



Philadelphia 2007:

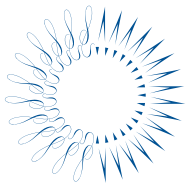
Prospects and Challenges

by Basil J. Whiting
with Tony Proscio

This report was commissioned by The Pew Charitable Trusts' Civic Initiatives program. The opinions expressed in this report are those of the authors and do not necessarily reflect the views of The Pew Charitable Trusts.

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Contents

Foreword by The Pew Charitable Trusts	ii
Acknowledgements by the Authors	iv
BACKGROUND AND GENERAL FINDINGS	1
Background, Purpose and Methodology	1
General Findings	2
THE PHILADELPHIA CASE STUDY	12
Overview	12
Other Positive Factors	19
Other Negative Factors	24
Does It All Come Down to “Bos-troit”?	30
Appendix 1: Summaries of the Comparison Cities	32
Appendix 2: About the Authors	36

Foreword by The Pew Charitable Trusts

In 1998 The Pew Charitable Trusts commissioned a study of Philadelphia and six comparable American cities to provide guidance for future philanthropic investments. Through statistical analysis and personal interviews, a team of consultants* led by Basil J. Whiting defined the factors that were working for and against cities at the close of the century and identified issues that would most affect their future trajectory.

The news regarding Philadelphia was sobering. While the city had made great strides under then-mayor Edward Rendell's leadership, it was still beset by a range of crippling urban problems. Equally worrisome, Whiting found the city's leaders a dispirited group. He was told that Philadelphia was a city that "settles for being just okay," that there were "no real believers and sources of initiative" other than a charismatic mayor whose time in office was nearing its end. Beyond Rendell himself, Whiting concluded, the city's supposed power brokers were "weak, inadequate and disengaged."

The study had been produced solely for internal use, but when it was completed in 1999, interviewees began requesting copies. We decided to share the Philadelphia portion of the study with the two mayoral candidates at the time and the 25 corporate, civic and government leaders Whiting had interviewed. We were soon beset with requests for additional copies from journalists and other key players in the civic and political arenas. Without our intending it, the "Whiting report" became an influential document in the ongoing debate over Philadelphia's future.

Last year, with another election for an open mayoral seat approaching, Pew decided to ask Whiting to reprise that 1999 study, this time with the clear intention of producing a report for

public discussion. Not only would we again be able to view Philadelphia's "prospects and challenges" in the context of comparable major cities, but we could compare the city with itself eight years earlier. What had changed, for better or worse, in the intervening years? And what are the main challenges facing the next mayor?

Fortunately, not only were Whiting and his earlier collaborator, Tony Proscio, both available, but so was G. Thomas Kingsley of the Urban Institute, who recruited two additional colleagues to gather relevant data on Philadelphia and other major cities. Pew is pleased to publish their work, which we believe is of high quality, credible and useful for the public debate. It is very much in keeping with our overarching goal of "applying the power of knowledge" to help society address the major issues of the day. But the observations, analysis and conclusions within this report are those of the authors, not of The Pew Charitable Trusts.

The new report makes fascinating reading. Philadelphia and its peer cities face many similar challenges and are also prey to forces beyond their immediate control. Pittsburgh, for instance, is doing a lot of smart, positive things on the civic front, but is crippled by a very weak regional economy. Yet a message that comes through strongly from these two snapshots, eight years apart, is that cities' destinies are not set in stone. Both Atlanta and Baltimore have made great strides since the last study—in part because of improved economic conditions, but largely due to dynamic leadership in City Hall.

The portrait that Whiting produces of Philadelphia, the main subject of this report, is nuanced and complex. But a fair reading would say that he found the place in better shape than

* The team was originally recruited by Jim Pickman, a longtime consultant to the Trusts, and consisted of Basil J. Whiting, his collaborator on some projects, Tony Proscio, and G. Thomas Kingsley of the Urban Institute.

he left it in 1999. Particularly noteworthy was the change in attitude of the leaders he interviewed. His respondents were more interested in drawing attention to the city's successes in recent years than to its continuing problems. A travel magazine's pronouncement that Philadelphia will be the "next great American city" had become an aspiration, rather than another reason to scoff. In contrast to 1999, the city seemed to have more than its share of "real believers and sources of initiative."

It may well be that the city's leadership class has gone from undue pessimism to unjustified optimism. The data on crime, poverty, school performance and jobs remain grim. And most of the public, according to several recent polls, thinks the city is on a bad trajectory. It will be interesting to see in the years ahead if the leaders Whiting interviewed were simply out of touch with reality or if their optimism proves to be a kind of leading indicator, a sign of more good things to come.

Like so many of Whiting's interviewees, we choose to view the glass as half full and are cheered by the positive changes in attitudes reflected in the two studies. To quote from the report: "While leadership that is positive and engaged may not guarantee success and progress, leadership that is disengaged and negative almost certainly guarantees failure and decline."

Donald Kimelman
Managing Director
Information and Civic Initiatives
The Pew Charitable Trusts

Acknowledgements by the Authors

We would like to express our appreciation to The Pew Charitable Trusts for the opportunity to undertake this re-evaluation of the prospects of seven older American cities, with special attention to Philadelphia, the home of the Trusts. Being able to study these seven cities not only in comparison with each other now but with themselves and each other eight years ago was both unique and instructive, and we hope readers will have similar reactions to this report of our general and specific findings.

We would especially like to thank Don Kimelman and Suzanne Biemiller of the Trusts for their collegiality and good advice throughout the effort—and the Pew research staff, which gathered many inches of clippings and reports on the cities that provided us with important information to guide our on-site interviews in each city. We also much appreciate the availability and willingness of our colleagues at the Urban Institute, G. Thomas Kingsley, Peter A. Tatian, and Leah Hendey, to participate again in this study, this time drawing on additional databases that were not available eight years ago.

