; Wilmington and Bethlehem are in an entirely different economic realm than Chester or Camden, while Altoona, Scranton, and Wilkes-Barre are following a course distinct from the other 10 cities.

Some clear trends that may carry weight for the future are already visible. One such trend that is particularly significant is the dramatic increase in immigration in some cities, most notably Allentown and Reading, and in contrast, the relative absence of immigration and the continued population decline in the District's more geographically isolated cities: Altoona, Scranton, and Wilkes-Barre. Another is the significant variation between cities in the loss of their industrial sector; manufacturing is still a significant employer in York, followed by Reading, Lancaster, and Bethlehem. The persistence of manufacturing does not, however, translate to economic success, as the continuing distress of York and Reading clearly demonstrate.[53]

No single factor leads to urban success. Bethlehem's revitalization may owe much to Lehigh University, but in quantitative terms, Lehigh is not markedly different from Rutgers-Camden or Widener University in Chester, both located in deeply distressed cities. Harrisburg and Trenton are state capitals, but — except perhaps to argue that both might well be worse off without the state presence — it is hard to make a case for state government as a springboard for urban economic vitality.

[53] Indeed, one could argue that the persistence of manufacturing is an impediment to a transition to a post-industrial economy, which is arguably inevitable sooner or later. It is notable that Pittsburgh, the most successful in many respects of the major cities that have lost particularly large shares of their peak population, has today the lowest share of its workforce in manufacturing of any major shrinking city, reflecting the extent to which it has made the post-industrial transition.

Rather than try to classify the ingredients for success, however, it may be more useful to put the cities into distinct categories and explore the differences between them, in the hope that such an exercise will in fact illuminate many of the factors associated with successful revitalization in future research on the topic. To that end, Table 26 ranks and categorizes these 13 cities on the basis of nine indicators of community economic health and vitality. While these are not the only variables that could be used for this purpose, they represent a reasonable starting point for a comparative assessment of these cities.

The variables presented in Table 26 are designed to measure three separate areas that contribute to the overall health and vitality of a city: the social and economic condition of its residents; the strength of its housing market; and the level of locally based economic activity. Although, as discussed earlier, the relationship between locally based economic activity and other measures of urban vitality is uncertain, the level of economic activity inside the city is nonetheless an important element of urban health, with potentially significant implications for tax revenue, quality of life, and employment, particularly for the city's low-skill and low-mobility workers (Lynch and Kamins 2011).

TABLE 26

Comparison of Cities on Nine Measures of Economic Vitality

	Resident Social and Economic Condition			
	Median Household Income	Economic Dependency Ratio*	Unemployment Rate	Share of Adults with College Degree
Rebounding Cities				
Bethlehem	1	1	2	2
Wilmington	2	4	7	1
Lancaster	7	8	8	5
Declining but Stable Cities				
Altoona	6	2	4	7
Scranton	5	3	1	3
Wilkes-Barre	10	5	3	8
Coping Cities				
Allentown	3	6	5	6
York	9	10	9	10
Harrisburg	8	9	6	4
Struggling Cities				
Trenton	4	7	10	9
Reading	11	12	11	12
Camden	12	13	13	13
Chester	13	11	12	11

*See Table 11 for explanation of measure.

**See Table 20 for explanation of measure.

NOTE: Ranks 1 through 4 are highlighted. Refer to the text for an explanation of the four categories.

A Typology of Cities

This section presents a typology of these cities and offers some preliminary observations on some of the factors that may have led to progress, in some cases, or the absence of progress, in others. No fewer than four categories are needed to accurately characterize these 13 cities, including a distinct category for Scranton, Wilkes-Barre, and Altoona, which have been singled out for their unusual juxtaposition of severe long-term population loss coupled with relative strength with respect to many measures of social and economic health. A closing section will identify some of the key themes that each of these cities should likely consider as they craft future revitalization agendas and initiatives.

Rebounding Cities: Bethlehem, Wilmington, and Lancaster. These cities are rebounding strongly from deindustrialization and appear to be building a strong post-industrial future on their economic assets. Bethlehem and Wilmington clearly fall into this category, although their progress to this point – particularly that of Wilmington – may be partial, and the benefits of that progress unevenly distributed. A third city included in this category, although its progress is less clear-cut, is Lancaster. Lancaster appears to be building strongly on its assets, although the economic well-being of its residents lags its progress in economic and housing market activity. Since many examples of these three cities' progress

Housing Market Conditions			Local Economic Activity		**Composite**	
Ratio of Sales to Mortgages**	Median Sales Price	Vacancy Rate	Job Location Quotient	Per Capita Retail Sales	**Score**	**Rank**
5	1	1	4	8	**25**	**1**
2	3	8	2	4	**33**	**2**
4	4	2	3	3	**44**	**5**
1	6	4	5	2	**37**	**3**
3	5	5	7	5	**37**	**3**
9	9	11	6	1	**62**	**7**
6	2	3	12	7	**50**	**6**
7	7	6	1	10	**69**	**8**
8	8	12	9	6	**70**	**9**
10	10	9	13	11	**83**	**10**
11	12	7	8	9	**93**	**11**
12	11	10	10	12	**106**	**12**
13	13	13	11	13	**110**	**13**

have been mentioned already, their discussion here will be brief.

