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Revitalizing Distressed Older Suburbs

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The What Works Collaborative is a foundation-supported research partnership that conducts timely research and analysis to help inform the implementation of an evidence-based housing and urban policy agenda. The collaborative consists of researchers from the Brookings Institution’s Metropolitan Policy Program, Harvard University’s Joint Center for Housing Studies, New York University’s Furman Center for Real Estate and Urban Policy, and the Urban Institute’s Center for Metropolitan Housing and Communities, as well as other experts from practice, policy, and academia. Support for the collaborative comes from the Annie E. Casey Foundation, Ford Foundation, John D. and Catherine T. MacArthur Foundation, Kresge Foundation, Rockefeller Foundation, and Surdna Foundation.

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Executive Summary

It’s no secret that problems usually associated with inner cities have made their way into suburbia. Poverty, unemployment, foreclosures, population losses, underfunded or failing schools, inadequate public services—they’re facts of life for millions of people living in distressed, older suburbs across the United States.

But what can be done about this? How can the federal government help?

What works?

This report focuses on predominantly minority suburbs of older, large industrial cities, communities that once were thriving but are now severely distressed and have limited capacities to respond to increasing needs.

It supplements census information with a deeper understanding of the underlying forces shaping distressed, older suburbs. It also contributes to a growing body of literature on suburbia in general and on older, inner-ring suburbs in particular. While much has been written about the deleterious effects of living in concentrated poverty in central cities, very little research has examined the problem in distressed suburbs.

The research behind this report consisted of

- a review of literature on the topic (appendix A),
- identification of the most-distressed suburbs in the United States (appendix B), and
- in-depth case studies, including site visits and interviews, and fiscal analyses of four most-distressed suburbs (appendices C and D).

Our hope is that understanding what works and what does not work in the four case study cities will help inform the federal policy discussion about how best to position distressed suburbs for the future.

Methodology

We started with a database of all cities and villages in the United States with populations of at least 2,500 in the year 2000, excluding small central cities that were parts of larger metropolitan areas. These 4,066 suburbs were scored on three indicators of distress—poverty, unemployment, and foreclosure rates. One hundred sixty-eight suburbs had m-score values above 1.5 for each of the three indicators and were identified as “most distressed.”
Those 168 suburbs, clustered unevenly in all nine census divisions, were home in 2000 to 4.1 million people.

The four case study cities were selected from those most-distressed suburbs that had majority nonwhite populations and older housing stock and had lost population from 1980 to 2000. We selected two cities from regions with slow-growing economies and two from regions with fast-growing economies, two that were U.S. Department of Housing and Urban Development (HUD) direct entitlement communities and two that were not.

**Case Study Cities**

The suburbs studied were as follows:

- **East Cleveland, Ohio** (population: 17,843), one of the first and once one of the most prestigious suburbs of Cleveland, with a reputation for good government, low taxes, good municipal services, and good schools. Today, most of East Cleveland’s tax-generating industries are gone; large pockets of housing stock are substandard, abandoned, and vandalized; and the school system earns a low grade in the state ranking system. The city has lost 55 percent of its population since 1970. Thirty-seven percent of residents had incomes below the federal poverty level in 2010.

- **Inkster, Michigan** (population: 25,369), a suburb of Detroit with close ties to the automobile industry. Inkster is better off financially than the other cities in this study; as of June 2011, it was the only one with a credit rating. But it has lost 35 percent of its population since 1970, and its budget, while balanced, is limited. It has high rates of poverty, unemployment, foreclosures, and vacancies. Public safety is an issue.

- **Chester, Pennsylvania** (population: 33,972), the oldest city in Pennsylvania, about midway between Philadelphia and Wilmington, Delaware. Chester has been hit hard by the recent recession, foreclosures, and a continuing loss of black middle-class families. Its population has dropped by 40 percent since 1970. The need for job opportunities is enormous. An estimated 25 to 30 percent of the housing stock is substandard, and an estimated 29 percent is public or publicly subsidized. The school system is one of the most troubled in the nation. The city is, however, beginning to rebuild its tax base.

- **Prichard, Alabama** (population: 22,659), a suburb of Mobile and, 50 years ago, Alabama’s largest suburb. Prichard has been under extreme fiscal stress for decades. In September 2009, it became the first city in the country to default on its pension payments to retirees. It was in bankruptcy several years ago and has tried unsuccessfully to place itself in bankruptcy again. Tax-delinquent properties are an enormous problem, but the city can’t afford to collect. Like the other three cities, Prichard has lost much of its population—42 percent since 1970.
What Works?

The report includes discussions of lessons learned from the four cities on housing and community development, concentrated poverty, trust in government, anchor institutions, education, local government capacity, regional collaboration, and state programs. We also describe some successes and hopeful steps forward that we found amid the many challenges these communities face:

- The quasi-governmental Chester Economic Development Authority (CEDA) has enabled Chester to implement effective management practices and to retain consistent long-term leadership that is somewhat insulated from city politics. CEDA played a key role in recent riverfront development in Chester.

- Prichard’s housing authority, also insulated somewhat from city politics, has been redeveloping parts of the city and has generated several income streams from its homeownership and housing development programs.

- State programs and investments have benefited Chester and Inkster. Chester took advantage of Pennsylvania state investments and legislation that offers tax abatements and other incentives to develop its riverfront with a casino, soccer stadium, office building, and waterfront park. The state located a prison in Chester, a move that created 397 jobs. Inkster took advantage of state laws and created a Downtown Development Authority to spur development and a Tax Increment Finance Authority to prevent unemployment and urban deterioration and promote economic growth. The state also was instrumental in developing a $25 million social services building in Inkster’s long-dormant downtown, and a state emergency financial manager brought needed improvements to the school district.

- Anchor institutions have stepped forward and are working with Chester and East Cleveland.

- Chester is rebuilding a public-private leadership group and capitalizing on a new culture of collaboration and trust that enables it to tap leaders from anchor institutions and the private and nonprofit sectors to move the civic agenda forward.

- The city manager form of government seems to serve Inkster well fiscally.

- East Cleveland leaders see regional collaboration as a way of saving money. The city has reached agreements with other governmental entities to take over its water department and maintenance and repair of its sanitary sewers. Other agreements are in the works.
Recommendations

- **Regionalize, repurpose, restructure.** Even if these cities, and others like them across the country, did everything right, they would still be in precarious fiscal situations. We recommend deep changes—regionalizing, repurposing, and/or restructuring. Most-distressed suburbs have assets. In every case we examined, these assets appear to be properly valued at a very low level, given the current context of their location. However, changing that context can substantially increase their fiscal and social value. This is a long-term undertaking. In the shorter term, cities can consider regional service delivery, regional government, annexation, and restructuring city government. This may mean that some of them will no longer exist in the same form they do today.

- **The federal role.** Officials in all four cities offered recommendations to make HUD programs more effective, including allowing cities greater flexibility to spend HUD dollars in ways that meet their most pressing needs and support economic development projects. We agree that implementing these recommendations would bring improvements—but none goes far enough.

These suburbs need to build their capacities to accomplish significant structural change. The federal government can help by

- bringing in contractors or loaned executives to help the communities repurpose or restructure,

- partnering with states to provide incentives for cities that meet “good government” criteria, including, for example, ensuring that adequate and ongoing public safety will be provided in any federally supported development project,

- providing technical assistance on municipal management practices,

- developing model legislation for states on reasonable ways to restructure city operations and finances,

- protecting historic investments in the communities, and

- creating cross-agency partnerships that provide leverage points and opportunities for federal/state/local funds.
Revitalizing Distressed Older Suburbs

Cities and their regions are dynamic, continuously evolving places. American suburbs are a relatively new phenomenon in the history of places of urban settlement, although some are more than 100 years old. As some of the earliest suburbs, especially those of older northeastern and midwestern cities, enter their second centuries, they are experiencing dynamics more typically associated with central cities.

The full release of 2010 census data will provide a snapshot of these suburbs. It will identify population and demographic trends and describe housing, health, and economic indicators at a point in time. The numbers will be used to determine federal and state funding for needed programs.

This study supplements the census information with a deeper understanding of the underlying forces shaping these suburbs, many of which are losing population to newer suburbs and, with that, facing the possibility of losing formula-based federal funds. Designing the appropriate federal policy response to help position these distressed suburbs to thrive in the next century will require a more detailed, finer-grained understanding of the dynamics they face. It is hoped that understanding what works and what does not work in these four places can inform federal policy responses to better position distressed suburbs to meet the challenges of the future.

The focus is on distressed, predominantly minority suburbs of older, large industrial cities. These places once were thriving communities but are now characterized by high rates of poverty, foreclosure, unemployment, and population loss; limited tax bases; underfunded or failing schools; and inadequate public services. Other types of suburbs likely face many of these issues as well and the methodology developed for this analysis could be applied to identify other types of older suburbs for comparative analyses.

The research project addressed three basic questions:

- Which are these distressed, older suburbs? Based on our analysis, 168 suburbs and small cities were identified as most distressed, and four suburbs were selected for case studies. These suburbs received in-depth analysis, including site visits and interviews, to provide sufficient context in which to identify best practices and unmet needs.

- What works? A literature review of research on older suburbs was conducted to help us identify national, state, local, and foundation programs and strategies that have worked in these suburbs and to understand what made the programs successful. The literature review can be found in appendix A.

- What’s possible? What needs to be invented? Based on lessons from the case studies and the new but growing body of literature on older, distressed suburbs, we identified common public policy, social, and economic issues faced by severely distressed suburbs.
This analysis points to how well current programs are working in these suburbs and suggests some federal policy options to address unmet needs.

**Methodology**

This project focuses on suburbs that once were thriving but are now severely distressed and have limited capacity to respond to increasing needs. Three indicators were used to analyze how distressed each suburb is: poverty rate, unemployment rate, and foreclosure rate.¹

To identify these suburbs, we started with a database of all cities and villages in the United States with populations of at least 2,500 in the year 2000, excluding small central cities that were part of larger metropolitan areas—a total of 4,066 suburbs. For the purposes of this study, “most distressed” suburbs were those having m-score values above 1.5 for each of the three indicators of distress: poverty rate, unemployment rate, and foreclosure rate. (For a detailed discussion of the methodology, see appendix B.)

Using an m-score threshold of 1.5 yielded 168 suburbs, or 4 percent, as most distressed from the initial pool of 4,066. These 168 suburbs represented a total population of 4.1 million in 2000, which is 6 percent of the total suburban population of 68.3 million in our sample.

The contexts in which these suburbs operate are likewise varied, depending on such factors as the age of the suburb, its economic and demographic history, and other variables. To better understand the different contexts in which they operated, we sorted the 168 most-distressed suburbs by population and economic trends. Table 1 illustrates the six different types of places. The economic trends are captured in the two rows of the matrix. Suburbs were classified in one of two groups of regional economies:

- **“Fast-growth”** (top row): The regional economy grew at a rate that was above the overall median rate of growth.

- **“Slow-growth”** (bottom row): The regional economy grew at a rate that was below the overall median rate of growth, or the regional economy declined.

It was expected that most-distressed suburbs in regions with fast-growth economies might show some benefit from the regional growth—a rising tide lifting all ships. Conversely, most-distressed suburbs in regions with slow-growth economies might face additional challenges.

Regional economic trends were measured using m-score values for inflation-adjusted percentage change in gross domestic product (GDP) per capita from 1980 to 2009² for the core-based statistical area (CBSA) in which the suburb is located. (2009 GDP was used to capture any impact from the recession.)
Population trends from 1980 to 2000 are captured in the three columns of the matrix: absolute population loss, slow population growth (below the median rate), and fast population growth (above the median rate).  

**Table 1. Most-Distressed Suburbs Classification by GDP and Population Change**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Absolute population loss</td>
</tr>
<tr>
<td>Bucket 4</td>
<td>(n = 40)</td>
</tr>
<tr>
<td>Bucket 1</td>
<td>(n = 26)</td>
</tr>
</tbody>
</table>

*Note: Total suburbs = 168, total population = 4,073,838.*

Detailed information about the suburbs in each bucket can be found in appendix B.)

Of the six groupings, by far the largest number of suburbs (76, or 45 percent) was in bucket 3. All these suburbs are in four states: California (58), Texas (8), Arizona (3), and Florida (7). Each of these suburbs is likely growing because of immigration but is in a region experiencing below-median growth in per capita GDP.

The second largest number of suburbs fell into bucket 4, which represents suburbs in fast-growth economic regions but with absolute losses in population.

We were most interested in a small subset of distressed suburbs, those with majority (more than 50 percent) nonwhite populations and older housing stock (median year housing built 1968 or earlier). This further narrowed our pool to 65 suburbs. We decided to further narrow our focus to those most-distressed suburbs that had lost population from 1980 to 2000, which limited the selection to buckets 1 and 4. The four case study cities were selected from those most-distressed suburbs that were majority minority, had pre-1968 housing stock, and had lost population from 1980 to 2000.

**Selecting Case Study Cities**

In consultation with the project partners, we selected two cities from regions with slow-growing economies, one a direct entitlement community and one not, and two from regions with fast-growing economies, one a direct entitlement community and one not.

Cities in slow-growing economic regions (bucket 1):

- East Cleveland, Ohio (U.S. Department of Housing and Urban Development [HUD] direct entitlement)
- Inkster, Michigan (nonentitlement)
Cities in fast-growing economic regions (bucket 4):

- Chester, Pennsylvania (HUD direct entitlement)
- Prichard, Alabama (nonentitlement)

**Demographic Characteristics of Case Study Cities**

We used the Neighborhood Change Database (NCDB), 1970–2000, to provide a background data analysis for each case study suburb and to compare each suburb with the other suburbs in its cell of the matrix. The NCDB provides data from the 1970 through the 2000 censuses at the census tract level. Census tract data were aggregated to municipal boundaries and then reported for each case study city and summarized for each grouping or bucket. Because there could be aggregation issues going from the census tract geography to the municipal geography, we used these data simply for broader context and comparison, and the numbers reported should be considered approximations.

**Bucket 1. East Cleveland, Ohio, and Inkster, Michigan**

All cities in this grouping experienced absolute population loss between 1980 and 2000 and were in regions that had slow economic growth (negative m-scores based on inflation-adjusted percentage change in GDP per capita between 1980 and 2009).

**Total population.** Both East Cleveland and Inkster have larger populations than the average within this group, but both have been losing population consistently since 1970. The rate of population loss is roughly on par with the group as a whole—slightly faster in East Cleveland, slightly slower in Inkster.

**Race.** Taken together, the average racial composition for all suburbs in this group is roughly 80 percent black and 20 percent white. East Cleveland and Inkster differ substantially from this profile. East Cleveland is 94 percent black (a more than 60 percent increase since 1970) and 5 percent white (a nearly 90 percent decrease since 1970). In 2000, less than 1 percent of East Cleveland’s population was Hispanic.

Inkster, on the other hand, was 26 percent white in 2000 (a more than 50 percent decrease from 1970 to 2000) and 69 percent black (a more than 55 percent increase from 1970 to 2000). Inkster’s Hispanic population was roughly 2 percent. The remainder was other races.

**Age.** While neither city differs considerably on the percentage of population who are elderly or children (within 3–4 percent of the bucket averages of 11 and 30 percent, respectively), their rates of change differ from each other and from the average. For the suburbs in this group, the elderly population has increased 14 percent since 1970; in East Cleveland, it increased 24 percent, and in Inkster, it increased 117 percent. Since 1970, the average percentage of the population age 18 and under for this group has decreased 15 percent, but it decreased only 3 percent in East Cleveland and 28 percent in Inkster. Inkster is clearly gaining elderly and losing youth residents at much greater rates than East Cleveland and the bucket average.
**Female-headed families.** The case study suburbs also differ from the group on the shares of all households with children that are headed by females. The average for the 26 suburbs is 60 percent, whereas East Cleveland is 65 percent and Inkster is 50 percent. This figure is increasing faster than the average in both cases.

**Poverty.** East Cleveland’s poverty and elderly poverty rates are slightly (within 4 percent) above average for the suburbs in this group, while Inkster’s poverty rates are lower—a 20 percent poverty rate (versus an average of 31 percent) and 13 percent elderly poverty rate (versus an average of 20 percent). Both cities have lower percentages of households receiving public assistance than the average, with Inkster at 17 percent, East Cleveland at 22 percent, and the average at 25 percent. The rates in both cities, however, have grown dramatically since 1970.

**Unemployment.** Inkster has a lower unemployment rate than the bucket average (10 percent versus 14 percent), and the rate has grown more slowly than average since 1970 (67 percent versus 88 percent). The opposite is true for East Cleveland. Its unemployment rate, 15 percent, has grown 208 percent since 1970.

**Owner-occupied housing.** Inkster has a higher percentage of owner-occupied homes (54 percent) than the average (40 percent) or East Cleveland (30 percent). These percentages, however, might have changed dramatically since the beginning of the housing crisis.

**Bucket 4. Chester, Pennsylvania, and Prichard, Alabama**

All 40 suburbs in this grouping experienced absolute population loss (similar to bucket 1) but were in regions with fast economic growth (positive m-scores for inflation-adjusted percentage change in GDP per capita from 1980 to 2009).

**Total population.** Chester, with a 2000 population of 36,854, and Prichard, at 28,050, are both larger than the average population for the suburbs in this group. The rate of population decline from 1980 to 2000 is similar to the average (30 percent): 35 percent in Chester and 29 percent in Prichard. Since the average city is much smaller, these rates of decline, while similar, actually mean much larger absolute population losses for the case study cities.

**Race.** Chester and Prichard are similar in the diversity of their populations to the other suburbs in their group. In 2000, Chester was 19 percent white, and Prichard was 18 percent, while the average was 19 percent. Chester’s black population was 77 percent, Prichard’s was 81 percent, and the average was 80 percent. Chester’s black population increased 71 percent between 1970 and 2000 (the average is 71 percent), while Prichard’s increased 55 percent. Both cities are losing white population at rates very near the mean of 64 percent.

The average percentage of Hispanic residents in this group is low, at 1.4 percent. Prichard has less than 1 percent Hispanic population, while Chester has 5.4 percent. Both case study cities have larger increases than the average, though: 200 percent for Prichard and nearly 300 percent for Chester, versus the average of 131 percent. In absolute numbers, however, these percentages still translate to very small Hispanic populations in 2000: 187 in Prichard and 2,003 in Chester.

**Age.** Both case study cities have typical shares of elderly residents and youth, with less than 1 percent differences from the mean on either variable for either city. The change in the elderly population in both cities, however, differs from the average. Since 1970, the average increase in
percentage of elderly for the group has been 26 percent. In Chester, it was only 14 percent, while in Prichard, it was 59 percent.

In Chester, the share of population age 18 and under decreased 13 percent, a rate very close to the average. The share in Prichard decreased 23 percent.

**Female-headed families.** The share of households with children that are headed by females is similar to the average in both cities. But, between 1970 and 2000, the proportion of female-headed families grew substantially by an average of 156 percent for all cities in the bucket, including Prichard; it grew more slowly in Chester, at 122 percent.

**Poverty.** While Chester’s poverty rate of 27 percent is about average, Prichard’s poverty rate is higher than average, at 34 percent. Additionally, elderly poverty is greater than average (17 percent) in both Chester (22 percent) and Prichard (25 percent). The share of households receiving public assistance is slightly below the average in both cases, while the growth in this percentage in both cities was well below the average of 147 percent: Chester’s grew by 49 percent and Prichard’s by 68 percent.

**Unemployment.** In Chester, unemployment is roughly 2 percent higher than the average; in Prichard, unemployment and its growth are comparable to the averages for the group as a whole. Unemployment in Chester grew faster than average (222 percent versus 155 percent).

**Owner-occupied housing.** The homeownership rate in Chester is less than average (41 percent versus 48 percent), but the rate in Prichard is greater than average, at 53 percent.

### Fiscal Characteristics of Case Study Cities

A fiscal analysis was done of each city’s finances. (Detailed descriptions of their financial conditions can be found in appendix D.) Chester, East Cleveland, Inkster, and Prichard face financial challenges common to many aging inner-ring suburbs. These challenges are compounded by histories of mismanagement in East Cleveland, Chester, and Prichard. The city manager form of government in Inkster seems to have somewhat insulated that city from the management issues.

The common size ratio, which measures the amount of cash on hand relative to total assets, was used to compare the four cities. As Figure 1 illustrates, the governments of the four cities have differing scopes of involvement in their communities. This difference could stem from a desire for a more limited government or from being vastly underfunded. It also illustrates the trends in the size of governmental funds for each. The Great Recession has not only hit people across the country over the past three years, but also has been a great hardship for many local governments. The declines of the common size ratios of both Chester and Inkster are very likely linked to the broader decline in the U.S. economy.
Figure 1. Common Size Ratio for All Governmental Funds, Case Study Sites, 2005–09

Note: Data points for Prichard before 2007 have been excluded because the city changed how it accounted for its assets in 2007. The new accounting provides an accurate record of its assets, while the old system did not.

A closer look at the four cities reveals that Prichard has very little cash on hand, particularly compared with its total assets. Inkster has a much smaller collection of assets in its governmental funds than Prichard, but it has nearly twice as much cash on hand as Prichard. This means that Prichard will likely have more assets to maintain and pay for over time but very little cash to pay for them. Meanwhile, Inkster has a smaller array of assets to maintain but sufficient cash to cover those expenses.

We also looked at the General Fund Balance per capita, which is a barometer of the available financial resources in a government. Figure 2 clearly demonstrates that Chester and Inkster are in better shape financially than East Cleveland and Prichard. The financial situations for East Cleveland and Prichard are unsustainable. Both are near or below zero dollars fund balance per resident, a clear sign these two cities are at or near financial insolvency. Prichard’s numbers are actually much worse than reported because the city stopped paying its retirees pension benefits in 2009 and only recently restarted those payments. Both cities require significant overhauls of their operations. Prichard recently filed for bankruptcy, but was denied.
None of these cities is in good financial condition, even if some are in better shape than others. It is fair to say that East Cleveland and Prichard have the most systemic financial and budgetary problems. Three of the four cities are in or have been in some form of fiscal emergency in the past decade; only Inkster has thus far avoided such a status.

Unfunded long-term liabilities, such as pensions and other post-employment benefits (OPEB), are hitting all four cities hard. Digging out of the holes these cities face will be their biggest long-term challenge to surviving as distinct political entities. Chester has a huge hole to dig out of, with an unfunded OPEB liability of $114 million and an unfunded pension liability of about $27 million. East Cleveland has an unfunded liability payable to the state pension system of about $1.4 million a year for the next 25 years. Inkster’s pension system is more than adequately funded, but it has an unfunded OPEB liability of $27.8 million. And Prichard has an estimated $17 million unfunded pension liability, but this estimate was generated in 2003 and has not been updated, so it’s possible the number is much larger. There is no evidence Prichard has even estimated its unfunded OPEB to date.
Lessons from Four Suburbs

“I truly hope this will help small cities.”
— Hilliard Hampton II, mayor of Inkster

Members of the research team made site visits and conducted interviews with public officials and other key stakeholders in all four case study cities. The detailed case studies can be found in appendix C and offer a window into the dynamic forces that have shaped and are shaping four of these suburbs. They illustrate how each city is dealing with challenges on the ground. This section highlights the lessons learned from the case studies.

Race and context

This study focuses on distressed, predominantly minority suburbs of older, large industrial cities, some of which have special designations as direct entitlement cities. Special designation entitles these cities to receive community development block grant and Home Investment Partnerships (HOME) money directly, without meeting the more typical 50,000 population cutoff for this designation. It is the result of the so-called Stokes Amendment, sponsored by the Congressional Black Caucus and Ohio Rep. Louis Stokes in the late 1980s. This designation was made to address the challenges faced by these cities.7

The present-day context in which the four suburbs operate is, to some extent, a legacy of the racial prejudice and institutional (housing, employment, politics) race-based discrimination that characterized many American cities before the civil rights movement. Then, at the same time the civil rights act ended segregation and opened up housing and employment opportunities for African Americans in the 1960s and 1970s, American manufacturing began its decline.

These forces combined to bring about rapid racial change in all four case study cities. All four suburbs lost total population at a fairly alarming rate between 1970 and 2000, the same period in which they underwent racial transition. Only Chester’s population loss began to slow between 2000 and 2010. All have high poverty rates along with unemployment and economic segregation. None of the four is benefiting from immigration.

Although the dynamics of white flight played out slightly differently in each city, all faced challenges. We found stories of land grabs by neighboring white cities (Inkster and Prichard), blockbusting (East Cleveland), and segregation in housing (East Cleveland, Chester, Inkster, Prichard) and workplaces (Chester, Prichard, Inkster). East Cleveland experienced what Keating calls the classic “invasion and succession” story of integration.8 Inkster was where Henry Ford’s black auto workers lived, and Chester’s segregated shipyards were the subject of intense national debate about employment opportunity versus discrimination. Both Inkster and Prichard experienced land grabs—Inkster by neighboring Dearborn Heights and Prichard by Mobile—resulting in significant losses of tax base.
These cities were clearly affected by race relations in the United States. How strongly race continues to influence development is less clear. Some people we interviewed see today’s problems more as class discrimination, while others see racial discrimination continuing to play a role.

*Housing and Community Development*

One research question for this study was how city officials view the importance of the HUD direct entitlement designation. Officials from the two direct entitlement cities are very clear about its importance. They see it as a much-needed source of funds that can be used for code enforcement, demolition, foreclosure prevention, public safety, street repair and street lighting, redevelopment, public services, public works, and other expenditures. The predictability of the funds makes longer-term budget planning possible.

The two nonentitlement cities do not enjoy the same level of predictability or the same level of funding. They receive block grant and HOME money through their county governments, which administer the funds.

“They use our poverty and don’t give us the money.”

“Our voice is not heard.”

These comments by city officials in Inkster and Prichard illustrate their frustration. The Community Development Block Grant (CDBG) program formula gives more money to areas of high poverty. The perception is that the high poverty rates in these cities raise the poverty rate in the urban county, giving it more money, but that it is very hard for the cities to lobby the counties for enough block grant and HOME money to meet their needs.

In 2010, East Cleveland was allocated about $1.1 million in block grant and $500,000 in HOME funds. East Cleveland also received $1.68 million in Neighborhood Stabilization Program (NSP) funds. Chester’s allocation was $1.5 million in block grant and $470,000 in HOME money (in 2010). This represents a 16.2 percent reduction in block grant funding and a 12.5 percent reduction in HOME funding from 2009. Chester received $586,000 in NSP funds.

In contrast, Inkster received $350,000 in block grant funds and $40,000 in other federal housing funds. Prichard received about $300,000 through Mobile County.

All cities have insufficient funds to meet necessary capital outlays.

The four suburbs have varying capacities to administer their block grant money effectively. Chester and Prichard administer their funds through quasigovernmental authorities, which seem to provide a higher level of fiscal and management capacity. While both East Cleveland and Chester are entitlement cities, they have sometimes mismanaged their block grant dollars. They offer two contrasting examples of how to address this problem.
From the late 1980s to 2004, East Cleveland had difficulty effectively managing its block grant and HOME dollars. Its community development director in the late 1980s, who later served seven years as mayor (1997–2004), was convicted on federal charges of racketeering and corruption in 2004 and sentenced to nine years in prison. Despite specific recommendations by the state auditor when the city was in fiscal emergency (1988 to 2006) to institute tighter spending controls in the Department of Community Development and Building Services, East Cleveland continued business as usual. The department continued to experience high staff turnover, low salaries, and, in some cases, corruption and incompetence. When Mayor Gary Norton took office in 2010, one of his first acts was to assign his chief of staff to run the department. She was able to effect some changes, and, for the first time in 10 years, the city was able to spend its block grant money on time. In early 2011, the city was able to attract and hire an experienced community development director.

What works?
Since 1995, the Chester Economic Development Authority (CEDA) has been the vehicle for delivering community, economic, and housing development services in Chester. CEDA was established to reorganize economic and community development within Chester after HUD froze the city’s CDBG funds for five years owing to mismanagement. Creating a quasigovernmental authority enabled Chester to implement effective management practices and to retain consistent long-term leadership that is somewhat insulated from city politics while still under city control. CEDA has a separate board appointed by the mayor and city council.

What works?
The Prichard Housing Authority has become the de facto redevelopment authority and community development agency for Prichard. It is in a stronger financial position than the city for two reasons: its pension fund is separate from the city’s, and, in addition to block grant and other HUD funds, it has created several income streams from its homeownership and housing development programs. Most recently, the housing authority applied for and received $20 million in Program for Revitalization of Severely Distressed Public Housing (HOPE VI) funds and $20 million in NSP2 funds to create a land bank and build 75 units for homeownership and 50 units for rental. The NSP2 dollars will be used to develop 30 rental properties in the highly distressed Alabama Village area and 20 new rental properties in other distressed census tracts. The Prichard Housing Authority uses a consultant, experienced in writing successful HUD proposals, to get needed funds.

The Chester Housing Authority (CHA) had a history of mismanagement and corruption that led to HUD designating it a “troubled” authority in 1991. CHA has been operating under court receivership since 1994 as a result of a lawsuit brought by public housing residents asserting “constructive abandonment.” Residents claimed that the units were in such disrepair that they were unlivable.
Inkster’s housing authority, like the housing authorities in the other cities, has worked to modernize and renovate public housing. East Cleveland, like all cities in Cuyahoga County, is served by the Cuyahoga Metropolitan Housing Authority (CMHA).

Officials in all four case study cities feel they have more than their fair share of affordable housing and need some market-rate housing to attract higher-income residents.

Concentrated Poverty

The new, growing body of research about older, distressed suburbs has identified a number of issues. Foremost among the socioeconomic challenges facing these cities is the concentration of poverty. Each of the four case study suburbs has experienced factors that contribute to the concentration of poverty:9

- Poverty developing over decades
- One or more forms of isolation (physical, social, racial) from the larger economy and community
- Significant demographic changes resulting from formation of single-parent households, aging of population, low educational attainment, and so on10

In addition, there is the question of how extensively HUD policies contribute to concentrating poverty by targeting affordable housing dollars and programs to underserved, low-income neighborhoods. Chester, for example, would like to be able to use HUD dollars to attract middle- and upper-income households to the city.

Berube suggests that relatively strong regional economic growth is not enough to lift these places out of poverty.11 This is true for Prichard and, to some extent, Chester, the two case study suburbs in regions with relatively strong economic growth. Chester and Prichard have not experienced the same level of economic benefits from this growth as their more prosperous neighboring cities (Philadelphia and Mobile), especially in access to jobs for residents.

All four case study suburbs are isolated on every front: economically, socially, physically, perceptually, and politically. The four are physically isolated (even though people may drive through them every day, they rarely have an occasion to drive to them), and many residents are isolated.

Chester has begun to capture some growth through its riverfront economic development. The city hopes to continue to build on this success, which is bringing in much-needed revenue.

What works?

*Chester used the state’s Keystone Opportunity Zone (KOZ) legislation, passed in 1998, which offers 15-year, 100 percent property tax abatement and other incentives, to attract developers for three new developments along its riverfront. The Wharf at Rivertown office building opened*
in 2006, Harrah’s Chester Casino & Racetrack opened in 2007, and PPL Park, a Major League Soccer stadium that is home to the Philadelphia Union soccer club, opened in 2010. The KOZ, combined with strong local leadership, locational advantage, and transportation investments, was key to launching this central piece of the city’s economic development strategy. Additional state investment in pre-development, infrastructure (two new Interstate 95 highway ramps leading to the waterfront development site) and environmental cleanup helped move these projects forward. The two new on/off ramps connecting I-95 to the Chester waterfront will be fully operational by summer 2011. The state has also invested in upgrading Pennsylvania 291, which runs along the waterfront. Chester’s former mayor, Dominic Pileggi, is now state Senate majority leader, which gives the city a strong voice at the state level. The new jobs created by Harrah’s and the Wharf office building represent a 40 percent increase in private-sector jobs in the city and a significant diversification of the city’s economy. A small percentage of these jobs goes to Chester residents. These development projects are regional draws, attracting people to the city and bringing much-needed income to the city government. Although the KOZ provides a 15-year property tax abatement, Chester is able to collect income tax from the casino now. The agreement between the city and Harrah’s guarantees the city $10 million minimum a year from the casino, about 25 percent of city budget. In 2014, the casino and racetrack will start paying property tax.

On the other hand, despite recent collaborative efforts around economic development, Prichard has not yet had many successes. In an effort to embrace a more regional approach and to attract new development to increase the city’s tax base, the mayor recently entered into a partnership with neighboring Saraland, the county, and the state to attract a speedway on land with good freeway access in the largely undeveloped northern part of the city. He was lauded for taking the noisy motor sports park that others did not want. In December 2006, Prichard was selected as the site of the Alabama Motorsports Park (a Dale Earnhardt Jr. speedway and theme park). The economic downturn put these plans on hold, the options on the land expired, and Saraland has repealed the 2 percent tax credit for its part of the property. Prichard officials are still hopeful that the park, or some other use, will go forward on the site.

In both cases, whether this rising tide results in benefits for the residents of these communities remains to be seen.

These two examples point to the importance of organizational capacity, together with the staff experience and expertise required to sustain economic development efforts. CEDA played a key role in Chester’s riverfront development, and the organization’s long-time, experienced staff were able to sustain efforts on several complicated deals. Perhaps if Prichard had a similar economic development authority, its efforts to attract the motor sports park would have been more effective.

While having a redevelopment or economic development authority does not guarantee distressed cities will successfully address the problems associated with concentrated poverty, such a structure can be effective, provided cities can demonstrate that they can be trusted to follow through on commitments.
Lack of Trust

The four case study suburbs have faced varying types of governance challenges that include historical instances of corruption and mismanagement, redistributive politics, high turnover among city professional staff due to poor working environments and low wages, ineffective state and federal political representation, and a fragmented local government system combined with a lack of effective mechanisms that could foster joint public/private/nonprofit decisionmaking.

Instances or periods of mismanagement or corruption at any level (city, school board, housing authority) can create a lingering atmosphere of distrust that can have long-term effects, making it difficult to carry out basic city functions. In such situations,

- city residents can lose trust in their government;
- city employees can lose the ability to do their jobs effectively;
- potential partners can lose trust in the city, and the city can lose its seat or its voice at the table; and
- potential developers can shy away.

Internally, city employees work for comparatively low pay in environments in which their ability to do their jobs is limited by a lack of resources and mismanagement. To be effective in such an environment, a worker must either have a strong personal commitment to helping the city or be insulated from city politics through an authority or some other quasigovernmental entity. Residents, anchor institutions, and other city stakeholders lose trust in the government. Externally, other cities and higher levels of government (counties, states) as well as private investors and developers are wary of collaborating or working with the cities. It becomes difficult for city leaders to have a seat at the table where decisions get made; if they have a seat, it becomes difficult for them to have an effective voice.

The current elected and appointed leaders of each of the four case study suburbs are committed to creating environments of integrity and trust. The importance of this cannot be overstated. They recognize that this process is slow and happens one demonstrated success at a time. Things are changing in each of the four cities (Inkster’s new state social services building; Chester’s casino, soccer stadium and office building; East Cleveland’s new Huron Community Health Center; Prichard’s recent agreement on its pension fund), but until outsiders’ perceptions about these cities change, their ability to work with potential developers, undertake collaborative ventures, or engage in collaborative decisionmaking with neighboring cities is severely limited. This may be one of the most critical issues in addressing the challenges of concentrated poverty, since it sets the context for all other types of interventions, particularly as community development policies and programs increasingly require broad public-private partnerships and resident participation.
In regions with declining economies, competition for any new development is fierce. If cities cannot respond in a timely and professional manner to development opportunities, they will lose out to cities that can. Cities need to demonstrate that they are reliable partners and responsible stewards of public, philanthropic, and private funds or those funds will stop flowing.

What works?
Inkster has demonstrated that it is a reliable development partner. In 2008, Michigan put out a bid for a new social services building in Inkster. The site selected was an old car dealership and a brownfield, located in a Tax Increment Finance Authority (TIFA) zone, a prime location in the city’s long-dormant downtown area. The state selected a developer, Ron Boji, to work with the city on the project. At the time, Boji was unfamiliar with Inkster but had a great deal of experience working for the state. When he began to work with the city, the city manager was changing, and the project got off to a rocky start. Once a new city manager was hired, things began to move more smoothly. From a developer’s perspective, it was important that the city followed through and fulfilled commitments in a timely manner. Boji commented that his experience working with Inkster was positive, in part because Inkster had a sense of urgency not present in other cities.

The city saw the office building as a catalyst for new development along its main street, Michigan Avenue. The whole development included a new Wayne County district office of the Michigan Department of Human Services, the YWCA of Western Wayne County headquarters, and a new justice center for the Inkster Police Department and the 22nd District Court. The city strongly encouraged the developer to include a retail center of 10,000 square feet. The result is a new 32,000-square-foot, $25 million, LEED-certified human services building that opened in December 2010.

Boji thinks there will eventually be a market for retail if the city can move the “hourly hotels.” Once the new justice center opens, these hotels may voluntarily move. It is hoped that the new building will catalyze additional development in Inkster.

Anchor Institutions
As Berube and colleagues note, unique histories and locational advantages such as proximity to anchor institutions and high-growth sectors can form the basis of a recovery strategy. All four cities have important locational advantages, including freeway access, parks and green space, access to transit, and, in the cases of Chester and East Cleveland, anchor institutions. But to take advantage of these assets, city leaders must create atmospheres of trust. The most-distressed suburbs must change the context in which these assets are valued. In short, they must change how they operate.

What works?
The new spirit of collaboration between the public and private sectors in Chester involves the city and two of its largest employers and anchors. From the city’s perspective, Crozer-Chester Medical Center and Widener University are assets and are being embraced. The anchors now
see their futures as intertwined with that of the city, and they are demonstrating this by building physical connections instead of barriers. The positive impact of Widener and Crozer is evident in the northeastern section of the city.