Finally, a special thanks is due to the many governmental, business, civic, academic, and other leaders in each city who willingly gave of their time to meet with us and who provided candid assessments of the key factors affecting their cities.

Basil J. Whiting
Tony Proscio
Brooklyn, NY
February 2007

Background and General Findings

Background, Purpose and Methodology

This report was researched in the fall of 2006 to re-evaluate the prospects and challenges facing seven major American cities—Atlanta, Baltimore, Boston, Cleveland, Detroit, Philadelphia and Pittsburgh. It is provided to contribute to civic dialogue as Philadelphia enters a year of reflection and decision-making regarding the selection of a new mayor and other governmental leaders.

This study updates one originally commissioned in 1998 for the trustees of The Pew Charitable Trusts as one of the Trusts' periodic reassessments of the direction of its urban programming. An abbreviated version of that report, centering on Philadelphia, was made public in 1999 during that year's election season. It was widely discussed. Now, eight years later, on the eve of another municipal election, a similar opportunity presents itself to reconsider how Philadelphia is faring compared with the same six cities. We also have the unusual and instructive opportunity to compare the cities with how they were then, eight years ago, and attempt to learn from how each has changed.

The seven cities were originally chosen after an analysis, with the Urban Institute, of dozens of indicators of urban and metropolitan performance in the 25 largest central cities and their regions. Because of the Trusts' historic relationship with Philadelphia, it was understood at the outset that

that city would be among those examined and would receive the most attention. Five of the other six cities were then selected to provide relevant comparisons with Philadelphia's experience; hence, they are mostly large, old, Eastern and Mid-Western cities and metropolitan areas whose economies had been largely based on manufacturing a half-century and more ago. Atlanta was included to provide Sun-Belt contrast.

Fortunately, the bulk of the team that conducted the original study eight years ago was available again, increasing the likelihood that the two study reports would be consistent. These include the two authors, who are consultants with broad foundation and other experience in urban affairs (see Appendix 2), and G. Thomas Kingsley, the principal investigator for this project from the Urban Institute, who this time recruited two colleagues, Peter A. Tatian and Leah Hendeby, to assist in gathering and analyzing data. The authors, in 1998 and 2006, split the cities between them,¹ visited each, collected documents, and interviewed a wide range of observers and decision-makers in each city about the major factors that seem to be governing their city's economic and social health.² We also interviewed national urban experts and reviewed numerous studies, news clippings, and other documents about each city collected by the research staff of the Trusts. Kingsley and his Urban Institute teammates gathered data comparing cities and metropolitan regions for both the prior and present reports, this time drawing on several new databases. Some of their

1 Whiting visited and reported on Atlanta, Baltimore, Boston and Philadelphia; Proscio did the same for Cleveland, Detroit and Pittsburgh. Whiting, with Proscio's input, wrote the Background and General Findings chapter.

2 In Philadelphia, 39 interviews of an hour or more each were conducted in September 2006, a few by telephone, most in person in the respondents' offices. Of this total, nine were with individuals from state and, mainly, local governmental entities; six were with civic and other nonprofit groups; 14 with business executives, business groups, and regional development groups; five with people in higher education; four with the press; and one with a union head. In each of the other cities, six to 10 individuals with a similar range of backgrounds and responsibilities were interviewed. In each interview, then and now, we asked that respondents speak frankly, and we frequently probed for views that the respondents might not wish to articulate publicly. In exchange, we promised that all opinions presented in our reports would be unattributed, except by noting the kind of organization for which the individual worked.

data is contained throughout this report in chart form. Their report and additional, richly detailed data tables can be found on the Web site of The Pew Charitable Trusts, at www.pewtrusts.org/pubs.

In each city, then and now, we examined factors affecting the city and its prospects and where those factors might be headed over the next 10 to 20 years. This year we also focused heavily on how the factors identified for that city in 1998 had changed and on whether any important new factors had emerged. It should be noted that in both years our assignment from Pew was *diagnostic*, not *prescriptive*; we were charged with identifying and assessing the key factors determining the trajectories of urban performance, not with recommending courses of action.

General Findings

In our 1999 public report, we said:

Few if any of the people interviewed in any of the cities would venture a firm answer to our central questions [about the prospects of their city]—though, not surprisingly, many voiced at least guarded optimism about their own hometown. And upon careful review of their comments, scholarly literature, news accounts, and conversations with experts on urban affairs, we, too, found no reliable basis for a definitive response. In no city we visited—not even troubled Detroit—were we able to conclude firmly that a reversal of fortune had become impossible, or even that the odds were too poor to justify the efforts of those interviewed, and of other foundations, civic leaders and investors. Nor could we conclude, on the other hand, that any city (with the plausible exception of Boston) had in fact turned the corner on adverse times, or was reasonably certain of doing so.

Our work this year provides us with no basis for substantially altering this unhappily imprecise conclusion, though it is clear that over eight years much can change. Detroit is, if anything, even more troubled than it was eight years ago, so much so that some observers have only half jokingly suggested that the bulk of its vast urban wasteland be returned to agriculture. But even there, urban condo conversions and some new office construction are occurring downtown, and housing is going up north along the Detroit

River. And Boston, which we termed the “urban Eden” of our sample of cities in 1999, is facing a crisis of confidence, of affordable housing, and of regional governmental gridlock. Then-moribund Baltimore and stagnant, corrupt Atlanta have enjoyed startling turnarounds but are still a long way from being “fully recovered.” Cleveland and Pittsburgh, meanwhile, have fallen on much harder times, but are nowhere near so badly off as Detroit now and Baltimore then. Philadelphia has made considerable progress in several respects, but its economic and social fundamentals are still very worrisome.

What we saw both then and now is what we then termed “a typically American patchwork quilt” suggesting that the major factors affecting cities do so differently from city to city, and that the cities respond differently to them.