Locational advantages are significant for all three cities. Wilmington is able to capitalize on its position in the heart of the New York-Washington corridor, as well as the unusual circumstances that have made Delaware in general, and Wilmington in particular, an attractive location for financial services firms. As noted earlier, Wilmington's role in the financial services industry is a direct outcome of a distinctive body of statutes enacted by the state of Delaware. Bethlehem is located in a strong sub-region and also benefits from proximity to the economic engine of New York and northern New Jersey. Lancaster's principal locational advantage is its position in the heart of the major tourist destination known as Amish country, which may be less economically advantageous than the locations of Wilmington and Bethlehem.

Wilmington and Bethlehem both have an economic base unrelated to arts, tourism, or entertainment, while Lancaster's other economic assets are more modest. Looking at institutions of higher learning, Lehigh University is a major factor in Bethlehem, and Lancaster has effectively leveraged the more modest asset represented by Franklin & Marshall College, while Wilmington does not have a major academic presence.

In the final analysis, it appears that all three of these cities have been able to adopt and carry out long-term, focused redevelopment strategies, whether with respect to the emerging multifaceted reuse of the Bethlehem Steel Works, Lancaster's arts- and tourism-driven strategy, or Wilmington's downtown and riverfront revitalization. Few similar cities, either among those described in this paper or elsewhere, can point to comparable sustained efforts.

Declining but Stable: Altoona, Scranton, and Wilkes-Barre. A strong association has been found between significant population loss, on the one hand, and high levels of poverty and unemployment, on the other (Vey 2007, Brachman and Mallach 2010). Cities such as Detroit, Flint, Gary, and Youngstown, which have not only lost the greater part of their peak population but have highly elevated poverty and unemployment rates, as well as housing markets that are largely in a state of collapse, are widely seen as the prototypes for shrinking cities. Altoona, Scranton, and to a lesser extent Wilkes-Barre, however, may offer a different model of the shrinking city, in which considerable population loss may take place without stimulating similarly dire social and economic consequences.

As shown in Figure 8, all three of these cities have lost over 40 percent of their peak population, while Wilkes-Barre has lost over half of its peak population, a trajectory similar to cities like Flint and Buffalo or, in this analysis, Chester. Scranton alone shows signs that its population decline may be leveling off, with a loss of only 300 people, or roughly 0.4 percent of its 2000 population, between 2000 and 2010. Despite this population loss, these cities, particularly Scranton, are performing well compared to most of their Third District peers, as seen in Table 26. Their unemployment and poverty rates are among the lowest of any of these cities, while Scranton is the only city with an unemployment rate lower than the statewide rate. Scranton, overall, appears to be the healthiest of these three cities, with Wilkes-Barre suffering greater distress as well as greater economic uncertainty. Although one must take such rankings with a grain of salt, it is interesting to note that the Scranton/Wilkes-Barre area was recently picked by MSN Real Estate as one of America's "ten best places to start over."[54]

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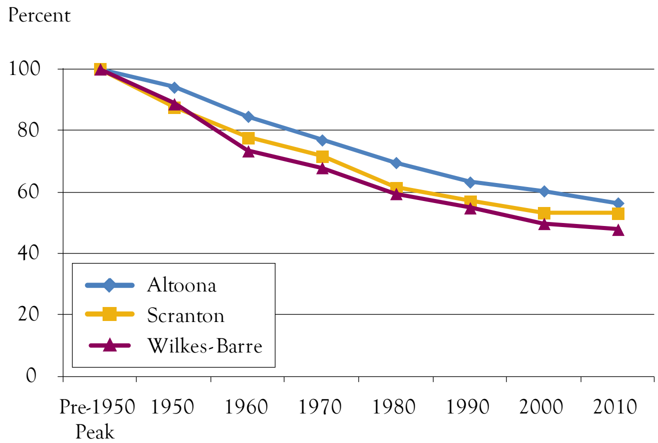
[54] http://realestate.msn.com/10-best-places-for-starting-over?gt1=35011#2, accessed October 25, 2011.

FIGURE 8
Population Trends for "Declining but Stable" Cities Peak Year to 2010



NOTE: Population from 1950 to 2010 is shown as a percentage of the city's peak population.
SOURCE: 1960, Census of Population: Volume I-Characteristics of the Population; 1990, Census of Population and Housing: Population and Housing Unit Counts; 2000, Census Summary File 1: Table P001; 2010, Census Summary File 1: Table P1. Prepared by the U.S. Census Bureau

While this subject demands more investigation, it appears that the sustained, gradual decline of these cities' economies has been paralleled by a similar decline in their population and aging out of their workforce, and that, for whatever reasons, these cities maintained a higher level of social and economic stability in decline. Indeed, these three cities are the only ones of the 13 in which the homeownership rate increased between 1950 and the present. They did not experience either the massive flight of the middle class or the collapse of the retail sector that took place in cities like Trenton and Reading, and they have retained a greater percentage of their historical share of the regional population as well as retail activity.

