



Reinventing Older Communities, 3rd Biennial Conference
Federal Reserve Bank of Philadelphia, Community Affairs Department
Steve Dubb, Democracy Collaborative, University of Maryland, April 2008
www.community-wealth.org

Conference Addresses Challenges, Opportunities in America's Older Cities

More than 500 people attended the Federal Reserve Bank of Philadelphia's 3rd biennial conference on "Reinventing Older Communities" (March 26th through March 28th, Philadelphia, Pennsylvania). Centered on the question, "How Does Place Matter," the three-day event brought together practitioners, researchers, funders, planners, and government officials to discuss issues ranging from the immediate crisis brought about by the national mortgage market collapse to longer-term issues regarding redevelopment including community health, crime, schooling, new industry, workforce development, and community development finance.

At the conference, plenary session speakers focused on two themes: one positive, one negative. The positive theme was a tale of increasing success at economic revitalization at the local level. The negative: a loss of direction and sense of a crisis at the national level fueled, not surprisingly, by the growing impact of the subprime mortgage meltdown, which is threatening to reverse many of the gains that have been made in revitalizing older communities in recent years.

Michael Nutter, newly elected Mayor of Philadelphia, gave the opening address. Nutter emphasized six priorities of his administration: 1) public safety, 2) public education, 3) jobs and economic development, 4) ethics reform, 5) building a livable community, and 6) customer service. Nutter noted that Philadelphia had started to turn around in the past few years. School test scores, for instance, have risen for the preceding five years. "We are challenging ourselves to increase population by 75,000 in the next 5-10 years. We want to reverse the decline. Philadelphia will be one of the top cities in America."

Bruce Katz, Vice President and Director of the Metropolitan Policy Program of The Brookings Institution, by contrast, emphasized the challenges conference participants faced. "We're facing the wreckage of the American economy," Katz warned. Katz called for a paradigm shift from thinking of cities in isolation to a focus of metropolitan regions. "We need to change our thinking," Katz said. "We are a metro nation and it is high time that we start acting like one."

In particular, Katz called for breaking the pattern of "sprawl as usual." Katz noted that, "We expect another 120 million people to be living in the United States by 2050. At present rates of sprawl, this would require 213 billion square feet of new construction by 2030 – that's two-thirds of the existing built space."

Katz further called for a change in policy in four areas — innovation, human capital, quality places, and infrastructure— with the federal government providing overall leadership and

direction, while metropolitan regions having broad authority to experiment within those parameters. “We need a new compact,” Katz said. “We know we’re in a fast moving super-competitive, intensely volatile economy. There is a need for national action, a need for scale.”

A third plenary speaker on the first day, Victor Castellini, who was the first directly elected Mayor of Torino, Italy, which he led from 1993 to 2001, provided an interesting international perspective. Torino (or Turin), home to Fiat, provides an Italian equivalent to the American “Rust Belt” City. From the mid-1970s to mid-1990s, the city lost 80,000 auto jobs in a city of less than one million. The loss of factory employment affected 25 percent of households directly.

According to Castellini, a number of steps were involved in Torino’s recovery from the decline of Fiat. One, the luck of winning the bid to host the 2006 Winter Olympic Games, may be non-replicable, but others, such as a strategic planning process that allowed the city to shift investment to support “plural” development instead of a “company town” model, an “integrated” approach to regeneration projects that includes “upgrading, security, inclusion, and community involvement,” and a focus on transit and mixed-use development to spur greater accessibility to the central city and support neighborhood growth (in particular by moving rail lines that had split the city underground) also helped support the “regeneration” of Torino.”

The fourth plenary speaker, Amy Gutmann, President of the University of Pennsylvania, although focused on the role played by universities in community development, touched on similar theme. “We are an anchor institution that employs 24,000 and generates \$7 billion a year... Our new initiative is called Penn Connects,” which, in addition to allowing Penn to increase the size of its campus without displacing residents, aims to convert land used for surface parking into a “mixed-use neighborhood that forges a seamless connection between our city and the campus.”

As in Torino, transportation infrastructure in Philadelphia has split the city. Citing urbanist writer and activist Jane Jacobs, Gutmann noted that Philadelphia faced the “curse of the border vacuums.” “Railroad tracks, surface parking lots, expressways ... we have lots of border vacuums.” The new vision, Gutmann continued, will make, “Surface parking lots go the way of drive-in theaters. We will build parking underneath the street... Parking lots will become playing fields and parks.”

Gutmann also noted that the redevelopment plan will create jobs and entrepreneurial opportunities for local residents. “We have goals in our inclusion program for including women, minority, and local residents in our projects. Up to a quarter of construction projects are minority-owned contractors.”