For instance, national and regional economies affect our selected cities in quite different ways—and are generally beyond their control. Cities have different mixes of different kinds of natural and institutional assets—waterfronts, universities, hospitals and cultural institutions. Moreover, they use these assets in more or less effective ways, so their cultural, educational and medical institutions may or may not be constructive players in urban redevelopment. Some cities attract immigrants from elsewhere in the country or from abroad, and some do not. Those that do tend to benefit from the diversity, energy and entrepreneurship immigrants bring with them. Those that do not tend to lose more population.

Further, it has become increasingly clear over the last eight years that certain positive aspects of urban life in some cities appeal to certain types of people and enterprises. People without children (particularly childless couples with two incomes, singles, and “empty nester” couples whose children are grown) and certain businesses value the close contacts, easy transportation, diverse environment, and cultural and entertainment assets—the “24-hour environments”—that some cities can provide, most dramatically Boston and Philadelphia in our sample.

It is also clear that for all cities, high taxes, lingering racial tension, crime, bad schools, eroded housing stock and infrastructure, and suburban antipathy are drags on their viability, to varying degrees.

Most of the factors discussed so far are hard to change, being almost givens for a particular community—though we have seen some of them change substantially in the last eight years.

Other relevant factors, however, vary more from place to place and time to time, and are more securely within a city’s ability to control and change. The most important of these is the quality, commitment and wisdom of individual leaders and the competence and capacity of government, business, and community, philanthropic, and other nonprofit organizations. Variables also include reform of schools or policing; the balance between development downtown and in the neighborhoods; the ability to generate, attract, retain and expand industry; and productive relationships with other governmental entities in the metropolitan region and state government. Where such swing elements are well developed, of high quality, and energetically pursued, progress has occurred in the past and is probable in the future, even if these factors alone are not enough to guarantee a complete turnaround. Where they are lacking or have atrophied, progress falters or fails.

The impact of the national and regional economies

When our first research was done in 1998, the nation was experiencing the longest peacetime economic expansion in its history. This was reflected in our cities. All had gained jobs, though only Atlanta and Boston had gained population. Since then, however, we have had an economic recession and the bursting of the high-tech bubble, followed by an uneven recovery. Middle- and working-class people only

recently have seen an uptick in real incomes. There was also a prolonged, massive housing boom propelled by unusually low interest rates, recently corrected. And, of course, there was 9/11. The most recent Urban Institute data show that all of our cities have lost jobs and only Atlanta has gained population. (While this study was under way, Mayor Thomas Menino of Boston was winning an appeal of the Census Bureau’s 2004 estimates that Boston had lost population this decade, but it didn’t gain much either.)

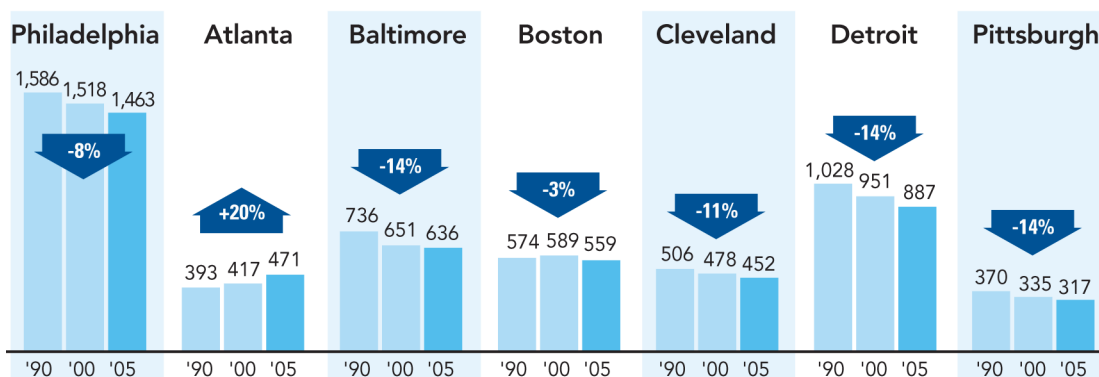
But cities are central parts of regional economies, and it is regional economies that are at play in national and international economic competition. Cities can do poorly even when their regions are doing better, but it is very difficult for cities to do well when their regions are in trouble. Eight years ago, regionally, a surprising recovery of the Rust Belt positively affected the Detroit, Cleveland and Pittsburgh metro areas. A high-tech boom had maintained the Boston region’s status as one of the capitals of the international knowledge economy, and the Atlanta region was the *de facto* capital of New South.

Now, regional economies are pushing our cities in different directions:

The Rust Belt is declining again, as manufacturing continues to fall precipitously against foreign competition. The regional economies of Southwestern Pennsylvania, Northeastern Ohio and Southeastern Michigan have been badly hit and are dragging Pittsburgh, Cleveland and Detroit down with them.

Massachusetts was the only state in the nation to have lost population last year, and the Boston metropolitan region lost almost 70,000

POPULATION In thousands. Percent change is from 1990 to 2005.



SOURCE: The Urban Institute

employed residents in this decade, 24,000 of them from Boston itself.

On the other hand, the Washington, D.C., economy has heated up enough for the boundary between it and the Baltimore region to become permeable, fueling Baltimore's turnaround to the point where its leaders say it is no longer losing jobs or population (not reflected in the Urban Institute's year-old data).

The Atlanta region's continued 3 percent annual growth in population and 1.1 percent annual employment growth are both the highest among our regions. Those benefits are beginning to flow into the long stagnant central city, which is enjoying its first population increase in 50 years, largely of high-income people. Indeed, Atlanta has the highest average household income of our cities, \$69,000, despite having 28 percent of its population in poverty.