The argument that these cities appear to be stable is not offered to minimize the importance of the efforts that these cities are making to foster revitalization or, alternatively, to suggest that these cities lack serious social and economic problems. They have many problems, but they also have valuable assets, including clusters of higher education institutions, waterfronts, and historic districts, all of which are playing important roles in maintaining the quality of life and creating economic opportunities in these cities.[55] For example, with substantial funding support from the state of Pennsylvania, a new medical school has recently opened in downtown Scranton, which already appears to be leading to increased residential reuse of many of the city's old and formerly empty downtown buildings.[56] Other shrinking cities, however, that exhibit far more serious economic problems have similar assets. It is likely that the relative health of these three cities is a reflection of important underlying social and economic dynamics as well as the quality of local leadership, a subject well worth further study.

Coping Cities: Allentown, York and Harrisburg. These three cities occupy a middle ground among the 13 in terms of their economic condition. Although they have not shown signs of revival comparable to those seen in Wilmington or Bethlehem, their economic conditions are such that growth and revitalization would appear to be achievable goals over the coming years, although in the case of Harrisburg, revitalization may be set back by the effects of the city's dire fiscal condition. All three cities retain relatively strong downtowns, although downtown Allentown, which historically was the retail and service center of the Lehigh

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[55] Scranton and Wilkes-Barre may also benefit from the natural gas drilling occurring in the nearby Marcellus Shale region, although this remains to be seen. Wyoming County, which is located in the Scranton/Wilkes-Barre MSA, has seen much more activity than Lackawanna and Luzerne counties to date (Institute for Public Policy and Economic Development 2011); it is therefore unclear whether or when natural gas drilling in the Marcellus Shale region will have any spillover effects – positive or negative – on these cities.

[56] Interview with Scranton Mayor Chris Doherty, January 31, 2012.

Valley, has been losing ground to Bethlehem in recent years.[57] Perhaps because the city's downtown retained a strong regional market position until late in the century — Hess's, the city's flagship department store, did not close until 1996 — Allentown has been slower to frame strategies to maintain the area's vitality, although recent plans to locate a new sports arena on Hamilton Avenue are meant to be a step in that direction.

Downtown Harrisburg has benefited from the efforts of the Harristown Development Corporation described earlier and, most probably, from the presence of state government. York has seen a growing number of small-scale redevelopment efforts in and around downtown, including progress on the flagship Northwest Triangle project. Given the city's rich historic texture, effective leadership coupled with the energy of local entrepreneurs could lead to activities that could have a transformative effect on York in the future, even without a "blockbuster" megaproject comparable to the reuse of the Bethlehem Steel Works. York also retains a strong employment base – including a substantial manufacturing sector – relative to its population. York's locational assets, such as its proximity to the tourist destinations in Gettysburg, are significant and arguably not much inferior to those of its sister city Lancaster, which has leveraged its assets to far greater advantage.

In other respects, the three cities have little in common. Harrisburg is a shrinking city, having lost 45 percent of its population since 1950 (although showing a slight gain between 2000 and 2010), while Allentown is at its peak population today, as a result of sustained Latino in-migration over the past two decades. York falls in between and is also seeing a growing Latino community, albeit at a more modest scale than in Allentown. While the integration of the newly arriving Latino population, which is likely to become the majority of the city's population by the next decennial census, is causing significant strains to Allentown's social fabric, it may well become a source of strength and growth in the future both there and in York.

Struggling Cities: Trenton, Reading, Camden, and Chester. The remaining four cities all show signs of deeper distress and fewer encouraging signs of revival than those described above. Trenton may be seen as underperforming relative to its peers. Although it is located in an economically strong region, with regional rail connections superior to those of any of the other 12 cities, and is New Jersey's state capital, the city is cut off from the Delaware River by a major highway and lacks a residential college or university or a medical center of more than local significance. Despite a history of efforts at urban revival – including sporadic proposals since the late 1980s to reconfigure the highway to restore the city's link to the river – Trenton currently appears to have few, if any, initiatives planned or under way that are likely to lead to meaningful change, either in its downtown or in any of the city's neighborhoods, nor does the city's current level of political and civic leadership offer much hope for improvement in the near future (Manahan 2012).

Trenton does benefit from its regional location in one important respect, in that the city's population is able to participate in a strong regional economy. This appears to have particularly benefited the city's Latino population, which is the most prosperous of any of these cities. In the absence of evidence to the contrary, it is far more likely that this reflects the region's employment and

[57] In the course of interviews conducted in Allentown, one local business leader commented, "Downtown Bethlehem is eating Allentown's lunch."

business opportunities rather than any intentional public or private strategy or material differences in the underlying characteristics of the city's immigrant Latino population. The vitality of the city's Latino community forms a sharp contrast to the condition of the city's African-American community, which appears to be increasingly marginalized as more affluent and better-educated African-American households move out of the city to its suburbs.