Widener and Crozer, are involved in economic development in Chester through the Institute for Economic Development, Inc. (IED), a private-nonprofit consortium that advocates to “enhance the city’s economic, social and cultural climates while serving as a catalyst for future development.” Through the IED, the two anchors partnered, along with the city of Chester, the Reinvestment Fund, Delaware County, and Teres Holdings LLC on two development projects in northeast Chester. One is University Crossings, a residential and commercial development that includes a small, green Best Western hotel, the first hotel built in Chester in 35 years. The second is University Technology Park, a technology corridor between the Widener main campus and Crozer-Chester Medical Center. The project is supported by the city of Chester, the Benjamin Franklin Technology Center, and the Economic Development Administration of the U.S. Department of Commerce.

Crozer-Chester and Widener also partnered to open a satellite Chester police station near the institutions.

In contrast, East Cleveland’s greatest potential asset is its proximity to the anchor institutions in University Circle, a major employment center of the region for “eds and meds” and home to the region’s two largest health systems, the Cleveland Clinic and University Hospitals, as well as Case Western Reserve University and Cleveland’s major museums and cultural institutions. However, University Circle sits just across the border in the city of Cleveland, and East Cleveland has not been able to capture any spinoff investment from the tremendous investment taking place there. More than $3 billion in projects are planned or under way from downtown east to the Cleveland border, none of it crossing over into East Cleveland.

The city is trying to change that and to capitalize on its location. It is spending $750,000 of NSP dollars on acquisition, renovation, and resale of prime residential property in a targeted investment area that runs along Euclid Avenue and will be anchored by the new health center and the Louis Stokes Rapid Station of the Greater Cleveland Regional Transit Authority (RTA). The station is the end point of the RTA’s $200 million bus rapid transit line connecting East Cleveland, through University Circle, to downtown Cleveland.

Developers have expressed an interest in East Cleveland because of its proximity to University Circle, but the city would have to offer huge subsidies to overcome barriers and would have to become known as a city that can make things happen. For example, any new residential for-sale housing would have to be subsidized in the range of $50,000 to $60,000 per home once the regional housing market begins to stabilize.

The two largest anchors in East Cleveland are the Cleveland Clinic’s Huron Road Hospital and General Electric. The Cleveland Clinic is investing $25 million to build the Huron Community Health Center, in front of the Huron Hospital, which the Clinic plans to close and demolish (so
the city will lose that anchor). General Electric is beginning to work more closely with the city and has entered into some small partnership projects under the leadership of Mayor Norton.

Case Western created the East Cleveland Partnership to work with the city on a number of community development and social service projects. While the partnership has some successful projects and relationships are being strengthened, it has not yet resulted in any economic development.

**Education**

Inkster, Chester, and East Cleveland schools face the challenges of declining tax bases, fiscal mismanagement, low educational performance among students, and providing safe environments in which students can learn. All three have been or are still in fiscal emergency. Prichard is part of the Mobile County school district, which has not experienced the same level of problems, although the county district’s graduation rate is about 50 percent. Interestingly, both Chester and Inkster had contracts with Edison Schools, a for-profit manager of public schools that was publicly traded on the NASDAQ from 2001 to 2005. The hope was that Edison Schools would turn their districts around; in both cases, the arrangements ended badly, and the contracts were not renewed.

Charter schools provide an option for parents but, apart from the small Widener Partnership Charter School in Chester, it is not clear that they offer a significantly higher level of education. As long as their school districts continue to underperform, the cities will have difficulty attracting families.

**What doesn’t work?**

The Chester Upland School District (CUSD) is one of the most troubled districts in the state. Of 501 school districts in Pennsylvania, CUSD has ranked at or near the bottom for more than two decades. In the 2009–10 school year, its graduation rate was 44 percent. In 1994, the school district faced a multimillion-dollar deficit. The state took over and brought in Edison Schools to run the district. But after a number of years, it was determined that Edison was not turning the district around. Several incidents (including an allegation of sexual misconduct by an Edison employee) and policies (such as not allowing students to take home books) led the state to break its contract with Edison.

**What works?**

Historically, Inkster had a highly regarded school district. However, school quality began to deteriorate in the 1980s. By 1999, the district had a $1.4 million deficit. In 2000, Inkster entered into a five-year contract with Edison Schools to forestall a rumored state takeover. However, the school board was not satisfied with how Edison was managing the schools and by 2002 was in a dispute with the company. From 2002 to 2005, the district was placed under the oversight of a state emergency financial manager (EFM), who was given authority over all fiscal matters, supplanting the school board. Under the EFM, the district budget was balanced and a fund balance surplus was achieved three
consecutive years, after seven consecutive years of fund balance deficits. In addition, test scores on the Michigan Education Assessment Program increased significantly. The schools also met adequate yearly progress standards under the No Child Left Behind Act for two consecutive years, after having never complied with these standards. The Edison Schools contract was not renewed in 2005, and the Inkster Public School District is now back in the hands of the elected school board. Enrollment has increased from 1,400 in 2003 to 3,200 in 2010. Inkster now attracts students from Detroit looking for better schools. But it still faces mounting debt, reportedly close to $10 million.

Local Government Capacity

East Cleveland and Prichard are at or near fiscal insolvency. Chester, East Cleveland, and Prichard are or have been in some form of fiscal emergency in the past decade.

In their analysis of policies to help distressed cities uncover their competitive advantages, Hill and Nowak explored the relationship between local management issues and fiscal insolvency. Their work is instructive for understanding some options available to strengthen the position of distressed suburbs as they look to the future. Two quotes reflect Hill and Nowak’s assessment of the problem:

Distressed cities have histories of redistributive politics, including the use of public-sector operations and contracts as jobs machines, which are deeply entrenched. Moreover, distressed cities have operating bureaucracies whose personnel and strategies reflect decades of decline and low expectations about performance. (p. 267)

When probed, what appears to be corruption in public service is really the end result of incompetence, mismanagement, and a regulatory system that does not function. (p. 268)

More specifically, they continue, distressed central cities have

- outdated tax structures,
- broken political cultures,
- uncompetitive staffing levels,
- vacant and abandoned land, and
- inappropriate arrays and mixes of public services.

Although Hill and Nowak are looking at central cities, these characteristics of distress are evident in all four suburbs in our study. Hill and Nowak suggest a range of strategies to address these issues. First, they suggest that a well-functioning public-sector bureaucracy is necessary to reconnect distressed cities to their regional economies and provide the seedbed for
development and opportunity. Further, they argue that meaningful administrative reform depends on making new arrangements with public-sector unions. The four case study suburbs illustrate their point that when cities cannot offer competitive wages and potential municipal employees don’t see a career track because of political instability, they experience high staff turnover. But all the cities except Prichard have unionized employees, and while the suburbs could point to instances where union rules were barriers to reorganizing specific functions, this did not emerge from the interviews as a high-priority issue.

Hill and Nowak also look at the importance of leadership in forming the social capital of a city. Whether leaders come from foundations, nonprofit development organizations, or elite leadership in politics and the private sector, they set the norms for a city. This returns to the issue of integrity and trust. All four mayors interviewed noted that effective leaders who can demonstrate integrity are needed to keep moving forward on the long-term civic agenda.

What works?

Chester is rebuilding a public-private leadership group, the IED, and is capitalizing on a new culture of collaboration and trust that enables it to tap leaders from anchor institutions and the private and nonprofit sectors to move the civic agenda forward. But to be effective, the relationship of trust and mutual benefit being built (and in some cases rebuilt) must be sustained.

Meaningful reform for cities facing fiscal insolvency, according to Hill and Nowak, requires bringing in outside agents (possibly the state through a fiscal emergency commission). They argue that this enables local politicians to shift the blame for necessary, painful restructuring to those agents. Reforms may need to include restructuring state and local taxes or new political leadership. For example, a new, dynamic, competent mayor can attract talented staff and make a great difference in attitudes, performance, and perceptions about the city. The problem is that he or she does not have either the financial resources or the institutional flexibility to hire enough people to turn around the performance of the city. The mayor and any new staff can work only at the margin of reform. 18

Chester and East Cleveland have had state-appointed emergency fiscal managers with varying degrees of success. There is a question as to how far these managers can go, especially in restructuring city contracts. In Pennsylvania, for example, Act 47, Pennsylvania’s Financially Distressed Communities Act, provides that a recovery plan be prepared by a state-appointed coordinator in consultation with the city executive, legislature, and other stakeholders, and adopted as a city ordinance. The mayor and council continue to run the municipality. The coordinator ensures recovery plan implementation and helps build capacity for a return to independent governance. The act also gives the city the capacity to raise additional revenue through an income tax of up to 3 percent on city residents and up to 2 percent on nonresidents. The Chester mayor credits Act 47 with helping the city create a much-needed capital budget in 2010.
In 2006, the recovery coordinator, Fairmount Capital Advisors Inc., reported that despite making some progress, Chester remained a distressed community, with operating deficits in 9 of the last 10 years. Fairmount’s five-year plan noted that improvements in the police department, fire department, and economic development had helped, but said the city faced an extremely challenging situation. It projected continued deficits unless corrective measures were implemented and gaming revenues from the new Harrah’s Chester Casino & Racetrack realized as anticipated and spent wisely, in which case the city could have operating surpluses and new resources that would enable it to reduce tax rates and emerge from Act 47 status. Chester has balanced its budget for the past three years. It remains under Act 47.

In East Cleveland, the state emergency fiscal managers conducted an audit, developed a plan to put balance sheets in order, and made recommendations regarding changes in fiscal and administrative policy. In the end, though, it was incumbent on the city’s elected leaders to make the difficult changes. Instead, the city continued with business as usual.

What works?
The city manager form of government seems to serve Inkster well fiscally. Despite its shrinking tax base, lower amounts of revenue sharing from the state, and declining taxable property values, the city’s finances have been managed well and, to date, services have not been cut and staff layoffs have been minimal. The state of Michigan rates the financial capacity of all cities using a fiscal indicator score, which includes several factors. Based on 2009 data, Inkster rates 3 on a scale from 1 to 10, with 1 the best rating. This puts Inkster at the midpoint among Wayne County cities. This is an accomplishment, considering the general finances of most cities in Michigan are weak. Inkster officials are proud of being able to provide a high level of fire and police services—"some of the best around," according to the mayor—as the city’s police department prepares to apply to the Commission on Accreditation for Law Enforcement Agencies Inc., a process that takes up to three years to complete. Water and sewer service are provided regionally, under a 1953 agreement. Garbage collection is contracted out. The city, through its Tax Increment Finance Authority, recently purchased a small building, refurbished it into a new city hall, and is building a new justice center. Recently, Inkster has forged a new, aggressive policy of going after grant funding. The city hired a state lobbyist to assist it in Lansing. The city council is considering the same proactive attitude to assist the city in Washington, D.C.

An interesting scenario is playing out in Michigan, which has granted more control to state-appointed emergency managers to undo, in some cases, provisions of union contracts. Michigan residents have recently filed suit, claiming that the law violates the state constitution.

Hill and Nowak point to some other options that have worked in larger cities. New mayors seeking reform have successfully used management improvement task forces to review city operations with an eye to staffing levels and competence. States can step in with loaned executives. Other reforms could include the creation of an entity such as a city or countywide land bank to address land assembly issues. These strategies might work in distressed suburbs.
The rate and magnitude of economic change, especially the most recent recession, has made things worse for all cities. Our four case study cities have been hit harder than others that have more diversity in income and employment among their residents. In their current configurations, the case study cities have very little ability to respond to economic downturns. Their physical forms match outdated economic and social conditions. The jobs that provided most of their residents with working- or middle-class lifestyles no longer exist. The businesses that provided the property and income tax (where applicable) revenue are gone. While neighborhoods in each city have high-quality, well-kept housing, much of their older housing stock, especially the “worker housing,” is old and obsolete. White flight has turned to green flight as residents looking to move up are moving out.

**Regional Collaboration**

*What works?*

Regional collaboration is high on the civic agenda for all communities in northeastern Ohio as they seek to realize greater efficiencies and save money in an environment of declining fiscal resources. Perhaps more than others, East Cleveland’s leaders see opportunity in reaching out to regional partners to deliver city services. Despite the well-documented political barriers to regional collaboration, East Cleveland has entered into service agreements with other entities. One example is the 2008 agreement for the city of Cleveland to take over East Cleveland’s water department. In another example, East Cleveland leaders are working with neighboring communities and the Northeast Ohio Regional Sewer District to reopen discussions about developing a watershed planning project.

Mayor Norton is openly seeking regional solutions for city services such as fire services, police services, and garbage collection. He recently reached an agreement that provides for the county engineer to take over maintenance and repair of the city’s sanitary sewers. He is pursuing the purchase of firefighting and garbage collection services from the city of Cleveland.

East Cleveland has entered into a memorandum of understanding with the newly formed Cuyahoga County Land Reutilization Corporation, informally known as the Cuyahoga County land bank. This agreement will provide East Cleveland with a credible system to improve its housing stock and infrastructure and to create the right opportunities and atmosphere for economic development. The land bank could be a boon for East Cleveland and other inner-ring suburbs struggling with surplus, vacant, and largely abandoned property.

Public officials in both Prichard and East Cleveland have questioned whether their cities can continue to function independently. At a Cleveland State University public forum on regional prosperity on January 27, 2011, the mayor of East Cleveland said, “One day there might not be a city of East Cleveland as we know it. There might not be a city of Cleveland as we know it. There might be a city of Cuyahoga [the county in which these two cities are located].” A September 22, 2010, article in the *Mobile Press-Register* described a plan championed by Prichard City Councilwoman Earline Martin-Harris to dissolve city government for 30 years, with voters living within the current city boundaries deciding whether to re-form it in 2040.
State Programs

Chester and Inkster offer good examples of how distressed cities can benefit from state incentive programs, infrastructure investments, and other state programs designed to attract development to underserved areas.

State programs to assist cities facing fiscal emergency have also helped East Cleveland and Chester get their finances in order and avoid bankruptcy, albeit with varying levels of success. As noted above, Ohio, Michigan, and Pennsylvania all have programs to step in with emergency financial managers when cities’ or school districts’ finances reach a crisis point. Inkster has not needed this type of state assistance, and Alabama has not offered any such assistance to Prichard.

Prichard’s state and local leaders have realistic goals and recognize the difficulties of overcoming perceptions, especially in a Republican-dominated state that provides very little assistance to Democratic cities. City leaders hope this might turn around with a newly elected state legislator, Napoleon Bracy Jr., a former Prichard City Council member. There is widespread agreement that Prichard will never have the capacity to turn itself around unless the state and county governments help.

But the tools offered by Alabama are limited. Prichard cannot adopt an income tax and so is totally reliant on property and sales taxes. It is designated by the state as foreign trade zone and an enterprise zone, but so far has not been able to capitalize on these designations. It also has the ability to use tax increment financing.

What works?

Pennsylvania, on the other hand, has a wide range of programs available for redevelopment of distressed cities, such as Act 47, the Keystone Opportunity Zones, and support for transportation infrastructure. Chester has taken advantage of these tools to begin rebuilding its tax base and diversifying the city’s economic base. The state has also invested in Chester; for example, it located a new prison there in 1997, a move that created 397 jobs. These state tools and investment have played a key role as the city begins to turn around.

Inkster has taken advantage of several development tools and programs offered by the state of Michigan. To spur development, it has created a Downtown Development Authority (DDA) in the last 10 years along with a TIFA, designed to prevent unemployment and urban deterioration and promote economic growth. Inkster’s TIFA is governed by a nine-member board appointed by the mayor and confirmed by the city council.

Michigan has other state programs available for distressed cities. For example, Michigan’s fiscal receivership program for distressed cities was used by Hamtramck, another city in Wayne County. It was in receivership from 2000 to 2007, during which an emergency financial manager ran the city. The city is now trying to declare bankruptcy, which it sees as the most viable way forward. Hamtramck is in a dispute with Detroit, which surrounds it, over shared tax revenue from the General Motors Company Poletown plant. Michigan law makes it extremely
difficult for cities to enter bankruptcy. Instead, the state offered the city loans, which as of December 2010, Hamtramck had not accepted.\textsuperscript{23}

Michigan also has the Cities of Promise initiative for the eight poorest cities in the state: Benton Harbor, Detroit, Flint, Hamtramck, Highland Park, Muskegon Heights, Pontiac, and Saginaw. Created in 2006 and led by the Michigan State Housing Development Authority, the program applies resources and the expertise of statewide partners to restore the cities’ neighborhoods and districts. It provides an action team for each city that can help cut through red tape to take advantage of state and federal grants.

Another program that can help cities in distress is the Redevelopment Ready Communities program run through the Michigan Suburbs Alliance, which also streamlines government assistance to foster development in 11 of Michigan’s distressed suburbs.

Ohio has some similar programs available for distressed cities, but in recent years East Cleveland has not been in a position to take advantage of any economic development tools available through the state. It is hoped that with its new mayor and a new community development director experienced at working with state programs, this will change.

**Recommendations**

*Regionalize, Repurpose, Restructure*

Even if these cities, and others like them across the country, did everything right and implemented a whole host of cost-saving measures, they would still be in precarious fiscal situations. On March 10, 2011, NPR’s “Planet Money” ran a story called “A Failing City Calls in the Finance Doctor” about Reading, Pennsylvania, a small city that recently requested assistance through Pennsylvania’s Act 47. The story concludes:

Reading, like a lot of places, has real long-term problems. Problems that even if you stopped painting the lines completely, even if you cashed every check correctly, stopped borrowing from the sewer fund, those problems would still be there. ... It'll put the city on better footing. But it still may not be a cure.

These cities need to rethink their basic functions to find effective ways to change how they work and to capitalize on their physical assets and the personal commitments of their leadership. This may mean that some of them will no longer exist as cities in the same form they do today. Other governance options that should be considered include regional service delivery, regional government, annexation, dissolution, and repurposing.
The Federal Role in Most-Distressed Suburbs

Officials in all four cities have suggestions to make HUD programs more effective. Every city has requested greater flexibility to spend HUD dollars in ways that meet its most pressing needs and support economic development projects.

Other suggestions were as follows:

- Prichard housing officials suggest that larger entitlement cities be required to help smaller, nonentitlement communities. Housing officials would also like more flexible regulations, accompanied by stronger performance measures. Other suggestions are to create and fund a national housing trust fund to benefit communities like Prichard and to revise the allocation formula for tax credits to provide an incentive for nonprofit developers to leverage the tax credits.

- Inkster city officials would like Inkster to become an entitlement community.

- The Southeast Michigan Council of Governments (SEMCOG) has submitted policy recommendations to HUD that would assist large and small communities in the midwest, recognizing the particular hardships and economic devastation experienced by states like Michigan and allowing for maximum flexibility of programs such as CDBG. Specific recommendations that would also assist smaller communities like Inkster include more flexibility in using block grant money for economic development projects to help restart local economic improvements. SEMCOG recommends that HUD redefine its policy on aging to improve the stability of neighborhoods and housing stock while providing more opportunities for aging in place.

- Chester city officials view the retention and attraction of a strong middle class as their biggest challenge. They believe they have more than their fair share of their region’s affordable housing and feel strongly that HUD programs contribute to this, encouraging the development of affordable housing in already low- and moderate-income areas. The barriers to attracting a critical mass of middle-class residents are very high, and Chester officials recognize that they cannot do this on their own. The Delaware Valley Regional Planning agency is undertaking an analysis to try to remedy this, including designing a regionwide fair share housing program. Chester officials have suggested that HUD conduct a demonstration program in Chester to test new program options that would enable them to attract higher-income households, which in turn would deconcentrate poverty. One specific suggestion is to revisit fair-market rents. Another is to develop strategies that help people move up, not out.

- East Cleveland officials say they would like to see more flexibility in HUD programs so more money can be used for demolition.

Implementing these recommendations would improve how programs operate and would probably marginally improve the ability of the most-distressed suburbs to provide basic services.
for their 4.1 million residents. But none of them will significantly change the economic trajectory sufficiently to ensure that these places remain viable entities, able to serve their residents into the future. To accomplish significant structural change, these suburbs need capacity building. The federal government has a somewhat limited role in this regard because cities are creatures of the state, established and empowered by state governments. However, it is an area in which the federal government is beginning to invest resources through technical assistance, fellowships, and other programs for cities.

The federal government could bring in highly trained contractors or loaned executives from private industry or federal or state governments to work with local leaders and citizens for extended periods on structural change, to help cities develop road maps for restructuring. The most-distressed suburbs and small cities cannot continue business as usual, and states cannot afford to have them continue business as usual. Their basic options are to regionalize, repurpose, or restructure—or some combination of the three.

The federal role in building the capacity of the most-distressed suburbs can include these five activities:

- Partnering with states on behalf of distressed suburbs to provide additional block grant dollars, loan guarantees, and debt reduction that can be used as incentives for cities that meet “good government” criteria. This money could be targeted to initiatives that will increase the cities’ tax bases and regionalize or restructure services, beginning with public safety. This could include, for example, ensuring that adequate and ongoing public safety will be provided in any federally supported development project.

- Providing technical assistance to suburbs and small cities on municipal management practices. Before distressed suburbs can discuss partnerships or agreements with other city or county governments, they need to get their own houses in order.

- Developing model legislation for states on reasonable ways to restructure city operations and finances.

- Protecting the federal government’s historic investment in these communities.

- Creating cross-agency partnerships—for example, with public health providers or the U.S. Environmental Protection Agency—that provide leverage points and opportunities for federal/state/local funds.

Every suburb and small city has assets. The goal is to give cities the tools to enhance the value of those assets and ensure that the benefits accrue back to them and their residents in the long term.
Notes

1 Poverty and unemployment data for 2000 were extracted from place-level data sets available at the Minnesota Population Center: National Historical Geographic Information System, at http://www.nhgis.org. Foreclosure data for 2007 through June 2008 were extracted from the HUD User site at http://www.huduser.org/portal/datasets/nsp_foreclosure_data.html. Data were downloaded separately for each state.

2 Data from Moody’s Economy.com for 1980 and 2009 (with population data from the census).

3 U.S. Census, population change from 1980 to 2000.


5 The general fund is the record of general government operations. Governmental funds consist of the records of all activities that are typically government activities, including the general fund. Most governments will separate their business-like activities (such as water and sewer, transit systems, golf courses, and convention centers) from both the general fund and the other governmental funds.


7 According to information provided by the HUD Office of Policy Development and Research, 264 cities with populations below 50,000 were designated direct entitlement cities in 2010.


10 None of our four case study cities experienced immigration in significant numbers. We intentionally did not look at cities with large immigrant populations.

11 Berube et al., “Learning from Concentrated Poverty.”
David Sciocchetti, executive director, Chester Economic Development Authority (CEDA), personal communication, February 16, 2011.

Telephone interview with Ron Boji, February 15, 2011.

Berube et al., “Learning from Concentrated Poverty.”


Ibid., 272.


See http://www.munetrix.com. The Southeast Michigan Council of Governments notes that the fiscal indicator score should be viewed as a coarse estimate. Although the Michigan fiscal indicator scoring system has come under much criticism, healthy communities tend to have low scores, and distressed communities tend to have high scores.


Douglas Shelby, field office director, Department of Housing and Urban Development, personal communication, October 10, 2010.

Appendix A. Literature Review

A review of the literature on older suburbs was conducted to better understand the challenges faced by older, inner-ring suburbs and small industrial cities and to identify programs and policies that have worked or that could work in severely distressed suburbs. The literature review in concert with the typology analysis was used to guide the selection of four suburbs for case studies and formed part of the material from which policy recommendations were drawn.

Overview

There is a growing body of literature on suburbia in general and on older, inner-ring or “first” suburbs in particular. Much of this literature paints a broad brush picture of the various types of suburbs, distinguishes suburbs from central cities, makes the case for suburbs to form coalitions, and calls for tailored state and federal policy recommendations. All call for more research to better understand the context of the challenges faced by the different types of suburban places before reforming current policies.

There is very little research on programs and policies that are actually working on the ground in distressed inner-ring suburbs to improve either the quality of life of residents of distressed suburban jurisdictions or the managerial and service delivery capacities of these governmental units. Much of the extant research is on distressed neighborhoods of central cities. We know from anecdotal evidence that some of these strategies have been tried on a small scale in older suburbs, but this area needs further exploration.

This project looks at a very narrow slice: older suburbs of formerly industrial cities that are experiencing extreme levels of social distress and that have very little capacity to respond.

Demographic Trends

Before delving into the literature on inner-ring suburbs, it is useful to understand some broader, metropolitan demographic trends that are likely to affect these suburbs now and in the future. Frey and colleagues (2009) examined broad demographic trends in metropolitan America. They identify six demographic shifts: domestic migration, immigration, race/ethnicity, aging, poverty, and educational attainment. Many of these reflect an aging baby boomer generation, higher fertility rates among minorities, and increasing poverty beyond central city borders. Frey and coauthors note the dramatic increase in the number of suburban households with incomes below the federal poverty level.

**Migration**: Migration of households to the Sun Belt states of Nevada and California peaked in the late 1990s and early 2000s. Nearly 8.4 million people moved across state lines. By 2007–08, the level of migration had fallen by nearly half to 4.7 million people with the onset of the
recession and the collapse of the housing market. Typical migration magnets have seen population growth slowing, and Florida actually experienced a net loss of domestic migrants. Meanwhile out-migration in northern states slowed, allowing some northeastern and Midwest cities to gain population or reduce population loss. It is quite possible that these trends are temporary and that as the economy recovers and the housing market rebalances, we could see migration increase once again.

**Immigration:** Immigration remains a population cushion for many cities, allowing them to maintain small population gains while experiencing steady out-migration. Immigrants have typically congregated in central-city neighborhoods, but recently immigrants have begun to settle in suburbs of major metropolitan areas. In 1980, 41 percent of immigrants in the United States lived in the primary cities of the top 100 metropolitan areas; by 2007, that had decreased to 34 percent. By 2007, 52 percent of immigrants lived in suburban communities versus 44 percent in 1980. Immigrants have also moved away from traditional immigration magnet metro areas and expanded towards many southeastern cities such as Raleigh, Nashville, and Little Rock, which saw over 50 percent gains in immigrant populations.

**Race/Ethnicity:** Asians and Hispanics, now the largest racial/ethnic minority group at 15.1 percent of the population, have dispersed to virtually all parts of the country resulting in 15 metro areas that are now minority white and 31 where white children are a minority. Racial and ethnic minorities make up 44 percent of U.S. residents under age 15. Yet, the country remains ethnically and racially polarized. For example, 55 percent of Asians live in just 10 metropolitan areas. Similarly, 49 percent of the Hispanic population lives in just 10 metro areas. For the second straight decade, blacks are migrating to southern metro areas such as Atlanta and Washington, D.C. Such shifts are causing majority-minority situations in many cities across the country. For the first time, in 2000, more than half of all racial and ethnic groups residing in large metro areas lived in the suburbs. “In 2000, 43 percent of blacks in major metro areas lived in the suburbs, but that share increased rapidly to more than 50 percent by 2008” (Frey et al. 2009, 61).

**Aging:** As baby boomers begin retiring in 2011, the size of the senior population will rise. With many people choosing to stay in their homes as they age, rather than migrating to warmer climates, many communities not accustomed to dealing with a senior population will be forced to provide appropriate services. Yet, the Sun Belt states that attracted large numbers of working-age migrants in the late 1990s and early 2000s will experience the most significant increases in senior population. Their low-density, automobile-centric developments will pose challenges to senior populations as they become unable to drive. The increase in senior populations will create new demands in suburban communities in all parts of the country for new types of housing and cultural amenities that support aging in place.

**Poverty:** The number of households with incomes below the federal poverty level rose during the 2000s and spread rapidly to suburban locations. In 2000, cities had 100,000 more poor residents than suburbs; by 2007, the suburban poor outnumbered city poor by more than 1.5 million. And within suburbs, households with incomes below the federal poverty level are
moving from older to newer suburbs. Today, working-age Americans account for a larger share of the poor than in the past 30 years. The suburbanization of poverty may seem at first like good news for efforts to deconcentrate poverty. From 1990 to 2000 the number of people living in neighborhoods with poverty rates of 40 percent or higher actually decreased by nearly a quarter, declining rapidly in Midwest metro areas. However, this number appears to be rising again in highly distressed communities.

**Educational attainment:** Educational attainment varies across metropolitan areas and states. Many metro areas have become magnets for college-educated people, but their states as a whole may still lag in educational attainment. In some cases, significant gains in metro-area college graduation rates have been offset by an influx of less-educated people to work in booming service and retail industries. Hispanics and blacks still make up the majority of high school dropouts, a troubling trend as they become the majority of school-age children in many metro areas.

These trends have some key implications for distressed inner-ring suburbs. Aging in place is a significant trend that will require suburbs to adopt new types of housing, services, and amenities to accommodate an aging population. Increasing poverty rates and decreasing educational attainment rates among minority populations will require suburban school districts to adopt new strategies to address the gap. The weak housing market is likely to keep people in place for several years to come, as low property values keep many from being able to sell their homes.

**Suburban Typologies**

**General**

Mikelbank (2004) creates a typology of U.S. suburban places consisting of 3,567 non–central-city, metropolitan, incorporated places with a minimum population of 2,500. His research quantitatively identifies similarities and differences among the nation’s suburban municipalities, classifies each of them based on that information, and substantively explains the groupings. More than two-thirds of the people covered in his research reside in a suburb that does not match traditional perceptions of suburban America. He gathered data for these places along three dimensions: population and place (Census 2000), economy (1997 Economic Census), and government (1997 Census of Governments). Using hierarchical cluster analysis, he found ten clusters (see fig. A.1). These were then subjected to discriminant analysis, to better understand the underlying data structure of each cluster.

From the 10-cluster solution, five clusters containing 1,056 suburbs are relevant for our analysis of distressed older suburbs:

- Manufacturing–black (179)
- Manufacturing–struggling (828)
- Working diversity–south/western (85)
- Working diversity–central (203)
- Suburban success–working stability (457)

**Figure A.1. Mikelbank’s Typology of U.S. Suburban Places**


About half (50.9 percent) of suburbs appear to fit into the stereotypical view of suburbs: white bedroom communities that are prospering and aging. They have little or below-average employment and little in the way of family structure or racial diversity. Yet, even within this category, there is variation. They account for only 31.9 percent of the population covered by the study.

The remaining suburbs, however, account for just under half of all suburbs (49.1 percent) and are home to 68.1 percent of suburbanites in the study. They vary in terms of race, family structure, and employment composition and levels. Like central cities, many are actually victims of sprawl. Their challenges are multidimensional.

Working stability suburbs have large populations and high numbers of business establishments and employment bases, many of which are manufacturing. While similar to manufacturing suburbs in economic structure, the presence of other “healthy” characteristics separates them into a distinct cluster.
Inner-Ring Suburbs

Hanlon (2010) focuses on inner-ring suburbs, defined as those located contiguous with or adjacent to a central city and where more than half of housing was built before 1969. In addition, she describes different types of inner-ring suburbs (wealthy, elite, ethnic, middle class, declining, and in-crisis). She examines inner-ring suburbs in the 100 most-populated urban areas in the United States and compares them to their newer outer suburban counterparts. Her work focuses on regional variations and inner-ring suburbs in decline.

Using a national sample, Hanlon (2010, 93) finds that two-thirds of suburbs in crisis are inner-ring suburbs. While she finds extreme cases of increased poverty among inner-ring suburbs in all regions of the country, the Midwest and the South had the highest proportion of inner-ring suburbs in crisis. Many of these were once home to manufacturing workers and were industrial in nature. Hanlon also finds that “suburbs with high levels of poverty tended to be suburbs with high concentrations of minorities. In particular, these suburbs, more likely inner-ring than outer ring, became poorer over time” (2010, 153). In many of these suburbs, racial transition occurred from 1980 to 2000.

Hanlon’s (2010) examination suggests that the forces shaping inner-ring suburbs include housing market dynamics, demographics, labor-market restructuring, and metropolitan fragmentation. For example, she finds that housing age is important. Almost half the housing stock in declining inner-ring suburbs was built between 1950 and 1969 (postwar housing). Yet, almost one in three houses in advancing or relatively strong inner-ring suburbs were built before 1939. Older housing possesses a certain cachet, while postwar housing is becoming functionally and architecturally obsolete.

She also calls for more research into the varied social, economic, and political natures of these suburbs and puts forth the following hypotheses as a way to further explore the dynamics of different types of suburbs:

- Housing age, size, and quality are relevant. Suburbs with postwar housing are more likely to be in decline than suburbs with new housing.
- Suburban decline is less likely in metropolitan areas of an economically thriving region, and distance from a central city or employment center matters.
- Distance from transportation routes is important since this determines access to employment.
- The role of political fragmentation and local government structure are also important factors.
- The physical design and plans for these communities plays a role in their viability. Suburbs with more green space may be more desirable than those with lots of industrial land.
Diversity is a factor across old, new, declining, or progressing suburbs in different regions and metropolitan areas. “Is increasing minority population in the suburbs leading to changes in suburban political leadership? How are nonwhite suburbs different from white suburbs along specific political, economic and social dimensions?” (Hanlon 2010, 157)

Suburbs are new immigrant gateways in the United States.

Finally, she concludes that some suburbs resemble poor inner-city neighborhoods and suggests the need to look beyond traditional notions of cities and suburbs and recognize that decline is not urban or suburban, but metropolitan. New theories of metropolitan growth, decline, and transformation are needed along with new tools and strategies to improve these suburbs.

First Suburbs

Puentes (2002, 2006) of the Brookings Institution also uses a national framework for his work on first suburbs. His methodology uses county-level data and divides counties with first suburbs into first suburbs, primary cities, and newer suburbs. He uses the term “first suburbs” to define places just outside central cities that were part of metropolitan America before 1950.

Using this framework, he and Warren (2006) found that first suburbs were home to 52.4 million people in 2000, 18.6 percent of the population, including 29 percent of the foreign born. First suburbs now have more foreign-born residents (9.0 million) than their primary cities (8.6 million). First suburbs have largely retained their position as home to some of the most highly educated and wealthy residents; they also have the highest shares of residents with white-collar jobs and the highest housing values.

Yet, even these places face challenges including greater disparities between races in education and income, growing rates of poverty, and stagnant incomes. While the number of high-poverty neighborhoods is dropping sharply in urban areas, it is increasing at an alarming rate in the first suburbs. Three-quarters of the first suburbs saw an increase in the percentage of their census tracts with at least a 20 percent poverty rate from 1970 to 2000.

Like Hanlon (2010), Puentes and Warren’s analysis is regional. Yet, first suburbs may be hampered in developing a common policy agenda by their own heterogeneity. Regional differences abound. Puentes and Warren conclude that first suburbs in the Northeast and Midwest are almost exclusively slow- or no-growth places, while their counterparts in the Sun Belt and Western states have been growing in recent decades. First suburbs in the Northeast and Midwest have the highest white population shares, especially those in Ohio, Pennsylvania, and upstate New York. Their populations are older and live in smaller households than those of the Sun Belt.

Challenges: In his 2002 paper “Valuing America’s First Suburbs,” Puentes focuses on policy recommendations that are further developed in his later work. He argues that first suburbs exist in a policy vacuum that favors struggling central cities and growing exurban communities.
and ignores the unique assets and challenges of first suburbs. The aging population brings challenges in housing, transportation, and health care. Further, the increasing foreign-born population needs to be economically and socially integrated.

Puentes (2002) cites research by Myron Orfield (2002), which grouped 4,600 municipalities in 25 metropolitan areas according to their fiscal condition. Orfield identifies six classifications for suburban fiscal condition (revenue capacity vs. expenditure needs) and finds that 8 percent of the total population of the 25 largest metropolitan areas is living in suburbs that are very stressed, poor, and almost totally segregated with very low revenue capacity and very high expenditure needs. Forty percent of the population in Orfield’s study lived in suburbs with revenue capacity ranging from low to very low and expenditure needs ranging from high to very high.

Puentes’ analysis shows that, on the whole, first suburbs do not have high poverty levels. However seven have “excessively high” poverty rates and face the same challenges as those faced by distressed neighborhoods of central cities. As illustrated in table A.1, all are located in the Northeast and Midwest and have lost population between 1980 and 2000.

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**Policy Recommendations:** Puentes (2002) concludes, as does Hanlon (2010), that first suburbs should form coalitions to develop and articulate their own policy agenda so they can be well positioned in national and state conversations about these larger issues. One such example is examined by Keating and Bier (2008), who chronicle the First Suburbs Consortium (FSC) in the Cleveland area, one of the earliest examples of these suburbs joining together to counteract sprawl. The Northeast Ohio FSC was formed in 1997 to counteract sprawl in the metropolitan region; to maintain, preserve, and redevelop the member communities; to ensure that public funds are invested equitably; to foster regional cooperation; and to promote sustainable communities throughout Ohio. Keating and Bier analyze the impact of FSC both on its suburban members and also on state policies affecting older suburbs.

The FSC can point to several programs that it has developed to improve housing and commercial development among its 16 members. It also has joined with other similar Ohio suburbs to advocate and lobby for changes in state policies (so far unsuccessfully) to provide
more assistance to older suburbs. Nevertheless, FSC has been recognized as a national role model.

Puentes (2002, 2006) offers specific policy solutions starting with policies that would expand housing choice and opportunity for low-income households beyond the central city and first suburbs. These include federal regulations that would permit and incentivize the use of Section 8 Housing Choice outside the lower-income blocks of first suburbs and revisit the rules governing the Low-Income Housing Tax Credit to foster the development of more family units outside poor minority neighborhoods. Inclusionary zoning (a state policy) can be used to ensure that affordable housing is located throughout metro areas and not concentrated in just a few older communities.

Other policy options include expanding the earned income tax credit to the state and local level and other income support programs and curbing market abuses that result in charging higher prices to low-income families for basic goods and services. Through regulation, targeted expenditures, and market innovations, leaders can lower these high costs for low-income families and boost their economic and social mobility.

The federal government can encourage revitalization and promote investment in existing places with established infrastructure (including access to transit). States can offer tax credits for infill development. Puentes and Hanlon point to Metro Detroit’s Redevelopment Ready Communities program as an innovative model for streamlining local administrative processes by removing barriers to redevelopment.