The costs and benefits of living or doing business in cities

The next most important factor has hardly changed in the last eight years: tax structures and the other costs of living and doing business in cities. True, some taxes have dropped in some cities while other costs in nearby suburbs have risen. Still, to cite the views of a top Pittsburgh official eight years ago that are as valid today, most cities are simply overpriced relative to their quality of life and public services. Nearly everywhere we visited, living and doing business in the city was more expensive than in its suburbs, even though the quality of municipal services—especially public education—was lower, sometimes disastrously so. This suburban price

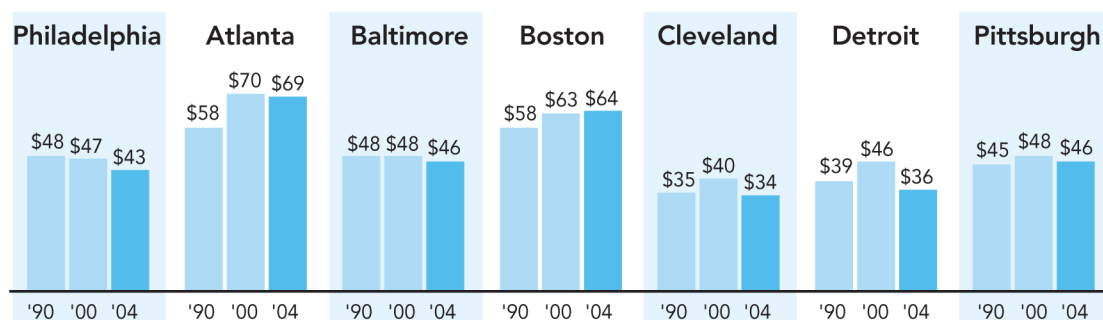
advantage rests partly on decades of federal and state subsidy for suburban transportation and other development—and on what a Pittsburgh academic calls “suburban mercantilism” in charging artificially low taxes to attract businesses and residents from central cities and elsewhere. The resulting cost differential poses a severe, some believe insuperable, disincentive for residents and businesses to locate within the city limits.

The varieties of urban leadership

The years since our first study are a clear testament to the importance of leadership—and to its changing nature.

Mayors: Last time, a business founder of Boston's fabled Vault, a business group that worked with three mayors over three decades to build Boston to its present status, said, “It all starts with credible government” in City Hall. Indeed! Look what happened at the turn of the decade when Baltimore replaced an inept mayor and Atlanta a corrupt one, in both cases with energetic, vocal, highly competent mayors who confronted and surmounted long-festering challenges. Martin O'Malley brought what various local business people termed “professional competence” and the “right frameworks” for development to Baltimore's city agencies. Shirley Franklin, Atlanta's first female African American mayor, was assessed by one civic leader as “an outstanding powerhouse of a mayor” who has “changed the whole climate of leadership here” (most others interviewed in Atlanta agreed). These new mayors (both re-elected almost by acclamation) enabled both cities to take advantage of other factors to turn into hotbeds for development.

AVERAGE HOUSEHOLD INCOME *In thousands of 2004 dollars.*



SOURCE: The Urban Institute

Business: Time was when the chief executives of major companies in many cities came together in what in our last report we termed “benevolent cabals” to work with competent mayors to lead progress in cities. Besides Boston’s Vault, there were Cleveland Tomorrow and the Allegheny Conference on Community Development in Pittsburgh. In many cities such as Atlanta and Baltimore, active and well-led chambers of commerce played similar leadership roles.

Such business leadership was visibly eroding eight years ago, and that continues today. There are two main culprits. First, mergers and acquisitions have “decapitated” business leadership in many cities, to use Boston’s term for outsider takeovers of iconic firms such as John Hancock, Fleet Bank and Gillette, causing much “angst” in Beantown. This is happening everywhere, most noticeably in Cleveland, Pittsburgh and Philadelphia. The second culprit is globalization. If a city does retain CEOs of major firms, they are jetting off to Brussels, Tokyo, Shanghai or Bangalore, leaving stewardship for their hometowns to vice presidents for community affairs. One result is that the Vault and Cleveland Tomorrow no longer exist. Such groups elsewhere have been weakened. Most students of urban affairs agree that this era of business leadership is over.

All is not lost, however. Some chambers still play strategic roles and make important things happen, as in Atlanta and Baltimore. The Allegheny Conference is still essential in Pittsburgh, and Cleveland Tomorrow has merged into an active local chamber. Further, some of those new regional vice presidents, especially of banks, whose investments are heavily geographically based, have found that keeping headquarters happy is best done by keeping their cities good places to do business. And, too, a new generation of second-tier local business people is emerging and taking leadership on urban issues of interest to them.

“Eds and meds:” In city after city, the major employers nowadays are city government itself and universities and hospitals. These latter institutions are tied to major facilities in their cities and are not moving to the suburbs or abroad. But for decades, as their cities decayed around them, most of these institutions cloistered themselves behind their walls, tending their specific educational or health care missions, and pointing to their hiring of local residents and

purchases of supplies and services from local firms as sufficient contributions to their cities.

Eight years ago, this was beginning to change, and that change has since accelerated—certainly in Atlanta (Georgia Institute of Technology and Georgia State University), Baltimore (Johns Hopkins University, its hospital, and the University of Maryland), and Philadelphia (University of Pennsylvania, Temple University and Drexel University), to a lesser degree in Cleveland (Cleveland State University, Case Western Reserve University, and the Cleveland Clinic) and Pittsburgh (University of Pittsburgh and its affiliated medical center, Carnegie Mellon University, Duquesne University). In these cities, university and college presidents have assumed much of the mantle of leadership shed by business and are at the top of any local listing of leaders.

In Philadelphia, Penn and Temple have each stimulated a range of redevelopment in their respective parts of town. In Baltimore, Johns Hopkins University Hospital is at the core of the Annie E. Casey Foundation’s massive redevelopment of neighborhoods to the hospital’s north. In Atlanta, Georgia State University has changed from a commuter to a campus university, putting 2,000 dormitory beds downtown, with their concomitant young feet on the street enlivening a downtown formerly dormant after business hours.