Largely because of the greater economic well-being of its population, Trenton stands out modestly from the other three cities in this category and might be considered a borderline case between "coping" and "struggling" cities. Camden, Chester, and Reading fall into a distinct and troubling sub-category, exhibiting particularly severe levels of poverty and disinvestment, with few resources and assets with which to address what appear to be overwhelming problems. In contrast to many of the other cities, which showed a mix of positive and negative features on the measures in Table 26, these three cities show consistent weakness across all of the areas investigated: high poverty and unemployment, low educational attainment, weak local housing markets, and limited local economic activity. Reading fares somewhat better than its counterparts on the last measure, as it still retains more of both manufacturing and retail activity than Chester, Camden, or Trenton. That appears, however, to have little effect on alleviating the extreme poverty of much of its resident population. In recent years, 34 percent or more of the residents of Chester, Camden, and Reading had income below the poverty threshold, and the unemployment rate exceeded 15 percent in all three cities.

Camden would appear to have a body of assets capable of spurring major change. In addition to its proximity to Philadelphia, the city has a well-regarded, medium-sized university; two regional medical centers; good highway, light, and commuter rail service; and an impressive cluster of waterfront visitor destinations, including an aquarium, a baseball stadium, a music venue, and the historic battleship *USS New Jersey*.

The presence of these assets appears to have done little to affect Camden's social, economic, or physical conditions. In contrast to New York City and Washington, D.C., Philadelphia is not an economic engine capable of fostering growth in the distressed communities within its region. The hundreds of millions of dollars spent by the state of New Jersey to build facilities on Camden's waterfront have had little or no transformative effect; referring to the state's substantial investment in the Adventure Aquarium, one reporter commented, "Thanks to $25 million in recovery money, America's poorest city now has hippos" (Katz 2009). Isolated from each other and from the rest of the city, these waterfront venues draw visitors who come to specific events or exhibits and then leave, in contrast to the visitor destinations in Lancaster or Bethlehem, which are better integrated into the physical and economic fabric of those cities.

During the preceding decade, indeed, the state of New Jersey invested a remarkable level of money and attention in Camden. Between 2006 and 2010, the state provided an average of $115 million per year to support municipal operations, or roughly two-thirds of all city government costs, and between $250 and $300 million per year to support the Camden school district, over 90 percent of total school costs. Total local tax collections for city services amounted to roughly $20 million per year, covering less than 15 percent of the city budget (CamConnect 2010). In conjunction with the state takeover of Camden city government in 2002, the state legislature approved $175 million in bonds to finance redevelopment in the city. Other state investment – in housing, infrastructure, and other facilities – over the decade is far greater.[58]

The state's expenditures appear to have led to little or no change in Camden's current realities or underlying conditions. Poverty, unemployment, and abandonment are endemic, while public services remain badly inadequate. Today, the city owns over 10 percent of the city's land and building parcels, while an additional 25 percent or more are tax delinquent and eligible for foreclosure. Not only are many of the city's parcels tax-exempt, but many owners of properties on the tax rolls have long since ceased paying taxes. With the state cutting back on local government assistance as a result of its own fiscal difficulties, Camden has been forced to make drastic cuts to public services, including laying off 163 police officers, or nearly half of the city's police force, with severe effects on the level of police services and potentially on criminal activity (Goldstein 2011).[59]

Chester's profile is not unlike that of Camden. Chester has a university of similar size as well as commuter rail service to Philadelphia. Waterfront development, including a Harrah's casino and a major league soccer stadium, has taken place, but its impact on the rest of the city remains uncertain. In recent years, a growing civic commitment by Widener University has led to its taking the lead in developing two significant projects: University Crossings, a mixed-use development adjacent to the campus including a hotel, housing, and retail facilities; and the University Technology Park, a 20-acre planned technology campus. Most recently, the Department of Housing and Urban Development has selected Chester as one of six pilot cities for its new Strong Cities, Strong Communities (SC2) initiative, which will provide the city with strong technical staff support but with no new money to further the city's economic development.[60]

Reading appears to have retained more economic assets than Camden or Chester, including a stronger downtown job and activity base and some neighborhoods, such as Center Square, that remain attractive to middle-class households. It is hindered, however, by its location in a relatively weak economic subregion. Despite the history of the Reading Railroad, famous to Monopoly players, Reading today has no rail service, although extension of SEPTA commuter service to Philadelphia from its current terminus in Norristown has been under discussion for some time. Reading is also confronting the reality of integrating a significant influx of Latino households, without the economic base – either in the city or its surroundings – to offer them adequate economic opportunities.

