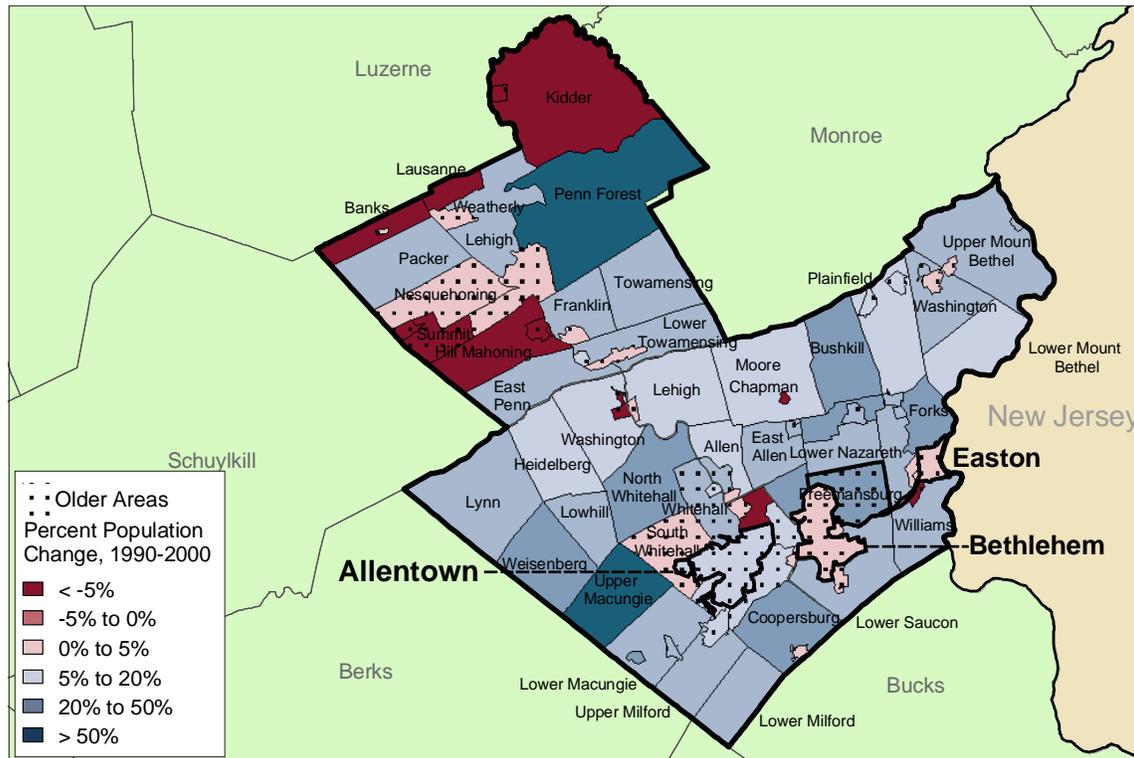


BACK TO

Prosperity:

A COMPETITIVE AGENDA FOR *Renewing Pennsylvania*



Source: U.S. Census Bureau

A Profile of *Lehigh Valley**

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

Unfortunately, Lehigh Valley residents know first-hand both of these trends, which are examined in depth in ***Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania***, a new statewide report by the Brookings Institution Center on Urban and Metropolitan Policy. Intended to inform the Commonwealth at a pivotal moment, ***Back to Prosperity*** speaks to the desire of Pennsylvanians for both vibrant communities and economic revival by offering a sober assessment of the state's current status, some suggestions of how it arrived there, and a policy agenda for renewal. In keeping with that objective, this region-specific profile suggests how trends identified in the statewide report are affecting the Lehigh

Valley. It also summarizes key findings about the causes of those trends and ways to respond to them.

THE TRENDS:

The Lehigh Valley grew modestly in the 1990s, and is losing young people and getting older

The region's population growth ranked fourth in the state among metropolitan areas. From 1990 to 2000, the Lehigh Valley grew by 7 percent, trailing only York, Lancaster, and Reading among the state's nine largest metros. The region added almost 42,880 residents, bringing the population to 637,960. Of the 11,900 net new residents who arrived through migration, over *half* came from abroad. The Lehigh Valley is the third-largest metropolitan area in Pennsylvania.