States can prioritize infrastructure investments in first suburbs and permit and advance regional and statewide growth management and enhanced local land use planning to address political fragmentation. This will encourage efforts that span municipalities like overlay districts, corridor planning, and transit districts.

Examples include incentive programs in Pennsylvania and New Jersey that encourage collaborative planning between municipalities without relinquishing local control. Pennsylvania has legislation that permits the creation of revenue-sharing districts so municipalities can share taxes. Florida, Washington, Rhode Island, and Maryland use statewide land use plans to articulate diverse goals and guidelines that directly benefit places like first suburbs.

Puentes (2002) identifies a range of state programs that apply to first suburbs:

**Fiscal Equity**

- Wisconsin: State Revenue Sharing (www.legis.state.wi.us/rsb/statutes.html)
- Minnesota: Fiscal Disparities Act of 1971

**Stimulate Housing and Commercial Development**

- Maryland: Community Legacy Program
- Pennsylvania: 1995 Brownfield Cleanup Legislation
- Missouri: tax credits to promote reinvestment and redevelopment
• Minnesota: This Old House Program
• Maryland: inclusionary zoning laws
• Washington State: growth management laws

Curb Sprawl

• Remove Gas Tax Use Restrictions
• New Jersey: 2000 Fix It First Law
• Maryland: 1997 Smart Growth Legislation
• Pennsylvania: Growing Smarter Initiative
• Minnesota: Community-Based Planning Act of 1997

He also examines existing HUD programs and their utility for first suburbs:

• The HOPE VI program is focused on redesigning distressed public housing (very little public housing is located in first suburbs).

• Empowerment Zone areas must have a population of at least 50,000 and a relatively high poverty rate (20–25 percent).

• Community Development Block Grant entitlement cities must meet the 50,000 population requirement. First suburbs can qualify for block grant money if they are located in an eligible urban county or if they are eligible for money through their state programs. Many first suburbs fall below the 50,000 cutoff and cannot receive direct entitlement grants and must compete with other communities in their county or state for nonentitlement CDBG funds.

• Section 203(k) provides one loan to cover property acquisition and rehabilitation, but the number of single-family homes rehabilitated through the program has fallen considerably since 1997.

• Property Improvement Loan Insurance (Title 1) is sometimes used in conjunction with 203(k) to finance light or moderate rehabilitation.

• Section 223(e) is a mortgage loan insurance program for older, declining areas and could be used in severely distressed first suburbs.

HUD’s Neighborhood Stabilization Program is also available and being used to assist first suburbs.

Small Cities

In its 2008 report, To Be Strong Again: Renewing the Promise in Smaller Industrial Cities, PolicyLink looks at smaller industrial cities. Their universe is cities that had populations of at least 5,000 people in 1880 and now have populations between 15,000 and 150,000 people, with median household income of $35,000 or less according to the 2000 Census. Many are
former manufacturing hubs with low-skilled labor forces. Using this screen, PolicyLink identified 151 cities, primarily in Northeast and Midwest. PolicyLink observes that the smaller size of these cities makes them ripe to test creative, inclusive renewal strategies and to see results quickly.

Many of these smaller industrial cities were dominated by a single industry or company and were thus affected by even small economic shifts within an industry. Middle-class families have left, but in some cases, new immigrants are filling the void, adding a newly dependent population to the lower-income residents who were left behind. These forces counterbalance each other, providing minimal population gains but requiring cities to provide new services to immigrant residents. Finally, these cities have an infrastructure and overhead designed to serve a much larger population and industrial base, but their resources and capacity to confront those overhead costs have declined.

Some policy recommendations for small cities are similar to those previously noted, but they reflect the PolicyLink focus on equity and diversity, which is relevant for our work on distressed suburbs.

**Land use and fiscal policy:** Engage residents and stakeholders in forging a vision of the future through land use planning and fiscal policy. As a part of the planning, cities should create a systematic process to reclaim vacant and abandoned property. Gaining control of these properties allows for smoother implementation. Like Puentes and Hanlon, PolicyLink calls for smaller industrial cities to work with neighboring jurisdictions to provide planning and services that are beneficial to the entire region.

**Infrastructure:** Smaller cities should focus on improvements in public transportation to connect city residents with economic opportunities throughout the region. Investments in infrastructure should be targeted. For example, Ohio is developing policies that prioritize infrastructure improvements in established communities over those on the fringe. Finally, smaller cities should invest in urban green spaces. Parks provide recreational opportunities for low-income families and improve the environmental health of the city.

**Economic renewal:** Small cities should focus on job training and improving schools to create a new skilled workforce to attract new industries to the area. Job training should be geared to existing industries, and the public school system should educate students with a range of skills to provide a versatile workforce to attract new businesses. Development projects in these distressed urban areas will require gap financing. Cities should continue to assist developers but increase accountability of developers to provide promised community benefits. Cities should also support entrepreneurship by providing tax breaks and incubators.

**Neighborhood revitalization:** An anchor institution strategy should engage large stakeholders in revitalization. These institutions can provide financial support or create their own programs to encourage neighborhood revitalization. PolicyLink recommends that neighborhood support be targeted; spreading limited funds too thinly can drastically reduce the impact of revitalization dollars.
Race, Poverty, and Fiscal Stress

The literature summarized above touches on racial transition, concentrated poverty, and fiscal capacity, all of which are affecting distressed inner-ring suburbs. We explored a subset of the literature on these issues, especially, when possible, as it relates to suburbs.

Race

The literature touches on the growing diversity of suburbs but does not delve into the dynamics of racial transition in older, inner-ring suburbs. Yet, for a small number of inner-ring suburbs, this is a key chapter in their history. Keating’s 1994 book *The Suburban Racial Dilemma: Housing and Neighborhoods* focuses on this issue. He compares Cleveland’s suburbs to suburbs around the country that have both failed and succeeded in reducing housing discrimination. He offers East Cleveland as a textbook example of the “invasion and succession” scenario of racial transition that resulted in racial resegregation. This is contrasted with a more successful effort, beginning in the 1960s, by the city of Shaker Heights to prevent black suburbanization from turning into resegregation. Keating’s work is useful for the present analysis because it uses as a case study the City of East Cleveland, which in the 1960s was one of the first and most prestigious suburbs in the Cleveland area and had a reputation for good government, low taxation, and a high level of municipal services along with a very highly regarded public school system. Keating analyzes the factors that contributed to its very rapid racial transition (from 1960 to 1970 the nonwhite population went from 2 to 67 percent) and its subsequent decline. Thus, it holds lessons for suburbs facing similar issues today.

Concentrated Poverty

Puentes (2002) identified a handful of first suburbs that are affected by concentrated poverty. Much has been written about the deleterious effects of living in neighborhoods of concentrated poverty, but again, most of it focuses on inner-city neighborhoods and especially residents of public housing. (A census tract is considered high poverty if at least 40 percent of residents live in families with incomes below the federal poverty level.) It is a problem that encompasses both people and place. Its negative impact can spread to surrounding areas, resulting in limiting overall economic potential and social cohesion. In a suburb, this can influence the entire city.

A 2008 study by The Federal Reserve System and its 12 member banks and the Brookings Metropolitan Policy Program analyzed concentrated poverty and its impacts across a wide range of community types. The study includes 16 case studies of areas including inner-city neighborhoods, small cities, and rural areas across all regions of the United States. Although none of the case studies were done in distressed suburbs, the findings and recommendations are useful.

All the communities studied face common obstacles related to underperforming local schools and low educational attainment among adults of working age; insufficient quality and diversity of housing; lack of mainstream commercial investment; and the limited capacity of local public,
private, and nonprofit organizations to navigate this suite of challenges. The report calls for strategies to help both poor places and their residents. In the final chapter of the report, Berube and colleagues (2008) synthesize the themes from the case studies.

Berube and his coauthors identify three factors that have contributed to the concentration of poverty and the challenges faced by these communities: poverty developing over decades, one or more forms of isolation (physical, social, racial, and linguistic) from the larger economy and community, and significant demographic changes resulting from immigration, formation of single-parent households, and so on. The communities exist within both weak and strong regional economies, suggesting that strong regional economic growth is not enough to lift these places out of poverty. However, Berube and colleagues point out that the relative strength of the communities’ respective regional economies greatly shape the context for their future prospects and shape the types of policies that might be effective. In areas with very strong regional economic growth, in-migration and investment may lead to a decline in the poverty rate. However, whether this rising tide benefits the original residents of these communities as a result remains to be seen.

These communities have limited capacity to address the problems associated with concentrated poverty. This lack of organizational capacity and experience and lack of expertise can affect the duration, sustainability, and effectiveness of programs. Governance challenges include local government fragmentation, political representation, and lack of effective governance mechanisms that could foster joint public/private/nonprofit decisionmaking. Lack of trust can undermine collaborative decisionmaking. This may be a critical issues in addressing the challenges of concentrated poverty, since it sets the context for all other types of interventions, particularly as community development policies and programs increasingly require broad public-private partnerships and resident participation.

Despite their challenges, these communities have an array of locational and economic assets such as proximity to anchor institutions, possibly location in high-growth regions, and unique histories, which can form the basis of a recovery strategy if effective ways can be found to capitalize on their commitment and their resilience.

**Deconcentrating Poverty through Mixed-Income Development:** Partly in response to the research into the effects on residents of living in neighborhoods of concentrated poverty as described above, recent federal housing policy has fostered mixed-income communities through HOPE VI, the public housing revitalization program that replaces public housing projects with mixed-income housing, and through Section 8 Housing Choice Vouchers. A number of studies have looked at the impact of HOPE VI on the former public housing tenants.

Joseph (2006) draws on research to determine whether deconcentrating poverty through mixed-income housing development leads to better social outcomes for former public housing residents. He examines each of four propositions that are used to make the argument for mixed-income housing:
• **Social networks as social capital**: Living in close proximity to higher-income households can provide opportunities for lower-income residents to establish effective social networks that are seen as important for employment and upward mobility.

• **Social control**: The loss of stable working families from the inner city meant the loss of role models and people who were more likely to exert pressure within the community for order and safety. Increasing the number of higher-income residents, particularly homeowners, would lead to higher levels of accountability and an increased informal system of social control.

• **Culture and behavior**: The presence of higher-income residents will lead other families to adopt more socially acceptable behavior as they learn from observation. This proposition is very controversial and assumes a “culture of poverty.”

• **Political economy of place**: Increasing the number of high-income residents can create new market demand, which can attract higher-quality goods and services for all area residents. Politically, political forces that ignore their needs have marginalized lower-income neighborhoods.

Joseph (2006) finds the evidence limited and inconclusive. While some mixed-income developments have led to the creation of neighboring relationships, each development was a special situation and should not be used to generalize about mixed-income developments. Children seem to be the greatest benefactors of mixed-income developments. They are more likely to interact with children of all income levels and serve as a bridge to having their parents interact with one another.

With respect to social control, Joseph’s findings seem to suggest that other factors such as strong property management in public housing may be more important. He finds very little evidence to show that role modeling is occurring in mixed-income developments. “Contrary to conventional wisdom, people at different income levels display pretty much the same distribution of values, social attitudes, and lifestyles. While there is certainly a difference between holding a value and acting on it, there may well be less to be gained from income mixing in terms of changing values than is assumed” (Joseph 2006, 220).

He does find evidence of the market adjusting to accommodate greater buying power in the neighborhood as a result of mixed-income development. The influx of moderate- to high-income residents creates a new market for goods and services. As the private sector begins to invest, the public sector will certainly follow suit, but these changes are attributed to market adjustments rather than the demands of higher-income residents.

Joseph (2006) concludes that expectations for mixed-income developments should be clearer. Is the expectation to revitalize a neighborhood, house the poor, or lift low-income families out of poverty? If these expectations are clearly spelled out, it becomes much easier to evaluate their effectiveness. Dispersal of the urban poor with programs such as Section 8 Housing Choice Vouchers has actually been proven more effective than mixed-income development in terms of
raising the earnings of the participating families. But such programs can also have detrimental effects because families are completely transplanted and must reestablish social networks in an unfamiliar environment.

Mixed-income developments could be one way to provide higher-quality housing options for current residents while also providing new housing opportunities for higher-income residents to relocate to severely distressed neighborhoods. While this will certainly help municipal coffers by offering additional income and property tax, this article suggests that the social benefits of mixed-income developments for the original residents may be negligible.

Fiscal and Tax Capacity

The National League of Cities (2010) surveyed its member cities (including suburbs) on jobs and the economy. The league was interested in understanding the fiscal stress placed on municipalities as the nation continues to recover from the recession. Municipalities across the board are clearly feeling the effect of reduced property values and increased unemployment and the resulting declines in tax revenues.

Specifically, the survey found the following:

- Three out of four city officials report that their economic and fiscal conditions have worsened over the past year.
- Eight-four percent of city officials report that unemployment has worsened over the past year, and nearly 90 percent say it is either a major (41%) or moderate (47%) problem.
- To deal with the fiscal implications of these and other economic conditions, seven in ten city officials report making cuts to personnel (71%) and delaying or cancelling capital projects (68%).
- One in two (52%) city officials report that service levels will continue to decrease next year if tax rates and fees are not increased.

Unfortunately, when budget or service cuts are made, they are slowly reinstated if at all. Reductions in service and increased taxes could cause residents to seek greener pastures, potentially cause significant out-migration, which could further stress a city’s finances.

Remedies for Fiscal Stress: There is a small body of literature on fiscal stress and the remedies available to municipalities. A good overview is provided by Kimhi (2008). Municipalities are similar to private corporations, but as public entities they have certain obligations to provide local services regardless of fiscal health. As such, special mechanisms are required for bankruptcy procedures should a municipality become unable to meet debt obligations. In his review of the legal remedies available to cities experiencing fiscal stress, Kimhi (2008) finds
three: creditors’ remedies, Chapter 9 bankruptcy, and state intervention, which may include state financial boards and/or Municipal Insolvency Statutes.

Many cities of interest in our project have shrinking tax bases, aging infrastructure, and a dependent population base. Such conditions are a recipe for fiscal stress, and municipal insolvency may become a reality for many. But what insolvency remedy can best save the city and enable it to begin revitalization efforts? Secondly, which remedy can actually prevent potential fiscal stresses before it is manifest into insolvency? Kimhi (2008) examines each remedy in terms of its impact on residents, the city, the state, and creditors.

First he examines the causes of fiscal stress and finds that there are two generally accepted theories: socioeconomic-decline and local management.

The socioeconomic-decline theory (Ladd-Yinger) views external factors, rather than internal political decisions, as the primary causes of urban crisis. It attributes municipal financial distress to factors largely out of local leaders’ control. These factors include changes in the national business cycles, suburbanization, and state and federal policies toward local governments. Clearly many major cities experienced fiscal stress following the national recession in the 1970s, and, as the National League of Cities survey shows, many are experiencing stress in the most recent recession. Suburbanization and population changes cause a cycle of decline that directly affects a city’s tax base and its ability to provide services. Loss of higher-income population to suburbs leads to a declining tax base, increasing costs of service, and so on. Finally, changes in intergovernmental transfer payments can alter a municipality’s budget as federal or state monies are lost, but the obligation to provide such services under state statutes remains. This perspective on municipal decline largely discounts the impact of local decisions that could have created social change or policies to deal with changing demographics.

Advocates of the local management theory of fiscal stress (such as Martin and Pammer) do not ignore the external forces faced by the city, but they theorize that ultimately the political and financial managerial structure of the city leads it into fiscal danger. The distribution of power inside a community and the city’s management practices determine its fiscal fate. It is not so much the officials themselves, but rather the political system in which they operate which is at fault. Fragmented decisionmaking is the central complaint. The more fragmented the political system, the more likely the local government will suffer from financial difficulties.

The literature distinguishes between size fragmentation and procedural fragmentation. Size fragmentation is the number of social groups that participate in the budgetary process through their representatives. The more participants, the greater the expenditure level. Procedural fragmentation has to do with the procedure according to which fiscal policy is ultimately decided. It depends not only on the number of decisionmakers but also on how decisionmakers interact with one another. When decisionmaking is decentralized, spending tends to increase. When New York City went bankrupt, multiple interest groups with no central authority dominated it. Chicago, on the other hand, had a strong party machine that was able to resist budgetary pressures.
Kimhi concludes, “Various socioeconomic factors beyond the local officials’ realm of control can cause municipal financial difficulties. However, even in the presence of some or all of the socioeconomic forces described above, many scholars believe that circumstances internal to the locality are the main reason for financial crises” (2008, 642).

The three remedies are also examined by Kimhi (2008):

**Creditors’ remedies:** Creditors may file for a judgment against cities unable to meet debt obligations, but their ability to enforce such judgments is limited. Most municipal assets are out of reach of creditors. Since cities provide many local services, they are protected, so the city can continue to provide services despite financial emergencies. These protected assets include tangible items as well as financial assets. However, a new remedy for creditors has evolved called a writ of mandamus to collect taxes, in which a court order requires a city to levy a tax in an amount sufficient to cover defaulted debt obligations. All proceeds above current tax levels will be directed to help satisfy the debt obligations until it is fully paid. Courts usually require debt to be settled before the municipality’s next budget cycle. Tax levels, however, must remain at or below state limits. As such, if a municipality has exhausted its tax capacity, creditors are again without a tool to collect.

**Chapter 9 bankruptcy:** Chapter 9 bankruptcy protection enables insolvent localities to seek bankruptcy protection from their creditors, and it provides them time during which to negotiate a debt readjustment plan. If the court approves the debt readjustment plan, creditors must accept the terms of the plan and have no opportunity to negotiate more favorable terms. Municipalities must meet five thresholds before entering into bankruptcy protection; this differs from the requirements other debtors face. “These threshold requirements include, inter alia, express and direct state approval for the bankruptcy filing, as well as an insolvency requirement” (Kimhi 2008, 650). During bankruptcy, the court and creditors are subject to the tax rates as imposed by the municipality. This allows localities to avoid full repayment by refusing to maximize their tax raising capacity.

**State financial boards and state municipal insolvency statutes:** A financial board is a state agency created to help a distressed locality overcome its economic troubles. Unfortunately, states decide to intervene only after a city’s credit rating falls below investment grade, or when the city is unable to finance its operating expenses. Some states have taken a more systematic approach and have created municipal insolvency statutes that list economic criteria for when state financial boards are created to assist insolvent localities. State financial boards create rehabilitation plans that obligate the city to take the required actions toward recovery. State financial boards may require tax increases, reduction of expenditures, and alterations to the political environment.

Kimhi (2008) concludes that state financial boards are the best remedy to municipal insolvency after analyzing the risk bearers in each remedy. The least popular is obviously when the residents bear the majority of the risk. Cities are creatures of the state, therefore the state should be responsible for creating statutes to protect municipal fiscal health and help cities
recover from insolvency. Cities in states that take a proactive approach have improved credit ratings, resulting in lower interest rates.

Kimhi (2008) recommends that all states create municipal insolvency statutes that set specific criteria for state intervention. Good examples are found in the North Carolina Local Government Commission and the Ohio Fiscal Emergency Law. Many cities that we study are experiencing fiscal stress and may be considering insolvency as an option. State creation of municipal statutes may help the state intervene before bankruptcy and other remedies are needed. These statutes along with other tax capacity–increasing efforts could help cities return to financial strength.

**Local management capacity:** It is hoped that cities and suburbs experiencing fiscal stress will not reach the point of fiscal insolvency. Hill and Nowak (2002) focus on the local management issues described above and offer strategies these cities can used to uncover their competitive advantages.

Two quotes reflect their assessment of the problem:

“Distressed cities have histories of redistributive politics, including the use of public sector operations and contracts as jobs machines, which are deeply entrenched. Moreover, distressed cities have operating bureaucracies whose personnel and strategies reflect decades of decline and low expectations about performance.” (Hill and Nowak 2002, 267)

“When probed, what appears to be corruption in public service is really the end result of incompetence, mismanagement and a regulatory system that does not function.” (Ibid., 268)

More specifically, distressed central cities have

- outdated tax structures,
- broken political cultures,
- uncompetitive staffing levels,
- vacant and abandoned land, and
- an inappropriate array and mix of public services.

To address these issues, Hill and Nowak suggest a range of strategies. First, a well-functioning public-sector bureaucracy is necessary to reconnect distressed cities to their regional economies and provide the seedbed for development and opportunity. However, especially in smaller cities, the bureaucracy is too small, and it has forgotten how to get things done due to a lack of leadership and competence; and the financial resources required to build competence back in the civil service is also lacking. These smaller cities are not able to offer competitive wages, and potential municipal employees don’t see a career track because of political
instability. Further, meaningful administrative reform depends on making new arrangements with public-sector unions.

Hill and Nowak also look at the importance of leadership. Civic leadership can come from many different places including local foundations, nonprofit development organizations, politicians, and the private sector. All form the social capital of a city. Effective leadership is needed to keep moving forward on the long-term civic agenda. Yet, the leadership group must be permeable enough to lead social and economic change.

Cities that aim for meaningful reform must bring in an outside agent (possibly the state through a fiscal emergency commission). This enables local politicians to shift the blame for necessary, painful restructuring to that agent. Reforms may need to include restructuring state and local taxes or new political leadership. For example, a new, dynamic, competent mayor can attract talented staff and make a great difference in attitudes, performance, and perceptions about his or her city. The problem is that the mayor does not have either the financial resources or institutional flexibility to hire enough people to turn around the performance of the city. He or she can only work at the margin of reform (Hill and Nowak 2002, 272).

Again, bringing in an outsider can help. New mayors have successfully used a management improvement task force to review city operations with an eye to staffing levels and competence. Where is it too big and where is it too small? States can step in with loaned executives or give new city hires the ability to move into the state civil service system to get around the career path and civil service issues. Other reforms include the need for an entity such as a city or countywide land bank to address land assembly issues.

Finally, a strategy for raising the incomes of current residents is the adoption of a state and local earned income tax credit. This is the “correct” mechanism for making work pay without interfering with market-based wage setting mechanisms.

Programs That Work

Our review of the literature did not reveal many programs that were working on the ground in distressed inner-ring suburbs. However, we did find many studies of effective neighborhood-based programs and some regional governance and tax-sharing programs that seem to be effective. Examples of these are described below.

Neighborhood-Based Programs

We selected two neighborhood-based programs to highlight here. Both are well-established programs that have been shown to have a positive impact over a long period in distressed urban neighborhoods of central cities. It is hoped that these can offer guidance as to what might work in distressed inner-ring suburbs.
Dudley Street Neighborhood Initiative: In her book *Reviving America’s Forgotten Neighborhoods: An Investigation of Inner City Revitalization Efforts*, Elise Bright (2003) examines revitalization efforts taking place in impoverished inner-city neighborhoods across the country. She looks at a variety of efforts ranging from partnerships and community empowerment to regional governance. She provides case studies that identify strengths and challenges faced. While she does not focus on inner-ring suburbs, several of her findings, especially those that are working at the neighborhood level, were examined to assess their applicability to these smaller communities. For example, she looks at the Dudley Street neighborhood organization, a highly regarded long-running example of comprehensive community development before, during, and after several projects were completed.

Dudley Street offers an example of how residents of a Boston neighborhood, fed up with abandonment, poor city services, and neglect, empowered themselves to improve their neighborhood. Such efforts could be transferred to other cities experiencing decline. We have found that many impoverished communities lack the organizational capacity for sustained grassroots revitalization efforts. So it is useful to look at how the residents of the Dudley Street neighborhood were able to overcome this hurdle.

The Dudley Street residents overcame this barrier partly from mistrust of government officials and the deplorable conditions in their neighborhood. The residents not only pressured city officials to meet their demands, but also included all residents, including youth, in planning.

Dudley Street had been a stable Irish and Italian American neighborhood, but it began to experience racial change around 1960. Urban riots in 1968 and busing accelerated the process. Disinvestment and abandonment was rampant, leading to nearly 1,300 vacant lots in a 1.5-mile area. By 1980, over 40 percent of residents were living below the poverty level. Dumping was a major problem on vacant lots, and the city reduced trash collection. Residents were literally living in filth. Such conditions infuriated residents and motivated them to make a change.

The residents were wary of city involvement in revitalization efforts, as they had seen what had occurred in other neighborhoods, with gentrification forcing out many long-term residents. They wanted to avoid the standard practice of outsiders coming in and telling residents what is best for them. In 1984, the Mabel Louise Riley Foundation offered funding to create a redevelopment plan and helped form a 23-member board with just three residents to oversee the plan. The Dudley Street Neighborhood Initiative (DSNI) was created when residents objected. The Initiative created a 29-member board that included mandatory representation from different racial groups, community stakeholders, and nonprofit organizations. The board was elected by the then-1,300 members of the organization.

The new organization focused on small successes to keep motivation and participation high, including improved public transit access and intersection safety and increased garbage collection. The DSNI Revitalization Plan released in 1987 was a culmination of nine months of community meetings and assistance from minority consultants. The City of Boston participated in the process, but the community led it. DSNI was created as an urban development
A corporation that took possession of the vacant properties and was given eminent domain powers to take vacant lots that were still under private ownership.

DSNI did not sell vacant lots for redevelopment, but instead offered ground leases, giving lessees long-term control of the property. DSNI also used land trusts and restrictive covenants to maintain the low- to moderate-income character of the neighborhood, essentially using tools that had been employed in the past to keep low-income residents or minorities out of neighborhoods to provide stability.

From the beginning, DSNI has involved youth in the planning process. The youth not only helped design many of the parks and a neighborhood recreation center, they learned many art, architecture, and planning skills in the process. Such attention to the youth in planning assures a long-term and sustainable planning and community involvement process.

**Marshall Heights Community Development Organization:** The second example of a neighborhood-based program that could offer lessons for distressed inner-ring suburbs is drawn from The Enterprise Foundation’s (2000) *On the Ground with Comprehensive Community Initiatives*, which looks at community-based organizations that are making a difference in distressed urban neighborhoods. The Marshall Heights Community Development Organization (MHCDO) participated in a seven-year Rebuilding Communities Initiative sponsored by the Annie E. Casey Foundation that focuses on community building and expanding into new program areas.

MHCDO serves Ward 7 in Washington DC. Ward 7 has 2,767 public housing units, more than any other ward in the city. In 1990, the ward was 97 percent African American. While the ward has a disproportionate number of poor residents, it has many amenities such as parks and historical sites. Ward 7 in Washington DC shares many demographic characteristics with distressed inner-ring suburbs and faces many of the same challenges. Understanding how MHCDO was able to overcome these challenges and engage the community in the process can inform policy recommendations.

MHCDO is a large community development organization with over 60 staff members and an operating budget of $5 million. The organization services an area of nearly 70,000 people with a median household income of $18,200 (as of 1990). MHCDO provides educational, housing, commercial, and business services to the community, while maintaining several revenue producing assets such as a shopping center.

**Community organizing:** Like the Dudley Street Neighborhood Initiative, MHCDO grew out of a grassroots effort in 1979 as an intentionally inclusive organization. MHCDO works to involve all members of the community in formulating new programs and policies. Public housing resident council members have a seat on MHCDO’s board of directors. MHCDO maintains high visibility through newsletters, annual reports, workshops and public forums. “MHCDO designs its programs to engage, rather than merely serve, residents” (Meyer et al. 2000, 208).
Coalition building: MHCDO provides many services to the community as part of a holistic approach to community development. Some services are provided through other institutions such as nonprofits and city agencies. For example, educational and safety programs were created through partnerships with local school and churches. City and state agencies and local medical offices have been engaged in welfare and health programs through MHCDO. This helps build the capacity of other organizations serving the community.

Commercial revitalization: Through public and private funds, MHCDO was able to purchase a local shopping center. The center underwent an expansion in 1996 and now holds nearly 20 businesses and provides 150 jobs, 60 percent of which have been filled by ward residents. MHCDO receives $120,000 of income annually from the center. While MHCDO acknowledges the overwhelming success of the center, it is quick to point out that this particular project was the result of unique circumstances and is not easily replicable. However, the idea that a community-based organization can invest successfully in income-producing developments or business ventures with profits returning to the community is replicable.

Business development: MHCDO provides technical assistance, grants and loans to Ward 7 business owners and new entrepreneurs. Training is offered through collaborations with other agencies in D.C. MHCDO manages a micro loan program to provide seed money for new or existing businesses that don’t have established sources of capital. Through the MHCDO Business Development program, Chesapeake Bagel Bakery opened in MHCDO’s shopping center. This was the first minority-owned franchise of the bakery. Chesapeake waived its franchise fee and MHCDO purchased 34 percent of stock on behalf of future employees. MHCDO has also created business incubators as part of its industrial development plan.

While these two programs may have helped struggling neighborhoods, these neighborhoods exist within larger cities with stronger neighborhoods and other assets that can help stabilize the city’s tax base. In our project, the cities are autonomous, and their distress is mostly citywide, thus reducing available resources.

Regional Governance and Tax Sharing

In combating inner-city poverty, much of the literature recommends regional programs that encourage local governments to share services and taxes. Therefore it is useful to include some examples of places where such programs are working. In her chapter on regional governance, Bright (2003) examines the cities of Minneapolis-St. Paul, Portland, and the Canadian cities of Vancouver, Toronto, Ottawa, and Montreal as they each use some form of regional governance, taxation, or services.

The Metropolitan Council in Minneapolis-St. Paul is often cited as a model regional government with taxation powers that control transportation planning, transit services, air and water quality planning, redevelopment and housing authorities. The goal of the council is control sprawl and the distribution of affordable housing with a key goal to prevent concentrated poverty.
The council’s tax base sharing plan was enacted in 1975, after extensive state lobbying. It allows communities to pool 40 percent of tax collection increases resulting from commercial and industrial development from a seven-county region and redistributes it to communities in need of fiscal support. This helps smaller, older communities that have no tax base or whose tax base is shrinking. Redistribution is based on population and need, which is determined by the ratio of each city’s per capita property valuation.

Tax increment financing (TIF) has been used in Minneapolis since 1970 for downtown commercial development. In 1990 the state legislature extended these TIFs so after the bonds had been paid off, revenues could be directed toward neighborhood revitalization outside downtown. The new Neighborhood Revitalization Program allowed residents to formulate neighborhood plans with city assistance and gave them the funds to implement their plans. Minneapolis also has Housing Replacement TIF Districts, which allowed for the acquisition of substandard housing for removal or rehabilitation. The properties remain in the TIF district for 15 years.

The City of Portland used an urban growth boundary to limit sprawl and maintain property values and neighborhood attractiveness. The compactness of the city has allowed the city to invest in infrastructure and public amenities in even the poorest neighborhoods. Several neighborhoods with single-room-occupancy hotels for homeless men and women and higher than city average poverty rates have received new streetscapes and parks. Many residents are surprised when they learn the true demographic makeup of the neighborhood.

The Canadian cities are difficult to compare to our situation partly because of the different governmental structures and approaches to planning. However, the regional governments in Canada use services such as sewer and water to help curtail sprawl. The City of Ottawa did a public education campaign to demonstrate that controlling sprawl and development is beneficial and lowers the public cost.

While both Minneapolis and Portland offer examples of regional approaches, the issue of race cannot be ignored. Both Minneapolis and Portland have very homogenous populations, making reform and revitalization a simpler task. Another theme in both cities was the high level of support from the state. In each instance, their regional approaches required action from the state legislature not just once, but on multiple occasions.

Do Nothing

Glaeser (2007) questions the wisdom of any federal investments in cities (he uses Buffalo as an example) that are rapidly losing population and jobs. He observes that federal investments in infrastructure and big “silver bullet” development projects have done little to reverse declines and have not addressed the growing population of low-income residents in Buffalo. He argues that future investments should be people based rather than place based. “A sensible federal approach for upstate New York would invest in people-based policies that improve the
economic futures of the children growing up there. Education is the best tool we have to fight poverty” (Glaeser 2007, 5).

**Conclusion and Next Steps**

A broad base of research creates typologies of American suburbs, especially inner-ring or first suburbs. However, there is a need for further research into specific types of suburbs. Our focus is the subset of low-capacity, highly distressed inner-ring suburbs. The purpose of this project is to deepen the understanding of the dynamics at work in these suburbs as well as the trends, challenges, assets, and liabilities that have contributed to their distress. Neighborhood, municipal, and regional program and policy recommendations are offered. There is evidence that grassroots comprehensive development programs can work in targeted areas of inner-city neighborhoods. Such programs hold potential for distressed suburbs and small cities, but many of these have very little fiscal or managerial capacity at the city level to implement programs, and residents are not well organized. Regional strategies can help at a macro level, but efforts such as regional tax sharing are likely to bring about benefits only over a long term.

The literature review also suggested areas for further inquiry including:

- What is the level of fiscal and managerial capacity?
- What is the capacity of residents to mobilize around issues?
- What strategies and investments were used by communities to either change their development path or to embark on a different path?
- Are they part of a consortium or alliance such as the First Suburbs Consortium? Is this seen as a benefit?
- What significant trends or events got them where they are?
- What difference have their state’s policies made?
- What state and federal programs are working well, and how could they work better?
- How are they affected by their metro area’s larger economic and population trends?
Literature Review Bibliography


Appendix B. Methodology and Bucket Tables

This project focuses on suburbs that once were thriving but are now severely distressed and have limited capacity to respond to increasing needs. Three indicators were used to analyze how distressed each suburb is: poverty rate, unemployment rate, and foreclosure rate.\(^1\)

We started with all cities and villages in the United States with populations of at least 2,500 in the year 2000. Since our focus was on suburbs, we did not want to include central cities, but we did want to include many cities that are often designated as central cities in other analyses. For example, many cities whose names are part of the metropolitan areas’ names are considered central cities but seem to be more appropriately characterized as suburbs. We tried a few different methods of sorting this out and decided to use the Minneapolis-St. Paul, Minnesota, metropolitan area as a guide. St. Paul, the smaller of the Twin Cities, constituted just over 9.6 percent of the population of the CBSA in 2000, so we used St. Paul to set the threshold: to qualify as a suburb for our analysis, a city could constitute no more than 9.6 percent of the CBSA population. In addition, the city could not be the first name in the CBSA metropolitan area title. Finally, there needed to be complete data for all our analysis variables. When all the filtering was done, we had 4,066 suburbs in our analysis file.

These 4,066 suburbs were distributed across the nine census divisions, as displayed in figure B.1. The East North Central census division had 23.5 percent of all suburbs, followed by Middle Atlantic, at 18.8 percent. For comparison later, it is noteworthy that only 12.3 percent of the suburbs were in the Pacific division.
Figure B.1. 4,066 Suburbs in Analysis by Census Division

Identifying Suburbs in Distress

For the purposes of this study, “most distressed” suburbs were those having \( m \)-score values above 1.5 for each of the three indicators of distress: poverty rate, unemployment rate, and foreclosure rate. This provided three index values that were all scaled in the same way and were then analyzed individually and combined into a composite index.

What Is an \( M \)-Score?

One common way to quantitatively measure a data point’s distance far from the center is to calculate its \( z \)-score. To calculate a \( z \)-score, the data value for the individual suburb is subtracted from the mean for the entire population of values, and the result is divided by the standard deviation for the distribution:

\[
z_i = (x_i - \mu_x) / \sigma_x
\]

The higher the value for \( z_i \) the farther the value is from the mean of the distribution. In the case of the variables of interest in this study, namely poverty, unemployment and foreclosure rates, the larger the value of \( z_i \) the more distressed the suburb is.

Our distributions of poverty, unemployment, and foreclosure rates, however, are skewed to the right. On the left, the values are bounded by zero. On the right, the limit is 100, but the observations are typically sparse the farther to the right one looks. In such cases as these, the mean is susceptible to these outliers on the right, and the mean will be higher than the median value. In addition, the standard deviation will be large relative to the mean, since it too is influenced by outliers.
Many adjustments are available for dealing with such skewed data, including various variable transformations. Many of these transformations reduce the bias caused by the skewness but make it hard to interpret resulting statistics. For our purposes, we calculated statistics that can be easily interpreted and combined to produce a composite index.

The transformation used in this study is based on the median, instead of the mean, as the measure of central tendency. This methodology was created by Hill, Wolman and Brennan\(^2\). As is generally known, the median is not susceptible to the magnitude of extreme outliers. For example, given the data points 1, 3, 5, 7, and 100, the mean is 23.2, while the median is 5. If the highest were instead 1,000, the mean would be 203.2, but the median would still be 5.

This alternative transformation is called an \(m\)-score and is calculated as follows:

\[
m_i = (x_i - M_x) / PSD_x
\]

where

- \(x_i\) is the value for the individual suburb.
- \(M_x\) is the median of the distribution across all suburbs.
- \(PSD_x\) is the pseudostandard deviation and is calculated by dividing the interquartile range value by 1.349. The interquartile range is calculated by taking the value of the distribution at the 75th percentile and subtracting the value of the distribution at the 25th percentile. In a normal distribution, 50 percent of the values lie between the mean minus .6745 standard deviations and the mean plus .6745 standard deviations (or a range of 1.349 standard deviations). This is the interquartile range for a normal distribution, so if we divide the interquartile range value for our distribution by 1.349 we should calculate a value equivalent to about one standard deviation.

A major advantage of the \(m\)-score is that the information generated by an outlier is retained in relation to the true center of the distribution without biasing the measure of central tendency, the median, and the measure of spread, the pseudostandard deviation, that work best for skewed distributions. The \(m\)-score has the advantage of being interpreted in a manner similar to the familiar \(z\)-score—that is, in terms of the number of standard deviations from the center of the distribution. In the case of the \(z\)-score, the center is the mean. For the \(m\)-score, it is the median.

Since the data were skewed, we chose to use \(m\)-scores as our method for transforming the data. This also allowed us to calculate composite indexes.

Suburbs that had high scores on the composite index (i.e., were very distressed in all three areas) were considered most distressed. A suburb could not be identified as most distressed by having an extreme score on just one or two indicators. Using an \(m\)-score threshold of 1.5 yielded 168 suburbs, or 4 percent, as most distressed from the initial pool of 4,066. In other words, 168 suburbs were found to be 1.5 or more standard deviations above the median on all three indicators of distress. These 168 suburbs represented a total population of 4.1 million in 2000, which is 6 percent of the total suburban population of 68.3 million in our sample.