While Reading, unlike Camden and Chester, has actually gained population since the early 1990s, it has continued to fall behind economically, to the point that it was recently proclaimed the "poorest city in the country," in terms of its percentage of residents living below the poverty level (Tavernise 2011).[61] Reading is also in severe financial difficulty.

[58] State investment also included construction of Riverfront State Prison, an ill-considered 1,100-bed state prison on a prime Delaware River waterfront site in 1985. The prison was demolished in 2009, and the site is now potentially available for redevelopment.

[59] Anecdotal reports by Camden residents late in 2011 suggest that these fears are being borne out.

[60] http://hudhousinghandbook.com/2654/sc2-strong-cities-strong-communities/, accessed October 26, 2011.

[61] It should be noted that this finding, which appears to use the one-year 2010 American Community Survey as its source, is based on a relatively small sample and is subject to a wide margin of error, something that is acknowledged, but only in passing, in the article.

In November 2009, the state of Pennsylvania designated the city as financially distressed under the provisions of Act 47; the city is now operating under a five-year recovery plan that will involve both significant tax increases and budget reductions (Public Financial Management 2010).

Ultimately, though, all of these cities are in a similar bind. The combination of poverty, lack of economic opportunity, housing market collapse, and insufficient fiscal resources to provide an adequate level of public services makes the prospect of revitalization through local initiative appear remote. Some years ago David Rusk argued that certain cities reach a "point of no return," based on a combination of population loss, minority population share, and suburban-urban income disparity. While the criteria Rusk selected are highly debatable,[62] his principle is sound; beyond some level of cumulative decline in wealth, income, and opportunity, the ability of a community to rebound without substantial outside assistance, if at all, becomes questionable. The implications of this for public policy have still not been fully assimilated by policymakers in either state or federal government.

Facing the Challenge: Six Themes for the Future

The 13 older manufacturing cities in the Third Federal Reserve District will all face daunting challenges over the coming years. Even the most successful of them may find it difficult to maintain the momentum of their revitalization efforts in the face of sluggish economic growth and weak housing demand, while those that have lagged behind may find it even more difficult to initiate revitalization efforts in the challenging economic climate likely to characterize the American economy over the next five or more years. If they are to do so, more than anything else they will need to define and pursue a sustained, coherent strategy for change. While this paper will not present an agenda for the future of these cities or define what such a strategy would look like, this closing section identifies six themes, or strategy areas, that are likely to be central to their future and which may serve as a starting point for the process of developing that agenda. The first four flow directly from the foregoing analysis of these cities, while the last two are based in large part on the author's observations, experience, and reading of the literature on urban revitalization.

1. Build the middle class

Ultimately, for these cities to become sustainable communities, they must build a more economically diverse population and a more skilled, competitive workforce both by bringing more of their residents into the middle class and by drawing a larger share of middle-class households into the city. As Mark Muro and his colleagues wrote about similar cities in Massachusetts, which they dubbed Gateway Cities, "Cultivating the middle-class workforce of tomorrow will be crucial in improving the lives of individual citizens, the productivity of the Gateway Cities, and the vibrancy of the entire state's economy" (Muro et al. 2007). It is crucial not only for these cities' productivity but for their very survival as viable social and economic entities.

This is likely to require a variety of strategies. At one level, it is an education issue. In many of the Third District's older cities, much of the adult population lacks the education and skills training that would enable them to compete effectively for skilled employment and to move out of poverty or

[62] Six of the 13 cities in the study fit all three of Rusk's criteria for having passed the point of no return, including Wilmington, which has seen significant revitalization.

near-poverty. Not only is it critical to help them gain those skills – which may often include English language proficiency – but it is equally important that the younger generation of urban residents obtain the education they need so that they too can compete. While some may leave these cities at that point to find opportunity elsewhere, others will remain and enrich their community.

Building the middle class is also a housing and neighborhoods issue. It is closely linked to the process of building what have come to be known as "communities of choice": neighborhoods where people want to live, rather than neighborhoods of last resort where people live because they lack money or options (Mallach 2008). Cities need to encourage upwardly mobile residents to remain in their neighborhoods, buying homes or improving those they already own and building their wealth and assets; cities, too, should encourage people from the rest of the region – or moving into the region – to locate in the city by building on the city's assets as well as the distinctive assets of individual neighborhoods.

Finally, building the middle class is a function of the economic opportunity that the city and its region offer its residents. If the city and region fail to offer opportunities for well-educated graduates, they will leave to find opportunity elsewhere. This is a particularly urgent issue for cities that are seeing an influx of new immigrants but is important everywhere. In this respect, as in many others, the city and its region are closely interconnected; cities may find it as valuable to improve their residents' access to suburban jobs as to devote resources to creating jobs within the city.

2. Integrate newly arriving communities and address racial/ethnic disparities

Building the middle class in these small manufacturing cities is inextricably linked to the task of reducing racial and ethnic disparities and integrating the cities' growing number of new residents with ethnic and cultural backgrounds different from those of the existing populations. The two issues are closely related, yet different; one may take precedence in some cities, and the other in other cities.