Universities and hospitals can do more, however, on the economic development front. Harvard University and the Massachusetts Institute of Technology, for instance, have long pumped dozens of new high-tech firms annually into the economy of Eastern Massachusetts, commercializing the results of their scientific and technological research. But Johns Hopkins, one of the nation’s leading recipients of federal research funding, has been reluctant to engage in commerce to this degree. (Baltimore’s regional economic development leaders are trying to get it “to loosen up.”) And Pittsburgh’s universities are leaders in various technologies but have yet to fulfill their potential to generate new companies that could help lift the region’s sagging economy. Economic developers and the “eds and meds” in both cities should study the lessons of Boston, San Diego, Seattle and Austin for how to create vibrant, high-tech local economies.

Philanthropy: Boston, Cleveland and Pittsburgh have especially strong, active, engaged foundations. Philadelphia, Baltimore and Atlanta also

benefit from committed local philanthropic organizations. Examples of their leadership:

- Many credit the Boston Foundation's Paul Grogan for filling the vacuum left by the loss of major business leadership and pulling the region's other leaders together to confront its housing and transportation problems.
- Cleveland's foundations support perhaps the nation's best community development system (there is still decay in Cleveland, but few stretches of wasteland like those in Detroit, Philadelphia or Baltimore). Further, these foundations are the main civic force behind several other big economic development projects, and they have also sparked and supported a regional economic development initiative—the Fund for Our Economic Future—for 30 counties in Northeast Ohio that now includes 85 donors and grantmaking organizations.
- Pittsburgh's several foundations—notably the Heinz Endowments and the Pittsburgh and Grable foundations—keep the Allegheny Conference a vital force; support a number of economic development groups, think tanks, and research centers; recently helped rescue the school system from a governance crisis, paving the way for new leadership with very promising reforms now under way; and have been a central force in sustaining cultural institutions.

New, decentralized, diverse, positive urban leadership: An Atlanta civic leader perhaps said it best in discussing what he called Atlanta's present "golden age of civic leadership":

The tradition of strong business leadership is giving way to leadership coming from all over the place—civic organizations, educational institutions, business, and new organizations started by younger people that are fragile but doing things. We are not used to looking for this kind of emerging leadership. Cities are not unled.

Mayors, as we have seen, remain of critical importance, and business is still in play, but in a lesser and different way. Now, added to those traditional players—and most evident in Atlanta and Philadelphia—are new and rejuvenated civic organizations of some scale and impact, along with new, often younger, leaders "popping up" and taking stewardship *ad hoc* of

civic issues in front of them. Many interviewed in Philadelphia felt that this new, often spontaneous network of diverse leaders with a "can do" mentality was "democratic," "healthy," and "good for the city." How durable and effective such leadership is for cities in general remains to be seen. It is clear, however, that while leadership that is positive and engaged may not guarantee success and progress, leadership that is disengaged and negative almost certainly guarantees failure and decline.

Issues of urban development

The national housing boom of this decade has also had a significant impact on several of our cities. Mayors, city agencies and foundations have facilitated both subsidized and market-rate housing and related commercial development that is transforming parts of those cities.

Downtowns and neighborhoods: This redevelopment is affecting both center cities and neighborhoods. In downtowns, (especially in Philadelphia, Pittsburgh and Atlanta) and along waterfronts (Baltimore, and even Detroit) commercial buildings are being converted to condos, and new condos and single-family homes are sprouting up, some subsidized, many market-rate. While good data are scarce, those involved say that the bulk of the new residents purchasing or renting such units are childless couples and singles, mainly in their 20s and 30s, or empty-nester baby boomers giving up the lawn care and maintenance of suburban houses that are too large now that their children are grown. Most are well educated and, it is clear from the Urban Institute data and our interviews, have higher incomes.

This development is also spilling out into neighborhoods. Examples from our other cities:

- Baltimore's new housing is progressing along the waterfront and northward on both sides of downtown, drawn by academic and medical institutions.
- Atlanta sees market-rate housing activity in its previously downtrodden Midtown as well as in posher neighborhoods. It plans (and, we're told, has funded) the Beltline, a major mixed-use development of parks, trails, new transit, and housing and commercial structures on abandoned railroad rights-of-way ringing the

city just inside city limits. This will include the poor neighborhoods of South Atlanta, where the Annie E. Casey Foundation has a major community development initiative.

- Cleveland’s Neighborhood Progress, Inc., the best local community development intermediary in the nation, is working with six of that city’s most accomplished community development corporations on a daring initiative to create “regionally competitive neighborhoods of choice” for those seeking housing or business investment opportunities.

In addition, throughout several of our cities, the transformation of hulking, crime-ridden, high-rise public housing to low-rise, well-designed apartments or townhouses for mixed-income groups of responsible tenants and owners is well advanced.

Vast regions of blight and decay still mar most of our cities, and the job has in many instances just begun. Progress seems somewhat precarious and could halt with a major recession or anything other than a “soft landing” after the housing boom. At this writing, the landing seems to be cushioned in these cities by what developers see as unmet housing demand. Be that as it may, outside of Boston, such progress was hard to imagine just eight years ago.