An analysis of the geographic distribution of the 168 most-distressed suburbs by census division yielded some surprising results (fig. B.2). While only 12.3 percent of our sample’s suburbs are in the Pacific census division, 36.3 percent of the most-distressed suburbs are in this division. With 61 of the 168 suburbs, the Pacific division has more than twice as many most-distressed suburbs as the next-highest division, East North Central with 29. The Pacific division includes
California, Oregon, and Washington, but all the most-distressed suburbs in this division are in California, particularly the southern half of California. Similarly, the Mountain census division includes eight states, but all six of the most-distressed suburbs in that division are in southwestern Arizona.

**Figure B.2. Distribution of All and Most-Distressed Suburbs by Census Division**

![Bar chart showing the distribution of all and most-distressed suburbs by census division.](chart)

Figure B.3 presents another way of looking at this geographic distribution. It shows the most-distressed suburbs by metropolitan area (using CBSAs and combined statistical areas, or CSAs) using prism mapping. In the prism map, the heights of the metropolitan areas reflect the number of most-distressed suburbs in them. Most-distressed suburbs in the Pacific and Mountain divisions are concentrated in the southwest, in areas such as Los Angeles-Long Beach-Riverside (27), Fresno-Madera (13), Bakersfield (5), Salinas (4), and Visalia-Porterville (4).
The geographic distribution illustrates that these 168 most-distressed suburbs are clustered across various metropolitan regions of the country.

The contexts in which these suburbs operate are likewise varied depending on such factors as the age of the suburb, its economic and demographic history, and other variables. To better understand the different contexts in which they operated, groupings based on measures of population and economic trends were added. Table B.1 illustrates the six different types of places.

The economic trends are captured in the two rows of the matrix. Suburbs were classified in one of two groups of regional economies:

- “Fast-growth” (top row): The regional economy grew at a rate that was above the overall median rate of growth.

- “Slow-growth” (bottom row): The regional economy grew at a rate that was below the overall median rate of growth, or the regional economy declined.

It was expected that most-distressed suburbs in regions with fast-growth economies might show some benefit from the regional growth—a rising tide lifting all ships. Conversely, most-distressed suburbs in regions with slow-growth economies might face additional challenges. Regional economic trends were measured using m-score values for inflation-adjusted...
percentage change in gross domestic product (GDP) per capita from 1980 to 2009\(^3\) for the CBSA in which the suburb is located. (2009 GDP was used to capture any impact from the recession.)

Population trends from 1980 to 2000 are captured in the three columns of the matrix: absolute population loss, slow population growth (below the median rate), and fast population growth (above the median rate).\(^4\)

**Table B.1. Most-Distressed Suburbs Classification by GDP and Population Change**

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<td>Absolute population loss</td>
<td>Population growth but below the median (negative m-score)</td>
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<td>+ (Pop. = 875,757)</td>
<td>Bucket 4 (Pop. = 339,509)</td>
<td>Bucket 5 (Pop. = 258,598)</td>
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<td>(n = 40)</td>
<td>(n = 13)</td>
<td>(n = 7)</td>
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</table>

*Note: Total suburbs = 168, total population = 4,073,838.*

The six cells of the matrix represent the different groupings or “buckets” of distressed suburbs.

**Bucket 1:** 26 suburbs, 339,509 residents. These suburbs experienced absolute population loss from 1980 to 2000 and were located in regions with slow-growth economies from 1980 to 2009.

**Bucket 2:** 13 suburbs, 258,598 residents. These suburbs experienced slow population growth from 1980 to 2000 and were located in regions with slow-growth economies from 1980 to 2009.

**Bucket 3:** 76 suburbs, 2,182,583 residents. These suburbs experienced fast population growth from 1980 to 2000 and were located in regions with slow-growth economies from 1980 to 2009.

**Bucket 4:** 40 suburbs, 875,757 residents. These suburbs experienced absolute population loss from 1980 to 2000 but were located in regions with fast-growth economies from 1980 to 2009.

**Bucket 5:** 7 suburbs, 305,860 residents. These suburbs experienced slow population growth from 1980 to 2000 but were located in regions with fast-growth economies from 1980 to 2009.

**Bucket 6:** 6 suburbs, 111,531 residents. These suburbs experienced fast population growth from 1980 to 2000 and were located in regions with fast-growth economies from 1980 to 2009.

Detailed information about the suburbs in each bucket follows in tables B.2 through B.7.
Of the six groupings, by far the largest number of suburbs (76, or 45 percent) is in bucket 3. All these suburbs are in four states: California (58), Texas (8), Arizona (3), and Florida (7). Each of these suburbs is likely growing because of immigration but is in a region experiencing below-median growth in per capita GDP.

The second-largest number of suburbs falls into bucket 4, which represents suburbs in fast-growth economic regions but with absolute losses in population.

Figure B.4 shows the geographic dispersion by census divisions for each bucket. All divisions are named with the two-character postal code abbreviations of the two states that have the most distressed suburbs in the division. Since all distressed suburbs in the Pacific and Mountain divisions are in California or southwestern Arizona, these were combined into CAAZ. There is only one suburb in the New England division, so we decided to omit this area. Finally, all the suburbs in the West North Central division are in the St. Louis CBSA and have been included in the East North Central division (ILMI). Buckets 1 and 4 have the most Rust Belt representation. Bucket 3 is dominated by California, and all its most-distressed suburbs are in California, Texas, Arizona, and Florida, so this is a deep south/southwest group.

**Figure B.4. Geographic Dispersion of Most-Distressed Suburbs**

We further narrowed the pool to those with majority (more than 50 percent) nonwhite populations and older housing stock (median year housing built 1968 or earlier). This resulted in a subset of 65 suburbs. We decided to further narrow our focus to those most-distressed suburbs that had lost population from 1980 to 2000, which limited the selection to buckets 1 and 4. The four case study cities were selected from those most-distressed suburbs that were majority minority, had pre-1968 housing stock, and had lost population from 1980 to 2000.
Notes

1 Poverty and unemployment data for 2000 were extracted from place-level data sets available at the Minnesota Population Center: National Historical Geographic Information System, at http://www.nhgis.org. Foreclosure data for 2007 through June 2008 were extracted from the HUD User site at http://www.huduser.org/portal/datasets/nsp_foreclosure_data.html. Data were downloaded separately for each state.


3 Data from Moody’s Economy.com for 1980 and 2009 (with population data from the census).

4 U.S. Census, population change from 1980 to 2000.
The following tables illustrate detailed information about the 168 distressed suburbs identified in our study. Suburbs highlighted in orange are the subset from which the four case study cities were drawn. These cities have populations that are majority minority and have a median age of housing of 1968 or earlier.

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<td>% Population Change M-Score</td>
<td>% Population Change 1980-2000</td>
<td>Real % GDP Change M-Score</td>
<td>Population 2000</td>
<td>Percent Nonwhite</td>
<td>Median Yr Bult</td>
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**BUCKET 3 (cont.)**

NEGATIVE M-Score for inflation-Adjusted Percent Change in CBSA GDP per Capita

FAST GROWTH (POSITIVE M-Score) in Population at the Place Level

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<tr>
<th>Place</th>
<th>CBSA</th>
<th>Total of Filtering M-Scores</th>
<th>M-Scores Used to Filter into Most Distressed</th>
<th>Bucket Placement Criteria</th>
<th>% Population Change</th>
<th>% Population Change 1980-2000</th>
<th>Real % GDP Change M-Score</th>
<th>Population 2000</th>
<th>Percent</th>
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<tr>
<td>South Gate city</td>
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<td>Bucket Placement Criteria</td>
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<td>Population 2000</td>
<td>Percent Nonwhite</td>
<td>Median Yr Buit</td>
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Table B.5.

BUCKET 4

POSITIVE M-Score for Inflation-Adjusted Percent Change in CBSA GDP per Capita

LOSS of Population at the Place Level
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<thead>
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<th>Place</th>
<th>CBSA</th>
<th>M-Scores</th>
<th>Unemployment</th>
<th>Poverty</th>
<th>Foreclosures</th>
<th>% Population Change M-Score</th>
<th>% Population Change 1980-2000</th>
<th>Real % GDP Change M-Score</th>
<th>Population 2000</th>
<th>Percent Nonwhite</th>
<th>Median Yr Built</th>
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<tr>
<td>Holly Springs city</td>
<td>Memphis, TN-MS-AR</td>
<td>9.3083</td>
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<td>7,881</td>
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<td>7.7729</td>
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<td>2.3018</td>
<td>-0.1996</td>
<td>8.16</td>
<td>1.5517</td>
<td>149,222</td>
<td>68.23</td>
<td>1950</td>
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<td>7.7074</td>
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<td>0.1218</td>
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<td>88.93</td>
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<td>2.0822</td>
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<td>-0.0753</td>
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<td>2.7621</td>
<td>72,043</td>
<td>51.36</td>
<td>1948</td>
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<td>National City City</td>
<td>San Diego-Carlsbad-San Marcos, CA</td>
<td>6.1693</td>
<td>2.4503</td>
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<td>11.33</td>
<td>1.8332</td>
<td>54,405</td>
<td>64.85</td>
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</table>
Table B.7.

**BUCKET 6**

POSITIVE M-Score for Inflation-Adjusted Percent Change in CBSA GDP per Capita

FAST GROWTH (POSITIVE M-Score) in Population at the Place Level

<table>
<thead>
<tr>
<th>Place</th>
<th>CBSA</th>
<th>M-Scores Used to Filter into Most Distressed</th>
<th>Bucket Placement Criteria</th>
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<tr>
<td></td>
<td>Unemployment</td>
<td>Poverty</td>
<td>Foreclosures</td>
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<td>Columbia, SC</td>
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<td>1.9900</td>
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<tr>
<td>Bethesda Village</td>
<td>Cincinnati-Middletown, OH-KY-IN</td>
<td>5.2892</td>
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</table>
Appendix C. Case Studies

East Cleveland, Ohio
HUD direct entitlement city

What Works?

- Regional collaboration around service delivery and program development
- Pragmatic political leadership
- Continued demonstrations of competence and reform
- Concerned Pastors
- Anchor institution partnerships

Introduction

East Cleveland, Ohio, is a small, inner-ring suburb of 3.1 square miles and 17,843 residents that borders the cities of Cleveland and Cleveland Heights and lies adjacent to Cleveland’s University Circle neighborhood. It is one of 56 municipalities in Cuyahoga County, which is home to 1.2 million people and part of the five-county Cleveland-Elyria-Mentor core-based statistical area of 2 million people.¹
East Cleveland is in a metropolitan area with a declining population and a declining economy. East Cleveland is a HUD direct entitlement city because of a special designation made in the late 1980s. Decades of sprawl, deindustrialization, and decline have taken their toll on this once-prestigious suburb—so much so that the mayor has stated publicly that East Cleveland might not exist as a city in the future.

Most of East Cleveland’s tax-generating industries are gone; large pockets of its housing stock are substandard, vacant, vandalized, and abandoned; and its population is impoverished, aging, and rapidly declining. Its school system earns a low grade in the state ranking system, and its library system’s two branches have closed for lack of funding.

Thirty-seven percent of East Cleveland’s population have incomes below the federal poverty level in 2010, 18.8 percent are age 65 or over, and the population is rapidly declining.

Since 1970, East Cleveland has lost 55 percent of its population. Its 2010 census count of 17,843 represents a decline of 34 percent from 27,217 in 2000, almost double the 18 percent decline experienced in 1990–2000.

The population is 94 percent single-race African American, the highest percentage of any of the four case study cities. This percentage has remained consistent since 1990. The percentage of African Americans is considerably higher than the 80 percent average among the 26 other suburbs defined as similar to East Cleveland for the purposes of our study. The other demographic factor that distinguishes East Cleveland from these other suburbs is that in 2000 the percentage of owner-occupied units was considerably lower (30 percent) than the average of 40 percent. It was also considerably lower than the percentages in the other three cities in this study. There is no reason to think that homeownership rates have increased over the past decade.

According to the 2000 Census, East Cleveland had 3,981 owner-occupied housing units. Many of those units have been touched by foreclosure. In 2006, the city had 581 residential foreclosure filings. The number has declined since that time. In 2010, 248 foreclosures were filed. East Cleveland’s biggest challenge today is to turn around decades of decline and build a tax base sufficient to provide an adequate level of services to residents and businesses.
Context

Historical

East Cleveland was first settled in 1895 and became a charter city on January 1, 1918. It is a home-rule municipal corporation established under the Ohio law. Until 1985, the city had a strong city manager form of government. The current charter provides for a council-mayor form of government. Two council members are elected at large, and three are elected by ward.3

East Cleveland grew quickly as one of Cleveland’s earliest residential and industrial suburbs. General Electric Company’s Nela Park facility opened in 1911 as the first suburban industrial park in the United States. By 1940, most of the city’s housing stock had been built: modestly priced housing in working-class areas “down the hill” and more expensive and prestigious housing in exclusive residential areas “up the hill,” including a small area largely developed by John D. Rockefeller Jr. on the Forest Hill estate of his father. The “down the hill” neighborhoods share a boundary with Cleveland, while the “up the hill” neighborhoods share a boundary with suburban Cleveland Heights.
A portion of Euclid Avenue, Cleveland’s main street, runs through East Cleveland. It includes some of the last remaining “Euclid Avenue Mansions” and a small number of once-attractive but now largely abandoned apartment buildings.
East Cleveland experienced rapid racial turnover from 1960 to 1970. It is worth retelling the story of racial transition because it highlights the effects of racial prejudice, discrimination, and politics of the late 1960s and early 1970s that to some extent are still being felt today. This story played out in slightly different ways in all four cities in our study.

In *The Suburban Racial Dilemma, Housing and Neighborhoods*, W. Dennis Keating writes:

East Cleveland was the destination of the initial wave of black suburbanization in metropolitan Cleveland. One of the first and once one of the most prestigious of Cleveland’s suburbs, its non-white population was less than 1% in 1950 and was still only 2% in 1960. In the decade spanning 1960–1970, however, East Cleveland and the composition of its population changed dramatically. During the 1970s, East Cleveland re-segregated into a predominantly black suburb. In 1990, the proportional black population was 94%. By that time, East Cleveland had a much poorer population, and its reputation had suffered from political and fiscal scandals. ⁴
The city offers a textbook example of what Keating calls an “invasion and succession” scenario in which racial transition can result in rapid racial resegregation. This was not the case in every Cleveland suburb, and Keating contrasts the East Cleveland experience with Shaker Heights’ successful efforts, beginning in the 1960s, to prevent black suburbanization from turning into resegregation.

East Cleveland’s racial composition was influenced by the rapid resegregation of the adjacent Glenville neighborhood of Cleveland. Urban renewal in the 1960s pushed many Cleveland blacks to Glenville and the nearby Hough neighborhood and finally to East Cleveland. Sixty percent of the housing stock in East Cleveland was rental and more affordable and accessible to blacks than housing in other suburbs.

Historically, East Cleveland had a reputation for good government, low taxation, and a high level of municipal services (e.g., thrice-weekly garbage collection). The public schools were so highly regarded that parents in a Cleveland Heights neighborhood adjacent to East Cleveland lobbied successfully for their children to attend the East Cleveland schools.

The city’s reputation for good government was well deserved. It was a reform city, governed by a city manager and a city commission. It was known for honest and efficient administration, and for more than 40 years it had one city manager. But this “good government” had a downside. There was little active citizen involvement other than through the churches, despite a tradition of civic involvement by East Cleveland’s elite residents.

As Keating notes:

> With power concentrated in the city manager’s office, there was not another likely public forum for a response. Independent, neighborhood-based community organizations did not exist, and the weekly newspaper did not publicly address the issues raised by racial transition until its later stages .... Management of civic affairs was left to the paternalistic city manager system.\(^5\)

No civic or religious organizations existed to lead the response to racial transition and white flight. Except for a few ministers and college professors, there was a leadership vacuum outside City Hall.

1966 marked a turning point. To combat white flight, the city banned “For Sale” signs. Citizens groups rapidly formed. The city passed legislation requiring presale housing inspections as a way of gaining control over the rapid turnover. The 1966 Hough riots in Cleveland disheartened many whites who had not initially been inclined to leave. Blockbusting, led by black realtists, contributed to the problem. The city’s first black commissioner was appointed in 1967.

1970 marked the beginning of the third phase of the city’s racial transition. By that time, the city’s population was 58 percent black, and the city was experiencing many of the same socioeconomic problems as Cleveland’s Glenville and Hough neighborhoods. The city’s first black city manager (a former assistant city manager) was appointed in 1970 when the city’s last
white city manager resigned to take a post with the city of Cleveland. By 1980, 86 percent of the city’s population was black.

Poverty increased during this period and the city’s tax base declined, increasing the city’s troubles. But Keating observes that the widespread political corruption that emerged in the 1980s, when several prominent city officials were jailed, led to the city’s bankruptcy. State auditors uncovered operating deficits, East Cleveland’s credit rating was suspended, and a financial emergency was declared in 1988. Keating characterizes much of politics in East Cleveland in the two decades following the transition from white to black control of the city’s government as opportunistic. 

Corruption was not limited to the city. In 1985, more than $50,000 missing from East Cleveland Public Library funds was traced to James Rogers, the library director from 1977 until 1983. He was indicted along with 10 others. By 1984, six city officials had been indicted for theft in office, receiving kickbacks, or fraud. This period of political corruption and financial mismanagement set the stage for many of the city’s current financial and management challenges.

Some city officials and residents commented in interviews that issues today are more about economics (up the hill/down the hill) than about race. But Norman Krumholz, a Cleveland State University (CSU) professor and planner working closely with the city, claims the issues are all about race. Other city officials agreed that race remains a factor in the decisions of some businesses and residents about locating in East Cleveland.

**Political Structure and Culture**

By the end of the 1980s, a city once known for its conservative fiscal policies and prudent management had gained a reputation for fiscal mismanagement and corruption. As a reaction to these events, the citizenry voted to change the structure of government to a strong mayor-council form.

But corruption and mismanagement continued. In 1988, a financial emergency was declared, and the state took over East Cleveland’s finances. The city was not released from financial emergency until 2006. Mayor Emmanuel W. Onunwor, who served as the city’s second mayor from 1997 to 2004, was convicted on federal charges of racketeering and corruption in 2004 and sentenced to nine years in prison. He was temporarily replaced by Council President Saratha Goggins, who was appointed to serve the remainder of his term.

On January 1, 2006, Eric J. Brewer, an investigative journalist who had campaigned on a reform platform, became the city’s fourth mayor. To save money, Brewer negotiated an agreement with Cleveland Mayor Frank Jackson to take over East Cleveland’s water department in 2008; the 25-year agreement lowered water rates from $47 to $27 per 1,000 cubic feet. In 2006, when the city was forced to lay off most of its police officers, then–Cuyahoga County Sheriff Gerald McFaul sent in eight deputies to assist the police department. County deputies continued to supplement East Cleveland’s police force until 2010.
Brewer’s bid for reelection failed. Critics cited his abrasive style. The public release of some compromising photographs during the campaign did not help, and he was defeated by Gary Norton, a former city council member.

Norton, an East Cleveland resident for nine years and a council member for five, took office in January 2010. He is young (37) and well educated (he attended Morehouse College in Atlanta and earned his master’s degree in public administration at CSU’s Maxine Goodman Levin College of Urban Affairs). A visionary with a traditional public administration background, Norton is widely viewed as bringing a more global perspective and a professional, managerial style. He has been described as energetic, enthusiastic, smart, and politically savvy. He has reached out to others in the community for assistance and guidance. He has also been described as a partner and a leader.

He inherits an adversarial relationship with city council that makes decision making difficult. Says Norton, “There is an institutional lack of trust between the council and the mayor.”

He describes himself as different, saying he would prefer to be an administrator, not a politician. He recognizes that to gain trust among residents, it will be important to follow through on commitments or acknowledge when this is not possible. His self-described style is to “under-promise and over-deliver.”

**City Government Capacity**

Unlike surrounding communities with similar problems, East Cleveland does not have the institutional infrastructure to respond to the many issues it faces. In 1989, the city engaged the Center for Public Management at CSU’s Levin College to design and conduct a review of city operations and to identify actions that could enhance the efficiency and effectiveness of the city’s administrative and management functions. The review covered organizational structure, budget procedure, human resources policy, administration, and water and sewer utility management.

In addition, a 2002 state audit report cited numerous issues with every city department, including the city’s technology, financial operations, tax collection, community development, fire department, police department, emergency medical services, and human resources. “In general, City operations suffer from a lack of qualified staff to plan and administer operations and ensure appropriate internal controls as well as from a lack of financial resources,” the audit said. It is unclear if any recommendations in either report were adopted.

In 1990, the city had 260 full-time and part-time temporary employees and contract workers: 225 executive staff and 35 judicial and legislative staff. Today, the workforce is down to 200, half of whom are public safety employees. City staff is unionized.

The city’s capacity issue goes beyond numbers. Its financial constraints limit its ability to attract and retain enough highly qualified people to effectively get out in front of issues. For example,
compared to other suburbs, East Cleveland has limited capacity in planning, economic development and community development.

Other examples include the following:

- Although improvements have been made, the city still struggles to provide recreational activities during the summer and after school. However, it recently received several grants for playgrounds at elementary schools.

- The Building and Housing Department has a history of not properly enforcing codes.

- The city was unable to prevent the U.S. Postal Service from deciding to close a large facility in the city, leading to the loss of 50 jobs.

Mayor Norton’s most important priority is rebuilding the city’s tax base to a functional level by capturing some of the spin-off investment generated by University Circle institutions and restoring competence to city government. His vision is to develop a residential neighborhood in the western part of the city (the old Circle East site) closest to University Circle, create jobs, and attract a grocery store, family restaurant, and green development.

Norton recognizes that to accomplish this, East Cleveland has to stop being “East Cleveland.” The perception of the city has to change from negative to at least neutral and, it is hoped, to positive. The most important thing the city can do now is to act competently and to be viewed as competent—that is, to function as a city. Norton has improved basic services, such as public safety, street plowing, and trash collection. But the mayor recognizes that this must be the cornerstone for his plans to create public-private partnerships to rebuild the city’s wealth and attract development.

**Civic Initiatives**

Recently a number of civic initiatives have emerged to benefit the residents of East Cleveland. Perhaps the best example is the East Cleveland Coalition, a volunteer-driven organization now in its third year that focuses on reducing drug use among residents age 12 to 18. The coalition targets underage alcohol sales and single cigar sales in the area around Shaw High School, the East Cleveland school district’s one high school. The school district is involved, and Norton has contributed by assigning a drug prevention officer to Shaw. The coalition has received $125,000 in federal funding through the Northern Ohio Recovery Association; East Cleveland provided a match.

The coalition is part of the Healthy Communities Initiative of Cuyahoga County’s Board of Health, the County Planning Commission, and Ohio State University Extension. The County Board of Health initially approached East Cleveland in 2005 to help the city’s underserved population. The first round was a five-year, project-oriented effort that resulted led to nine community gardens and community-building among residents.
In January 2010, the Kresge Foundation awarded a $75,000 planning grant to expand this work. A community-based work group surveyed more than 300 East Cleveland citizens to assess the community’s social, environmental, and physical needs.10

The Kresge Foundation followed the planning grant with a $750,000 grant for the East Cleveland Teen Collaborative, a partnership of the Cleveland Clinic and other local health agencies, the city of East Cleveland, Cuyahoga County, and a collection of local health and social service agencies. The collaborative is focused on reducing health disparities and improving health outcomes of East Cleveland youth.

The collaborative will address the "social determinants of health" affecting adolescents in East Cleveland, including violence and a lack of community connectivity. Specifically, the collaborative will focus on providing opportunities to enhance teens’ physical activity, health literacy, participation in volunteer and extracurricular activities, and summertime employment under the leadership of East Cleveland’s new recreation director, a former YMCA executive. One of its first successful actions was to request the city to prevent the sale of single cigarettes and to provide an updated recreation center that could offer after-school activities no longer provided in the schools.

The revival of the Helen S. Brown Senior Center came about through another partnership. Funded by the Western Reserve Area Agency on Aging (WRAAA) and founded in 1972, the East Cleveland Center was about to be closed in 2010—despite East Cleveland’s large and growing senior population—because of mismanagement. Mayor Norton hired an experienced administrator to run the center, who initiated a complete transformation. The center received private funding from the McGregor Foundation, part of McGregor Senior Living, which provides senior housing in East Cleveland, in addition to funding from the city, the WRAAA, and funds from the community development block grant. The state stepped in with $50,000 for renovations.

The McGregor Foundation has given the city more than $160,000 for senior services since 2007 and donated an ambulance in 2010. In 2011, it gave the city money to develop a strategic plan for the senior center.

The Northeast Ohio Alliance for Hope (NOAH), a local community-organizing group serving East Cleveland, had experienced a reduction in funding and staff in 2009, but is now moving forward with a new campaign to create neighborhood street clubs.

In 2001, the East Cleveland Farmers Market Preservation Society was founded as a 501 (c)(3) nonprofit organization to preserve the Coit Road Farmers Market, which carries locally grown produce and handmade goods. Shoppers can use their Ohio WIC (Special Supplemental Nutrition Program for Women, Infants and Children) Farmers’ Market Nutrition Program cards at the market, which sits on more than four acres and includes a community garden and an urban farm. Founded in 1932 to serve East Cleveland and surrounding communities, it is the only fully enclosed farmers market operating year round at a single site in northeast Ohio.
East Cleveland Concerned Pastors for Progress is working with the city and other area stakeholders including Cleveland State, Case Western, University Circle Inc., and Durham Construction to maximize workforce development opportunities for East Cleveland residents. The ministers are part of a subcommittee, working with the planning and economic development committee, chaired by Professor Norman Krumholz. The subcommittee is developing a workforce strategy to overcome years of disinvestment that have resulted in a low-skilled workforce. It is exploring solutions focusing on individual needs with an emphasis on developing asset-based stakeholder partnerships. The goal is to develop programs that address entry-level employment while offering career ladders to long-term sustainability. Active partnerships have resulted in identifying barriers, addressing common goals, and establishing a shared vision.

One example of the place-specific, people-based strategies being developed are comprehensive workforce development centers within the congregations of the East Cleveland Concerned Pastors for Progress. This strategy offers a holistic approach to attaining academic and employability skills to city residents, including ex-prisoners reentering the community. The city has also discussed establishing a construction training program that will train residents in weatherization, deconstruction, and rehabilitation, effectively rebuilding East Cleveland with their own skilled hands. Future committee goals include expanding research to provide policy recommendations addressing worker-owned cooperatives, entrepreneurship, and the identification of competitive regional industries in order to determine training and job placement opportunities for East Cleveland residents.\(^\text{11}\)

An open source social network (blog), REALNEO, started in October 2004, has covered many small-scale positive developments in East Cleveland. However, its mission is regional, to provide “Regional Economic Action Links for North East Ohio” and implement some exciting open-source social networking technology in the region. Early on, REALNEO successfully bridged the digital divide in East Cleveland and marketed the city’s housing opportunities for artists and musicians.

*Changing Context*

Mayor Norton has an uphill battle in his efforts to change how East Cleveland operates. Many hope that he will change the practices and perceptions of the city. And indeed, he has taken steps to do so.

Norton recognizes that the effective operation of a municipal government depends as much on informal arrangements as it does on the formal structures and procedures established by law. He recognizes the city’s constraints and has a realistic picture of the financial resources. When Norton took over, he retained 90 percent of the staff, but officials report a paradigm shift in city operations. The city is looking at problems in a new way, rebuilding relationships with stakeholders and institutions to deliver services. It is stepping up communications with residents through a newsletter, regular public meetings, and a web site.\(^\text{12}\)
There had been no relationship between the city and General Electric (GE), its biggest taxpayer, until Norton began to build bridges. That relationship is starting to bear fruit. GE donated LED streetlights on Noble Road as a demonstration of this new technology, marking the beginning of what is hoped to be a new partnership.

Partly because of the highly publicized police layoffs in the early 2000s and the incidence of violent crime, East Cleveland is often perceived as unsafe. In an effort to control crime and gain greater operating efficiencies, the new mayor has reorganized the police department. The department now has 46 police officers and two plainclothes units, a staffing level sufficient to meet city needs. Norton has made the department’s priorities responding to calls, warrant sweeps, and traffic tickets. Police officers earn $13–$14 an hour, an uncompetitive wage that leads to high turnover. Officers stay two to three years on average.

An experienced community development director was hired in February 2011. He will also be responsible for economic development and will manage a staff of eight. This will give the city much greater capacity to manage federal funds, work with potential developers and businesses, create opportunities for development, and plan for its future. The city also plans to hire a HOME Investment Partnerships Program manager.  

The City and Its Region

Regional collaboration is high on the civic agenda for all communities in northeast Ohio as they seek to realize greater efficiencies and save money in an environment of declining fiscal resources. Perhaps more than others, East Cleveland’s leaders see opportunity in reaching out to regional partners to deliver city services. Despite the well-documented political barriers to regional collaboration, East Cleveland has entered into service agreements with other entities. One example is the agreement reached in 2008 for the city of Cleveland to take over East Cleveland’s water department.

Norton is openly seeking regional solutions for city services such as firefighting, police services, and garbage collection. He recently reached an agreement that provides for the county engineer to take over maintenance and repair of sanitary sewers. He is pursuing the purchase of firefighting and garbage collection services from the city of Cleveland.

The city has entered into a memorandum of understanding with the newly formed Cuyahoga County Land Reutilization Corporation, informally known as the Cuyahoga County land bank, because it needs a credible system to improve in its housing stock and infrastructure and to create the right opportunities and atmosphere for economic development. The land bank could be a boon for East Cleveland and other inner-ring suburbs struggling with surplus, vacant, and largely abandoned property.  

The East Cleveland Public Library system, which has only its main building operating after the branches closed in 2010, has approached the board of the Cuyahoga County Public Library about possible inclusion in the county library system. Inclusion is a statutory process that would
eliminate an independent board and library district in East Cleveland. Voters would have to approve any merger.

East Cleveland leaders are working with the leaders of neighboring communities and the Northeast Ohio Regional Sewer District to reopen discussions about a regional watershed planning project that had been put on hold.

City leaders are also working to rebuild their relationship with Cleveland Heights as they plan for the future of Forest Hill Park, a regional asset shared by the two cities. The park was part of a 248-acre estate transferred by John D. Rockefeller in 1873 to his son, John D. Rockefeller Jr. In 1938, Rockefeller Jr. retained noted landscape architect A.D. Taylor to develop a master plan for the property. The plan called for approximately half the estate to be developed as a high-quality residential subdivision, while the rest of the property would become a public park.

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**Forest Hill Park**

In 1939, the Rockefellers donated Forest Hill Park to Cleveland Heights and East Cleveland with an agreement that they provide for the maintenance and management of park boundaries within their individual jurisdictions. A three-person advisory board was established as part of the deed in order to promote a collaborative approach to park development as outlined in the plan. The advisory board consisted of the city manager (now mayor) of East Cleveland, the mayor of Cleveland Heights, and an independent member approved by the American Society of Landscape Architects.

Much of the original construction of park facilities was completed from 1939 to 1942 and used manpower and resources from the Works Progress Administration (WPA). The park opened to the public in 1942, featuring a lagoon, swimming and picnic areas, tennis and basketball courts, and recreational fields. Forest Hill Park was listed on the National Register of Historic Places on February 27, 1998.

The East Cleveland portion of the park is the larger of the two sections and has many natural amenities, including the lagoon. But, other than the ball fields, it has not been maintained and is viewed as unsafe. The WPA-era infrastructure needs significant repair. The Cleveland Heights portion has had major capital improvements, including that city’s recreation center and softball diamonds.

East Cleveland had talked with the Cleveland Metroparks, a regional park district, about managing its portion of Forest Hill Park, but the discussions never led anywhere. However, there is renewed interest in East Cleveland and the Metroparks, which is looking at Forest Hill Park to become part of a chain (an internal emerald necklace) connecting all the way to Lake Erie.
Partnerships and Collaborations

Although northeast Ohio is facing a very challenging funding environment for public services and competition for scarce dollars, a number of foundations and organizations would like to assist East Cleveland and its residents, provided the city can demonstrate it has the capacity to spend donated funds responsibly. The city is working to create new relationships with local funders.

Many organizations and institutions are interested in seeing East Cleveland turn around. Some have been working with the city for several years; others are newer and are energized by the commitment of the city’s new leadership.

CWRU’s East Cleveland Partnership, which has been working with the city since 2008, has resulted in dozens of individuals and organizations that have recently joined with CWRU to assist the city. CSU’s Levin College, University Circle Inc., Kent State University Urban Design Collaborative, Cuyahoga County Board of Health and Planning Commission, and University Circle cultural institutions are actively participating in this partnership. It gives the city additional capacity upon which it can build a long-term strategic plan.

As part of the partnership, the Mandel School of Applied Social Sciences (MSASS) has engaged students in service learning directed toward the revitalization of East Cleveland. While relationship-building is a slow process, some signs of progress are evident.

Working closely with NOAH, the city council, and the city administration, MSASS also provided in-kind technical assistance to support the city’s NSP applications and its memorandum of understanding with the new county land bank. More than 100 graduate students and community volunteers from NOAH conducted curbside visual inspections of every vacant residential property in East Cleveland. City staff are using parcel-level research to identify and process the demolition of 150 abandoned houses. MSASS faculty are also available to provide technical assistance and research for strategic planning and board development of nonprofits in East Cleveland.

In 2009, Case Western Reserve’s provost’s office formalized this relationship through a grant to the university’s newly formed Social Justice Alliance/Institute that expanded the East Cleveland work to all eight schools at the university. Publicly launched as the CWRU Social Justice Institute in fall 2010, the alliance chose to build on the emerging partnership with East Cleveland to promote social justice through teaching, service, and research. In addition to the efforts of MSASS, the institute coordinates other East Cleveland programs of the university, such as a dentistry sealant pilot program in East Cleveland schools, and has plans to initiate new efforts, such as asset mapping, oral histories, and appreciative interviews, that will lead to a series of dialogues and community-visioning sessions to guide future planning and action. This work began in July 2010 and is funded for two years.
MSASS formed a community development and community-building work group in early 2010 to address the need for greater community development capacity, in both the Department of Community Development and the nonprofit sector. The work group is co-chaired by Mark Chupp, assistant professor at MSASS, and Michael Smedley, executive assistant to Mayor Norton, and is made up of community residents, representatives from NOAH and the Community Development Department, and CWRU faculty, research staff, and graduate students.

CSU’s Levin College has been working with Case Western to provide technical assistance to the city in planning and an operations review of city functions.

In addition, University Circle Inc. has several programs that it offers in East Cleveland, including Future Connections, which provides paid summer internships to selected rising senior high school students from Greater Cleveland public schools. UCI’s Early Learning Initiative connects preschool teachers, students, and families from Greater Cleveland to University Circle institutions. Individual institutions in the Circle partner with East Cleveland on specific programs, and UCI has purchased land in East Cleveland on behalf of its institutional members. However, as the institutions seek areas for future development, they are looking west toward downtown Cleveland rather than east toward East Cleveland.

There has been some discussion that East Cleveland should capitalize on its musical venues and heritage as a place-making strategy. The East Cleveland Public Library made a name for itself in the music world and has hosted jazz concerts as part of Cuyahoga Community College’s JazzFest. The concerts were held in a new wing of the main library that was made possible through a successful fundraising campaign by the former library director Gregory L. Reese. Reese was able to raise close to $2 million from local foundations and private donors for the wing, which includes a 250-seat performing arts center. The city has other venues for music as well, including the Windermere United Methodist Church on Euclid Avenue.

According to a 2011 proposal to the Cleveland Foundation, Mayor Norton’s administration committed 50 percent of its time and energy during 2010 to developing external partnerships with entities that could help develop a revitalization framework for the city. The city can document more than $38 million that will be spent by public and private entities by 2013. The public investment totals $3.2 million and consists of three parts:

- $1.3 million for demolition to clear 100 parcels of land in the NSP1 area, which is at the city’s western gateway along the south side of Euclid Avenue, between Lakeview and Superior roads. Within this area, the city is targeting the four block area between Lakeview and Wadena Streets. The target area shares a border with Cleveland and the University Circle neighborhood. Since this area is marked by severe disinvestment and abandonment, concentrated demolition efforts are already under way. There is an immediate and mutual interest to encourage the highest and most appropriate reuse of this area.
- $750,000 on acquisition, renovation, and resale of prime residential property in a targeted investment area along the Euclid Corridor. Identified as the NSP2 area, it runs between Superior and Beersford roads. This area is anchored by two substantial reinvestment initiatives: Huron Community Health Center and the RTA’s Louis Stokes Station.

- $1.1 million in NSP3 funds to continue this work.

In addition:

- The Cleveland Clinic has invested $25 million to build the Huron Community Health Center at Belmore and Euclid.

- CMHA will build a $10 million senior living apartment complex with a contemporary architectural design adjacent to the Clinic’s project.

- The East Cleveland Partnership will provide in-kind assistance, including countless hours of planning and research at no charge to help create the intellectual and technical credibility that will attract new partners.

The city also has plans to use part of its NSP money to renovate eight large, once-elegant homes near Huron Hospital, spending up to $200,000 per home. It plans to sell the homes for around $40,000, applying a significant subsidy, hoping to attract employees of Huron Hospital.

Geographically, these investments fall within an area that the city believes to be the natural extension of the University Circle community footprint along the Euclid Corridor and RTA’s new HealthLine bus, which ends at the Louis Stokes Rapid Station at Windermere in East Cleveland.

The city’s memorandum of understanding with the Cuyahoga County Land Reutilization Corporation makes it one of the first communities to be given priority status for redevelopment by the land bank.