The region lost young adults but added seniors during the 1990s. The Lehigh Valley’s cohort of 25- to 34- year-olds decreased 2.6 percent during the decade. By contrast, the region’s 65 and over population increased almost 11 percent—twice the average state level of 5 percent.

Growth has shifted overwhelmingly to formerly rural townships

Seventy-nine percent of the Lehigh Valley’s population growth took place in rural or formerly rural townships.

These outermost second-class townships grew by 17.4 percent, the highest percentage change among the state’s nine largest metros. To be sure, the 2000 population in Lehigh Valley cities nearly equaled that in more rural areas.

However, outer areas added over 34,000 residents while cities gained just 1,400 residents during the 1990s. Formerly rural areas such as Upper Macungie and North Whitehall townships in Lehigh County saw their populations increase by 59 percent and 36 percent, while Forks and Bushkill townships in Northampton County grew by 42 and 26.7 percent, respectively.

Most of the Lehigh Valley’s growth in the 1990s took place in its outer townships

	1990 Population	2000 Population	Absolute Change	Percent Change
Older Lehigh Valley	399,273	708,124	8,851	2.2%
Cities	202,794	202,224	1,430	0.7%
Boroughs	125,613	126,307	694	0.6%
1st-Class Townships	70,866	77,593	6,727	9.5%
2nd-Class Townships	195,808	229,834	34,026	17.4%
Metro Total	595,081	637,958	42,877	7.2%

Source: U.S. Census Bureau

By contrast, very few established areas grew during the decade. Population growth in the region’s cities and boroughs during the 1990s totalled less than 1 percent in each type of place. The City of Allentown grew by just 1.5 percent in the 1990s, while Bethlehem City and Easton City each stagnated. Meanwhile, 62 percent of the region’s boroughs lost residents, including Wilson Borough in Northampton County (which lost 1.9 percent of its population), and Fountain Hill and Slatington boroughs in Lehigh County (which lost 0.5 percent and 5.2 percent of their populations). In sum, the region’s 2.2 percent overall growth rate in established areas derives mainly from the 9.5 percent growth in the denser first-class townships.

Employment continued to decentralize during the 1990s, adding to sprawl. While over 74 percent of the Lehigh Valley’s jobs were located within five miles of its cities’ central business districts in 2001, this represented a decline from the 76 percent of jobs found in 1994. By 2000, 55.7 percent of the region’s residents commuted to jobs located in suburban areas while 17.6 percent commuted to jobs outside the Lehigh Valley metropolitan area altogether.

Job growth in the Lehigh Valley lagged the national average during the 1990s

The region’s employment growth exceeded that in all of the Commonwealth’s larger metros except for Lancaster and Harrisburg. Overall, the region added 36,500 jobs between

1992 and 2002 to increase its job base 14.6 percent. That growth outpaced the statewide job growth of 11.4 percent but still trailed the nation’s 20 percent gain.

However, high-value manufacturing jobs are disappearing.

From 1970 to 2000, the region lost 44 percent of its manufacturing jobs, while jobs in services and retail grew by 214 percent and 74 percent, respectively. The region’s share of manufacturing jobs decreased from 42 percent to 16.5 percent, while the share of service jobs more than doubled to 34 percent during this period.

Meanwhile, income growth in the Lehigh Valley fell behind the state norm and well behind the nation in the 1990s.

In 1999 the Lehigh Valley’s average household income was \$53,990—in the middle of the pack among the state’s main metros. However, the region’s average household income grew by only \$1,485 between 1989 and 1999—a 2.8 percent increase that fell well below both the state’s 5 percent and the nation’s 7.8 percent figures.