Perhaps the most significant demographic change in many, but not all, of these cities during the past two decades is the growth of the Latino population, which has tripled since 1990 and now stands at 30 percent of the total population of the 13 cities. While some members of this population are immigrants from outside the United States, others have moved to the continental United States from Puerto Rico, and still others may be the children or grandchildren of earlier immigrants. As was noted earlier, Latinos make up a majority of Reading's population and a major part of the population of Allentown, Camden, Lancaster, Trenton, and York. Over the coming decades Latinos are likely to become the majority population in many of these cities. As a recent article about the region describes it:

> In this area, Hispanic community members and ethnic organizations have brought dramatic culture change. Downtown centers brim with signs in Spanish pointing to corner bodegas (grocery stores), travel agencies and money-wire services. Local police officers enjoy $1 tacos on Tuesdays at Taquería Los Amigos in Allentown, and a Dominican establishment, Mi Casa Su Casa, in Reading offers empanadas (turnovers) with lattes. Passing cars reverberate with the modern salsa beats of cumbia music or hip-hop-influenced reggaeton blasting from a 24-hour, FM Spanish-language radio station (Anthony and Meliker 2011).

Interviews with residents and leaders in Allentown and Reading suggest that the growth in the Latino population, the culture change they present, and the speed by which the change has taken place have created many strains between Latino and non-Latino residents; these strains represent a generational shift as well, particularly where a predominantly young Latino community is living side by side with an aging non-Latino white community. While Allentown and other cities are making efforts to bridge this gap, it will require a long-term sustained commitment to ensure that as Latino children reach their teen and young adult years, they can gain access to a variety of educational and employment opportunities and avoid the plagues of crime and drugs present in these cities as elsewhere.

Much of the Latino migration to eastern Pennsylvania cities appears to be "secondary migration"; that is, the move is not a direct one from the migrant's homeland but rather a second step often some time after arriving in the United States (or the continental United States, since many in-migrants are Puerto Rican), usually from the New York City area. As such, it appears to be driven more by a search for a decent yet affordable community than by economic opportunity. Both Allentown and Reading, the two major focuses of in-migration, have an ample stock of modest but generally solid housing, mainly two- and three-story brick row houses, selling or renting for prices far below their counterparts closer to New York. These cities are also seen as offering a more relaxed quality of life, more suitable for rearing a family, than New York City (Kugel 2006).[63]

The downside of this form of secondary migration is that it does not necessarily bring economic opportunity along in its wake. After making this secondary move to a new community, the migrant begins to look for work or, in some cases, an opportunity to start a new business. In an economy where good jobs are scarce, she may take a job for less pay or one demanding less than her full skill level, or she may commute as much as two hours each way to work in the New York area. Her options are much greater in Allentown, which is more accessible to New York and northern New Jersey and offers a stronger regional job market than Reading. A scarcity of accessible job opportunities increases the risk that migrants will be or remain poor and suffer from high unemployment, a particular challenge when combined with language and cultural barriers.

While the Latino population in many of these cities is skyrocketing, the same cannot be said for their African-American populations. Of the five cities with historically large African-American communities, the African-American population dropped by almost 5,500 in Camden, roughly 2,500 in Chester, just under 900 in Harrisburg, and 300 in Trenton between 2000 and 2010. It grew only in Wilmington, and there only by a little more than a hundred people.[64] Moreover, while smaller African-American communities were recording significant income gains in some other cities, most notably Allentown and Bethlehem, the populations in the five cities with the largest communities were becoming markedly poorer. In Chester and Wilmington, the median income for African-

[63] In addition to the interviews quoted by Kugel (2006), this point was repeatedly made by both Latinos and non-Latinos in interviews in Allentown in 2009.

[64] Estimates of population growth and decline reported in this section are based on a comparison of the census 2000 and census 2010 counts of those identifying themselves racially as African-American only, of any ethnicity.

American households declined in current dollars, while in the other three cities it grew only nominally, well below the rate of inflation.

It is likely, as was noted earlier with respect to Trenton, that the impoverishment of these African-American communities does not reflect income loss within a constant pool of households, but rather a socioeconomic shift within the community in which better educated, more affluent African-Americans are moving to the suburbs and the urban African-American community is becoming increasingly marginalized. The consequences of this shift for the future of these cities – socially, economically, and politically – are potentially both important and problematic. Retaining or recapturing the African-American middle class should be part of the larger agenda of building the middle class in these cities.

3. Leverage assets and public resources for private investment

All of the 13 cities have some assets, although they are unevenly distributed. The mere presence of what might be considered an "asset," however, means little; at most it is by itself an opportunity waiting to be seized. The same is true of public resources. Every city has access to some resources – either its own, state, or federal – that it can channel to support revitalization. The real issue is not the presence of these assets and resources, but what cities do with them.