The city has to take care to attract businesses that will be good for it in the long term. It is currently in negotiation for a trash transfer station in another part of the city that will generate much-needed tax revenue but will also put truckloads of garbage on East Cleveland’s residential streets. This project is opportunistic. The city owns a permit from the Ohio Environmental Protection Agency that is tied to a now-closed transfer station in the city. The city plans to lease the site and the permit to a private company in return for a portion of the tipping fee. The arrangement is expected to generate $500,000 a year for the city and to create 10 jobs.

**Housing and Community Development**

East Cleveland’s designation since the late 1980s as a direct HUD entitlement city has been very important for the city, providing a dependable stream of CDBG and HOME funding for
redevelopment, public services, public works, and other expenditures. But the city needs to build the capacity to administer these funds and to manage a community development organization. Until recently, it lacked community development capacity, and it still lacks planning capacity. The city has not had a planning director since 2004. Recently, the planning function has been carried out by the city’s leadership team, with targeted technical assistance provided upon request by CSU Levin College planning faculty and planning staff from University Circle Inc., the development, service, and advocacy organization for nearby University Circle.

The city’s direct entitlement designation is the result of a statutory amendment sponsored by the Congressional Black Caucus (CBC) and then–U.S. Representative Louis Stokes in the late 1980s, the Stokes amendment. The CBC and Stokes sought a way to provide CDBG and HOME money directly to a handful of majority-minority cities, exceptions to the more typical 50,000 population cutoff for this designation. In addition to the entitlement designation, Stokes helped the city in the 1990s get two Economic Development Initiative grants, which provided flexible economic development funding.

However, the city has a history of mismanaging its block grant dollars. Soon after East Cleveland became a direct entitlement community, its financial woes came to a head during the administration of Mayor Wallace D. Davis, and the city declared a fiscal emergency. Onunwor, who would later defeat Davis to become mayor, led the Department of Community Development at the time; under his leadership, allegations arose that federal funds were mismanaged, and hundreds of properties were boarded up, prompting HUD eventually to take back $200,000–300,000 in HOME funds.

The city’s lack of capacity in community development has been evident on multiple levels and goes back many years. A 2002 state audit report cited numerous issues with the Department of Community Development.15

From 2006 until February 2011, the city’s community development department had a number of short-term directors; one observer estimated 8 to 10. One cause of this high turnover has been the city’s inability to pay a competitive salary, but politics also played a role.16 From January 2010 until February 2011, when an experienced director was hired, the department was under the direction of the mayor’s chief of staff and improved its track record on spending HUD funds. 2010 marked the first time in 10 years that East Cleveland spent its block grant money on time.17 The city also successfully bid for $1.68 million in the third round of Neighborhood Stabilization Program (NSP3) funds.18

In 2010, the city’s direct entitlement allocation was $1.1 million in CDBG program funds and $490,000 in HOME funds, or almost $1.6 million total, an amount similar to amounts received in previous years. The city hopes to use these funds, together with NSP funds, to leverage a community reinvestment strategy that would include training and employment for East Cleveland residents seeking jobs.19
According to the city’s 2006–10 consolidated plan, the city used its block grant funding for code enforcement, clearance and demolition, rehabilitation of housing, foreclosure prevention, services for homeless persons, public safety, street repair, and street lighting.

Under Mayor Brewer, the city broke off its long-term relationship with Community Housing Solutions (CHS), a Cleveland-area community and housing development organization (CHDO) that developed and rehabilitated affordable housing in the city. The relationship soured over a dispute about a payment of block grant funds related to Circle East, a large redevelopment project planned for the western portion of East Cleveland, closest to University Circle. Initiated in 2007 by East Cleveland and CHS with assistance from University Circle Inc., the plan was to build 40 single-family units, 20 condominiums, 32 units for elderly persons, 40 single-family rehabilitation and for-sale units, and 25 home repair units. Commercial development along Euclid Avenue was also part of the plan. Circle East was to be a mixed-income community, with two-thirds of the development in East Cleveland and one-third in Cleveland.

The total project cost was $30 million, and $21 million was to come from HOME, CDBG, NSP, the state of Ohio, the Cleveland Foundation, the Gund Foundation, and Charter One Bank. The priorities were scale, safety, and security. East Cleveland’s role was to gain site control and relocate existing residents. CHS had purchased eight homes when the dispute erupted over repayment of $300,000 that CHS claimed it was owed by East Cleveland. The city acknowledges that it owes this money but has not repaid it. The project was put on hold, the recession hit, and the Circle East project now seems dead.

When Norton took office, the city issued a request for proposal for CHDO services and contracted with Fairfax Renaissance Development Corporation to administer a portion of its block grant. Fairfax Renaissance is a CDC that serves the Fairfax neighborhood of Cleveland, an area geographically separate from East Cleveland.

East Cleveland still hopes to redevelop this area and is moving forward on gaining site control, using $2.2 million in NSP1 dollars for 150 demolitions on five streets and rehabilitation of 15 homes. CSU and University Circle Inc. are helping the city pro bono as it seeks foundation dollars to hire a consultant to prepare a pre-development plan for the NSP1 area.

East Cleveland will also get a share of the $40 million in NSP2 dollars received by a consortium of the city of Cleveland, the county, the Cuyahoga Metropolitan Housing Authority, and the Cuyahoga County Land Reutilization Corporation. This will be used for a second priority redevelopment area around Huron Hospital.

Public Housing

East Cleveland, like all cities in Cuyahoga County, is served by the Cuyahoga Metropolitan Housing Authority. It is the only one of the four case study cities that does not have a city housing authority.
CMHA manages 164 public housing units (Apthorp Tower) in East Cleveland as well as 10 units developed under the Homeownership Turnkey II program. It also has 638 housing choice voucher recipients living in East Cleveland as of March 2011 and is developing 35 units of senior housing with NSP2 dollars at Euclid and Belmore Road. In addition, the city reports that CMHA has 296 units of elderly housing and another 876 units of other subsidized housing.

Anchor Institutions

East Cleveland’s greatest potential asset is its proximity to the anchor institutions in University Circle, a major employment center of the region for “eds and meds” and home to the region’s two largest health systems, the Cleveland Clinic and University Hospitals, as well as Case Western Reserve University (CWRU) and Cleveland’s major museums and cultural institutions. However, University Circle sits just across the border in the city of Cleveland, and East Cleveland has not been able to capture any spinoff investment from the tremendous investment taking place there.

A recent article in *The Plain Dealer* described this investment on the East Cleveland border as follows:

Construction is visible along Euclid Avenue from Adelbert Road east to East 115th Street. The transformation along the avenue, traditionally Cleveland's Main Street, started in 2008 with the completion of the Regional Transit Authority's $200 million bus rapid transit line. MOCA, Uptown and the other developments along the upper section of the avenue are part of more than $3 billion in projects planned or under way from downtown east to the city's border with East Cleveland.

Another anchor is Huron Hospital, the city’s largest employer, with close to 700 workers. The Cleveland Clinic is building a $25 million, 50,000-square-foot Huron Community Health Center in front of the hospital. While the city is encouraged by the new investment, there are indications that the hospital will close in the next couple of years, resulting in the loss of higher-paying hospital jobs. A recent announcement to close the hospital’s trauma center was met with resistance from East Cleveland and Cleveland officials but is likely to move forward. The hospital cites unused beds.
Despite the potential loss of jobs (and income tax revenue for the city), the Cleveland Clinic’s hospital is a valued partner for the city. It offers a new senior wellness program as well as health screenings and other services for seniors. The city’s director of senior services sits on the hospital’s advisory board. The planned health center’s proximity to Forest Hill Park and senior housing has generated serious discussion about using it to anchor a healthy communities initiative, with walking paths, healthy foods and community gardens.

GE, which can also be considered to be an anchor, has its Global Lighting headquarters in Nela Park and employs approximately 700 workers on its East Cleveland campus. The company has plans to expand its research and development for LED lighting in the city and projects adding 100 engineering jobs.

**Education**

Schools are key to the redevelopment of the city. Like the city, the East Cleveland school district went from being one of the best in the region to one noted for corruption and fiscal mismanagement. The Shaw High School marching band is internationally acclaimed. The high school also has strong sports and anti-violence programs. But academically, the state ranks East Cleveland’s schools as “academic watch,” the second-lowest ranking. None of the five elementary schools in the district have libraries.

East Cleveland Schools have been under state fiscal control from 2003 to May 2011. The 3,400-student district landed in fiscal emergency when it couldn't cover bills totaling almost $8 million. The financial forecast predicts the district will end this fiscal year on June 30 with a $26.8 million cushion. That will help keep the district in the black, even though it's expected to spend more than it receives in 2013, 2014, and 2015.

As is the case in most cities, the mayor has no direct control over the schools, although, according to at least one school board member, Mayor Norton has been very supportive. At least one charter school operates in the city.

**Lessons Learned**

While there are challenges, East Cleveland’s growing inventory of vacant land is a great value at a low cost. The city is using the county land bank, NSP funds, and heavy demolition near Euclid Avenue to clear land for developers. The city hopes this, along with its proximity to University Circle and its central commercial corridor, will catalyze economic development by leveraging its assets, including its

- proximity to the med, eds, arts, and cultural district of University Circle and its surrounding neighborhoods, where $3 billion in real estate development activity is planned or under way.
central commercial corridor, Euclid Avenue, which is now viewed as the region’s corridor for health and technology innovation as a result of the Greater Cleveland RTA HealthLine coupled with significant investments by University Hospitals and the Cleveland Clinic.

To capitalize on these assets, the city needs a development plan that is fully vetted, with public input and adopted with consent of city council. Such a plan would enable the city to reject non-compliant uses and give it control over future development. Although the city lacks its own planning department, in past years other entities have stepped in to develop plans. The County Planning Commission conducted a plan several years ago. The Cleveland chapter of the American Institute of Architects developed a citywide land use plan in 2006, and a local landscape architect developed a streetscape improvement plan for Hayden Avenue. It is not clear if the city is using any of these plans.

All the plans identify the need for easily identifiable, safe gateways into the city from University Circle to attract residents and visitors from University Circle. In addition to the perceptual barriers, the city has had to contend with physical barriers including poorly maintained, poorly lit railroad underpasses. (The responsibility for maintaining the underpasses falls to the railroads, and they have been largely unresponsive to requests for improvements.)

Developers have expressed an interest in East Cleveland because of its proximity to University Circle, but the city would have to offer huge subsidies to overcome these barriers and would have to become known as a city that can make things happen as opposed to a city of corruption and crime. For example, it is estimated that any new residential for-sale housing would have to be subsidized in the range of $50,000–$60,000 or more per home.

The city has a number of other assets upon which it can build. As mentioned earlier, Forest Hill Park has fallen into decline but could be revitalized as an asset. The Rockefeller estates and some of the city’s older historic homes are gems. The city also has McGregor Senior Living, a very highly regarded senior living facility in a beautiful setting on land that was once part of the Rockefeller estate. East Cleveland is the eastern terminus of the HealthLine, which runs along the Euclid Corridor through University Circle and into Tower City Center on Public Square, the center of Cleveland. And East Cleveland has residents who will fight for their city.

Inevitably, however, discussions about the future of East Cleveland circle back to the comment “East Cleveland has to stop being East Cleveland.” This comment can be taken literally, meaning the city needs to put itself out of business, or figuratively, meaning the city needs to change how it operates, to become competent at delivering city services, making decisions, and performing city functions. The city is still largely viewed as institutionally corrupt and incompetent, even as the new administration works very hard at demonstrating reform and has much to show for its efforts.

Competition for residents and businesses in Cuyahoga County is fierce, as cities across the county lose population and jobs. If East Cleveland cannot respond in a timely and professional manner to inquiries by developers or businesses, it will lose out to cities that can. If it cannot
demonstrate that it can be a reliable partner and a responsible steward of public, philanthropic, and private funds, those funds will stop flowing. Measures are being put in place to accomplish this, but they may be too little, too late.

The city has assets and development opportunities. It needs the ability to remake itself into a place where those assets and opportunities have value. For example, its excellent access to the arts and cultural institutions of University Circle via public transit and its soon-to-open community health center coupled with its large senior population make it ripe for an aging-in-place, senior-oriented development. But seniors need to be safe, they need a high level of city services, and they need access to grocery stores.

The millions of dollars that the city is receiving in NSP funds will enable it to tear down the worst of its housing and clear areas for redevelopment. But it needs site control, and it needs a redevelopment plan for the NSP1 and NSP2 areas. Without these two key pieces, the city will not be able to control its own future, leaving itself open to speculators and opportunistic, short-term development.
**What Works?**

- Effective government (city manager; fiscal, management, and administrative capacities)
- State tools to assist with economic development (Tax Increment Finance Authority, Downtown Development Authority)
- Location and proximity to major interstates (I-94, I-96, I-75) and the Detroit Airport
- Collaboration (Conference of Western Wayne, Michigan Suburbs Alliance)
- High level of fire and police services
- Fiscal conservatism

**Introduction**

Inkster is a second-tier suburb of Detroit, about 15 miles outside the city in central Wayne County. Its 6.28 square miles are bordered by the suburbs of Garden City, Westland, Dearborn, and Dearborn Heights. With 25,369 residents, it is one of 43 municipalities in Wayne County, home to 1.8 million people, and part of the nine-county Detroit-Ann Arbor-Flint core-based statistical area of 5.2 million people.
Similar to East Cleveland, Ohio, Inkster is in a metropolitan area with a declining population and a declining economy. Inkster saw a 15.8 percent decrease in population in the past decade, the largest in southeastern Michigan apart from Detroit and Sumpter Township. Since 1970, Inkster has lost 35 percent of its population.

Inkster is 73 percent single-race African American but is surrounded by suburbs that are predominately (86 to 96 percent) white.\textsuperscript{24} Compared with the 26 other suburbs grouped with Inkster, including East Cleveland, the percent of Inkster’s population age 65 and over is about the same at 11 percent, but the percentage of Inkster’s elderly population increased at a much higher rate (117 percent) from 1970 to 2000 than average (14 percent). Inkster’s poverty rate of 20 percent in 2000 is lower than the average of 31 percent. Inkster also has a higher share of owner-occupied homes (54 percent) than the average (40 percent).

In 2009, 55 percent of Inkster residents were homeowners. Unlike the other three case study cities, Inkster’s median house value actually increased—from $67,300 in 2000 to $76,326 in 2009.\textsuperscript{25}

As illustrated in the attached map, Inkster is a square. The city is predominantly residential and is bisected by Michigan Avenue, its main street, and the lower Rouge River Valley. Most of the city’s public housing is in the southwestern quadrant, closest to Detroit Metropolitan Airport, with smaller, older homes and some public housing in the southeastern quadrant. The housing stock in the southeastern quadrant is predominantly (70 percent) small, single-family, post–World War II housing, some of it with a rural feel. Most larger homes and scattered apartment complexes are in the northeastern quadrant of the city, where most white residents live.

The city’s biggest challenge today is to continue to provide needed public services and maintain public facilities while planning for future needs on a limited, but balanced, budget. Issues also include high rates of poverty, unemployment, foreclosures, and vacancies; an aging population; and an increasing number of single-family rental housing units. Public safety is also an issue.

Inkster can capitalize on its good bond rating, a location central to Wayne County, and its close proximity to the Detroit airport. If it can get to the table during planning for the proposed Detroit Region Aerotropolis, it can use its location and its relatively low-value property to attract new development.

Context

Historical

Inkster, a part of Nankin (Buckland) Township, was incorporated as a village in 1926 and as a city in 1964.

In Inkster’s early years, its close ties to the automobile industry helped shape its economy. Inkster’s location near the Ford Motor Company plant provided jobs for its residents and
enabled the city to prosper until the Great Depression. In 1931, Inkster went bankrupt, and the city was without electricity and water. The city rebounded and prospered again in the 1940s as wartime production meant increased employment and housing development. This trend continued in the 1950s and 1960s as residential housing, supplemented by a number of public housing projects, was developed to accommodate the city’s growing population. From 1950 to 1960, Inkster’s population grew 134 percent, and its black population increased rapidly as Southern blacks moved north to work for General Motors and Ford.

Inkster is unlike East Cleveland, Ohio, which experienced extreme white flight and racial turnover, and similar to Chester, Pennsylvania, in that it has historically had a relatively large African American population—in Inkster’s case, composed of workers at the Big Three auto manufacturing plants in the Detroit metropolitan area. Whites who worked for Ford lived in Dearborn and Dearborn Heights, suburbs that were not open to black autoworkers. As a result of Henry Ford’s $5 workday, Inkster developed a strong black middle class and had a vibrant but small downtown along Michigan Avenue. It was predominantly a residential, bedroom suburb.

In the 1940s and 1950s, many small villages and townships in the area incorporated as cities. Incorporation as a city was proposed several times for Inkster during this period, but residents voted it down. A portion of what was then the Village of Inkster separated northern and southern Dearborn Heights, formerly Dearborn Township. To become a city, Dearborn Heights needed a contiguous land mass and took the small strip of Inkster’s land to connect the two parts of the township. Years later Inkster sued, and Dearborn Heights was ordered to compensate Inkster for the land taken. The Dearborn Heights land grab motivated Inkster residents to vote to incorporate as a city in 1964. According to Inkster’s mayor, the land purchased by Dearborn Heights was 15 percent of Inkster’s land area but 20 percent of its economic base.26

Also at this time, I-94, a major east-west route, was built just south of but not adjacent to the city. With traffic diverted from Michigan Avenue to I-94 and the growth of suburban malls, Inkster’s downtown slowly died.

In the late 1960s, a developer persuaded Inkster’s leaders to adopt a downtown redevelopment plan that involved razing many structures along Michigan Avenue to make way for new development. However, the development never materialized, and much of the downtown commercial strip along Michigan Avenue still has vacant lots, interspersed with small hourly motels and other small businesses. In the early 1970s, Michigan Avenue was widened from four to eight lanes of traffic.27

By the early 1970s, Inkster was poor but vibrant. Sylvester Murray, a former city manager and now a professor of public administration and a senior fellow at CSU’s Maxine Goodman Levin College of Urban Affairs, reported that when he arrived in Inkster about six or seven years after it was incorporated as a city, some streets were still unpaved. One of his first tasks as city manager was to put in streetlights. Then, in the late 1970s, rising oil prices sent the American auto industry and the national economy into a downturn. Inkster, with its long tradition of manufacturing employment, was hard hit. As jobs left the area and housing opportunities for
blacks opened up in other suburbs, the population declined. Many black middle-class residents moved to the nearby cities of Wayne and Romulus and the township of Canton, Michigan. The city’s older housing stock began to show signs of neglect.

Today, Inkster’s economy relies heavily on jobs in the service sector, transportation, and retail trade. Although Inkster now has some light industrial and commercial development, including several small strip malls, the city remains a bedroom community.

**Political Structure and Culture**

Inkster has a city manager form of government. The city council has seven members. Six are elected from districts. The mayor, who also serves as a city council member, is elected at large. The mayor is the presiding officer of the council, but his voice and vote are equal to those of other council members, and he has no veto power. Hilliard Hampton II, the current mayor, is a former Wayne county deputy sheriff who served on the council for eight years before running for mayor. He also serves as second vice president of the National Conference of Black Mayors.

Like many Inkster residents, Hampton has lived in Inkster his entire life. He came of age during the civil rights and labor movements, and his parents were active in both. His father formed the Inkster Democratic club in 1953.

Hampton takes a long-term view of the city and observes that council members work well together 90 percent of the time. He very much sees the mayor as a public servant. In addition to serving residents, his priorities for the city include redevelopment, economic development, and improving the quality of life and the city’s image. He has also identified a need for the city to be more nimble in responding to opportunities. His self-described leadership style is to lead by example, mentoring younger council members along the way.

Hampton recognizes that having a city manager form of government has benefited Inkster. The manager is nonpolitical and can buffer the politicians from tough decisions. The city managers have also used their networks of professionals to bring forward ideas that have been tested in other cities.

The city manager is the city’s chief administrative officer and is responsible for all city departments except those headed by the city clerk and city attorney. The manager is appointed by the city council, attends all council meetings, and reports directly to council on all city matters. Among other duties, the manager is charged with preparing and submitting the annual budget and capital program, reporting regularly on the financial operations of the city, and maintaining active membership in various civic organizations.28

Inkster’s current city manager, Ann K. Capela, has been in office since December 2008. She has 15 years of professional city management experience. Capela was hired after a rocky process in which the mayor and city council could not agree on a candidate.29 She replaced Joyce Parker, who had been city manager for four years.
In 2003, the city created a charter commission that proposed major changes, including strengthening the office of the mayor by granting veto powers (which the council could override with a two-thirds vote) and giving the mayor the option to recommend, with city council approval, who should be appointed city manager and city attorney. Hampton publicly supported and advocated for the change. He cited the need for a hybrid of mayor and manager to give the mayor more tools to serve the city. He reasoned that because most residents turn to the mayor to resolve issues in the city, the mayor needs more authority to address the issues. The current system, with a weak mayor and strong council, is a holdover from what he views as the hasty passage of a city charter, based largely on the village charter, in the rush to incorporate following the Dearborn Heights land grab.

Council members, however, opposed the idea of a strong mayor. In 2006, when the issue came to a vote, the voters rejected the change.30

City Government Capacity

The city manager form of government has served Inkster well. Despite its shrinking tax base, declining amounts of revenue-sharing funds from the state, and declining taxable property values, the city’s finances have been well managed. Even with the more recent extreme cuts in state shared revenue, the city has managed with no layoffs of police officers and firefighters and, to date, only minimal layoffs of other staff (7 of 160 employees). City services have been maintained, but with the increasing numbers of abandoned properties, city staff are stretched thin.

The state of Michigan rates the financial capacity of all cities using a fiscal indicator score that incorporates several factors. Based on 2009 data (the most recent available), Inkster rates 3 on a scale from 1 to 10, with 1 the best rating. This puts it in the middle of Wayne County cities.51 This is an accomplishment, considering the general finances of most cities in Michigan are weak. There is an overreliance on property taxes, and the next two years are expected to be especially challenging, especially for cities across southeastern Michigan.32

Inkster officials are proud of being able to provide a high level of fire and police services—“some of the best around,” according the mayor. The city’s police department is preparing to apply to the Commission on Accreditation for Law Enforcement Agencies Inc., an organization created in 1979 whose purpose is to improve the delivery of public safety services, primarily by maintaining a body of standards, developed by public safety practitioners, covering a wide range of up-to-date public safety initiatives; establishing and administering an accreditation process; and recognizing professional excellence. The application process takes up to three years to complete.

Water and sewer services are provided regionally. Garbage collection is contracted out. Through its TIFA, the city recently purchased a small building and refurbished it, creating a new city hall; the city is also building a new justice center. Recently, Inkster has forged an aggressive
policy to pursue grant funding. The city hired a state lobbyist to assist in Lansing. The city council is considering hiring a lobbyist to assist in Washington, D.C., as well.

The county maintains the Rouge River park/green space, one of the city’s assets, but does not maintain it to the city’s satisfaction. The city has undertaken park and recreation improvements, including a new baseball diamond, to at least one city park, Wheatley Park. City officials believe that a higher proportion of county resources go to neighboring cities at Inkster’s expense.

In February 2010, Inkster became the first community in Wayne County designated elder-friendly by the Michigan Commission on Services to the Aging. The designation recognizes communities and local government entities that have completed a community assessment for livability and/or implemented improvements recommended by a livable community assessment. Wayne County selected Inkster as its pilot community for conducting a livability assessment. This was done in part because Inkster demonstrated its commitment to developing, maintaining, and preserving a lifestyle for its residents that is familiar, safe, fiscally responsible, and appreciative of residents regardless of age, income, or abilities.

Three initiatives earned Inkster the designation as southeastern Michigan’s only certified elder-friendly community:

- A new senior wellness center. The mayor and city council hired a firm to conduct a study and prepare architectural drawings so a center can be ready for construction within several months of funding. The city is seeking $3.5 million for the project from the state and federal governments.

- Inkster Senior Services and the Parks & Recreation Department. The city, in partnership with the National Kidney Foundation of Michigan, offers senior medical transportation, home-delivered meals, transportation, information forums, a flu shot clinic, and fitness classes at the city’s recreation complex. The city also offers seniors computer training, Spanish classes, and water aerobics.

- Volunteer opportunities. Seniors volunteer in many roles and serve on boards and commissions, bringing their knowledge and wisdom—testimony to their value to the community.

But the city also has its share of challenges. For example, it will need an estimated $60 million to upgrade its storm water and sewer system. Other challenges include foreclosures; vacant properties; a declining, aging population that is increasingly poor; and high levels of unemployment.

In terms of development, Inkster has no national grocery store chain or private medical or professional services, although it has some smaller grocery stores. A new housing development, Annapolis Pointe, in the southwestern quadrant of the city is incomplete despite substantial infrastructure investments by the city. The developer walked away after building 20 of the
proposed 162 suburban-style housing units, leaving the city to continue making bond payments.

Annapolis Pointe

The city’s hockey rink, which attracted high school tournaments from across the region, has closed because of lack of funds and a newer state-of-the-art ice arena in a neighboring city.

The city recently lost its finance director, who had been with the city since November 2008, because the salary offered by Inkster was not competitive. It also needs to increase its summer programs for youth.

The city has invested in parks and recreation. In the 1980s the Rouge River was cleaned up, and the large swath of green space running through the center of the city could be an asset if the city had the resources. The city was awarded a state Department of Natural Resources grant for a biking and walking path along the lower Rouge River, and Wayne County maintains parks and a golf course. However, in general, city officials perceive that the city does not get its fair share of state and county resources. With new state leadership and the state’s $2 billion deficit, state funding will become increasingly harder to obtain.

Inkster has a cadre of strong block clubs, and residents are involved in the community, but the city needs a community economic development organization. It has a faith-based community development organization, and the Inkster Housing Development Group serves as the city’s community and housing development organization. The Downtown Development Authority, described below, sponsors the 3-year-old summer music festival, a two-day, family-friendly signature event that attracts 10,000–15,000 people, black and white, from across the region, neighboring states, and Canada.
Inkster’s location is also a potential asset: central to Wayne County, 10 minutes to the airport, and 30 minutes to the University of Michigan. As Mark Lloyd, director of planning, economic, and community development for the DDA, says, “It is a tough time to implement, but a good time to plan.” The city is hoping to capitalize on the synergy from the new development and was recently awarded $400,000 of Environmental Protection Agency funding to address environmental issues and plan for future development.

The city adopted a master plan May 11, 2009. Based on this plan, Inkster has identified priority areas for economic development and the tools needed to help implement the plan. The city conducted multiple public work sessions and incorporated public comments into the plan, updated its zoning ordinance, and is looking to update subdivision regulation and application, use up-to-date building and housing codes, invest in infrastructure (this would require a capital budget), and encourage private development.

**State Development Tools**

Inkster has taken advantage of state development tools and programs. To spur development, in the last 10 years it created a DDA under Michigan Public Act 197 (1975), and a TIFA, which is designed to prevent unemployment and urban deterioration and promote economic growth. The city’s TIFA was established in 1982, under Michigan Public Act 450 (1980). TIFAs enable local governments to use funds from tax increments captured as a result of new growth and expend these funds in accordance with a plan approved by the local government. Inkster’s TIFA is governed by a nine-member board appointed by the mayor and confirmed by the city council.

The state was instrumental in helping Inkster attract new development to its long-dormant downtown, resulting in a new 32,000 square foot, $25 million, LEED-certified, Michigan Department of Human Services building on Michigan Avenue that opened in December 2010.

In 2008, the state put out a bid for a new social services building in Inkster. The state-selected developer, the Boji Group, worked with the city on the project. The site selected was an old car dealership and a brownfield located in the TIFA zone. The city envisioned the new office building as a catalyst for new development along Michigan Avenue. The development includes the Michigan Department of Human Services Wayne County district office, the headquarters of the YWCA of Western Wayne County, and a justice center for the Inkster Police Department and the 22nd District Court. This development made possible a 10,000 square foot retail and commercial building that was leased before it was completed.

The project went forward when banks would not lend money and few developers were actively building commercial space. It used creative and complex financing involving funds from many public partners including the City of Inkster TIFA, the City of Inkster, Wayne County, federal NSP funds that came through the county, the YWCA of Western Wayne County, the Michigan Department of Human Services, and the Michigan Economic Development Corporation. The funding package included a 30-year lease of the building by the state, some of the developer’s
own funding, a 30-year tax abatement, and an agreement that the developer make payments in lieu of taxes (PILOT). It involved moving the YWCA headquarters into the new building to free up the old YWCA building for renovation and use as the new justice center.³⁴

“The development is only the first installment in what is envisioned for Michigan Avenue,” said Ann Capela, city manager. Ron Boji said in an interview that he believes there will be a market for retail if the city can move the small hotels that charge hourly rates. Once the new justice center opens, these hotels may voluntarily move. It is hoped the new building will provide a win-win scenario for Inkster.

In addition, in August 2010, Inkster was awarded nearly $600,000 by the Michigan Department of Transportation and the federal government for a streetscape project near the new state office building. The project, which is now completed, improved the appeal of one of the city’s main intersections.

Michigan actually has more tools available to distressed cities than many other states. Inkster has not had to take advantage of these programs to date. In an effort to revise laws that hamper efforts to make local government more efficient, the state has created the shared services incentive program. The program lowers upfront costs of hiring consultants to advise cities on ways to share services. Shared service delivery can result in cost savings for small, fiscally strapped cities like Inkster and its neighboring suburbs in Wayne County and can lead to more regional collaborations.

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**Michigan State Aid to Troubled Cities**

Michigan has a fiscal receivership program for distressed cities. One city that knew about it firsthand was Hamtramck, which was in receivership from 2000 until 2007. During that time, an emergency financial manager was appointed to run the city.
The financial manager made some helpful changes, but he was unable to address the city’s most recent financial problem. The city is now trying to declare bankruptcy. Hamtramck is in a dispute with Detroit, which surrounds it, over shared tax revenue from the shared General Motors Company Poletown plant. However, Michigan law makes it extremely difficult for cities to enter bankruptcy.\footnote{35}

The state also has the Cities of Promise initiative for the eight poorest cities in the state: Benton Harbor, Detroit, Flint, Hamtramck, Highland Park, Muskegon Heights, Pontiac, and Saginaw. Created in 2006 and led by the Michigan State Housing Development Authority, the program applies resources and the expertise of statewide partners to restore the cities’ urban neighborhoods and districts. It provides an action team for each of the eight cities that can help cut through red tape to take advantage of state and federal grants.

Another program that can help cities in distress is the Redevelopment Ready Communities program run through the Michigan Suburbs Alliance, which streamlines government assistance to foster development in 11 of Michigan’s distressed suburbs.

\textbf{Partnerships and Collaborations}

Inkster is involved in regional collaborations and partnerships, including:

- The Conference of Western Wayne (CWW), a consortium of 18 western Wayne County communities that meet monthly to discuss issues such as state legislation, transportation, public safety, substance abuse prevention, community and economic development, employment, and the environmental health of the region. The CWW also monitors state and federal legislation for its impact on local government.

- The Western Wayne County Fire Department Mutual Aid Association, a coalition of 24 fire departments in Wayne, Washtenaw, and Oakland counties that started in 1995.

- The Alliance of Rouge Communities (ARC), a voluntary public watershed entity currently composed of 36 municipal governments, three counties, the Wayne County Airport Authority, and three cooperating partners. The ARC provides an institutional mechanism to encourage cooperation and mutual support throughout the watershed to meet water quality permit requirements and to restore beneficial uses of the Rouge River to area residents.

- The Southeast Michigan Council of Governments (SEMCOG), a seven-county regional planning association serving communities in southeastern Michigan. SEMCOG has a number of programs and resources available to assist member cities with planning, financial management, transportation, environmental cleanup, and other issues.

Inkster had been part of the Michigan Suburbs Alliance, a coalition of the region’s mature, inner-ring and second-tier suburbs that works to streamline government to foster development, but it is no longer a member.\footnote{36}
Inkster officials expressed concern that their voice is often not heard loudly enough in these regional forums and that their issues are not addressed. For example, in the 1980s a noise study was conducted for the Detroit Metropolitan Airport. Inkster and neighboring Westland lie in one flight path to the airport. The two cities share a border that runs along a major road, with one side of the road in Westland and the other side in Inkster. Houses on the Westland side received sound improvements, while houses on the Inkster side did not.

Inkster is fighting the perception of being an economically depressed, low-income community with high crime rates. More than that, however, it is fighting a nonperception. Several leaders of regional organizations contacted for this study said they were not aware what, if anything, was going on in Inkster. It is not on their “radar screen,” and Inkster receives little positive media exposure, although city officials claim it receives more than its share of negative press, especially around crime.

**Housing and Community Development**

Inkster is not a direct entitlement community. It receives CDBG program money through an annual application to Wayne County. Inkster receives about $350,000 in block grant funds and about $40,000 in other federal housing funds a year. It uses $250,000 of its block grant funds to pay down bond payments for the unfinished Annapolis Pointe housing development. Approximately $35,000 of the remaining funds is used for administrative costs, $50,000 for demolition, and the remainder for housing rehabilitation.

The city has received $730,000 in NSP2 funding, which has made a small but significant difference in helping the city with demolition and redevelopment. In 2009 and 2010, the city demolished 70 buildings.

Housing issues in Inkster include increasing numbers of foreclosure filings and a growing percentage (50 percent) of rental housing. Inkster has more than its share of group homes—69, compared with neighboring Westland’s 23. The housing stock, especially in the lower-income southern half of the city, is predominantly made up of small, single-family homes. Most of the city’s housing was built before 1960.
Inkster is described as almost like two cities. The northeastern quadrant, home to a largely white, Polish population, has larger, owner-occupied homes. Residents in this area work for hospitals, the government, and Ford. Most are longtime residents who are active in senior groups and block clubs. The southern half has smaller, worker housing, a high foreclosure rate, and a growing number of single-family rental properties. The southwestern section of the city includes the new, unfinished Annapolis Pointe development and most of the city’s public housing units.

Inkster also has mobile home parks and was instrumental in getting state legislation passed to give local units of government more authority to inspect mobile homes.

In an attempt to deal with growing foreclosure and abandonment, the city has a new vacant, abandoned property ordinance that requires owners to register their properties. However, much of the vacant property remains boarded up. Through a county program, the city gets the right of first refusal on foreclosed properties that go to auction. It is estimated that the city owns 900 properties that it acquired this way. Inkster also takes advantage of a number of county programs to rehabilitate vacant and dilapidated housing.

The property tax value is increasing (city officials attribute the increase to undervaluation of property in previous years), and the city is attracting new development. A passenger rail system is planned, linking Detroit to Ann Arbor, with a station in nearby Westland and a shuttle running to the airport.37

Inkster has its own housing authority, the Inkster Housing Authority. As of 2007, the most recent year for which data were available, the authority was managing 81 units of public
housing and 751 housing choice voucher certificates. Most public housing units have been renovated since the 1960s. While the public housing projects appear well managed, they tend to have more visible crime. The housing authority funds a full-time police officer and vehicle for the city to help address crime issues related to the housing authority.

A 2006 plan to use HUD funding to improve public housing was opposed by members of city council who thought that the city had too many public housing units for its size. Council members preferred to have some units demolished, although that was not a permitted use of the funds.

In 2009, the housing authority completed a $7 million renovation of three of its estates. The authority also used $1.8 million in American Recovery and Reinvestment Act of 2009 funding to renovate two senior housing high-rise buildings.

Education

Historically, Inkster has had a highly regarded school district. In the days of segregated schools, it attracted highly qualified black educators from historically black colleges and universities to teach in the schools. However, the quality of the schools began to deteriorate in the 1980s.

In 1993, Michigan passed a law opening up school choice and permitting charter schools and cross-district enrollment. Between 1995 and 1998, Inkster’s enrollment dropped by about 19 percent, to 1,759 students. At the time, Inkster’s test scores were among the lowest in the state, and Inkster parents chose other options: charter schools, private schools, or public schools in nearby districts.

The small city of Inkster is served by four school districts: Westwood, Cherry Hill, Taylor, and Inkster. According to Mayor Hampton, who grew up in Inkster, race played a part—though not the only part—in drawing school district boundaries. One result was that the Inkster Public School District serves predominantly black areas of the city.

Besides declining enrollment and poor test scores, the Inkster schools have had problems with finances and management. In 1999, the district had a $1.4 million deficit. In 2000, the Inkster school board hired Edison Schools, a national for-profit manager of public schools that was publicly traded on the NASDAQ for four years, to run the schools until 2005 and forestall a rumored state takeover. However, the school board was not satisfied with how Edison was managing the schools; by 2002, it was in a dispute with Edison, which claimed it was owed $1.2 million. A state-appointed fact-finding team determined the district should pay the Edison bill.

In 2002, a five-member review team that had been appointed to consider the financial situation facing the Inkster school district recommended in a report to Gov. John Engler and State Superintendent Tom Watkins that an emergency financial manager be named.
W. Howard Morris, MBA, CFA, CPA/PFS, a private-sector financial services expert with senior management experience in governmental institutions, was appointed CEO/EFM of the schools in 2002 and served in that capacity until 2005. Michigan state law gave the EFM authority over all fiscal matters of the school district, supplanting the school board. The EFM had ultimate responsibility for all financial, operational, and curriculum matters, since there was no superintendent.

Under Morris’s stewardship, the district budget was balanced and a fund balance surplus was achieved three consecutive years after seven consecutive years of fund balance deficits. In addition, test scores on the Michigan assessment tests improved significantly; the schools also met adequate yearly progress standards under the No Child Left Behind Act for two consecutive years, after having never complied with these standards.

The Edison Schools contract was not renewed in 2005, and the Inkster Public School District is now back in the hands of the elected school board. Enrollment has increased from 1,400 in 2003 to 3,200 in 2010. Inkster now attracts students from Detroit looking for better quality schools. But it is again facing a mounting debt, reportedly close to $10 million.

**Lessons Learned**

Inkster has done many things right, foremost among them managing its finances. This is a signal accomplishment, especially considering that southeastern Michigan is undergoing its most significant economic transformation in more than a century. With the restructuring of the auto industry, the nation’s highest unemployment rates, declining housing values, and high foreclosure rates, other southeastern Michigan communities are in much worse financial situations. Inkster has been fiscally conservative and has largely operated under the radar. Having a city manager form of government seems to have been a factor, at least in this particular case; other cities in Michigan with city managers have been in fiscal emergency.