Relatively few residents of the Lehigh Valley have graduated from college compared to

state and national averages. In 2000, 81 percent of the area’s residents had a high school degree, slightly below the state average of 82 percent. Meanwhile, just 21 percent of Lehigh Valley residents hold a bachelor’s degree, a figure that lags both the state’s 22 percent and the nation’s 24 percent averages. Borough residents were particularly likely to lack a college diploma, with only 14 percent of them having obtained one. By contrast, 26 percent of those living in the developing exurban townships have a B.A.

THE CONSEQUENCES:

The Lehigh Valley possesses many assets, including great natural beauty, charming older neighborhoods, a proud industrial history, and Lehigh University. However, the valley’s decentralized growth patterns are degrading the area’s farm country even as they undermine the health of established communities and the economy.

The Lehigh Valley lost more farmland than any of the other large metropolitan areas. From 1982 to 1997, the region developed two acres of land for every new household it added. All told, the region converted 68,200 acres to urban uses, while the number of households grew by only 34,811. Such figures mean that the region is consuming land area nearly equivalent to that of the City of Allentown every five years, as estimates the Lehigh Valley Planning Commission. Along the way the Lehigh Valley lost 29,800 acres of prime farmland, the largest such loss among the nine largest state metros.

Home values are being destroyed in urban areas. As households move out of the cities, housing units are left vacant. Consequently, vacancy rates in older areas are almost double the levels found in newer suburban areas. Moreover, vacancy rates in older areas increased from 4.8 to 6.1 percent between 1990 and 2000. By 2000, average home value in the Lehigh Valley’s older communities was \$108,632, compared to an average value of \$162,905 in second-class townships.

Taxpayers pay a high cost for sprawl and city-borough decline. Low-density sprawl raises tax bills because it frequently costs more to provide infrastructure and services to far-flung communities. But urban decay is imposing even more painful costs, as decline depresses property values and further reduces older communities’ ability to raise tax revenues. For example, property values in the Lehigh Valley’s older communities depreciated by 0.4 percent from 1993 to 2000, compared to a 6.2 percent appreciation in newer suburban areas. This contributed to significant disparities in jurisdictional tax capacity—local government’s ability to raise revenues from available property and earned-income tax bases using average rates. From 1993–2000, the tax capacity of the region’s first-class townships increased by 24 percent, compared to 13.4 and 4.8 percent declines, respectively, in cities and boroughs. Overall, tax capacity decreased by 1 percent in older areas and increased by 0.5 percent in outer suburban areas.

Older municipalities' capacity to raise tax revenue slipped as the townships' grew in the 1990s			
	Tax Capacity per Household		Percent Change*
	1993*	2000	
Older Lehigh Valley	\$508	\$502	-1.1%
Cities	\$489	\$424	-13.4%
Boroughs	\$428	\$407	-4.8%
1st-Class Townships	\$706	\$875	23.9%
2nd-Class Townships	\$757	\$760	0.5%
Metro Total	\$590	\$591	0.3%

Source: Ameregis, Inc. tabulation of data from the Governor's Center for Local Government Services
*Adjusted for inflation

Urban decline turns off young workers. According to Carnegie Mellon University/Brookings Institution economic development expert Richard Florida and others, vibrant downtowns, healthy traditional neighborhoods, and a lively night scene are essential to attract the educated young workers needed by new economy firms. Unfortunately, the region’s sprawl, coupled with slow growth or decline in the cities, bodes poorly for the region’s future economic competitiveness. These trends threaten to perpetuate the area’s losses of young workers.

Cities are inheriting the poor and minorities. In 2000, 17 percent of the population in the region’s cities was living below the poverty line, compared to 3.7 percent of those living in the outer suburbs. The Lehigh Valley’s minority population is also becoming more segregated: Over 26,000 white residents left the region’s cities while the minority population there grew by 27,716 during

the 1990s. By 2000, 75 percent and 82 percent of the region’s black and Hispanic residents, respectively, resided in the Lehigh Valley’s three cities, compared to only 25 percent of whites. Given the valley’s decentralizing employment, these groups are growing more isolated from job opportunities.

BEHIND THE TRENDS:

How the Lehigh Valley is growing in part reflects vast national currents. A general preference for newness and low-density living by certain population segments, the relative decline of cities, and a shifting economy all parallel broader American trends. However, a number of state-specific policies and characteristics have influenced the region’s development patterns.