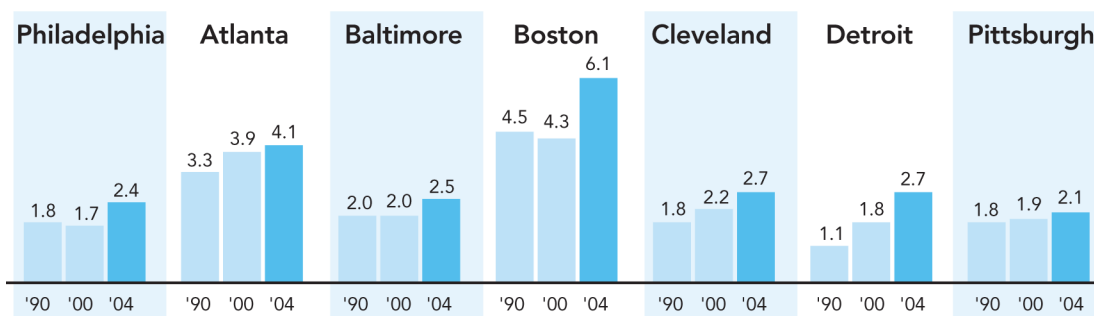
Affordable housing and gentrification: Progress like the early redevelopment we are seeing generates new issues. Those emerging now have to do with balancing the housing needs of middle-class and lower-income residents with the efforts of cities to attract higher-income residents

to better balance their income distributions and better fill their tax coffers.

- The lack of affordable housing is approaching a crisis in Boston, where the average home value is 6.1 times the average household income, a ratio half again higher than in Atlanta and more than twice as high as in our other five cities. Major employers in Greater Boston, including its premier education and health institutions, are seeing prime job candidates, especially younger ones, go elsewhere because they feel they cannot afford to live in Beantown. Philadelphia, Baltimore and Atlanta are just beginning to wonder where their cops and teachers and working class residents will live unless more affordable housing is in the mix of development. Meanwhile, federal housing subsidies continue to decline.

Vacant and abandoned properties: This has long been one of the toughest and biggest issues on the urban agenda, especially in Detroit, Cleveland, Philadelphia and Baltimore, and since our last report it has gotten much worse in some cities, such as Cleveland and Northeast Ohio, which lead the nation in foreclosures and abandonments. The scale of the issue is itself stunning, with imprecise estimates: Baltimore has an estimated 40,000 abandoned homes (one of every seven); Detroit, 60,000; Philadelphia, 30,000 (and another 20,000 vacant lots). Cleveland estimates 8,000 new abandonments *this year* (the city’s nonprofit and for-profit developers produce only about 800 new units per year, and that is the highest number of new housing units of any jurisdiction in the metro area).³

COST OF HOUSING Average home value divided by average household income



SOURCE: The Urban Institute

3 Given Cleveland’s declining population, local experts didn’t believe that all the newly abandoned units needed to be replaced, but thought it imperative to neutralize their blighting effect by demolishing the buildings, cleaning up the lots and land-banking them.

To their credit, several of our cities are tackling this challenge head on. Baltimore has acquired and demolished 6,000 units, Philadelphia 4,500. Cleveland has mounted a city/county task force to attack both the front and back ends of the problem. But every city still has a long way to go.

Schools

Eight years ago we said:

The schools in all of the cities we visited (except some areas of Pittsburgh) were described in terms ranging from "poor" to "horrible"—abjectly failing their largely minority and poor students and the main cause of middle-income couples leaving town once their children reached school age. Some schools, as in Atlanta and Detroit, were micro-managed by fractious and/or ideological elected boards. In many... superintendents seem to last only a couple of years... Reform movements come and go, in most cases being absorbed with little trace by bureaucratic school departments.

There have been some heartening improvements since then. In several cities, governance has shifted, with mayors, or even the state, assuming control. And in Atlanta and Pittsburgh, where school boards have retained control, they are behaving better. More important, the tenure of superintendents has been longer (Boston, Atlanta, Philadelphia) or promising new superintendents have recently taken over (Baltimore, Pittsburgh). Longer tenure gives reforms a better chance of taking hold. Boston's Thomas Payzant has just retired after 11 years, laden with national awards for his reforms and having pushed reform as far as possible without fundamentally restructuring the system. Atlanta's Beverly Hall is in her seventh year of a 12-year reform plan. Philadelphia's Paul Vallas just had his five-year contract renewed for another three years. In most of our cities there are combinations of new curricula, better teacher selection and training, less violence, new or refurbished facilities, and improvements in test scores.

Nonetheless, while things are demonstrably better in most of our cities, the educational performance of city schools still lags their suburbs and their states as a whole, with double-digit gaps between whites and minorities. A Baltimore

leader says, "There are probably only two schools in the system that white, middle-class parents would send their kids to." Others interviewed in most of our other cities agreed with a member of Baltimore's School Board who said:

We are doing every kind of big-city school reform that you hear about in places like New York City, Chicago, and Philadelphia. Baltimore has done as well as any school district in the U.S. on them, but that's faint praise. It remains to be seen whether any district can do well with a student body of such a concentration of low-income kids with their physical, social and [learning] deficits.