Going forward, Dan Gilmartin, executive director of the Michigan Municipal League, said he feels that Inkster is in decent shape provided it right-sizes some services and continues to be part of regional efforts to make government more efficient. Like other struggling inner-ring or second-tier suburbs, Inkster also needs to focus on community development, push for new sustainable ways of doing things, improve the quality of its affordable housing, and attract new development.

The mayor and the city manager have identified four changes that can help them move forward:

- Flexibility with federal funds to enable the city to move more quickly on local issues.
- Designation as an entitlement city, with direct access to CDBG funds.
- Establishment of a federal liaison or office to work with small cities.
- Additional designations of areas of Inkster as federal Historically Underutilized Business Zones (HUBZone), a program that helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities.

The mayor and the city manager acknowledge that Inkster has been dealt a bad hand of cards. But they point out that the city has a vision, and it needs to be implemented with the tools they are developing through their planning process.

In 2010, SEMCOG submitted policy recommendations to HUD that would assist large and small communities in the midwest, recognizing the particular hardships and economic devastation experienced by states like Michigan and allowing for maximum flexibility of programs such as CDBG. Specific recommendations that would also assist smaller communities like Inkster include more flexibility in using block grants for economic development projects to help restart local economic improvements, and streamlining the community planning and development programs. SEMCOG recommended that HUD redefine its policy on aging to improve the stability of neighborhoods and housing stock while providing more opportunities for aging in place.
Chester, Pennsylvania
HUD direct entitlement city

What Works?

- Strong state representation.
- Pennsylvania’s programs, investments, and policies to assist distressed municipalities (Keystone Opportunity Zone, Act 47, infrastructure, environmental cleanup).
- Establishment of the quasigovernmental Chester Economic Development Authority to run economic development, community development, and housing programs.
- Strong civic organizations such as the Chester Youth Collaborative and the Institute for Economic Development, Inc.
- Strong, institutionalized (sustained), and effective anchor involvement.
- Consistency in political leadership.
- Casino revenue.
- Designation as a direct entitlement city for block grant dollars.
Introduction

Chester is the oldest city in Pennsylvania. It sits on the Pennsylvania side of the Delaware River, about 17 miles from Philadelphia and about 15 miles from Wilmington, Delaware. It is a small city of 4.77 square miles with a population of 33,972 in 2010.

Chester is located in Delaware County, whose population of 558,979 is 80 percent white. By contrast, Chester’s population is 75 percent single-race African American. It is the only designated city in the county. Delaware County is part of the Philadelphia-Camden-Wilmington core-based statistical area, an 11-county, four-state region of 6 million people.

Like Prichard, Alabama, Chester is in a region with a growing population and a growing economy. Delaware County’s population grew by 8,000 between 2000 and 2010. Chester, however, has lost 40 percent of its population since 1970. The population decline slowed to 7.8 percent from 2000 to 2010, the smallest decadal decline since 1970 and the smallest percentage decline in population of the four cities in our study. But, it has not stabilized as city officials had hoped based on earlier census estimates.

Chester’s demographic characteristics are similar to all 26 comparable suburbs identified in our study. Chester’s poverty rate of 27 percent in 2000 is similar to the other cities in this group, although poverty for those age 65 and older in Chester is 22 percent, higher than the 17 percent average. Unemployment in Chester is roughly 2 percent higher than the average in 2000 and grew at a much faster rate between 1970 and 2000 (222 percent compared with 155 percent).

Residents fondly recall the vibrancy of the city’s downtown and its historic role as a business and commercial district serving Delaware County. But Chester has been hit hard by the recent recession, foreclosures, and the continuing loss of black middle-class families. The need for job opportunities is enormous. The school system is one of the most troubled in the nation. The small downtown has sections with high vacancy rates. There are no grocery stores.

An estimated 25 to 30 percent of the city’s housing stock is substandard. Public and other subsidized housing, including housing rented by housing choice voucher holders, makes up 29 percent of the housing units in the city. The foreclosure rate has been high over the past several years. Recently, large apartment buildings and landlords are starting to go into default, and property values are dropping.
The 2000 Census identified 14,976 housing units in Chester, a decline of 9 percent from 1990. City officials attribute the loss of middle-class families to the lack of housing options, job losses, and continuing problems with the public school system. The most recent location of choice for middle-class black families is Bear, Delaware, a census-designated place south of Wilmington that saw significant growth in new housing developments in the late 1980s and early 1990s. Bear is referred to by Chester officials as “Chester South.”

One official characterized Chester residents as unique, God-fearing, and hard-working. Residents like to stay with what they know. The 2000 Census shows that 12 percent of the city’s residents are over age 65. City officials speculate that many of them live in the houses where they were born.

Until the late 1990s, about half of city residents were homeowners. In 2000, that percentage dropped to 41 percent, and declining housing values may indicate it has dropped even further in recent years. City officials believe the number of renters has increased because of an increase in investor-owners who rent their properties to housing choice voucher holders and because of federal programs that target money for affordable housing in low- and moderate-income areas. There are five public housing projects in Chester.

Recent history in Chester is mixed. The city now shows signs of emerging from a long period of decline. With new manufacturing, tourism, and office developments along the riverfront, it has begun to diversify its economy. There is a new spirit of collaboration between the public and private sectors. And most of those interviewed agreed that Chester looks better now than it did 15 years ago, thanks to new and rehabbed housing and the city’s aggressive demolition program.

Chester’s biggest challenge today is to connect its new physical developments and the tax revenue they generate to create more jobs, benefit its increasingly impoverished city residents, and attract a new middle class.
Context

Historical

Chester was founded in 1644 and incorporated as a city in 1866. As the oldest city in Pennsylvania, it has six nationally registered historic places, including the William Penn Landing. It is also home to a section of the Underground Railroad.

By 1870, Chester was considered one of the nation’s greatest shipbuilding areas. Its shipyards and other industries created a huge demand for workers and an influx of residents. By 1950, Chester had 66,000 residents. In the shipbuilding and industrialization era, Chester had many points of pride and clearly earned its motto: “What Chester makes, makes Chester.”

The city’s history as an industrial center went through three major periods of growth, stimulated by the Industrial Revolution, World War I, and World War II. Chester’s growth, like that of other industrial cities, was fueled by heavy industry. Besides shipyards, its industries included steel mills, automobile plants, aircraft engine factories, paper mills, and other mills.

Chester’s history, like the other cities in our study, is also intertwined with our nation’s struggle with racial discrimination in housing and employment and other equity issues. Racial issues in Chester played out in the largely segregated shipyards.

According to an analysis of Chester’s race and labor history by John McLarnon, Chester typified race conditions in the North. The city’s first wave of black immigration occurred in the early 1900s. The second wave occurred in the 1940s and 1950s, when the wartime boom and growing shipyards and other industries attracted workers from the Deep South. The second wave added to the racial polarization between blacks and whites. As McLarnon describes, Chester’s segregation was pervasive:

In the 1940’s ... Blacks could live only in the “black” sections of the city. The public school system was totally segregated below the ninth grade. Restaurants and theaters either had sections reserved for blacks, or banned blacks altogether. The city hospital maintained separate “colored” wards. Despite state legislation prohibiting racial discrimination and a twenty-year campaign by the local NAACP chapter to have that legislation enforced, war-time Chester was a nearly totally segregated city.42

According to McLarnon’s article, Sun Shipbuilding and Drydock Company, a company that built tankers to carry Sun Oil’s products, created an all-black shipyard in 1941 and announced plans to hire 6,000 black workers, primarily to address the growing demand for ships for the war effort. The shipyard generated a great deal of national controversy. The company claimed it was intended to give black workers greater opportunity, but the majority of national black newspapers condemned the plan as a continuation of Jim Crow. There was a great deal of conflict between black and white workers at the shipyard. Race issues came to a head in an effort to unionize the shipyards. The union won a hard-fought battle for certification. But the
majority of blacks in the all-black yard refused to sign on. McLaron speculates that their refusal may have stemmed from prevailing racial prejudice in Chester and Delaware County.  

But just as the civil rights movement gained strength, Chester’s industrial base began to decline. The nation’s economic restructuring of the 1960s and 1970s left Chester behind.

Unlike East Cleveland, Chester had a sizable black population working in its factories and shipbuilding industry. However, like East Cleveland, the city experienced rapid racial transition between 1960 and 1990. During this period, the black population increased by 26 percent and the white population decreased by 69 percent. By 2000, Chester was 75 percent black.

During the booming industrial years Chester’s factory and shipyard owners lived up the hill, away from the industrialized, polluted riverfront, and the poor lived down the hill, along the river. Today, most of the remaining white population lives “up the hill” in the northeast portion of the city around Widener University; Crozer-Keystone Health System’s Crozer-Chester Medical Center, the city’s largest employer; and Chester Park.

As Chester’s industrial base declined, hazardous and toxic waste processing plants moved into the city. In fact, Chester had more than its share of hazardous waste. According to a 1999 article in the ABA Journal, of the seven state permits issued in the county for waste facilities (time period unspecified), five were in Chester. In 1985, a group of trash management investors created the Chester Solid Waste Association and purchased a 62-acre parcel along the Delaware River in Chester. Citizens organized around the issue of environmental justice. In June 1999, Chester made environmental headlines when the U.S. Supreme Court agreed to take a case that tested whether private citizens could use federal civil rights laws to block state decisions to locate polluters in minority neighborhoods. The issue was rendered moot when the company in question pulled out and the state revoked its permit.

But the problems persisted. In 2007, Chester still had four active waste treatment facilities, including a regional waste incinerator and a metal-recycling plant. Trucks that carry waste to these plants travel through nearby residential neighborhoods, and some of the plants emit toxic air emissions, creating health concerns for residents.

Today, the riverfront is cleaner and is home to new developments, including an office building, a casino and racetrack, and a stadium that hold hope for the city’s future.

**Chester’s Toxic Fire**

A defining event of Chester’s history was the Wade dump toxic fire of 1978.

What was initially thought to be a fire at a rubber reclaiming operation was soon revealed as a chemical fire involving 3 million gallons of toxic waste from 49 companies that had been haphazardly and secretly dumped. Since the mid-1970s, the three-acre site had been an open-air dump for a trucking firm that hauled hazardous waste—for as little as half the going rate—from dozens of the area’s biggest, best-known businesses.
The fire was one of the events that led to the creation of the U.S. Environmental Protection Agency (EPA) Superfund program.

More than 200 firefighters, police, and emergency medical service personnel responded to the February 2, 1978, fire. At least 45 have suffered serious medical conditions, including early death, cancer, and blood disorders. The Philadelphia Inquirer and others claim local officials knew of the secret dumping but did not alert first responders.

The Wade dump was declared a Superfund site and in association with the EPA, the Pennsylvania Department of Environmental Protection conducted cleanup activities at the site from 1981 through 1989. The site was put on the National Priorities List (NPL) of the most serious uncontrolled or abandoned hazardous waste sites on September 8, 1983, making it eligible for federal cleanup funds. It was deleted from the NPL on March 23, 1989.48

In 2004, with EPA and state approval, the site was improved with an asphalt surface and engineered storm water drainage and redeveloped to provide parking for Chester’s Barry Bridge Park complex. A 2004 review concluded that the site continued to be protective of human health and the environment and that the redevelopment had actually improved on the original remedy. In 2008, property immediately south of the Commodore Barry Bridge was selected for the Chester soccer stadium, and construction began the following year. Another review, conducted in 2009, concluded that the site continued to be protective.49

**Political Structure and Culture**

Historically, Chester’s politics were controlled by a small white Republican elite, the shipyard owners who strongly encouraged all their workers, black and white, to vote Republican. Chester’s politics have been closely tied to the Delaware County Republican “machine.” In his Politics and Prejudice: A History of Chester (PA) Negroes, Richard Harris says the county party became “one of the most solid political machines in modern American history” under John J. McClure, who took over control of the county organization from his father in 1917.50

The machine was known for widespread corruption that touched state, county, and city politics and the Chester Housing Authority for more than 70 years. This era ended in 1979, when then-Chester Mayor John H. Nacrelli was convicted by a federal grand jury of tax evasion, bribery, and racketeering.51

One legacy of that era is that Chester is one of the few cities controlled by black Republicans, with only a short period of Democratic leadership. When two Democrats were elected to the city council in 2010, the Delaware County Daily Times remarked that they were only the second group of Democrats to hold citywide office—after one period of Democratic control in the early 1990s—since 1906.52

Chester’s first black mayor, Republican Willie Mae James Leake, was elected in 1986. Chester has benefited in recent years from consistent political leadership, with both black and white Republican mayors.
Chester has a mayor-council form of government, consisting of a popularly elected mayor and four city council members. It was incorporated as a third-class, home rule charter community on April 20, 1980. Under the home rule charter, the city has a strong council–weak mayor form of government. The mayor serves as the chief executive officer and is a voting member of city council. The council has the legislative power to create ordinances, rules, and regulations.

Council members are elected at large. Under the city’s administrative code, each council member, including the mayor serves as head of one of the six municipal departments.

The mayor and council members serve four years. Wendell N. Butler Jr., the current mayor, was appointed on October 9, 2002, to fill the unexpired term of former mayor Dominic Pileggi, now a state senator. At the time, Butler was retiring as the city’s police chief. He was subsequently elected in November 2003 and reelected in November 2007. He is the third in a series of strong mayors who have provided sustained leadership across terms.

Chester has a two-tiered hiring program for its police officers to give minorities a fairer chance at jobs. In Pennsylvania, police pay for their own training. This can be a barrier for some minorities, yet Chester has an interest in hiring minority police officers. The city recently hired a new police commissioner. It has 105 police officers, but could use 115. The police union is strong.

City Government Capacity

In 1995, Chester was designated a financially distressed community as a result of systemic and structural financial issues. The structural budget problems continued, according to a 2006 financial recovery plan that detailed the cash flow problems Chester had periodically experienced over the previous two decades.53

Also in 1995, Chester made an important change in its institutional structure that enabled it to more effectively carry out economic and community development as well as planning functions. The Chester Economic Development Authority was created that year to administer the city’s economic development, housing, and community development programs and activities. Before CEDA, the Chester Redevelopment Authority carried out these functions. CEDA began as a way to reorganize these roles after HUD froze Chester’s CDBG program funds for five years because of fund mismanagement and an antiquated accounting system.

CEDA is separate from the city, but its nine-member board is appointed by the mayor and city council. CEDA is responsible for all CDBG and HOME funding and administers programs on behalf of the city. Organized under the Pennsylvania Municipal Authorities Act, CEDA has the authority to issue bonds, but it has not done so. It has the right of eminent domain for public purposes. CEDA’s executive director, David Scioccetti, joined the organization in 1996. CEDA includes an economic development section, a community development section, a housing section, and a staff of 6.5 full-time equivalent (FTE) employees, not including the executive director. Staff members are nonunion and not covered by civil service.
Chester also has a Redevelopment Authority with a five-member board appointed by the mayor. It can acquire private property through eminent domain and for private purpose.

City officials recognize that Chester’s biggest need is jobs for residents. Residents face many barriers to successful employment including insufficient educational backgrounds, drug issues, criminal records, and single parents in need of day care. Mayor Butler created a workforce development center and hired a director to work with residents on overcoming employment barriers. The director works closely with Delaware County Community College as well as with anchor institutions and major employers, faith-based groups, the schools, the Institute for Economic Development, Inc. (a consortium of private-sector corporations and nonprofit institutions), and new businesses beyond Chester.

Officials also recognize that the city needs to rebuild its middle class and that there are few places for middle-class families to live. They have invested in new housing, a small percentage of which is market rate but subsidized.

The city knows its problems are comprehensive and require comprehensive solutions. The mayor is also very mindful of the importance of a development plan for the city and has embraced Chester City Vision 2000, a comprehensive plan and economic development strategy developed by his predecessor in 1994. The city continues to follow the plan, which enables Chester to take advantage of opportunities as they arise, but not simply accept anything that comes along.

Chester officials believe that in the face of constant pressure for a quick fix, it is important to stick to the development plan, especially in older cities that are subject to undesirable land uses. Although city officials recognize the need to update their zoning code, they have been able to say no to some undesirable uses. For example, in the past three years the city rejected a liquefied natural gas plant, a metal scrapping plant, and a power plant on the waterfront because these uses did not fit the plan.

Mayor Butler and other public officials agree that decades of decline cannot be turned around in quickly or easily. Strong leadership is needed over multiple terms to change people’s mindset about the city, they say.

**State Development Tools**

Although the city has experienced extended fiscal distress, it has taken advantage of various state tools available to help redevelop distressed cities, such as Act 47, the Keystone Opportunity Zones, and support for transportation infrastructure. The state has other investments in Chester as well; for example, it located a new prison there in 1997, a move that created 397 jobs. These state tools and investments have played a key role as the city begins to turn around.

In 1995, after six straight years of budget deficits and with a financial reporting system in a state of “extreme disarray,” Chester petitioned the Commonwealth of Pennsylvania for
assistance under Act 47, Pennsylvania’s Financially Distressed Communities Act. The act is aimed at stabilizing municipalities’ financial conditions, creating long-term managerial capacity, and developing and implementing long-term community and economic development strategies. Once a city enters Act 47, a coordinator prepares a recovery plan in consultation with the city executive, legislature, and other stakeholders, and the city adopts the plan as a city ordinance. The mayor and city council continue to run the municipality. The coordinator ensures recovery plan implementation and helps build capacity for a return to independent governance. Chester officials have called it the “Hotel California” of public laws: “You can check out any time you like, but you can never leave.” Sixteen years later, the city is still under Act 47. (Twenty of 26 cities admitted to Act 47 remain in the program.)

The act gives the city the capacity to raise additional revenue through an income tax of up to 3 percent on city residents and up to 2 percent on nonresidents. Chester imposed these maximum tax rates when it entered Act 47 status and has progressively reduced them over the past 10 years to 2.15 percent for residents and 1.15 percent for nonresidents. Once the tax rates reach 2 and 1 percent, respectively—where they were before the Act 47 increase—the city will be able to exit Act 47 status. The city has not raised real estate taxes in 15 years.

The 2006 “City of Chester Five-Year Financial Plan” prepared by Chester’s recovery coordinator, Fairmount Capital Advisors Inc., reported that despite progress, Chester remained a distressed community, with operating deficits in the previous 10 years. The plan noted improvements in the police department, fire department, and economic development, but said the city faced an extremely challenging situation. It projected continued deficits unless corrective measures were implemented and gaming revenues from the new Harrah’s Chester Casino & Racetrack realized as anticipated and spent wisely, in which case the city could have operating surpluses and new resources that would enable it to reduce tax rates and emerge from Act 47 status. The city has balanced its budget for the past three years.

The mayor noted that in 2010, under direction from the coordinator, the city created a capital budget that has been good for the city.

The state has also played a key role in supporting Chester’s economic development efforts. State legislation authorizing a racetrack and slot machines in Chester led to the Harrah’s casino and racetrack development, which opened in 2007. Chester successfully used the state’s Keystone Opportunity Zone legislation, which offers 15-year, 100 percent property tax abatement and other incentives, to attract developers for the Wharf at Rivertown office building, which opened in 2006; PPL Park, a Major League Soccer stadium that opened in 2010 and is home to the Philadelphia Union soccer club; and the Harrah’s casino. Before the KOZ passed, the city had no development projects under way and no economic development programs. The KOZ, combined with strong local leadership, locational advantage, and transportation investments, was key to launching a central piece of the city’s economic development strategy, the redevelopment of the waterfront.

Additional state investment in pre-development, infrastructure (two new Interstate 95 highway ramps leading to the waterfront development site), and environmental cleanup helped move
these projects forward. Two new on/off ramps connecting I-95 to the Chester waterfront will be fully operational by summer 2011. The state has also invested in upgrading state route 291, which runs along the waterfront.

Chester’s former mayor, Dominic Pileggi is now state Senate majority leader, which gives the city a strong voice at the state level. Pileggi was first elected to the Senate in 2002, after serving as mayor and as a Chester council member.57

The state’s investment in Interstate 95 highway ramps was important in locating the new casino and racetrack and PPL Park in Chester. I-95 was initially built through the city, not to the city, but the state has now enabled the city to have a direct connection to this major East Coast interstate. Pennsylvania has also invested in upgrading state route 291. Although it is very close to Chester, the Philadelphia airport plays only a secondary role in the city’s economic development plans. The Vision 2000 encourages Chester to capitalize on its transportation connections.58

Harrah’s invested $400 million in the casino and racetrack and employs 1,600 people. The Chester casino and racetrack is one of three in the Philadelphia area. Major League Soccer has created youth soccer leagues and programs in the schools. Chester is a basketball town, so soccer is not a natural fit, but it is catching on.

The Wharf at Rivertown office building was converted from an old Philadelphia Electric Company power plant. PECO paid $15 million for the environmental cleanup. Companies in the office building employ 1,000 employees. The new jobs created by Harrah’s and the Wharf office building represents a 40 percent increase in private-sector jobs in the city and a significant
diversification of the city’s economy. They will be critical to Chester’s long-term economic viability.\(^5\)

These development projects are regional draws, attracting people to the city and bringing much-needed income to the government. Although the KOZ provides a 15-year property tax abatement, Chester is able to collect income tax from the casino now. The agreement between the city and Harrah’s guarantees the city $10 million minimum a year from the casino, about 25 percent of city budget. In 2014, Harrah’s will start paying property tax.

But while remediating environmental problems, improving the fiscal health of the city, and staving off the need for tax increases are important for residents in the long term, the more immediate benefit to residents of these developments is less clear. The waterfront is isolated from the rest of the city and, to date, there has been no spinoff development. While the casino, racetrack, and PPL Park have employed city residents, some Chester residents have challenges that make it difficult for them to qualify for jobs in these developments.

However, the waterfront development has added public amenities to the city. The mayor insisted on a 25-foot right of way on the waterfront to establish a pedestrian walkway and public access. The city, in collaboration with the developers of the Wharf and PPL Park, has just completed one mile of a riverwalk that runs from south of the Wharf office building to north of PPL soccer stadium and includes a public fishing pier.

The challenge for the city going forward will be to stay on track and continue its efforts to connect these developments to benefit residents through jobs, new business opportunities,
and/or community programming. Residents need education, job training, and placement services to be able to take advantage of the jobs. The city cannot provide these services without a growing economic base.

Civic Initiatives

Chester has some very strong civic organizations that provide services to city residents. The Chester Community Improvement Project (CCIP) serves as a city and county CHDO. It is charged with providing affordable housing. Among other things, it provides pre-purchase counseling for first-time homebuyers through a contract with CEDA, offers housing counseling, and runs housing rehabilitation programs. It has a staff of six, and its budget comes through CEDA from CDBG and HOME funds. It also receives money from the Pennsylvania Housing Finance Agency, along with grants and contracts. Its board includes, but is not limited to, city residents.

The Chester Community Improvement Project was started by a church and a group of students from Swarthmore College. At first they focused on the west side of the city, then shifted to the east, where they felt they could have a stronger impact. The east side of the city had a slightly stronger housing market, but larger homes were being carved into apartments, which was leading to decline. CCIP is rehabilitating and restoring them as single-family homes. The organization does targeted rehabilitation on strategic blocks; four units were recently completed, and five are under way. The subsidy (the difference between the cost of purchase and rehabilitation and the sales price) is about $70,000–80,000 per house. The director of CCIP, Annette Pyatt, grew up in Chester’s public housing. She is passionate about the need to provide high-quality housing for low-income families.

CCIP also runs youth programs with Chester YouthBuild using a grant from Wachovia.

The Chester Youth Collaborative (CYC) started in December 2004 with a grant from the William Penn Foundation. The CYC brings together stakeholders to increase resources for Chester youth age 12–22 by improving the quality, quantity, duration, and evaluation efforts of organizations that serve youth. It has partnerships with more than 65 organizations in Delaware and Philadelphia counties, 25 of which are youth development organizations. CYC organizations provide programming in six strategic areas: academic enrichment, arts and recreation, civic engagement, mentoring, employability and life skills, and skill development. CYC has reached 4,300 young people. In 2010, CYC programs involved 1,300 youth.

The CYC operates under the auspices of the Crozer-Chester Medical Center, which serves as the lead organization and provides administrative support. Director Janet S. Riley Ford, who came on board in June 2005, notes that collaborations “work, but they are hard to fund” and that having Crozer’s Wellness Center as the lead agency enables the CYC to focus on enhancing capacity building and sustainability efforts for organizations as opposed to fundraising solely for CYC staffing support.

Each year the CYC holds a youth summit on violence that attracts about 750 young people. This event is led by a student group, Chester Youth Council, that stays together throughout the year.
to work on such issues as drugs and violence. Funding for the summit comes from varying resources, including the William Penn Foundation, the Delaware County district attorney, Widener University, CCIP, and the Drug Free Communities Act of 1997 under the U.S. Substance Abuse and Mental Health Services Administration. The CYC also provides drug prevention and other resources to the community by holding events specifically targeting known drug corners. It has a youth public policy agenda, working in partnership with the mayor and city council; the agenda explores best practices to enhance young people’s lives and is focused on postsecondary options, health and wellness, workforce development, and quality out-of-school time.

In partnership with the county district attorney's office, the CYC provides summer scholarships for Chester High School students to take credit-bearing classes at four participating universities.

One of the CYC’s biggest challenges is connecting Chester’s young people to other places, so it offers trips to Philadelphia and New York City as well as to plays and museums. Says Ford,

> We believe in the network approach—connecting, sharing, and weaving together opportunities to build the community. I am a person who sees the glass as half full. I don’t believe that we can be effective community advocates if we don’t see the potential, importance, and interdependent nature of our collective work.

The Social Work Counseling Services (SWCS) is a partnership between Widener University’s Center for Social Work Education and the Chester Education Foundation. Now in its 10th year, SWCS provides direct social services to local residents and helps local community-based human service and educational organizations build capacity. It also has a team that works in the schools to provide individual counseling and group treatment for students and a team that provides job readiness and counseling to help women become gainfully employed.

The Institute for Economic Development private-nonprofit consortium aims to “enhance the city’s economic, social and cultural climates while serving as a catalyst for future development.” The IED functions much like a small chamber of commerce. Its accomplishments, according to its brochure, are the casino, the Philadelphia Union Major League Soccer franchise, and other development projects. The organization meets monthly with the mayor. Current projects include linking the institutions with the city.

The IED is extremely helpful. It worked with CEDA to implement a “walk to work” program, offering $5,000 in down payment assistance to encourage employees of participating nonprofit institutions to live in Chester. It also managed the migration of many city functions from the Chester Redevelopment Authority to CEDA in 1995. Then IED went dormant. About six years ago, it was reinvigorated to work on behalf of the city. Each institution and business in the consortium contributes $5,000 a year.

The IED is working on creating welcoming entranceways to Chester through a web site and other projects. The IED also played a role in building a technology transfer incubator with
Widener University and Crozer-Chester Medical Center, drawing on resources from Pennsylvania’s KOZ and Small Business Development Center programs.

While anchor institutions and private businesses are playing an increasingly active role in Chester, residents have been described as apathetic; they feel that they are not connected to the city or city officials. It was difficult to identify any resident-led grassroots organizations other than the environmental justice initiative described above. One former resident said residents just “don’t want to be associated with Chester.” Other residents were described as having the attitude of “good enough for Chester.” As a rule, people have not turned out for public meetings, although this may be changing.

There are more than 100 churches in Chester. There was a sense among many, but not all, of the people we interviewed that the churches are more focused on their own parishioners than on civic issues. Part of the disconnect may be political, with a Republican mayor and Democratic church leaders. But the mayor, looking to improve Chester on all fronts, reaches out to the churches despite their political differences. East side and west side ministerial alliances are involved in civic issues of importance to Chester residents.

The City and Its Region

From a physical development perspective, Chester’s location is an asset, with direct access to the greater Philadelphia region. It is minutes from the Philadelphia International Airport, which could prove a plus for the soccer stadium and the casino in the future; it has a regional rail transportation hub; and it has direct access to interstates 95, 476, and 295 and the New Jersey Turnpike. The greater Philadelphia region’s growing economy could affect Chester if city residents can connect to employment and other opportunities.

The economic development strategy of city officials is to create economic opportunities, remove barriers, and change the mentality of “good enough for Chester” to one that holds developers to high standards of quality development and lets the private sector “figure it out.” The first step in this long-term effort is to capitalize on the physical connections of roads and rail. Two new ramps connecting the Chester waterfront to I-95 opened in summer 2011 are examples. But it will take more than new ramps to link Chester’s residents to economic opportunities. The barriers to connecting residents with the jobs and other opportunities in the region are complex and perceptual as well as physical. While some Chester residents work outside the city, many are isolated and disconnected from the growing regional economy.

People who live in other parts of the region may have never visited Chester, and many have negative perceptions, especially about the city’s crime and poverty. There is violence in the city, most of which is homegrown and gang-related, over turf issues. The violence starts on the streets and then moves into the schools. In July 2010, the mayor declared a state of emergency after four homicides occurred in less than a week. The state of emergency calmed the violence but reinforced negative perceptions about crime when the news made national headlines.
The city is also home to a large number of Delaware County’s social service organizations. It can be argued that social service agencies should be located near the people they serve and that since many of the county’s low-income people live in Chester, locating social service agencies there makes sense. But one person we interviewed described the social service industry in Chester as “pimping poverty” in that some of the best-paying jobs in the city rely on a steady stream of low-income people. This is an interesting observation and has some relevance for Inkster, Michigan, which just proudly opened a new state social service building.

**Housing and Community Development**

Chester’s status as a direct entitlement city for block grant and HOME funds is very important. It has enabled the city to retain consistent, long-term, effective leadership and to position CEDA as the vehicle for delivering community, economic, and housing development services. In addition, the city is using $586,000 in NSP funds to tear down an apartment building and to build two duplexes and a single-family home next to a revitalized elementary school. Money from the Section 108 Loan Guarantee Program has been used to build the waterfront park.

City officials across the board describe the direct entitlement as central to what they have been able to do. In lean times, the city used block grant dollars to substitute for a capital budget. Block grant money has also been used for housing and infrastructure for storm water, highway, and park improvements. The CCIP gets 75 percent of its funding from CDBG and HOME. Chester received $1.546 million in CDBG funds last year and $470,000 in HOME funds, a decline of 16.2 and 12.5 percent, respectively, from 2009.

A draft of the housing element of Chester’s comprehensive plan dated September 2008 notes that housing is one of the city’s top priorities and that desirable housing and vibrant neighborhoods are key to the overall success of the city. Housing occupies most of the land and influences the character and overall health of the city. The report states that “Chester continues to be challenged by some of the region’s most disadvantaged neighborhoods.” It identifies the cause as the continued concentration of poverty and a declining tax base, attributed to high unemployment, lack of job opportunities for lower-skilled workers, aging infrastructure and housing stock, poor public educational quality and a steady out-migration of Chester residents. However, the plan notes that this trend is changing. 63

One of the biggest housing-related challenges faced by the city was the condition of its public housing. In the early 1990s, the city had 1,700 public housing units, described in one interview as “abominable.”

The city has its own public housing authority, the CHA, and most public housing is concentrated on the city’s west side. The first developments were built in the 1940s to house workers in the city’s wartime industry boom. Through the ensuing decades, corruption and mismanagement at the CHA led HUD to designate the housing authority a "troubled" agency. In 1991, HUD found the CHA in substantial breach of its annual contributions contract, according to the CHA’s web
site. As a result, the city and the CHA board of commissioners voluntarily relinquished control to HUD with the hope that direct HUD control could rebuild the agency. When this failed to happen, and as a consequence of a class action lawsuit asserting "constructive abandonment" brought by the CHA residents in the early 1990s, Judge Norma L. Shapiro of the U.S. District Court for the Eastern District of Pennsylvania appointed a receiver, Robert C. Rosenberg, who assumed control on August 31, 1994.

The receiver used Major Reconstruction of Obsolete Projects (MROP) and HOPE VI funds to rehabilitate and modernize units. Still under receivership, the housing authority now manages about 936 public housing units, including 271 senior projects units and 267 project-based Section 8 units. It also has about 1,300 housing choice voucher recipients living in Chester. In 2003, a citizen oversight board was appointed to work with the agency; an executive director was hired in 2005, but the receiver is still in charge.

While city officials credit the receiver with turning around the quality and management of public housing, they are critical that the housing authority’s meetings are not open to the public and that the authority’s work is not always consistent with the city’s plans for housing and economic development. At times, they say, the housing authority works at cross purposes with the city. For example, the housing authority’s 1996 HOPE VI plan included a strip mall and supermarket, but the mall and supermarket have not yet materialized, despite the city’s interest. The housing authority is responsible, the city wants to do it, the land has been cleared, but it has not happened.  

In a postindustrial area where 30 percent of the adult population can’t afford a car, many people are dependent on small corner stores. A supermarket would provide fresh food for residents. If Chester residents want to go to the supermarket, they have to leave Chester; there hasn’t been a big-box grocery store within city limits since 2001.
Selling Fresh Food in Chester

Tina Johnson was born in Chester, went away to college and traveled the world. She returned seven years ago and came up with a solution to one of her hometown’s many problems.

Johnson got involved in the community, where residents’ only choices for buying food were going to the corner store or leaving town. Chester officials have long sought a supermarket, but there has not been a big-box grocery in the city since 2001, The Philadelphia Inquirer reported.

Knowing that fresh food is healthy, Johnson started a food co-op. The venture started small in 2006, selling fruits and vegetables on Saturdays. A grant from The Reinvestment Fund enabled it to grow, and it went from serving 13 households to 95 in two years.

A subsequent loan from The Reinvestment Fund enabled it to open a six-day-a-week operation in a former pawnshop. By March 2011, it had 230 household members. While not a supermarket, the co-op is meeting a previously unmet need in the community.

In addition to public housing, 350 new units of affordable housing were developed from 1995 through 2007 in Chester. The new housing developments are points of pride for city officials. One example is the Crozer Hills development, completed in 2004, a suburban-style development of 25 homes, 12 of which are market rate. City officials point to the high quality of the development and the quick sale of the market-rate units as evidence of a demand for new market-rate, single-family homes. The homes sold for between $140,000 and $170,000. The subsidy for each of these homes ranges from $80,000 to $100,000.

With an estimated 29 percent of the city’s housing stock either public or publicly subsidized, city officials feel they have more than their fair share of low-income housing in Delaware County. They cite the February 24, 2009, case in which the U.S. District Court for the Southern District of New York found that Westchester County had “utterly failed” to meet its Affirmatively Furthering Fair Housing certification. It is hoped that stepped-up HUD enforcement of this certification will encourage other communities to take on more of their share of affordable housing.

One reason Chester has more than what it sees as its fair share of housing choice voucher holders is that the fair-market rents set by HUD are very high because they are based on
housing costs in the Philadelphia metropolitan area. But housing costs in Chester are depressed and are typically much lower than those in Philadelphia. This is an incentive for investors to purchase homes in Chester, which are often available for very low prices, and then rent them out to housing choice voucher holders at high rents. City officials contend that the region’s fair-market rent levels established for the Housing Choice Voucher Program end up setting—not reflecting—the Chester housing market.

The city also has had an aggressive demolition program. Between 1996 and 2010, it demolished more than 1,000 single-family units and one multifamily building.

The city is seeking ways to develop new housing so it can rebuild its middle class and people can “move up, not out.”69 It is working with the Delaware Valley Regional Planning Commission on the commission’s Smart Housing Initiative, which recognizes that the problems faced by Chester are also faced by many older municipalities in the region and that a new, regional approach to affordable housing is needed. A draft of the commission’s report recognizes that “the concentration of low- and moderate-income housing in cities and older suburbs also reduces the local tax base, impeding the community’s ability to finance a quality education system, invest in needed infrastructure repairs, and meet social service demands.”70

**Anchor Institutions**

In a new spirit of collaboration between the public and private sectors in Chester, the city is embracing its two anchors, Crozer-Chester Medical Center and Widener University. The anchors now see their futures as intertwined with that of the city, and they are demonstrating this by building physical connections instead of barriers. The positive physical and economic impact of Widener and Crozer is most evident in the northeast section of the city.

Widener’s president, James T. Harris III, joined the private university in 2002, when “town-gown” relations were strained. At the time, the university was planning to build an 8-foot-high fence with one entrance gate around the freshman dormitories to secure the campus. One of Harris’s first acts as president was to reject this plan and instead embark on a sustained and comprehensive strategy to build a new relationship with the community.71

> From the beginning, it was clear to me that any efforts to engage organizations in Chester in meaningful and democratic partnerships would require much time, effort, and considerable university resources. Along the way there have been questions raised about how much such partnerships “cost” the university and what the return on our investment is. My response has been that there are costs associated with whatever type of relationship you decide to have with your community.72

Widener’s history with Chester goes back to the late 1800s, when the university was the Pennsylvania Military College (PMC). In 1972, the school graduated its last class of cadets and became Widener College. In 1979 it earned university status, and by 2002 it had developed into
a multicampus doctoral-granting institution with four locations serving approximately 6,500 students through eight colleges and schools.

The main campus in Chester attracts most of its student population from the greater Philadelphia metropolitan region, including Chester. The undergraduate full-time students are predominantly Caucasian and middle-class, with 28 percent Pell Grant eligible. The university’s graduate professional programs attract mostly working adults from the region.

Pennsylvania Military College was viewed as a critical part of Chester. For example, in the 1960s, the college started a pre-college program entitled Project Prepare to help inner-city youth succeed in college. The success of that program fostered good will between city residents and the institution.

But as the city declined in the 1960s, crime rates grew, further damaging the city’s reputation. When the tax base narrowed and the middle class migrated to the suburbs, PMC was caught in a difficult situation. “As a growing university with limited resources, it needed to be careful in its investments, so as things started to deteriorate in the city, the university started developing a citadel mentality and warned its faculty and students of the dangers that lurked just beyond the walls of the academy.”