Just as no city can thrive if it fails to build the middle class, no city can thrive in today's economic world unless it can draw significant private-sector investment. That investment takes many forms. It includes not only the headline-catching multimillion dollar investments for new office buildings or residential developments, but also – and most probably even more importantly – the cumulative effect of many smaller investments: families buying and restoring houses; long-time residents and new immigrants opening small businesses; and long-time firms expanding and diversifying (Jacobs 1961; Gratz 1989). These investments are what drive a city's growth and prosperity. Even if far more public resources were available than currently are or will be in the future, there is no way that public investment can replace private investment as the driving force for urban economic vitality.

The corollary to this argument is straightforward. Any city that is serious about fostering development must focus its efforts on attracting private investment. By extension, it must determine how to use its assets and its public resources in ways that maximize the private investment leverage of those assets and resources and ultimately lead to a self-sustaining flow of private investments. This calculus should include areas where local governments and nonprofits have traditionally not thought in these terms, such as public works or affordable housing investment, as well as areas that fall more readily into the traditional sphere of economic development.

This has particular applicability to neighborhood revitalization. Ultimately, as noted earlier, stable, sustainable neighborhoods are neighborhoods where people – homeowners, homebuyers, developers, businesspeople – choose to make both financial and personal investments. Clearly, that is not happening in many neighborhoods in these cities, including many neighborhoods that have physical or locational assets that could make them potentially attractive to all of these prospective investors. The salient question for public officials – as well as for major institutions, CDCs, and other nonprofit organizations working in these neighborhoods – is how to maximize public, private, institutional, or nonprofit investment in ways that are most likely to gradually build a chain reaction of sustainable private investment in the form of home buying, home building, home improvement, small business start-ups, and neighborhood engagement. Decisions such as where to invest public dollars in park or street improvements, for example, or whether to build a low income housing tax credit development – and if built, how it should be designed – all need to be evaluated not only in terms of the project itself but in terms of how it will or will not stimulate or leverage private investment.

The Third District's older manufacturing cities have many good examples of this approach, such as major investments by Franklin & Marshall College in Lancaster and by Widener University in Chester. There are also many poor examples, including substantial public investments – such as much of Camden's waterfront development – that have leveraged little private investment and generated few spin-offs, and the widespread use of discretionary public funds, such as community development block grants, in the form of small grants to multiple groups without an overall strategy or focus, an approach that, while modestly beneficial, fails to further any effective revitalization strategy.

4. Link the city to the regional and national economy

The close relationship between these cities and their regions has been noted often in these pages. The city's market – thought of as the people who can potentially be drawn to live, shop, and enjoy recreational opportunities in the city – is its metropolitan area. In some cases, particularly for cities like Bethlehem and Lancaster that can position themselves as tourist destinations, the market can be defined as an even larger region or even the entire United States. Similarly, the market for what the city has to offer in terms of goods, services, and workforce is regional or even national. No business today can hope to survive by selling its products only within its immediate vicinity, just as few residents end their job search at the city limits. As was noted earlier, many residents of these cities commute to work in the city's surrounding suburbs rather than working in the city itself. This is an important starting point for thinking about the city's revitalization and redevelopment.

Just as cities need to focus on leveraging private investment, they also need to think about regional connections, about how to link their strategies to regional opportunities and how to help mold regional strategies so they best further the revitalization of the cities. Cities, for example, should become a part of regional economic development efforts, not only because jobs and businesses added anywhere in the region can potentially benefit the city but also to help mold those efforts to best align with the city's economic development and workforce needs. Similarly, in terms of drawing buyers to the city's neighborhoods, the city should identify target groups within the region – both people who already live in the region as well as those moving to the area – as a focus for their marketing efforts (Mallach 2006).

Most of the cities discussed in this paper are at a significant disadvantage relative to their regions. Their respective shares of their regional populations tend to be small, thus weakening their political influence, while their roles as regional economic centers have diminished over the past many decades. Their populations are poorer and more dependent on public services than the residents of most of their surrounding boroughs or townships. At the same time, urban-suburban conflicts over resources and priorities have often made relationships between local governments and their neighbors stressful and difficult.

Despite all of this – or because of it – it is in the interest of cities to foster stronger intergovernmental relationships within their metropolitan areas, as well as stronger regional planning and governance vehicles. Ultimately, while a stronger city may benefit the entire region, a strong region can benefit the city, by providing it with a market for its residential and other assets, by providing its workers with well-paying jobs, and by providing additional private resources for investment in the city. Those benefits, however, are not automatic; as discussed earlier, the relationship between regional strength and the vitality of the 13 cities is at best ambiguous. How much greater regional strength benefits the city will depend on what form it takes and where it is directed. The city – not just local government, but representatives of local institutions and businesses committed to the city's future – needs to be part of the process by which those decisions are made and part of a conversation that focuses on the region as an entity, rather than a collection of separate, unrelated cities, villages, boroughs, and townships.