The following day a panel of foundation and community development leaders, moderated by Jeremy Nowak, CEO of The Reinvestment Fund, a Philadelphia-based community development financial institution, addressed the role to be played by philanthropy in community revitalization. David Abbott of the Gund Foundation talked about his foundation’s focus “on market recovery in six neighborhoods that have certain assets and opportunities.” Feather O. Houston of the William Penn Foundation emphasized the tension in selecting neighborhoods that are not “one of the neediest, but not one of the best.” It’s a “hard decision,” Houston said, for a foundation to

focus on a less needy neighborhood, but for many kinds of neighborhood revitalization, such selectivity is often essential. “You have to have some anchor institution or the opportunity for private sector investment for the single philanthropic investment to make a difference,” Houston said. Richard Bonn, CEO, McCormack, Brown, and Salazar, Inc., based in St. Louis, argued that, for neighborhood revitalization, “The two key things are neighborhoods and education. These two things have to be integrated and combined.” Moderator Jeremy Nowak emphasized the catalytic role that foundation grants can play. “Philanthropy is a form of subsidy. It doesn’t require a return,” Nowak noted, “So one question in economic development is: What are the costs an entrepreneur cannot engage in a market-based way? It may be early entry risk. The work of philanthropy is to make it a smart subsidy. You want to make sure it does not substitute for where market-based money can be used. You want to catalyze infrastructure that no particular firm can put on its balance sheet.”

The last day of the conference closed with a presentation by Sandra Braunstein, Director of Consumer and Community Affairs for the Federal Reserve Board of Governors, and a panel of big city mayors. Braunstein, in her remarks, addressed the response of the Federal Reserve to the subprime mortgage crisis. Braunstein noted that of the 3.6 million subprime adjustable-rate mortgages, 1 in 5 were seriously delinquent (more than 90 days late) or in some stage of foreclosure. This represents a delinquency rate that is four times higher than in mid-2005. Moreover, the crisis is likely to get worse before it gets better. “Foreclosures are taking place and will continue to take place,” Braunstein noted.

Braunstein explained that the Fed’s general response in the immediate term was to try to assist homeowners who are facing foreclosure by pressing lenders to agree to write-downs, holding consultative events, and making data available to counseling groups. In the near-term, the Fed sought to develop strategies to acquire and utilize vacant properties, working with NeighborWorks and others to convert those properties that do succumb to foreclosure “to good quality rental housing or sell to first-time homebuyers or sell into a community land trust or land bank to preserve them long term for affordable housing, so when prices rebound more families can preserve their homes.” For the longer-term, the Fed proposed in December 2007 a set of new policies that seek to strengthen the regulations governing the Home Ownership and Equity Protection Act (HOEPA) both in the subprime market and the overall mortgage market.

The conference closed with a panel of three mayors and one mayor’s representative: Dannel P. Malloy of Stamford, Connecticut; Jay Williams of Youngstown, Ohio; Chris Warren, Chief of Regional Development (representing Mayor Frank Jackson) of Cleveland, Ohio; and Michael Nutter of the host city of Philadelphia.

Michael Nutter, in his remarks, emphasized the city’s role in reintegrating ex-offenders into the city’s economy.” Philadelphia is dealing with crime through multiple measures: law enforcement, social services, and re-entry programs.” Nutter noted. Nutter pointed out that while the city is offering a \$10,000 tax credit to businesses for hiring an ex-offender, that the failure to reintegrate ex-offenders would cost far more. “It costs \$31,000 a year to keep someone in prison,” Nutter noted “Most people who go to prison come back. They have the same lack of job skills, education, lack of hope, and less opportunity than they had before.”

Dannel Malloy, who has been Mayor of Stamford for the past 13 years, addressed his city's efforts in the area of smart growth. In particular, Malloy emphasized the importance of both density bonuses and reduced parking requirements to encourage transit-oriented development and reduce sprawl. Jay Williams of Youngstown spoke of the importance of recognizing that the steel mills were not coming back and instead plan to accommodate its smaller size and realize that it was "smaller, not inferior." Chris Warren emphasized the impact of foreclosures on Cleveland. Between 2005 and 2007, Warren said, Cleveland has had 17,000 foreclosures, almost all of 1-2 family homes. The city, Warren added, was now spending \$12 million a year on demolition alone. He added that "In January, the city of Cleveland filed a lawsuit against 21 institutions buying subprime loans. We're using the public nuisance statute in Ohio. We are seeking damages to rebuild our town."

For more information on the conference, including interviews of some of the speakers and audio highlights, see: <http://www.philadelphiafed.org/cca/conf/reinventing-2008>.