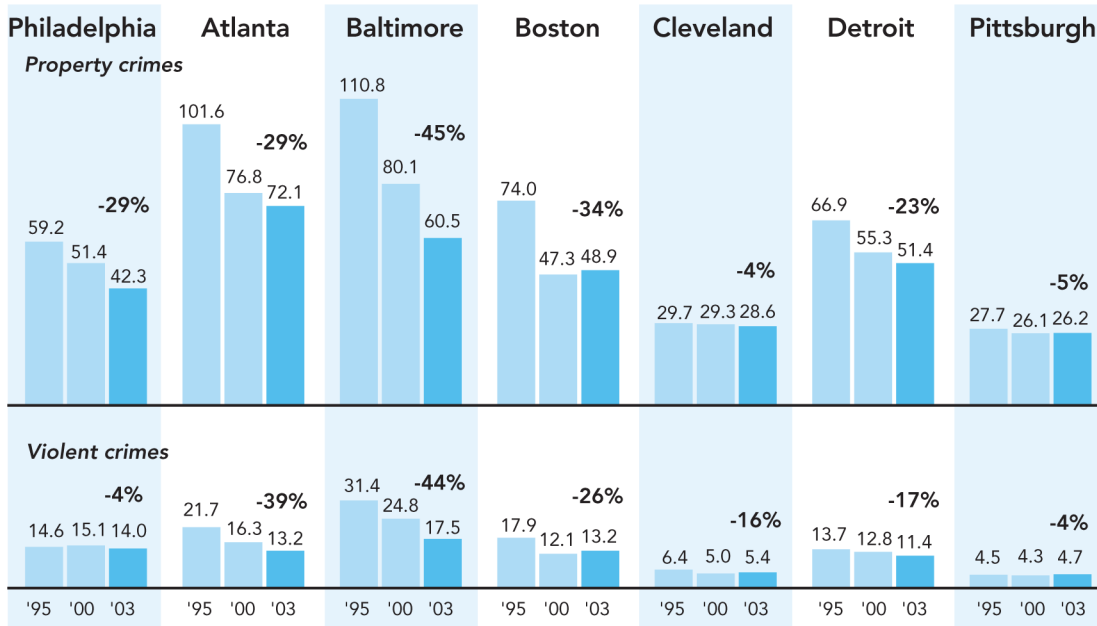
Crime

Until recently, crime rates had been dropping substantially across the country, in some cases by double-digit amounts. The Urban Institute crime data show that from 1995 to 2003 (the latest year for which these comparative data were available for all of our cities), property crimes per 1,000 population dropped from 59 to 42 in Philadelphia, from 102 to 72 in Atlanta, 110 to 61 in Baltimore, 74 to 49 in Boston, from 70 to 51 in Detroit. The reductions were smaller in Cleveland and Pittsburgh, a point or so, but their crime rates in 1995 were much lower, 30 and 28, respectively.

Violent crime rates also dropped during that time in all but Pittsburgh, which had the lowest rate by far to begin with. Violent crimes per 1,000 population dropped from 31 to 18 in Baltimore, from 22 to 13 in Atlanta, from 18 to 13 in Boston, and 14 to 11 in Detroit. The reduction was a point or less in Cleveland and Philadelphia. Violent crime rose a fraction in Pittsburgh (to 4.7 from 4.5).

Experts differed on why, despite negative trends in some cities, crime had dropped so much since the 1990s: smaller cohorts of crime-prone young people, lower drug usage, a lot of the "bad guys" already in jail, and better policing all around. Most of our cities have adopted policing practices that have become popular in the past few decades such as CompStat, a performance-measurement system pioneered in New York City that uses freshly updated crime statistics in weekly meetings to enforce accountability by police commanders and assign cops to hot spots; "community policing," invented in

CRIME Criminal incidence rates per 1,000 population. Percent change is from 1995 to 2003.



NOTE: Because of the way data is reported, Philadelphia and Baltimore figures are for city. For other cities, figures include the county containing the city and thus include crimes in areas outside the city limits.

SOURCE: The Urban Institute

Boston, in which police work closely with community groups, especially those dealing with youth; and the “broken windows” theory of rigorous enforcement of minor violations on the grounds that perpetrators of lesser crimes move up to more serious crimes unless stopped early.

In the last couple of years or so, however, general crime rates have bottomed out, and more recent FBI reports for 2006 indicate a worrisome 3.7 percent increase in general crime throughout the nation. Some categories of violent crime also spiked during 2006. In Philadelphia, for instance, homicides totaled 406 at year’s end, up from 380 the prior year. This is ascribed mainly to a renewed flood of drugs and guns hitting the city’s streets. A new generation of adolescents with few economic opportunities in a changing economy has ready access to guns, which police say are epidemic. Then, too, the number of released felons returning to neighborhoods is predictably increasing, and few of them have positive prospects. Thus far, most of the increase in crime is in the neighborhoods, not in the downtowns with their new, higher-income condo residents.

Still, larger cities are safer places to live these days than they were eight years or a couple of decades or so ago (in 1995 Philadelphia had 432 homicides), while crime rates are increasing in the suburbs. But the recent increase in urban crime, especially violent crime, feeds the perception of cities as crime-ridden and remains a considerable competitive disadvantage for cities.

Race and diversity

Oddly, considering the history of racial strife in this country and in most of these cities, race rarely came up in our examinations, except in Detroit, where politics are dysfunctional and race poisons everything, and in Pittsburgh, where racial sensitivities were aroused recently when a white school board fired an ineffective African American superintendent.

Elsewhere, whether from exhaustion with earlier conflicts or the exhaustion of old ideas about improving racial relations, there seems to be a tacit agreement to shove race under the table, where it doesn’t go away, but smolders. A Southern businessman now stationed in one of

our cities said, “Everything here involves race, but it isn’t up front. If the Southerners I grew up with knew about the racism in the North, they’d never let anyone make themselves feel bad about it again.” A few others argued for supporting and developing more African American civic leaders and fostering greater dialogue between the races.

This dampening of race as an up-front issue may be only a temporary phenomenon, or it may reflect the rapid and fairly significant shifts in the proportions of the races in our cities over the last decade and a half, as reflected in the Urban Institute’s city tables. African Americans now outnumber non-Hispanic whites in all of our cities except Boston and Pittsburgh, and substantially so in Atlanta, Baltimore, Cleveland and Detroit.

Non-Hispanic whites are a minority in all of our cities except Pittsburgh, ranging from 8 percent in Detroit to 47 percent in Boston (with Pittsburgh at 62 percent in 2004, down from 72 percent in 1990). Whites are also a minority in Atlanta, at 35 percent, but that is up from 30 percent in 1990, reflecting immigration from the white suburbs and more distant locales. (There is talk in Atlanta of a successful white candidacy for mayor in the not-too-distant future.)