5. Build and sustain leadership and partnerships

Positive change requires strong, effective leadership. If there is one theme that pervades all of the others discussed here, it is the need to build and sustain effective, responsible political and civic leadership for change and for that leadership in turn to build partnerships among city government, the business community, the nonprofit sector, and regional bodies around a strategy for the city's revitalization. The importance of strong leadership and effective partnerships as a driving force for change has been widely recognized in the literature on urban revitalization and redevelopment (Reese 1997; Safford 2009; Briggs 2008). A strong city with a healthy economy and strong consumer demand may be able to function well with a passive political and civic leadership dedicated to the status quo; the same is not true of these cities, where the need for change is paramount.

These cities contain networks of public, private, and nonprofit organizations, all of which have some level of commitment to the future of the city. All of them, and through them the communities' citizens, need to be engaged in the process of change. In an environment where resources are invariably inadequate to the task, the resources of talent, energy, or money that they bring to the table are urgently needed.

Revitalization is a long-term process, not one given to "quick fixes." Implementing even modest revitalization strategies takes many years to see results, and major efforts may take decades. Both the Bethlehem Steel redevelopment and the Wilmington riverfront development projects were initiated in the 1990s and remain works in progress. Where the course of revitalization is through the cumulative effect of smaller initiatives, the need to sustain the momentum and commitment to the strategy over many years is even greater. That, in turn, demands that cities not merely act but act in accordance with a strategy. As Mayor Richard Gray of Lancaster has commented, "Show me a business that doesn't have a strategic plan…and I'll show you one that is not successful or is going out of business…" (DeJesus 2011).

Finally, local leadership needs to extend beyond the city's boundaries to the region. While this is important in any city, it is particularly important with respect to small cities that are far from self-sustaining, independent entities, if they ever were. The fates of the Third District's small manufacturing cities are inextricably interwoven with the fate of their respective regions; residents move back and forth to live, to work, and to shop. Any change of any magnitude anywhere in the region affects the city at its core.

6. Foster state-level policy reform

Cities are creatures of the state and are governed by state law, which defines their powers and the constraints on those powers, their ability to tax, and their ability to use the funds they collect. In essence, state policy defines the tools that are available to cities to foster their own revitalization (Brachman and Mallach 2010). States provide various forms of assistance to cities by directing aid to help balance municipal budgets, making public investments, or channeling private investment, as in the case of the casinos that Pennsylvania authorized for Chester and Bethlehem. Indirectly, states can create significant redevelopment opportunities for cities, as Delaware did for Wilmington when it enacted the 1981 Financial Center Development Act.

States also constrain cities by limiting their taxing powers and imposing requirements, often burdensome and costly, on municipal operations. At the same time, few states have ever focused on strategically using the resources they devote to their cities in order to maximize local revitalization; instead, states' efforts tend to be piecemeal and uneven, with programs often coming and going depending on the state's fiscal conditions or the priorities of changing administrations.

Moreover, governmental systems and structures remain antiquated and dysfunctional. As York mayor Kim Bracey recently put it:

> Many of our core communities — our 53 Third Class Cities[65] and our sibling boroughs and townships – are battered by skyrocketing pension and health care costs and creeping expansions of tax exempt properties – in effect, unfunded mandates. […] In 2011, it is sheer madness that the Commonwealth has over 3,000 municipalities with taxing authority – the most of any state, over 3,000 pension systems, and 500 school districts. It is not how we do business that is the problem in Pennsylvania. It is how we do government. Our governmental structure as a whole is outdated and fragmented, while our state government hamstrings local control and innovation.[66]

Ultimately, these cities will have a difficult future unless the crushing fiscal burdens facing these cities and impeding their ability even to deliver basic public services, as well as the continuing imbalance in regional costs and resources, are addressed. Beyond that, it is essential that the states see these cities not as objects of intermittent charity but as cities that offer important opportunities for the future economic growth and prosperity of the states as a whole, and then target their resources in ways that maximize those opportunities, rather than merely alleviate some of the symptoms of decline (Brachman 2012).

The coming decade will be among the most challenging that the Third District's older manufacturing cities will experience. Public resources – at the local, state, and federal levels – will remain scarce and will likely decline, while the cost of providing public services and meeting local obligations will continue to grow. Sluggish regional and national economic growth and the skittishness of private capital will continue to impose constraints on revitalization opportunities. If these cities are going to be better places to live, work, and visit 10 years from now than they are today, state government, both in terms of its control over local governments and the resources it commands, needs to be an active partner in that process.

[65] This is not a comment on the quality of the city or an expression of an inferiority complex but a reflection of Pennsylvania state law, which divides all its cities into First Class (exclusively reserved for Philadelphia), Second Class, and Third Class cities with respect to their legal status and statutory powers.

[66] Mayor C. Kim Bracey, 2011 State of the City Address, http://yorkcity.org/files/State%20of%20the%20City%20Address2011_media.pdf, accessed October 27, 2011.

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