Chester’s public schools began to deteriorate and property taxes rose, prompting fewer Widener faculty and staff to choose to live in the city. By 2000, less than 10 percent of Widener employees lived in the city limits.

All these factors, as well as decisions by the university, led local citizens to start viewing Widener as an institution concerned only with promoting its own self-interest. As the mayor told Harris, “Widener is viewed by most citizens as a dragon that eats up land that otherwise would be generating tax dollars for the city.”

Soon after Harris became president, he created the university’s Office for Community Engagement and Diversity Initiatives that reports directly to him, reinforcing its importance to the mission of the university. The office supports internal constituencies involved in community outreach, including the civic engagement council and other programs. It fosters university and community partnerships with schools, businesses, civic leaders, and faith-based organizations. It also collaborates with and supports faculty engaged in service-learning and community-based research and broadens staff volunteerism in the community.

Harris also urged Widener’s board of trustees to institutionalize Widener’s relationship with the city by creating a faculty development fund of $125,000. The university now has 50 faculty members who teach service-learning courses that serve Chester, offering about 15 classes a semester with support from this fund. The key is the money the university provides for rewards and incentives. The university also offers co-ops and internships for students to work with organizations in Chester and scholarships to the top five Chester high school graduates.
The university’s work with the community and its interest in scholarships for Chester high school graduates and economically disadvantaged students is mission driven. It has become known for its service to the community and is now attracting students who are drawn by this aspect of its mission.

Harris is a member of the Chester Higher Education Council, which also includes the presidents of Cheyney University of Pennsylvania, Neumann University, the Pennsylvania State University, Delaware County Community College and Swarthmore College. Widener also has a partnership with the Philadelphia Union soccer team and partners with CityTeam Ministries, the Chester Education Foundation, and the Chester Eastside Ministries.

Chester’s two anchors, Widener and Crozer, have partnered, through the IED, on two development projects in the northeast part of the city. One is University Crossings, a residential and commercial development. The first phase of the project, the Hub at Widener, was recently completed and includes a small, green Best Western hotel, the first hotel built in Chester in 35 years, along with energy-efficient apartments, a 24-hour convenience store, and 15,000 square feet of retail space. The three-phase plan for the development also calls for a full-service restaurant, a full-service bank with a drive-through window, a coffee shop, a hair salon, a Chester police substation, medical offices, and additional housing when completed. Also partnering in University Crossings are the city of Chester, The Reinvestment Fund, Delaware County, and Teres Holdings LLC.

Crozer-Keystone Health System and Widener have also partnered with the University City Science Center to develop University Technology Park, a technology corridor between the Widener main campus and Crozer-Chester Medical Center. The project is supported by the city of Chester, the Benjamin Franklin Technology Center, and the Economic Development Administration of the U.S. Department of Commerce.

The two also partnered to open a satellite Chester police station near the institutions. Crozer and Widener built the structure, purchased a police car, and pay the salaries of two city police officers.

A third, smaller anchor is Swarthmore College. Located about five miles north of Chester, Swarthmore works with Chester primarily through its Lang Center for Civic and Social Responsibility. Some 300 students and 25 staff and faculty members work with various groups, organizations, and institutions in the city. Swarthmore works with other local communities as well, but Chester is the biggest after Philadelphia. The college offers community-based classes in which students have opportunities to volunteer with nonprofits, faith-based organizations, school districts, city governments, and local officials. Among several funded opportunities available to students in Chester are the Chester Community Fellows program summer internships.

The Chester Education Fund was established to help fund the partnership and the Chester Upland School of the Arts, which was created by a professor at Swarthmore College.
Education

The challenges facing Chester’s public school system are just as daunting as the city’s problems with economic growth, housing, and community development. The Chester Upland School District (CUSD) is one of the most troubled districts in the nation. Of 501 school districts in Pennsylvania, CUSD has ranked at or near the bottom for more than two decades. In the 2009–10 school year, its graduation rate was 44 percent.76

Over the past decade, the district has had at least eight superintendents. The CUSD public schools serve about 7,000 students in Chester, Chester Township, and the borough of Upland. Despite sharing a school district, Chester and Upland have what was described in interviews as a strained relationship (although city officials would disagree). Upland is seen as slightly better off socioeconomically than Chester. Some observers noted the potential for a partnership around soccer.

If they can afford it, residents send their children to parochial and private schools or home school them. About 30 percent of the district’s students attend charter schools: some 2,700 in the Chester Community Charter School, and about 300 at Widener Partnership Charter School. Chester Community Charter, operated by a private company, enrolls students in kindergarten through 8th grade. Widener, run by Widener University, takes student from kindergarten through 5th grade and has been approved for extension to grade 8 in fall 2011.

Charters are a divisive topic among residents. As the numbers reflect, people choose to enroll their kids in the Chester Charter in large numbers, even though the test scores of Chester Community Charter are not much better than those of CUSD. Unlike the public schools, Chester Community Charter is seen as clean, new, and safe.

The test scores at Widener Partnership Charter School, on the other hand, far exceed those of the CUSD. Widener Partnership is the first university-sponsored charter school in Pennsylvania. One of its distinguishing features is partnering with parents and involving Widener faculty members and graduate students from multiple disciplines. It offers families a holistic, rigorous, standards-based curriculum.

A small public elementary school, the Chester Upland School of the Arts, is run by the district in partnership with Swarthmore College. The public high school, which is perceived as the weakest of the district’s schools, has split into three small schools—Chester High School, Science and Discovery High School, and the school of allied health, the latter two in partnership with Crozer-Chester Medical Center—but still has one basketball team.

In 1994, the school district faced a multimillion-dollar deficit. The state took over and brought in a private company, Edison Schools, a for-profit manager of public schools that was publicly traded on the NASDAQ from 2001 to 2005, to run the district. But as was the case in Inkster, Edison did not turn the district around. A number of incidents (including an allegation of sexual
misconduct by an Edison employee) and policies (such as not allowing students to take home books) led the state to break its contract with Edison.

When Delaware County Community College was created, cities were given the option to opt in and pay a fee so their residents could attend at lower tuition rates. Chester was the only place that elected not to opt in. Once the casino began operating, funds were available to cover the cost of becoming a participating sponsor of the community college. In 2010, the mayor opted in and paid back fees, and Chester is now part of the system.

**Lessons Learned**

City officials view the retention and attraction of a strong middle class as their biggest challenge. They believe they have more than their fair share of the region’s affordable housing and feel strongly that HUD programs contribute to this, encouraging the development of affordable housing in already low- and moderate-income areas. The barriers to attracting a critical mass of middle class are very high, and Chester officials recognize that they cannot overcome these barriers on their own. The Delaware Valley Regional Planning Commission is undertaking an analysis to develop an effective fair-share housing plan for the region, which could help Chester. Chester officials have suggested that HUD conduct a demonstration program in Chester to test new program options that would allow them to attract higher-income households, which in turn would deconcentrate poverty. One specific suggestion was to revisit fair-market rents. Another was to develop strategies that help people to move up, not out.

Another suggestion directly tied to HUD programs was to revisit the sale process for HUD-owned homes taken through foreclosure. Prices for these homes are higher than their current market value, the paperwork prevents the city from moving quickly to stabilize the homes, and many are lost to demolition. It was suggested that cities that are spending their block grant dollars wisely should be given greater flexibility in how to use those dollars.

The city also needs to work hard to change direction and turn around its image. David Sciochetti, executive director of CEDA, put it this way: “At the outset, you need to highlight small successes to begin to change the perception of failure and decline. It is important to create a sense that things are changing in a positive direction despite what will be continuing bad news on other fronts.”

Chester’s assets include more than just its location, its new relationship with its anchors, and its connections to state government, which have enabled it to attract economic development. It also has some very committed, smart, optimistic people working for the city and for civic organizations. They care about the future of the city and want to see it succeed. If they can continue to connect the successes in economic development with equally impressive successes in community development, residents can begin to see a pattern leading to positive change.
This commitment and sense of optimism has not yet spread to the residents, although perhaps this is starting to change as well.
Prichard, Alabama
Not a HUD direct entitlement city

What Works?

- Efforts to reestablish integrity to local government.
- Greater efforts toward collaboration.
- Identifying opportunities to use large tracts of undeveloped land.
- The expansion of the Prichard housing authority’s role to include community development.

Introduction

Prichard, Alabama, is a suburb of Mobile. It is bordered by Mobile on the east, south, and west; the city of Saraland on the northeast; and the city of Chickasaw on the east. Unincorporated portions of Mobile County lie to the north.

Prichard’s population is 22,659, as reported in the 2010 Census, a decline of 19.2 percent from 28,050 in 2000. It is 85 percent single-race African American.
Prichard is part of the Mobile core-based statistical area, which consists solely of Mobile County and has a population of 412,992. The CBSA grew slowly, at a rate of 3 percent from 2000 to 2010. Mobile County is 35 percent single-race African American.

Prichard’s population peaked in 1960 at 47,000. By 1970, the population was 39,323, and from 1970 to 2010 it declined by 17,000 (42 percent). The city’s rate of population loss is increasing. In fact, the last decade’s 19.2 percent decrease was greater than the 17 percent drop from 1990 to 2000.

Prichard had a relatively high homeownership rate of 53 percent in 2000, possibly the result of an emphasis on creating homeownership opportunities on the part of the city’s housing authority.

In 2000, the poverty rate in Prichard (34 percent) was higher than those of the other three case study cities. In 1990, it was even higher—42.8 percent—but it actually declined by 20 percent from 1990 to 2000. The poverty rate for Prichard’s elderly in 2000 also was the highest (25 percent) among the case study cities; it, too, had been even higher and had declined—by 30 percent—in the 1990s. Prichard has the highest percentage of children age 18 and under (32 percent). Many of the city’s elderly are caring for their grandchildren.

The city’s comprehensive plan completed in 2006 cites the declining absolute number of low-income households and highlights a trend toward higher incomes.

The number of households at higher income levels, in excess of $60,000, increased significantly—there were 288 households in the city with incomes in excess of $60,000 in 1990. In 2000, 1,112 households had incomes above $60,000. The number of households with incomes in excess of $150,000 per year increased from 16 to 107 over this 10-year period.77

At roughly 25.4 square miles, Prichard is the largest in land area of our four case study cities. It is made up of four communities: East Prichard, Whistler, Eight Mile, and Kushla. Each community has its own distinct character, ranging from urban to suburban to rural.

East Prichard, which is adjacent to Mobile, south of Interstate 65, is the oldest and most urbanized part of the city. It is home to approximately 80 percent if the city’s minority population and to downtown Prichard. Once a vibrant shopping and commercial area, the downtown is now made up of largely abandoned and vacant storefronts. City Hall and the Prichard Housing Authority occupy newer buildings adjacent to downtown. Alabama Village, which has a more rural feeling but is a highly impoverished and notoriously crime-ridden part of the city, is east of downtown. Interstate 165, completed in 1992, bisects East Prichard into east and west halves and intersects with Wilson Avenue, which historically was the commercial main street.78
In contrast, Kushla, which was incorporated into Prichard more than 40 years ago, remains largely undeveloped, with some single-family homes and a mobile home park. The northernmost part of the city, Kushla has excellent transportation access to highways.

The city’s commercial uses are clustered along the U.S. 45 corridor in Eight Mile, the largest and least developed area in the city. The 1,100-acre Chickasabogue Park, a Mobile County outdoor recreation facility and wildlife refuge, as well as the city-owned and -operated High Pointe Golf Course and Park and the University of Mobile are all located in Eight Mile, as is some of the city’s newer, suburban-style housing.

Prichard’s challenges are dominated by its financial issues. From 1999 until 2006, the city was in bankruptcy. It continues to be in fiscal distress, having filed for bankruptcy—unsuccessfully—again in 2009. In September 2009, Prichard became the first city in the country to default on its pension payments to retirees, a story carried on the front page of the New York Times. 79

There is a sense, especially among young professionals, that one pays a premium to live in Prichard. Water rates are much higher than in neighboring Mobile, insurance rates are higher, and homes have lower resale values.

Prichard has opportunities for new development in areas near and accessible to the port and major transportation routes. It also has a large supply of undeveloped land in the north. However, it lacks the financial resources to take advantage of those opportunities.

Context

Historical

What is now Prichard began as several settlements in the 1830s. The earliest settlements of Africatown, Whistler, Eight Mile, and East Prichard developed throughout the mid- to late 1850s. Whistler, which was listed as a historic district in 1975 by the Alabama Historical Commission, is one of the oldest communities in the region, with houses dating to the early 1800s.

The Founding of Africatown

The founding of Africatown is a defining event of Prichard’s earliest years.

In 1860, wealthy Mobile brothers and their friends devised a plan to see if they could import one last shipload of slaves despite the 1808 federal law outlawing the slave trade. They bet each other they could elude federal authorities. Theirs was the last recorded attempt to import Africans to the United States for slavery.

Their ship, the Clotilde, sailed from Ghana, in western Africa, for its final destination of Mobile with more than 100 Africans aboard. In July 1860, the Clotilde entered Mobile Bay, and to elude federal authorities, the slaves were loaded onto a riverboat and sent ashore. The captain then set fire to the
*Clotilde* to hide the evidence of the crime. The Africans were distributed among the parties who had invested in the venture.

Federal authorities learned of the crime and attempted to prosecute those involved, but the case was dismissed.

Thirty-two Africans had been taken to Magazine Point, north of Mobile, the property owned by Timothy Meaher, one of the brothers involved in the plan. As the government was investigating the illegal importation, the Africans were left on their own to survive.

This site would become Africatown. After the Civil War and Emancipation, the Africans were joined by a number of their fellow tribesmen, and in time they formed a self-governing society. Up until World War II, Africatown remained a distinct community.

Much of the community now lies within Mobile's northern city limits, with portions in southeastern Prichard. In 1997, descendants and friends formed the Africatown Community Mobilization Project to seek recognition of an Africatown Historical District and encourage the restoration and development of the town site. The site was placed on Mobile's African American Heritage Trail in 2009. Near the University of Mobile, 150 acres of city-owned land have been designated Africatown Park.

In the mid-1850s Cleveland Prichard, the city’s namesake, envisioned a large industrial city built around the Mobile and Ohio Railroad station. Early on, the community developed into a large commercial shipping point for fresh vegetables.

Prichard was incorporated as a city on August 12, 1925. The city rose to prominence in the late 1950s and early 1960s, when many Mobile shipbuilding companies built homes for their workers there. During the 1950s and 1960s, Prichard annexed historic Whistler as well as parts of Eight Mile and Kushla. By 1960 it was Alabama’s largest suburb. Residents fondly recall when it was hard to find a parking spot in downtown Prichard.
Race relations and the civil rights movement played a role in Prichard’s trajectory from a prosperous working-class city to a severely distressed one. The story is closely tied to slavery, Southern-style segregation, and racial electoral politics. It involves white flight and, now, “green flight,” with income or class supplanting race.

With the end of the South’s rigid system of segregation, schools were desegregated, and African Americans had opportunities to move to East Prichard and other sections of the city that had previously excluded them. Many white residents left during this time.

One defining and, some say, racially motivated incident in Prichard’s recent history was the annexation of the Plateau area of Prichard by Mobile in the early 1970s. Adjacent to Mobile Bay, Plateau was predominantly African American, and some attribute the annexation to an effort by white political leaders to reduce the number of black voters in Prichard and retain white control of city politics. In any case, the area had two major industries, International Paper Company and Scott Paper Company (now Kimberly-Clark, which is still operating). State Rep. Napoleon Bracey estimates that the annexation took away 85 percent of Prichard’s tax base. The impact continues to be felt today.
The annexation occurred at about the same time that the city was transitioning from white to black leadership. Algernon Johnson (A.J.) Cooper was elected the city’s first African American mayor in 1972, while Prichard was still a majority-white city. Around the same time, the state legislature changed the law that required city department heads to live in Prichard. All the department heads at that time were white, and they all moved out of town.81

Prichard’s schools had been segregated, with white students attending Vigor High School and black students attending Blount High School, not far away. By 1980, Vigor High School’s student body was 80 percent black.82

Many of Prichard’s early black residents had migrated from central Alabama’s more rural Black Belt. In Prichard, they could own their own homes. Moving there was seen as a step up. Robert McClendon, a reporter with the Mobile Press-Register, reflects that many of these homeowners mark time by when the last white residents left their neighborhoods.

People are no longer leaving Prichard for racial reasons; the population drop includes young, educated blacks who are leaving the city for job and housing opportunities elsewhere. However, race still plays a role, though more subtle than before, as Prichard reaches out to collaborate with neighboring cities and other entities in an effort to attract new development and address its fiscal and pension woes.

Political Structure and Culture

Prichard has a strong mayor–weak council form of government, with five council members elected to represent districts. The current mayor, Ronald Davis, is a former Mobile County sheriff who is committed to bringing integrity and good management to a city that badly needs these qualities. The city’s fiscal issues make it difficult to attract and retain qualified people, but Davis has assembled a good team, especially the finance director, Rex Williams, a retiree with financial experience who seems to be getting the city on track financially.

Historically, Prichard had a weak mayor and strong council. But in 1987, Councilman Ed Reese was convicted of racketeering, extortion, and bribery; in response, the Alabama legislature enacted a bill to give the city a strong mayor form of government. The citizens of Prichard approved the measure in a referendum. The mayor’s position became full time for the first time, with responsibility for developing and submitting an annual budget and overseeing the city’s finances.

The historically weak mayor–strong council form of government had not only impeded the city’s ability to govern itself, but also had ultimately contributed to a string of events that led the city to declare bankruptcy in 1999. According to a published case study, the form of government was a determining factor in the bankruptcy. Other factors included the failure of the state to intervene, political ineptness, irresponsible management, poor budgeting practices, a declining tax base, and increasing expenditures.83
According to the case study, the city's financial problems first became apparent in 1964 when the then-mayor warned of a deficit in the city's budget by the end of that fiscal year. Although Prichard avoided declaring bankruptcy for three decades, the city's liabilities exceeded its assets during the 1970s and 1980s, and the city documented several general fund deficits that culminated in a financial crisis in the late 1990s. There was a great deal of pressure to maintain service levels within the constraints of the city's dwindling revenues. In a well-managed city, this scenario would likely result in the development of an aggressive cutback strategy. Prichard took a “head in the sand” approach to the mounting crisis, apparently because of a lack of managerial leadership.

The city government was in constant turmoil from 1960 through 1990. Then, in the 1990s, a confrontational relationship between Mayor Jesse Norwood and the city council led to the use of the same budget for multiple years.

In 1985, a judge allowed Prichard to place certain debts into a separate fund and to pay the debts over time. In that same year, a citizens group called the Prichard Citizens for Action petitioned Mobile to annex Prichard as part of Mobile.

Following the city's bankruptcy, a Mobile County grand jury brought bills of impeachment against Norwood and the entire city council. They were charged with willful neglect of duty for allegedly appropriating and spending money they did not have. In March 2000, the mayor was acquitted of incompetence and corruption charges but found guilty of neglect of duty. He was removed from office. Two council members resigned as part of a plea bargain with the district attorney and agreed not to run for city council again. The one city council member who had not been impeached served the remainder of Norwood's term as mayor and later was reelected to the council.

In the bankruptcy papers, the general counsel for the city stated, "It's unclear what the form of government was in the early 1980s. It was probably a strong council, weak mayor structure." The case study offers this explanation:

It appears the previously strong city council never accepted the strong-mayor concept, even eliciting an attorney general's opinion in May 1989 as to whether the mayor or the city council controls the city's finances. That was the apparent start of what eventually evolved into a major and continuing conflict between the office of the mayor and the city council.

Mobile never took action on the annexation, but efforts to solve Prichard's problems by becoming part of Mobile continued at least until 1992, when Prichard City Council finally voted against giving up the city charter and joining with Mobile.

In 1990, at the request of community leaders, two professors from the University of South Alabama evaluated Prichard's economic status under a grant from the state of Alabama. The
study concluded that Prichard was one of the poorest cities of its size in the nation, offered skeleton services, and employed outdated financial management practices.

The authors recommended the city begin immediately to develop a strategic plan if it had any hope of salvaging its financial future. They concluded that if the city did nothing, "in ten years you'll be just like you are now or you'll have to declare bankruptcy." 87

This warning came true a little early. In October 1999, Prichard placed itself in bankruptcy after finding itself hopelessly in debt and unable to generate the revenue necessary to pay its delinquent bills of $3.9 million. Prichard was the third Alabama local government to take advantage of the protection offered under the Municipal Bankruptcy Act.

In the years since the bankruptcy filing, Prichard has made some positive changes. One small success was when the council passed the fiscal 2001 budget on time, and the budget included hiring several additional personnel in the police and fire departments.

City Government Capacity

The city’s ability to provide basic public services is severely limited by its financial situation. In addition, because of its fiscal distress, the city does not have a capital budget. In the past, the financial issues facing the city resulted from mismanagement; now, the cause is simply a lack of revenue. There is no local income tax in Alabama, resulting in a heavy reliance on sales tax, which negatively affects the city. The city keeps a small portion of the property taxes collected, but the bulk goes to schools. A list of properties in Prichard that are tax delinquent is estimated to be 400 pages long. Revenue from unpaid taxes is unavailable because the city can’t afford to hire a collector. There is a sense that if the city raises taxes, it may decrease total revenue because more people will elect not to pay.

With limited financial resources and an inability to issue bonds or borrow money, Mayor Davis has focused on controlling expenses and more efficiently providing city services. He has privatized garbage service, entered an agreement to share emergency services, and closed the jail, sending prisoners to the county jail (at no charge to the city).

In an effort to create more job opportunities for Prichard residents, Mayor Davis created the Employment Connection program, which successfully recruited and trained Prichard residents to conduct hazardous materials cleanup of New Orleans after the BP oil spill. One hundred city residents got jobs.

Prichard’s public employee salaries are the lowest in Mobile County, and long-term employees are there out of dedication and love for their city. Police officers in Prichard earn $10.03 an hour. Consequently, there is a serious problem with turnover. Nonetheless, the city is able to attract new officers because it hires, trains, and provides them with experience in every type of police work. Mayor Ron Davis told us, “Once you work two years in Prichard, you can work anywhere.” The Police Department also struggles with equipment shortages, inadequate facilities for evidence, and other constraints.
A plan that projected a resurgence in Prichard’s old downtown was completed in 2006 as a condition of emerging from bankruptcy. However, the economy took a downturn, the downtown continued to decline, and the city does not have the resources to implement the recommendations in the plan.

In an effort to embrace a more regional approach and attract new development to increase the city’s tax base, the mayor partnered with neighboring Saraland, the county, and the state to attract a speedway to the northern part of the city. He was lauded for taking the noisy motor sports park that others did not want. In December 2006, Prichard was selected as the site of the Alabama Motorsports Park (a Dale Earnhardt Jr. speedway and theme park). But the economic downturn seems to have tabled these plans as well. The options on the land expired, and Saraland has repealed the 2 percent tax credit for its part of the property. Prichard officials remain hopeful that the park, or some other use, will go forward.

The city has two quasi-independent authorities: the Prichard Water Works and Sewer Board, with members appointed by city council; and the Prichard Housing Authority, with a board appointed by the mayor. The housing authority administers the city’s block grant and other HUD funding.

Historically, the water board did not make repairs and allowed its aging infrastructure to deteriorate. It is now under a court order to upgrade the system. The board had to issue bonds and raised water rates to repay the bonds. The board purchases its water from Mobile and provides water to Chickasaw and water and sewer services to Prichard. Its rates are the highest in the county, usage has gone down, and income is down 20 percent. Efforts are under way through the Alabama legislature to allow voters to dissolve the water board, as noted above.

The housing authority was established in 1940. It is responsible for administering community development block grant, HOME, and other federal housing and community development funds.

*State Development Tools*

The city’s bankruptcy filing and pension plan default reflect a host of management issues, but they also reflect the failure of the state to intervene with appropriate programs or policies to support its cities. Unlike Pennsylvania and Ohio, Alabama makes no provision for sending in a team in the case of fiscal emergency. Asked about the state’s support in dealing with these issues, city officials cite an absence of state programs and policies.

The authors of the bankruptcy study take special note of the state’s failure to intervene to assist Prichard:

> While not part of the court reports, the university studies, or the media exposure, it is important to note that the state of Alabama played no role in addressing the financial ills of Prichard except for one grant to study the problems. Prichard, as a municipal corporation, is a creation of the state, but no effort was made by any
of the governors over this period of time or the state legislature to address the Prichard situation to mandate change before it was too late.88 

Prichard’s pension default came when trustees for the pension board suspended payment to retirees as the balance in the fund fell to about $26,000, an unsustainable level. Their position was that they could not allocate funds on other than 100 percent of the amount due.

At the same time, the city has continued to withhold 5½ percent from employee pay and contribute 10½ percent from city funds.

The pension fund needs at least $16 million to $20 million, and the annual required payout is three times the contribution. So unless there is a change, the city will never be able to make the required payments.

City officials lay some blame for the defaulted pension fund on the state because of how the fund was established.

In an editorial in the Mobile Press-Register on October 4, 2009, headlined “Prichard Forced to Work with a Hand Dealt by Others,” Mayor Davis explained the shortfall in the city’s pension fund:

Prichard’s retirement plan was established in 1956 by a special act of the Legislature that applies only to Prichard. That law sets up the City's pension plan and dictates how it should operate. Over the following 50 years, the pension plan was amended by the Legislature more than fifteen times, and always the economic burden on the City was increased. The City’s mandatory contribution of 5% more than doubled to 10.5%. In 1975, control was taken from the City and given to a board to oversee retirement benefits—a board that included retirees elected by City employees. The law was also changed to allow the retirees’ money to be invested in the stock market. This change placed the money at greater risk of loss than previously allowed by the plan. None of these changes were made by Prichard. The City had no say in any of these decisions. Moreover, the present City leaders have no power to change the pension plan because only the Alabama legislature can amend state law.

Finance Director Rex Williams stated that if the city could solve the pension issue, it would be in good financial shape.

The city tried to place itself in bankruptcy once again as a way of dealing with the pension fund debt, but the judge threw out the case. City officials saw bankruptcy as the only way out of the pension mess, partly because it would take the decisionmaking out of the hands of the pension board and give it to a judge. The pension board is made up of three city employees and four council members. However, only one council member currently sits on the board; the other three have resigned.
In May 2011, after intense negotiations, the city and representatives of the pensioners reached an agreement to use two-thirds of the funds in the bank for a lump-sum back payment. They also agreed to begin monthly payments of about one-third of the amount due. The monthly amount is capped at $50,000. According to Finance Director Williams, both the back payment and first monthly payment have been completed. The agreement also provides that if the city’s financial position improves, it will share any additional revenue with the pensioners.

Along with their problems with the state, city officials also point to three state legislators who have worked and are working to bring additional state resources to Prichard.

The late Sen. Michael Figures was elected to the State Senate in 1978 from Mobile and was reelected four times. He rose to become president pro tempore of the Senate in 1994. One of the Prichard Housing Authority’s developments is named Figures Way in his honor. He died suddenly in 1996. Figures’ wife, Vivian Davis Figures, has taken his place in the State Senate and carries on his legacy.

Former Prichard City Council member Napoleon Bracy was recently elected state representative. He is widely viewed as a beacon of hope for the city. In an interview on March 14, he told us that he ran for state representative because the state resources just were not there to assist cities like Prichard and that as a city council member, he got tired of asking other people for help. Being a state representative allows him to work at a higher level. For example, he has formed the Legislative Alliance of South Alabama to better represent this part of the state. The alliance’s top issues are coastal insurance, unemployment, the Prichard pension plan, and environmental issues. Bracy also supports a bill, introduced in the Senate by Vivian Davis Figures, to dissolve the Prichard water board in an attempt to lower the city’s water rates. The hope is that the Mobile Water Board will take it over.

The City and Its Region

Negative perceptions continue to prevent Prichard from getting a seat at the table for regional discussions around the future of Port of Mobile–related development and other economic development issues. Prichard is geographically well situated to compete for Tier 1 and Tier 2 port-related businesses, but it is not given an opportunity to compete.

“The image knocks us off before we are considered,” says Mayor Davis. “The stigma does not give us an opportunity.” Davis observes that turning around perception starts with leadership. “We need more good, strong people with integrity and morals” in leadership positions, he says.

Davis just wants a chance to make his case. His assessment is that the issues are more political than racial. Mobile has an African American mayor, and one of the three county commissioners is African American. But the mayor observes that the only time he hears about an economic development project is when it is on the news.
The perceptions are less about incompetence and more about a lack of results. The discussions around the development of a speedway in the northern part of Prichard may yet bear fruit, but to date, Prichard is still on the defensive in its dealings with other governments in the region. The issues are not of mismanagement, just the lack of revenue and the inability to collect revenue that should be collected. The city can’t afford to employ people to enforce rules and regulations, including enough police to enforce traffic laws on the major roads through Prichard.

Prichard’s state and local leaders have realistic goals for the future and recognize the difficulties of overcoming perceptions, especially in a Republican-dominated state that provides very little assistance to cities (particularly Democratic cities). With Napoleon Bracy in state government, the city leaders hope that this might turn around. Leaders widely agree that Prichard will never have the capacity to turn itself around unless the state and county governments agree to help. Prichard will have to relinquish local control because it does not have the leverage to attract development. The city actually has more retail than some of the other cities we studied, but it is not enough of a tax base to sustain more than minimal public services. Even with regional assistance, a more targeted strategy will be needed.

The kernels for such a strategy could lie with the Legislative Alliance for South Alabama. In addition, Prichard is designated by the state as a foreign trade zone and an enterprise zone. It has the ability to use Tax Increment Financing. And the city owns a lot of property, most of it commercial, although it does not have inventory of what it owns.

The Prichard comprehensive plan completed in 2006 recommended the redevelopment of downtown Prichard. But the city leadership seems to recognize that downtown Prichard is too close to downtown Mobile to establish its own identity and suggests that that a new downtown and new city hall could be developed in the newer Eight Mile section of the city, where most of the viable commercial businesses are located along a strip of highway.

The school district serving Prichard is countywide. The city has no control over the schools, other than through the election of school board members who may be sympathetic to the needs of Prichard students. The quality of the schools does not seem to be a big issue; there is a sense that the County’s public schools located in Prichard are on a par with the other county schools with a 50 percent graduation rate.

**Housing and Community Development**

Prichard is not a direct entitlement city for CDBG program funds. It receives about $300,000 a year through Mobile County. It was part of a consortium of cities advocating for an increased share of block grant funds, but in 2008 it pulled out of that consortium. It is now part of the consortium again. About half the low- to moderate-income block groups in the county are in Prichard, and there was a sense that the county was using Prichard’s poverty to get money but not allocating the city a fair share of the funds.
There is anecdotal evidence that Prichard was once a direct entitlement community. While this could not be confirmed, both Charles Pharr, executive director of the Prichard Housing Authority, and Council President Herman Towner recalled that Prichard was a direct entitlement city until 1979 and received about $800,000 a year in funding. They said its direct entitlement status was revoked following a string of events culminating in 1979, after Hurricane Frederic devastated the area. Following the hurricane, the city received funding from the Federal Emergency Management Agency to deal with the disaster, but it could not pay its local share. This led HUD to withhold funds from the city, according to Pharr and Towner. Funding was restored in the early 1980s when Prichard’s then-Mayor John Smith used his personal contacts with an assistant HUD secretary serving under Samuel R. Pierce Jr. However, the direct entitlement status, if it ever existed, was not restored, and funds went directly to the housing authority, which was seen as a more accountable entity than the city. The city could apply for block grant funds only through the housing authority.\(^9^0\)

In August 1989, *USA Today* reported on the possibility of indictments in a “HUD influence-peddling scandal unfolding this small city.”\(^9^1\) According the article, former Mayor Smith, a Republican, used his GOP contacts to release more than $20 million from HUD Secretary Pierce between 1980 and 1988. The article cites an FBI investigation into charges by then-Mayor Margie Wilson, a Democrat, that some HUD-funded contracts were inflated and the money was misspent.

Today, the city’s block grant money comes from the state, through Mobile County. The Prichard Housing Authority, however, receives some HUD funds (e.g., NSP2 funds) directly.

The housing authority is described in interviews as a “beacon of light” in the city under Pharr, its current director. The authority manages 190 rental units and 2,596 housing choice voucher units, with 56 of those set aside for project-based Section 8. It also has 120 Section 8 moderate rehab units. There are 1,400 people on the waiting list.

In addition, the housing authority has developed six or seven homeownership communities and has sold more than 300 units. The homes sell for $70,000 to $95,000. Proceeds from the sales go back to a nonprofit created under housing authority auspices. The housing authority subsidizes for-sale homes at rates of about $30,000 to $50,000. For the past nine years, there has not been a community development corporation or local nonprofit housing developer aside from the housing authority.

Pharr, who was raised in Prichard public housing, took over the authority in 1974. At the time, Prichard had some Section 236 projects and one 360-unit development called Bessemer Homes, a basic barracks-type of project. Bessemer Homes, which was notoriously bad, has since been torn down and replaced with a garden-style development.

Councilman Towner, who served on the housing authority board from 1988 to 2004, when he was tapped to fill the Council seat left vacant when Davis became mayor, describes Pharr as a visionary. For example, Pharr was able to get the housing authority’s 40–45 employees out of
the city’s retirement system and into the state retirement system. The housing authority’s $10.5 million budget is about equal to that of the city.

Under Pharr’s leadership, the housing authority has focused on increasing homeownership opportunities, partly in response to the HUD push toward homeownership. But it is still the largest landlord in the city and claims to have the best rental property in the city. Its portfolio is about 50 percent rental units and 50 percent for-sale units of affordable housing. A tour of Prichard reveals that the housing authority owns or has developed almost all the new housing in the city.

The authority relies heavily on Helm Enterprises, a consultant under contract to write its grant proposals. Helm has written more than 20 successful applications for the housing authority over the past nine years, resulting $45 million in awards from HUD.

In addition to attracting block grant dollars, the housing authority received $20 million in HOPE VI funds and $20 million in NSP2 to create a land bank, build 75 homeownership units for homeownership, and build 50 rental units. The NSP2 target area is two of the most blighted sections of the city: Snug Harbor around City Hall and Alabama Village. The NSP2 dollars will be used to create 30 new rental properties in Alabama Village and 20 new rental properties in other distressed census tracts. It will also be used to cover pre-development costs on for 25 single units in Snug Harbor. The housing authority also uses Low Income Housing Tax Credits to develop affordable housing.

The housing authority has become the de facto redevelopment authority and community development agency for the city. Its new housing attracts higher-income people from outside
Prichard. It uses a community planning and development approach to strengthen the community. For example, working with the city, it was able to revitalize a distressed shopping center. It has partnerships with the schools and social service providers.

Recently, the housing authority entered into a consortium to lobby the county for more block grant money. Prichard’s housing stock, aside from the newer units that have been developed by the housing authority, is old (46 percent built in 1950 or earlier) and in very poor condition. A high percentage is vacant and dilapidated. In 1999, an estimated 31 percent of households were severely rent burdened, paying 50 percent or more of their incomes for rent. Prichard also has a significantly higher percentage of housing units lacking facilities (including plumbing and kitchen facilities) than other communities. Prichard also deals with more than the average amount of “heir properties” with encumbered titles that make them difficult to sell or transfer.

One of the areas of the city with very high rates of vacant and abandoned property and high crime rates is Alabama Village, in the southeast. It was built up quickly during World War II to house workers in the shipbuilding industry. Alabama Village is a target area for NSP2 funds and a priority area for Mayor Davis, who acknowledges that revitalizing it is going to take a lot of work. In the past 10 years, about half the vacant and abandoned properties in Alabama Village have been demolished. Davis wants to revitalize the entire area.

Alabama Village homes

"This is an area that really needs more than the $20 million,” he said. “I would most certainly say that this should be a great start. And I think the finished project, if we continue to show how we are actually changing these communities and changing people’s lives, that it will be easy to get other funding to support this first $20 million."

About 50 percent of police calls in Prichard are to Alabama Village, according to Davis. He hopes the revitalization project will help reduce crime in the area.
Alabama Village homes

Alabama Village is very much in limbo. Property ownership is hard to track. Most owners are absentee landlords and are holding out on selling their properties because of rumors that they will be bought out by the city or a developer. Squatters occupy some of the most dilapidated properties with the owners’ consent. There is a sense that having someone live on the properties will deter vandals and fire bombers, both common in the area. Section 8 tenants are considered to be the Holy Grail in the neighborhood because the tenants are more likely to pay rent.

Septic tanks and drainage are problems all over the county but are a particular problem in Alabama Village. One drainage problem could consume the city’s entire annual operating budget of $10 million. An iconic picture of Prichard from the local newspaper shows a woman swimming in one of the intersections in Alabama Village following a hurricane.

While spending an afternoon at Light of the Village, a Christian ministry serving the youth of Alabama Village, the researchers were able to observe first hand the impact on young lives of the substandard housing, drugs, poverty, high unemployment, and rampant violence and crime that characterizes this small section of Prichard. John Eads, a former hospital administrator, and his wife, a former teacher, run the ministry. The ministry’s goal is to help residents fight addiction, educate their children, and live better lives. It counts its successes one young person at a time.

The Eadses rely solely on donations and volunteers. They keep two lists of names by the back door. One lists the young men and women they have served over the past 10 years who have been killed. The other lists those who are in jail. The message for the youth is that the ministry is a safe place that will keep them from both those outcomes. Once the students they serve turn 18, the Eadses work very hard to get them out of Alabama Village into apartments in Mobile, jobs, or the Los Angeles Homeboy Industries, a group that assists at-risk and formerly gang-involved youth to become positive and contributing members of society through job placement, training, and education.
Lessons Learned

Even if the city successfully reduces its pension obligations over the long term, its financial hurdles may be too high to overcome, despite recent progress.