As news accounts in recent years have noted, the Hispanic population has grown rapidly, now more than 14 percent in Boston and almost 10 percent in Philadelphia. Since 1990, Hispanics have tripled their proportion in Atlanta, more than doubled it in Baltimore and Detroit, and almost doubled it in Cleveland. Asians are also an increasingly important element in the racial and ethnic mix, constituting, in 2004, 12 percent of Boston’s population, almost 7 percent of Philadelphia’s, and in the 2 to 4 percent range in most of the other cities (but that is double or triple their percentage in 1990).

Finally, immigrants are growing proportions of all of the above categories. The proportion of the foreign-born in Boston is almost 27 percent, in Philadelphia more than 11 percent, in Atlanta 7.5 percent, and in Baltimore almost 5 percent. As might be expected, the East Coast cities (and Atlanta) have all considerably increased the percentages of their foreign-born populations since 1990, while the percentages for the three

RACE	1990	2000	2004	Percent point change 1990-2004
Philadelphia				
White	52%	43%	39%	-13
Black	40	42	44	+4
Hispanic	5	9	10	+5
Asian/other	3	7	7	+4
Atlanta				
White	30%	31%	35%	+5
Black	67	61	54	-13
Hispanic	2	5	8	+6
Asian/other	1	3	4	+3
Baltimore				
White	39%	31%	30%	-9
Black	59	64	65	+6
Hispanic	1	2	2	+1
Asian/other	1	3	3	+2
Boston				
White	59%	49%	47%	-12
Black	24	24	26	+2
Hispanic	10	15	14	+4
Asian/other	7	13	12	+5
Cleveland				
White	48%	39%	35%	-13
Black	46	50	55	+9
Hispanic	4	7	8	+4
Asian/other	1	4	2	+1
Detroit				
White	21%	11%	8%	-13
Black	75	81	84	+9
Hispanic	3	5	5	+2
Asian/other	1	4	2	+1
Pittsburgh				
White	72%	67%	62%	-10
Black	26	27	32	+6
Hispanic	1	1	1	0
Asian/other	2	5	5	+3

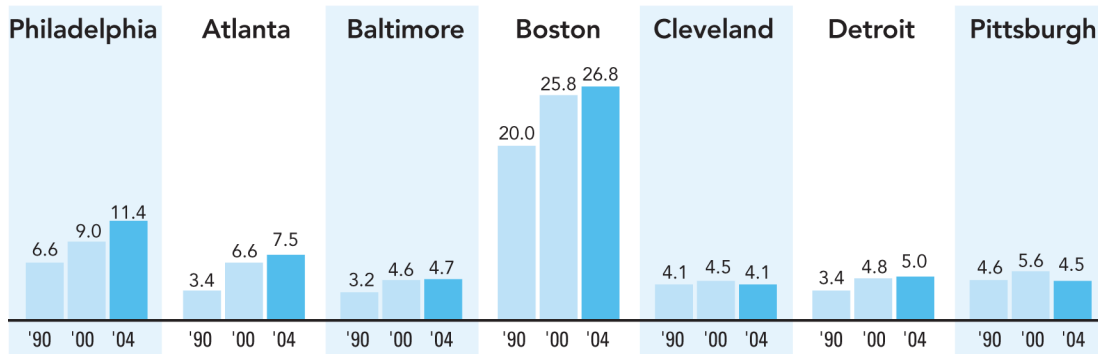
NOTE: Percentages may not add to 100 due to rounding.

SOURCE: The Urban Institute

other cities hover in the 4 to 5 percent range and have hardly changed over that time.

What is clear is that the sharp and contentious black-white dichotomies of the past in these cities and elsewhere have been considerably muddled and muffled by the emergence of a much greater diversity of racial groups. And, too, there are many kinds of Hispanics, many kinds of Asians, many kinds of black immigrants, and many kinds of white immigrants.

PERCENT OF POPULATION FOREIGN BORN



SOURCE: The Urban Institute

How these myriad differences will play out is in no way clear. There could be a vibrant, healthy, “rainbow” diversity with multilateral bargaining and politicking for advantage and benefits, or there could be strife of a shifting and unforeseeable nature. The only thing that is clear is that group relations will be different.

Cities and regions: sprawl, smart growth and metropolitan government

Eight years ago, the “analyzing classes” of academics and think-tankers were creating a literature on regionalism: the harm of suburban sprawl, the need for “smart growth,” the fact that it is metropolitan regions that compete globally these days, and the potential importance of regional or metropolitan governments, or at least “functional regionalism” on such things as planning, marketing the region, or this or that specific government service. Not much has happened on these fronts since then; it has been a longer and harder slog to gain acceptance of and action on these ideas than their proponents had perhaps expected. Indeed, in several places we were told, “regionalism is dead.”

But is it? Certainly the issues have not gone away; the need to work regionally is if anything even more pressing, both in Philadelphia and elsewhere. Some examples from our other cities:

- Atlanta has “hit the wall” on sprawl. Its traffic jams and long commutes were widely cited as

pushing suburbanites into the city. There are now incentives for more rational regional development around older town centers at transportation nodes, and a proposed regional referendum on transportation improvements. A new 16-county water planning board is also in place.

- Boston’s affordable housing and transportation problems are regional by nature and constrained by the overly numerous and grid-locked governmental jurisdictions of Eastern Massachusetts. Led by the Boston Foundation, regional analytical and planning mechanisms are beginning to address these issues; for example, the legislature now provides incentives for suburbs to allow higher density affordable housing at transportation nodes.
- In the Cleveland region, foundations, government and business have established the Fund for Our Economic Future to generate economic development throughout Northeast Ohio, and the recently elected mayor, Frank Jackson, has made regional cooperation a theme of his young administration.
- In Pittsburgh, there is serious talk of merging the city and county governments, or, more realistically, of merging some of their functions.

We turn now to a full presentation of how these significant positive and negative factors have played out in Philadelphia over the past eight years. Shorter case studies for each of the other six cities can be found in Appendix 1.