- **Governmental fragmentation:** As elsewhere in Pennsylvania, the large number of general purpose governments in Lehigh, Northampton, and Carbon counties—88, or about 14 per 100,000 people compared to 6.1 per 100,000 nationally—hobbles the region. This fragmentation complicates coordination, exacerbates unbalanced growth patterns, and undercuts the region’s ability to compete economically.
- **Weak planning:** Most of the region’s localities have a comprehensive plan and zoning ordinance. The Commonwealth’s planning system, however, does not require Lehigh Valley’s numerous municipalities to plan cooperatively. Consequently, only a handful of municipalities in northern Lehigh County, the Macungie area, and the Nazareth and Bangor areas are using the state’s new multi-municipal planning statutes to jointly plan. A common result is redundant, competing development and sprawl.
- **Investment in older areas:** Three of the state’s major economic development programs—the Pennsylvania Industrial Development Authority (PIDA), Opportunity Grant Program (OGP), and the Infrastructure Development Program (IDP)—about \$43 per capita to projects in established areas and \$64 to developments in outer suburban ones. This unfocused approach to business development represents a missed opportunity to focus investment on revitalizing older, established communities.
- **A shifting economy:** Although the Lehigh Valley’s employment growth and income levels are relatively high, the region’s future economic performance is threatened by continued shifting away from manufacturing, the rise of lower paying retail and service sector jobs, and sprawling development at the area’s fringe.
- **Barriers to reinvestment:** Regulatory and financial barriers frequently inhibit the redevelopment of vacant, contaminated, or dilapidated land and structures in the valley’s older areas. These barriers make it hard to leverage the area’s available land and historic assets, and ultimately drive residential and commercial development into outer suburban areas.

A COMPETITIVE AGENDA FOR GETTING BACK TO PROSPERITY

The Lehigh Valley, like Pennsylvania's other regions, has the potential to build a very different future—if the state helps it focus its efforts; leverage the assets of its cities, towns, and older townships; and overhaul its most outdated and counterproductive practices. To that end, *Back to Prosperity* concludes that the Commonwealth should embrace five major strategies to bolster the Lehigh Valley's and its other regions' capacity to grow and compete:

- **Renew state and regional governance.** Pennsylvania should promote much more regional collaboration and cohesion, and make it much easier for regions to consolidate and merge local governments
- **Plan for a more competitive, higher-quality future.** The Commonwealth should improve Pennsylvania's state-local planning systems to enable its regions to promote sound land use and economic competitiveness on a more coherent basis

- **Focus state investment policies.** Pennsylvania should make the most of its significant infrastructure and economic development spending by putting its money where the problems are—in the state's older, already-established places
- **Invest in a high-road economy.** Pennsylvania should invest in the workers and industries that will help its regions produce a more competitive, higher-wage future. Quality not quantity should become the watchword
- **Promote large-scale reinvestment in older urban areas.** Pennsylvania should make itself a world-leader in devising policies and programs to bring the region's cities back to life by encouraging wholesale land reclamation and redevelopment

Pennsylvania, in sum, should turn its focus back to its cities, boroughs, and older townships as a way of reenergizing its future.

Definition:

*This regional profile, like *Back to Prosperity*, defines the Lehigh Valley as the Allentown/Bethlehem/Easton metropolitan statistical area defined by the federal Office of Management and Budget. This region includes Carbon County even though it remains quite rural compared to the more urban Lehigh and Northampton counties.

ABOUT *BACK TO PROSPERITY*

Funded by The Heinz Endowments and the William Penn Foundation, *Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania* provides an extensive statewide examination of the interrelated growth and economic challenges facing the Keystone State just now. The report focuses on the following eight key metropolitan areas: Erie, Harrisburg, Lancaster, Lehigh Valley, Philadelphia, Pittsburgh, Scranton/Wilkes-Barre/Hazleton, and York.

Please visit www.brookings.edu/pennsylvania to read the full report, other regional profiles, and additional supporting materials.



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