Mayor Davis recognizes that the city needs to be reorganized and repositioned, and he is working very hard to make that happen over the next 10 years. He would like to see Prichard become an economic development pilot for testing new programs. The city has six economic development priorities:

- Remake its old downtown
- Move City Hall to the northwestern portion of the city to catalyze economic growth
- Create more employment opportunities for residents
- Reduce crime
- Invest in infrastructure, especially roads, sewers, and storm water sewers
- Reduce water rates

Crime continues to be a significant barrier to attracting economic development. The city would like to ask the U.S. Department of Justice for additional weed and seed funds so it can buy more equipment and hire more officers, with higher salaries. The perception is critical; safety needs to become a reality. Both the perception and the reality of safety in the city need improvement.

Infrastructure is equally critical and feeds perception. Street improvements help the city’s image. The city needs public service equipment, fire trucks, police cars, and public service vehicles.

Block grant and other HUD dollars have vastly improved a portion of the city’s housing stock. But city leaders would like to have some sort of requirement for larger cities to help smaller communities that are not entitlement cities. They would also like greater flexibility in regulations, accompanied by stronger performance measures. It was suggested that a national housing trust fund would benefit communities like Prichard and that the allocation formula for tax credits be revised to provide an incentive for nonprofit developers to leverage the tax credits.

Prichard will always have a unique identity among residents, but one council member has proposed to essentially dissolve the city. Her plan would work out an arrangement with other cities or the county to take over city services and infrastructure. Her proposal has limited support, but some regionalization of services, including dissolving the Prichard water board, is likely.
Notes

1 U.S. Census Bureau, 2010 Census.

2 Please see appendix B for the typology used for this study.

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4 Keating, The Suburban Racial Dilemma, 77.

5 Ibid., 82–83.

6 Ibid., 93.


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10 Kristin Hopkins, principal planner, Cuyahoga County Planning Commission, personal communication, March 10, 2011.

11 Draft report of the East Cleveland Jobs and Workforce Development Committee, June 2011.

12 Greg Bell, parks and recreation director, City of East Cleveland, personal communication, November 2, 2010; Kevin Valentine, Helen S. Brown Center Director, City of East Cleveland, personal communication, November 2, 2010; Roger Williams, director of research and development, Northern Ohio Recovery Association, personal communication, November 2, 2010.

13 Michael Smedley, executive assistant to Mayor Norton, City of East Cleveland, personal communication, July 15, 2010.

14 Shelby, personal communication, October 10, 2010.

15 City of East Cleveland Performance Audit, 2002.

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17 Smedley, personal communication, July 15, 2010.
18 Gary Norton, mayor, City of East Cleveland, personal communication, December 1, 2010.

19 Smedley, personal communication, July 15, 2010.

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21 East Cleveland 2006–10 consolidated plan, 23.

22 Steven Litt, “Supporters Break 'Ground' for the New Museum of Contemporary Art Cleveland at Uptown in University Circle,” The Plain Dealer, February 9, 2011.

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24 2010 Census data.


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27 Hampton, personal communication, January 4, 2011.


31 See http://www.munetrix.com/municipaldataliminary.php?MunID=98. The Southeast Michigan Council of Governments notes that the fiscal indicator score should be viewed as a coarse estimate. Although the Michigan fiscal indicator scoring system has come under much criticism, healthy communities tend to have low scores and distressed communities tend to have high scores.

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33 Hampton, personal communication, January 4, 2011.

34 Ron Boji, president, Boji Group, personal communication, February 15, 2011.

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37 SEMCOG interview.
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57 Sciocchetti, personal communication, February 16, 2011.

58 Gaffney, personal communication, February 17, 2011; Sciocchetti, personal communication, February 16, 2011; James Turner, assistant director, CEDA, personal communication, February 16, 2011.

59 Janet S. Riley Ford, MSW, LSW, Director, Chester Youth Collaborative personal interview, February 17, 2011 and e-mail communication, May 2, 2011.


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Appendix D. Comparative Financial Analysis

The case analyses of East Cleveland, Inkster, Chester, and Prichard demonstrate the challenges that many aging inner-ring suburbs face. Are there lessons to learn by looking at all four cities? Three of the four have histories of mismanagement. The government structure (the city manager format in particular) appears to have a positive effect on long-term fiscal health, though with such a small number of cities being compared it is hard to generalize this finding.

A frequent method for comparing organizations or governments is to use the common size ratio. This ratio can be useful to study the comparative sizes of similarly sized organizations’ financial structures. It does this by comparing the amount of cash on hand to the total assets of the entity. Figure D.1 compares the common size ratio for the four cities’ governmental funds.\(^1\) As the figure illustrates, the governments of the four cities have differing scopes of involvement in their communities. This scope could stem from a desire for a more limited government or from being vastly underfunded. The Great Recession has not only hit people across the country over the past three years, but has also been a great hardship for many local governments. The declines of the common size ratio of both Chester, Pennsylvania, and Inkster, Michigan, are very likely linked to the broader decline in the U.S. economy.

Figure D.1. Common Size Ratio for All Governmental Funds, Case Study Sites, 2005–09

\(^1\) Data for Prichard before 2007 have been excluded because the city changed how it accounted for its assets in 2007. The new accounting accurately records its assets, while the old system did not.
The common size ratio should be analyzed as part of a broader look at a government. This can be demonstrated by looking at the resources of Prichard, which has very little cash on hand, particularly compared with its total assets. Inkster has a much smaller collection of assets in its governmental funds than Prichard, but it has nearly twice as much cash on hand as Prichard. This means that Prichard will likely have more assets to maintain and pay for over time but very little cash to pay for them. Meanwhile, Inkster has a smaller array of assets to maintain but sufficient cash to cover those expenses.

Fund balance is good barometer of the available financial resources in a government. Chester and Inkster are in better shape financially than East Cleveland, Ohio, and Prichard, Alabama. This is clearly demonstrated in figure D.2 below. East Cleveland and Prichard are near or below a zero-dollar fund balance per resident, a clear sign these two cities are at or near financial insolvency. Prichard’s numbers are actually much worse than reported here; the city stopped paying its retirees pension benefits in 2009 and only recently restarted those payments, so it owes a lot of money not accurately reflected in the figure.

The financial situations for East Cleveland and Prichard are unsustainable. Both cities require significant, substantial overhauls of how they are operating. Prichard sought this in bankruptcy court, but that request has been denied.

Figure D.2. General Fund Balance per capita for Case Study Cities, 2005–09 (2011 dollars)

None of these cities are in good financial condition, even if some are in better shape than others. It is fair to say that East Cleveland and Prichard have the most systemic financial and
budgetary problems. Three of the four cities are in or have been in some form of fiscal emergency in the last decade; only Inkster has thus far avoided such a status.

Unfunded long-term liabilities, such as pensions and other post-employment benefits (OPEB), are hitting all four cities hard. Digging out of the holes these cities face will be their biggest long-term challenge to surviving as distinct political entities. Chester has an unfunded OPEB liability of $114 million and an unfunded pension liability of about $27 million. East Cleveland has an unfunded liability payable to the state pension system of about $1.4 million a year for the next 25 years. Inkster’s pension system is more than adequately funded, but the city has an unfunded OPEB liability of $27.8 million. And Prichard has an estimated $17 million unfunded pension liability, but this estimate was generated in 2003 and has not been updated, so it’s possible the number is much larger. There is no evidence Prichard has even estimated its unfunded OPEB to date.
Financial Condition of East Cleveland, Ohio

The financial condition of East Cleveland is poor. This assessment is based on declining assessed value of the city’s property, persistent negative fund balance, fund balance levels that are $3.6 million below recommended standards, an inability to access the debt market, evidence of cash flow problems, and persistent financial and budget management problems.

Assessed Value

The financial condition of East Cleveland can be considered poor, with no appearance of improvement on the horizon. A primary problem that East Cleveland is facing now, and will continue to face, is the stagnation and decline of the assessed value of the property within the city. From 2000 to 2009, the assessed value declined 14 percent, when adjusted for inflation. From 2005 to 2009, the assessed value declined 9.5 percent (fig.D.3). There are no indications that the market conditions will improve sufficiently to provide for growth in assessed value in the city.

Figure D.3. Total Assessed Value of East Cleveland, 2000–09 (2011 dollars)
Revenue Generation

East Cleveland’s primary sources of revenue are from local taxes, fees, fines, and licenses. The city’s reliance on intergovernmental transfers (from state or federal programs) has been increasing (fig. D.4). In 2009, nearly 65 percent of revenues were from local sources, and about 35 percent were from the state or federal government. In 2005, nearly 75 percent of the city’s revenues were locally generated. An increasing reliance on the state or federal government for revenues is very risky in this economic and political climate, which is making it harder for governments at all levels to meet their obligations. From 2005 to 2009, East Cleveland has seen a 7.6 percent decrease in locally generated revenues in its general fund. Meanwhile, it has seen a nearly 42 percent increase in its intergovernmental transfers.

Figure D.4. East Cleveland General Fund Revenues by Source, 2005–09 (2011 dollars)

Fund Balance

In governmental funds, such as the general fund, “fund balance is intended to serve as a measure of the financial resources available.” East Cleveland recorded only one year with a positive balance in its general fund from 2005 to 2009, though it has had a positive fund balance for all governmental funds for all these years (fig. D.5). Most discussions of fund balance focus on the general fund because it funds primary government functions. Best practices in governmental accounting and budgeting indicate that it is “essential that
governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.\textsuperscript{4}

Government Finance Officers Association (GFOA) recommends that fund balance equal “no less than two months of regular general fund operating revenues or regular general fund operating expenditures.”\textsuperscript{5} Based on the GFOA recommendations, it is clear that East Cleveland’s persistent fund balance shortfall leaves the city unprepared for any stresses on its budget.

Figure D.5. Actual versus Recommended East Cleveland General Fund Balance Level, 2005–09 (2011 dollars)

Debt

East Cleveland lacks a bond rating. This means the city is not accessing the commercial credit markets. If East Cleveland had huge surpluses of funds and was able to self-finance all its capital projects, this would not be problematic. But this is clearly not the case. The only source of debt that the city is able or willing to access is through the Ohio Public Works Commission (OPWC). OPWC provides zero interest loans to the city for public works projects (roads, bridges, etc.). The bar OPWC sets for proof of repayment is extraordinarily low: all it asks for is a statement from the government promising it will repay the funds. There are no requirements demanding evidence that the government will be able to make the payments; this absence points to deficiencies in how the state operates this particular loan function rather than any deficiency in East Cleveland.
From 2005 to 2009, East Cleveland’s debt ratio (total debt/total assets) has ranged from 0.14 to 0.26. This level is well below the recognized level of 0.5 where one might start to be concerned that the city had issued too much debt. Considering the city’s limited access to credit, its low debt ratio is not surprising.

Cash Flow and Liquidity

East Cleveland’s financial statements show evidence of cash flow and cash management problems. Revenues generated in one fund are used to pay obligations in other funds. These actions are in direct violation of Ohio Revised Code Section 5705.10, and they lead one to conclude that the government does not have sufficient cash on hand to pay its bills.

The current ratio (current assets/current liabilities) helps assess an entity’s ability to pay current obligations. As the current ratio gets larger, the likelihood increases that the organization is able to pay off these short-term obligations. A current ratio that falls below 1 indicates that the organization would have a difficult time paying off those obligations. While a ratio of 1 may be sufficient to pay off current obligations, the rule of thumb for the current ratio is twice that.\(^6\)

From 2005 to 2009, East Cleveland’s current ratio for all its governmental funds ranged from 1.72 to 3.08—indicating the city was well positioned at the end of 2009 to pay its short-term obligations. The quick ratio (sometimes called the acid test), a more conservative measure of liquidity—but similar to the current ratio—started at 0.32 in 2005 and rose each year since then to 3.20 in 2009. The rule of thumb for the quick ratio is lower than the current ratio, at 1.\(^7\)

While East Cleveland currently meets the generic notions of where these ratios should be, it has been paying off obligations from one fund with assets from another. This practice demonstrates that the city has problems managing their cash flow and their finances more broadly.

Financial and Budget Management

East Cleveland has serious, persistent, structural and managerial problems that prevent it from fiscal stability. This analysis has been seriously inhibited by the government’s inability to provide basic financial documents in a timely manner. These problems appear to be systemic and not occurring at random. It took several months to attain copies of the city’s annual financial reports. Ohio Revised Code section 149.43 requires that these documents be delivered upon request in a timely manner, but the city was unable to comply. The Ohio State Auditor’s Office ultimately produced the documents and sent them to city officials, who in turn delivered them to the authors of this report. Whether in fact, or just in appearance, the inability to produce a basic and essential financial statement indicates both managerial and financial gaps for East Cleveland.

Further, the city has not produced an audited annual financial report since 2005. This is far from standard practice for local governments. An audited annual financial report is typically
completed within nine months of the closing of the prior fiscal year. The city has provided unaudited reports from 2006 to 2009 for the completion of this report, but the validity of the numbers has not been verified by an auditor to date. As Marlowe (2010) notes, the “timely financial disclosure is a main concern of analysts on both the buy and sell-sides, which suggests financial information is relevant for analysis well beyond default risk assessments." Consequently, when we take the difficulty in attaining financial records in a timely manner and the city’s glacial speed at producing an audited financial report, it is extremely likely that these actions are hampering East Cleveland’s ability to recover and garner investment in the city.

Further evidence of management problems within the city can be seen in the management of the city’s budget. The unaudited annual financial reports for 2006 to 2009 each have an extensive list of departments where actual expenditures and encumbrances exceed the budgeted amount. While a few of these excesses is not uncommon, in East Cleveland they are widespread and systemic, with no evidence of any efforts to more competently control and manage the budget of the city.

In the last audited annual financial report produced by the city (2005), the state’s auditor found substantive deficiencies in East Cleveland’s financial statements. It is not possible to determine if these problems have been substantively addressed because the city has not produced an audited financial report since. This is very troubling. In 2005, city officials responded to the State Auditor’s statement they were not appropriately monitoring their budget by saying that they “are monitoring appropriations with expenditures plus encumbrances on a regular basis.” However, their fiscal year 2006–09 annual financial statements show evidence to the contrary. In each subsequent year, city officials state that:

> Although these budgetary violations were not corrected by fiscal year end, the above final citations are a result of management failing to submit its approved appropriation realignments to the County Auditor. In future periods, management will ensure that appropriations will be closely monitored to prevent future violations.

This statement indicates that the city is not making a concerted effort to manage its budget. Not overseeing the budget throughout the year is a serious problem, and it questions the value of even establishing a budget in the first place if officials have no intention of ever using it. East Cleveland does not appear to take the auditor’s statement very seriously because these budgetary violations (and the same statement) appear every year from 2006 to 2009.

**Other Issues**

East Cleveland has an unfunded Police and Fire Pension Fund obligation of $1,445,826 for the next 25 years, payable to the State Police/Fire Pension Fund. Fortunately, city employees participate in statewide pension systems, which provide a greater level of stability and security.
This participation has also required East Cleveland to be much more vigilant in contributing to the pension funds than similar cities in other states with independent pension systems.

The city OPEB obligations are vested within the state of Ohio's larger OPEB obligations, and not the city's alone. Consequently, here too East Cleveland is fortunate that it is not bearing the burden financially or politically for the unfunded OPEB liabilities.
Financial Condition of Inkster, Michigan

The financial condition of the Inkster is keeping steady with current revenues. While the city has dipped in assessed housing valuation as a result of drops in the overall Michigan housing market, the city’s Tax Increment Finance District has shown tremendous resilience and has received steady revenue.

The city may face short- to medium-term financial challenges because of its dependence on intergovernmental transfers; as those governments cut back, Inkster will likely suffer. Inkster has managed to build up its fund balance to recommended levels, which should help to sustain the city as it emerges from the Great Recession. It is the only city in this study with a credit rating (having recently improved its bond rating from BBB to A). This provides Inkster with greater credit market access, which bodes well for the city’s future.

Assessed Value

Inkster is fortunate to have an increase in the assessed value of the property within the city. From 2003 to 2009, the assessed value increased 15 percent, when adjusted for inflation. From 2005 to 2009, the assessed value increased 2.5 percent (fig. D.6). These persistent increases in assessed value have helped buoy the city. The drop in assessed value seen in 2008, according to city officials, did not stem from an actual decrease in the city’s assessed value, but from problems with the assessment process. This is why the assessed values quickly rose back to 2007 levels in 2009.
Revenue Generation

Inkster has had steady, consistent growth in both local and intergovernmental revenues (fig. D.7). From 2005 to 2009, Inkster’s local-source revenues grew nearly 36 percent, while intergovernmental revenues grew nearly 11 percent. Much of this increase in local-source revenues can be seen in the increase in the city’s millage rate (or property tax rate). From 2005 to 2010, the millage rate increased nearly 18 percent. Inkster relies on intergovernmental transfers for almost 30 percent of its general fund revenues. This reliance makes Inkster very susceptible to decisions made outside its jurisdiction, particularly by Michigan and the federal government. Inkster’s reliance on federal funds is very minimal, at only 0.2 percent of its total general fund budget and 0.7 percent of all intergovernmental revenues. Looking at all governmental funds, Inkster continues to be much more reliant on state-sourced funds (at 28 percent) than federal funds (2.9 percent). As Michigan’s economy continues to struggle, Inkster will likely need to seek out more local sources of revenue or face service cutbacks.

All Michigan cities, including Inkster, limited in their taxing authority by Proposal A. Proposal A prevents the city from increasing the assessed value of homes by more than the inflation rate or 5 percent, whichever is greater. However, like other state-imposed assessment caps, Proposal A does allow for the free fall of assessment as prices decline. This style of assessment cap will have long-term consequences for Inkster if assessments fall, though they have held strong through 2009.
Fund Balance

From 2005 to 2009, Inkster recorded increases over the previous year fund balance (fig. D.8).

GFOA recommends that fund balances equal “no less than two months of regular general fund operating revenues or regular general fund operating expenditures.” Based on the GFOA recommendations, Inkster has been persistently short of the recommended fund balance level. However, the city is making substantial progress toward establishing a sufficient fund balance.
Debt

Inkster’s credit rating is from Standard and Poor’s for its most recent debt issuance is A/Stable. From 2003 to 2006, Moody’s rated the city at Aa3. These ratings indicate that Inkster has a strong capacity to repay its debts. By being able to access the credit market with a rating that allows it to sell investment-grade bonds, the city is able to save a tremendous amount of money when it comes to financing its capital needs.

From 2005 to 2009, Inkster’s debt ratio (total debt/total assets) ranged from 0.33 in 2005 to 0.46 in 2007 and 0.39 in 2009. The current debt ratio level is well below the recognized level of 0.5, a level at which one might start to be concerned that that government had issued too much debt.

Cash Flow and Liquidity

The current ratio (current assets/current liabilities) helps assess an entity’s ability to pay current obligations. The current ratio is primarily used to provide outsiders an understanding of an organization’s ability to pay its short-term obligations with assets that are readily available (cash, receivables, and other liquid assets). As the current ratio gets larger, the greater the likelihood the organization is to be able to pay off these short-term obligations. A current ratio
that falls below one would indicate that the organization would have a difficult time paying off those obligations. While a ratio of 1 may be sufficient to pay off current obligations, the rule of thumb for the current ratio is twice that at 2 (Finker 2005).

From 2005 to 2009, Inkster’s current ratio for all its governmental funds ranged from 1.68 to 1.80. The city’s ratio is near, but falls short of the safe ratio level of 2. The quick ratio ranged from 1.18 in 2005 to 1.67 in 2007 and 1.21 in 2009. The rule of thumb for the quick ratio is lower than the current ratio, at 1.10. Inkster very clearly meets this test.

**Financial and Budget Management**

The very small number of actual expenditures exceeding the budgeted amount is evidence of very strong budget controls and budget management.

The city is taking a calculated risks with its deposits by not having the full balance insured. At the end of 2009, Inkster had more than $5 million that was not insured. Not having a sufficient and comprehensive cash management system and policy in place can lead to a problem like this. If the bank(s) were to default, then Inkster would be covered only at the FDIC-imposed limit. This puts the city at risk for a serious loss of funds, though the city notes that this deficiency will be addressed within the next fiscal year.

**Other Issues**

Like most other city governments, Inkster is only just beginning to transition from a pay-as-you-go system for its other post-employment benefit liabilities. The first actuarial assessment of OPEB liabilities was made in 2009. The current level of the unfunded OPEB liability is $27.8 million. To begin addressing this issue, the City is transitioning from a fairly generous benefit program to a more modest benefit program with retiree co-pays.

Inkster’s pension funds are in excellent condition. Both the General Employees’ Retirement System and the Police & Fire Retirement System are funded at or above 100 percent.

The city took a substantial gamble during the housing boom by issuing roughly $10 million in bonds to finance a housing development. While there are still some prospects for these developments in the future, the debt services payments have negatively affected the city’s ability to provide new or expand current operations.
The city of Chester has made many positive steps toward financial stability and sustainability over the past five years. In April 1995 Chester was designated an Act 47 community. Since adopting a recovery plan in 1996 and a revised plan in 2006, the city has made significant strides. Act 47 communities are able to levy a nonresident wage tax above the statutory limit of 1 percent, and Chester consequently raised that nonresident wage tax rate to 2 percent. At the same time, the city raised its resident rate from 2 to 3 percent, though it has since been lowered to 2.15 percent. Chester gradually reduced the nonresident wage tax, as well as the resident wage tax, to 1.15 percent in 2011. To exit its status as an Act 47 community, the city must reduce the nonresident wage tax back to 1 percent. City officials have estimated they will need an additional two years to achieve this goal.\(^{11}\) Chester has implemented a Keystone Opportunity Zone to stimulate investment in its waterfront area. Businesses in the KOZ “are virtually exempt from all state and local taxes through the year 2013.”\(^ {12}\) City officials estimate that this expiration will provide “a significant increase in revenues” starting in January 2014, which will coincide with the final reduction of the nonresident and resident wage tax. These factors should provide a soft landing for Chester and allow the city to exit Act 47 status. If it does, it will be the first city ever to do so.\(^ {13}\)

The City of Chester’s fortunes have been heavily tied to the placement of the Harrah’s Race Track and Casino within the city limits. Judging by the dramatic shift in revenues and cash flows in the years since the casino opened, it is fair to say that this single act has improved the city’s financial stability. Yet systemic and structural changes are still needed government-wide to ensure future prosperity. The biggest challenges the lay ahead for Chester are its unfunded liabilities, which topped $140 million at the end of 2009. Chester is not alone is facing this challenge, but a liability of this size could cripple the city in the long run.

Assessed Value

Chester has a low rate of tax collection from its property taxes. It collected only 82 percent in 2009; neighboring Philadelphia, with a population of over 1.4 million, collected 87 percent the same year. While the property tax collection rate is lower than it should be, it is a substantial improvement over the city’s 1999 rate of 65 percent. The inflation-adjusted assessed value of Chester declined 26 percent between 2000 and 2009; it dropped 11 percent between 2005 and 2009 (fig. D.9). The continued decline or flattening of the housing market will continue to put pressure on the assessed values. This may put a strain on Chester’s future ability to generate revenue. The total assessed value of the city, however, is expected to increase substantially when the KOZs expire at the end of 2013 and the Wharf at Rivertown and Harrah’s Chester are added to the books.
Figure D.9. Total Assessed Value of Chester, 2000–09 (2011 dollars)

Revenue Generation

If Chester relied solely upon property taxes for its financial stability, there would be much to worry about. However, because of the Harrah’s facility, the revenue flow to Chester appears fairly stable in the short to medium term. Figure D.10 details the mix of revenue sources that Chester relies upon. A little more than 5 percent of its total general fund revenues are from federal or state sources, while the remaining 95 percent are from local sources. Component units of the city (CEDA and the Redevelopment Authority), which are not included in the governmental funds detailed in this report, received more than $2 million in 2009 from the federal government. If local and intergovernmental revenues from component units were included, the intergovernmental share would increase to about 6.2 percent of Chester’s revenues.
Fund Balance

In governmental funds, such as the general fund, the balance “is intended to serve as a measure of the financial resources available.” Starting in 2008, Chester has been able to build up its fund balance. The city has made significant strides in turning a negative fund balance of more than $900,000, seen in 2005, to a positive fund balance of nearly $6.5 million in 2009. While some progress was being made before the opening of the Harrah’s facility, the giant leap forward Chester made in 2007 was the first year that revenues were generated from the racetrack and casino. The reasons underlying the improvement in their fund balance in the general fund aside, the improvement in Chester’s revenues are a very good sign for the city’s short- to medium-term financial stability.

GFOA recommends that the general fund balance equal “no less than two months of regular general fund operating revenues or regular general fund operating expenditures.” Chester has finally achieved a level of fund balance that meets GFOA’s minimum recommendation (fig. D.11). Expenditures are used because they are a more constant measure of the government’s activities.
Chester is also aided by the creation of a reserve fund, with a goal of funding it at 5 percent of general fund revenues. In 2007, the city transferred $250,000 to the fund; in 2008 it transferred $700,000, and in 2009 it transferred $803,250. With these three years of transfers, the city has nearly met its goal of $2.1 million and will continue to contribute to this funds with excess revenues at year’s end. The city contributed an additional $796,830 to the reserve fund at the end of 2010, resulting in Chester exceeding the 5 percent goal.

**Debt**

The debt load of Chester is one area of concern in the analysis. The city’s governmental funds debt ratio (total outstanding debt/total assets) is currently very high, at 0.78. It is not recommended that this ratio extend beyond 0.5, and Chester has very clearly exceeded that limit substantially. However, the city has made very substantial improvements in this measure by decreasing the ratio from a high of 0.98 in 2006, to 0.78 in 2009. If Chester continues on this downward trend, it should return to a more accepted level of debt compared with its assets.

Since entering into fiscal emergency in 1996, the city has not had a bond rating. As a consequence, all debt issuances since 1996 have been done privately without a bond rating, and “borrowing costs have been exceedingly high.”16 The city’s $9.5 million CEDA Guaranteed

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16 Data from and analysis by the Commonwealth of Pennsylvania, Department of Community and Economic Development.
Revenue Bonds Debt issued in 2004 were at a rate 2.75 points higher (6.75 percent for a nine-year term) than had it been able to issue public debt, where “A-rated municipalities in 2004 paid an average rate of only 4 percent.” This limited access to the credit market has prevented the establishment of “regular program of municipal capital improvements.” This has led to insufficiently funded capital improvement, which in turn is hampering the development or redevelopment of much of the city. Chester is making progress in lowering its borrowing costs, having refunded 2001 notes in 2010 at a rate of 1.96 percent, but its future prosperity will be hampered until it is fully able to access credit markets.

**Cash Flow and Liquidity**

Chester’s comprehensive annual financial reports (CAFRs) do not include comments from auditors that point to any systemic reporting or management problems related to cash management or liquidity. The current ratio (current assets/current liabilities) helps assess an entity’s ability to pay present obligations. The current ratio is primarily used to give outsiders an understanding of an organization’s ability to pay its short-term obligations with readily available assets (cash, receivables, and other liquid assets). As the current ratio gets larger, the likelihood increases that the organization is able to pay off these short-term obligations. A current ratio that falls below 1 indicates that the organization would have a difficult time paying off those obligations. While a ratio of 1 may be sufficient to pay off current obligations, the rule of thumb for the current ratio is twice that.

From 2005 to 2009, Chester’s current ratio for all its governmental funds ranged from 1.11 in 2005 to 3.58 in 2008 and 2.75 in 2009. This means that the city regularly had 1.11 to 3.5 times as many current assets as liabilities, which is a positive indicator that Chester is able to pay its current obligations. However, a declining ratio is evidence of a weaker short-term operating position. The quick ratio (sometimes called the acid test), a more conservative measure of liquidity—but similar to the current ratio—has ranged from 0.69 in 2005 to 0.98 in 2006 and down to 0.78 in 2009. The rule of thumb for the quick ratio is 1, lower than the current ratio. This more conservative measure of liquidity would suggest that Chester is not sufficiently liquid to pay its current obligations. Here again, a declining ratio indicates a weaker short-term position. The city notes that it has no problems with liquidity, and in fact did not need to issue tax and revenue anticipation notes in the last year to cover short-term operating expenses.

The 2006 financial recovery plan details the cash flow problems Chester has periodically experienced over the past two decades. Its recovery coordinator notes that “Even if Chester realizes new revenue sources from gaming as expected, the City must correct its growing structural budget problems or it will need to continue to fund current operations through long-term financings at the expense of capital improvements, tax rate reductions to pre-distressed municipality levels, and other service enhancements.” The most recently released CAFR (2009) indicates that Chester is no longer financing its annual operations with long-term debt, though its history of doing so is only five years in the past.
Financial and Budget Management

There do not appear to be any systemic budgetary management problems in Chester. While the city reports a number of departments with actual expenses in excess of the budgeted amount, these are the exception to the rule. This strict budget management may partly stem from the strict guidelines that accompany Act 47 status. Chester’s 1996 recovery plan required the “introduction of strong central administration of the City, professional management of day-to-day operations, strict and consistent budgetary purchasing and other basic financial management controls and drastic reductions of operating expenditures.”

These external controls, which were tightened under the revised recovery plan in 2006, by all indications have ushered in an era of greater accountability and stability in Chester. The city notes that Act 47 does not appoint a receiver with decisionmaking or veto power of the policy decisions made by the governing body. The controls that brought about financial accountability were internally, not externally, driven.

The city notes that it has used significant amounts of CDBG money and other sources of funding outside the general fund to make significant capital improvements throughout the city. Chester has recently established a capital fund and a capital improvement plan. The city reports that it contributed to the capital improvement fund in 2008 with a transfer of $350,000 from the general fund, followed by a transfer of $780,000 in 2009 and a transfer of $400,000 in 2010. This step is an indication that Chester is moving even closer to sound financial and budgetary management.

Other Issues

The largest issue that Chester has to face in coming years is devising a way to begin to fund its other post-employment benefits. As of the end of 2009, the city had an unfunded liability of more than $114 million. It had yet to begin funding any of its OPEB liabilities. Many governments countrywide are just beginning to face unfunded OPEB liabilities as a result of Governmental Accounting Standards Board 45 (GASB), issued in 2004 and accepted by the City of Chester in 2008. The GASB 45 challenge is not unique to Chester, but the size of the city’s unfunded liability is very substantial and could hamper future growth and success.

Additionally, two of Chester three pension funds are substantially underfunded. While a portion of the problem stems from the economic downturn and the dramatic drop in the stock market, the pensions were funded at only 62.4 percent in 2007 before the Great Recession. The Police Pension Fund was funded at 55.2 percent at the end of 2009. The Officers and Employees Retirement System (OERS [?]), a much smaller pension fund, is also in very bad shape; it is funded at only 18.7 percent. While this rate is much worse than the Police Pension Fund, the actual dollar amount that has been left unfunded is far smaller. The Police Pension Fund is short by almost $21 million, and the OERS is short by about $7.4 million. To put these two unfunded liabilities in perspective, a pension fund is typically considered healthy when its funding levels
are at or above 80 percent. Only one of Chester’s three funds meets this criterion, the Paid Fireman’s Pension Fund, which is funded at 130 percent.
Financial Condition of Prichard, Alabama

Prichard’s financial condition is very volatile. The city would be in Chapter 9 bankruptcy if a judge had not ruled it was not eligible. Based on this assessment, it seems unlikely that Prichard will depart from a near-bankruptcy status in the near to medium term. The city is plagued by poor financial management, government in-fighting, and a gross mismanagement of its pension fund. The fact that the government has to state that “Currently, there are no plans to terminate the government” in its financial statements would lead one to believe that the city is seriously considering taking such an action.

Assessed Value

Prichard has not reported on the assessed value of its property. As a result, it is not possible to determine the growth or decline in the value of the property and subsequent expected tax revenues in Prichard.

Revenue Generation

Prichard’s general fund had close to a 6 percent growth in local-source revenues between 2005 and 2009. This level of growth is mirrored when looking at all of Prichard’s governmental funds. From 2005 to 2009, Prichard had a slow decline of all intergovernmental sources of revenue in its general fund (fig. D.12). In 2006, Prichard had nearly $300,000 in intergovernmental revenues, but by 2009 it received $0. There has also been a precipitous drop in intergovernmental revenues for all of Prichard’s governmental funds, which have seen close to a 25 percent decline. In 2005, Prichard received $1.3 million in intergovernmental revenues. By 2007, that number had dropped to a little more than $200,000, but it had rebounded to nearly $1 million by 2009.
Fund Balance

From 2005 to 2009, Prichard generally recorded a flat or declining fund balance (fig. D.13).

GFOA recommends that fund balance equals “no less than two months of regular general fund operating revenues or regular general fund operating expenditures.” Based on the GFOA recommendations, Prichard has clearly been persistently short of the recommended fund balance level. As of the end of the fiscal year 2009, Prichard was about $1.6 million short of meeting this recommended fund balance level.
Figure D.13. Actual versus Recommended Prichard General Fund Balance Level, 2005–09 (2011 dollars)

Debt

Prichard has been issued credit but not a credit rating. It is not surprising for a city on the brink of bankruptcy to not have a credit rating. Prichard would certainly been given a non-investment grade rating if it were to seek such a rating. The city’s inability to access the commercial credit market increases the cost of borrowing. This, of course, puts an even greater burden on a city in a dire financial situation.

From 2005 to 2009, Prichard’s debt ratio (total debt/total assets) ranged from 6.43 to 0.16. This massive decline is not the result of any great change in the amount of debt Prichard has issued; rather, it reflects a change in how Prichard accounts for its assets. As of 2009, Prichard’s debt ratio level is well below the recognized level of 0.5, a level at which one might start to be concerned that that government had issued too much debt.

Cash Flow and Liquidity

Ignoring the unfunded liabilities associated with Prichard’s pension program, the city’s cash flow and liquidity seem sufficient. From 2005 to 2009, Prichard’s current ratio for all its governmental funds ranged from 1.98 to 2.53. Across this period, the city is above the generic
rule of thumb (2) for the current ratio. The quick ratio has ranged from 1.69 in 2005 to 2.79 in 2006, and 2.53 by 2009. The rule of thumb for the quick ratio (1) is lower than the current ratio. What both these ratios tell us is that Prichard has sufficient liquid assets on hand to pay its near-term obligations. Again, these ratios are greatly skewed by the fact they Prichard is essentially ignoring its pension obligations, and has for some time.

**Financial and Budget Management**

Prichard has very significant financial and budgetary management problems. The city has been under extreme fiscal stress for decades. City leaders have been threatening that they needed to file for bankruptcy since the 1960s. This cumulative stress culminated in the city placing itself in bankruptcy in 1999. By 2002, Prichard had “prevailed over its mounting debt and closed its bankruptcy case.” The departure from bankruptcy status was short-lived. Less than seven years later, in September 2009, Prichard stopped paying out pension benefits to its 150 or so retirees. The city pension fund was down to less than $100,000 in value and needed approximately $150,000 each month to pay all its pensioners. During the period in which pension payments were stopped, the City continued to withhold 5½ percent from employee pay and a match from the city of 10½ percent. Payments to retirees restarted in May 2011.

The pension problems led to Prichard trying to file for bankruptcy again in 2009. But, in early 2010 a judge ruled that this time around they did not “not qualify for Chapter 9 under Alabama law;” the city is appealing this decision. The situation is complicated even further by a budget impasse that has left the city without an approved budget for more than six months of its current fiscal year. Council members and the mayor have been clashing over pension benefits and other debts.

Prichard’s pensioners have been given a small reprieve from the conflict surrounding their pension payments. In spring 2011, the city and its retirees reached an agreement. The agreement called for the use of two-thirds of the funds in the bank for a lump-sum back payment. The city also agreed to begin monthly payments of about a third of the amount due. The monthly amount is capped at $50,000. Both payments were completed as of mid-June 2011. As the financial condition of the city improves, so will the levels of payment to retirees. Eventually they “could potentially receive up to 125 percent of their monthly paychecks ... if the money becomes available.”

It should come as no surprise that Prichard also has a huge unfunded liability for future retirees. The 2009 year-end financial statement states that the unfunded pension liability is $16.9 million. However, their external auditor noted, “management has not presented the pension fiduciary fund nor was an actuary study performed for the pension fund for the fiscal year ended September 20, 2009 accordingly, the unfunded pension fund obligation of the general fund could not be substantiated. The effect on assets, liabilities, revenues, expenditures, and fund balances of the governmental activities is not reasonably determinable.” Prichard has made some effort to be more in-line with generally accepted accounting practices in recent
years by generating a more accurate record of its assets. Despite this step in the right direction, Prichard’s history of intra-government conflict and financial mismanagement indicate that fiscal sustainability and sound financial management remain very challenging endeavors.

**Other Issues**

The city continues to maintain a golf course, despite the fact that the course costs nearly twice as much to run as it generates in revenue. The golf course, which is accounted for in a separate enterprise fund, has a negative fund balance of nearly $300,000. This indicates that the losses from the golf course are not a one-year problem, but rather a long-term issue the city has yet to deal with. Shuttering, leasing, or privatizing this facility would be a way to stem the current losses and prevent future losses.

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**Notes**

1 The general fund is the record of general government operations. All governmental funds include the records of all activities that are typically government activities, including the general fund. Most governments will separate their business-like activities (such as water and sewer, transit systems, golf courses and convention centers) outside the general fund and governmental funds.


3 Ibid.

4 Ibid.

5 Ibid.


7 Ibid.


9 GFOA, “Best Practice.”

10 Finkler, *Financial Management for Public, Health and Not-for-profit Institutions.*

11 Thomas Moore, Chief of Staff, City of Chester, Personal Communication, April 25, 2011.


14 GFOA, “Best Practice”.

15 Ibid.

16 Fairmount Capital Advisors, “City of Chester Five-Year Financial Plan,” 44.

17 Ibid.

18 Finkler, Financial Management for Public, Health and Not-for-profit Institutions.

19 Ibid.

20 Fairmount Capital Advisors, “City of Chester Five-Year Financial Plan,” 35

21 GFOA, “Best Practice”.

22 Finkler, Financial Management for Public, Health and Not-for-profit Institutions.


27 Kramer, “Prichard pensioners demand action.”


29 Ibid.
