

Opening Remarks

Presented by Anthony M. Santomero, President
Federal Reserve Bank of Philadelphia

Community Affairs Conference: "Reinventing America's Older Communities"
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It is heartening to look out at all of you and know that so many people are committed to "Reinventing America's Older Communities." I thank you for coming. It is a pleasure to have you here.

For those of you who are not familiar with the Federal Reserve, our sponsorship of this conference may seem puzzling. Many of you may be wondering why this topic is of interest to us. Let me explain that the activities and interests of the Federal Reserve go far beyond the monetary policy decisions made by the Federal Open Market Committee, which affect the nation's credit conditions and interest rates. Our goal of fostering economic growth includes every part of the American economy. So, for some time we have been supporting efforts to enhance the economic growth of the various parts of our diverse regions.

For over 20 years, we have recognized that low- and moderate-income communities, often located in central cities, are important to that economic growth. For this group, topics such as credit availability, job creation techniques, and economic development strategies, or simply knowing how other cities solve similar problems, are all relevant and important. To bring these ideas to the forefront we support activities and events such as this one.

It is fitting that this conference is taking place in Philadelphia. Not only is Philadelphia the birthplace of our nation, but its founder, William Penn, intended to create Philadelphia as the New World's perfect city. Penn laid out the city along broad avenues and city blocks arranged in a grid. Streets parallel to the Delaware River were numbered, while streets running east and west were named after trees and plants. Penn intended to treat Native Americans and fellow settlers equally, so he planned no city walls or neighborhood borders.

For those of you from out of town, I hope you will have the opportunity during your visit to experience some of our city's rich history as well as the Fed's own new [Money in Motion](#) exhibit, which emphasizes, among other things, the place of Philadelphia in American financial history.

While we are very proud of our great historic sites, there is also much that is new and innovative here in Philadelphia. We are a cultural haven for art and music --- just visit the magnificent new Kimmel Center, home of the Philadelphia Orchestra. Our vibrant downtown is nationally known. We are also a corporate hub for eight Fortune 500 companies, and home to numerous colleges and universities.

But let's be realistic, Philadelphia is also, like most large cities, noisy and crowded, with its share of poverty, rundown neighborhoods, and abandoned land. These represent some of the challenges our city faces.

This conference includes tours of Philadelphia's downtown, as well as the Camden, New Jersey waterfront. My hope is that you will see the good and the bad of the "City of Brotherly Love." Here, as elsewhere, both exist side-by-side, neighborhood-by-neighborhood.

To over-simplify for the sake of comparison, where to live has become a trade-off in America. People can choose to reap the advantages of life in an urban mecca, with its close proximity to jobs, friends, culture, and sports. But city living also has its share of problems. Or people can move to the suburbs to live with more green spaces, less noise, less traffic, and definitely less diversity. And here I am referring to all kinds of diversity. Certainly both choices -- urban and suburban -- have both their advocates and advantages, as well as their drawbacks and issues.

But in many parts of this country, the suburbs have been winning. As a result, everyone is now talking about the need to control urban sprawl, and with good reason. In the United States, we are developing land at a rate vastly disproportionate to our population growth. For every 1 percent increase in population, we see an almost 30 percent increase in land development. This statistic speaks volumes. We are not growing so much as we are just spreading out. This has created a ripple effect as people move from cities to older suburbs to rural communities. The inner ring suburbs -- as well as the cities -- face a myriad of challenges.

Consider Philadelphia. In the early 1990s, the city was near bankruptcy. Taxes had been raised an astounding 19 times in 11 years. In the same decade, the city lost 4 percent of its population. Tax and regulatory policies are often catalysts that force people away from urban centers. Philadelphia's were onerous on both counts. Research published by our own Federal Reserve Bank estimates that Philadelphia has lost more than 200,000 jobs to its wage tax in the past three decades. Yet, despite its problems, this city is valiantly trying to chart a new course.

It is worth noting, however, that Philadelphia is not the only struggling community. Almost every central city in this Federal Reserve District, from Trenton, New Jersey, to Dover, Delaware, to Harrisburg, Pennsylvania, lost population in the past decade. Each city's remaining tax base grew smaller as its population base grew poorer, older, and less educated than the population in its suburbs.

The challenge of today's conference is not to dwell on the negatives but, instead, to talk about the positives --reinvesting in and reinventing our urban and older communities, making them again competitive and desirable places to live and work.

Revitalizing urban centers is not just a perk for city dwellers. It benefits the entire regional economy. Our co-sponsor, the Brookings Institution, has cited studies demonstrating that successful revitalization can build wealth for the entire metro area --- city and suburbs alike. Previous research by our Reserve Bank's staff supports that view. This is a case where collaboration can have powerful results.

Incentives can be offered for companies to reclaim old industrial real estate, create local jobs, and add value to existing neighborhoods. State and federal programs can leverage private-sector funds to help finance the reclamation of industrial property for new development, such as needed residential housing. The financial community here, and across the country, is poised to help - not just because of their Community Reinvestment Act obligations. Banks, too, have a vested interest in strong, stable communities, for banks can only thrive when communities and customers they serve are healthy. Sowing the seeds of urban revitalization can reap real rewards.

In some sense, initiatives to revitalize and reinvent older communities can be described as "back to the future." The success of such efforts can foster a remarkable rebirth in older cities and communities across the nation. At this conference you will hear from representatives of cities where work has already begun and where it has reaped substantial returns. The 2000 Census indicates that cities all across America have been incubators of new businesses and catalysts of upward mobility for immigrants.

That said, our goal should not be to return existing communities to a bygone time when America was younger and its residents less mobile. Our nation is indeed evolving to a more suburban landscape as innovations in transportation and communications make both longer commutes and virtual commuting increasingly common. That is why our goal today must be to determine the best ways to provide incentives and develop resources so that all areas of our regions can thrive.

Reinventing central cities and neighborhoods in metropolitan regions and improving the quality of life can help draw residents, businesses, and investors back to those areas. Like Boston, Denver, Seattle, and Chicago, where old industrial sections are being redeveloped into residential areas, communities must entice the migration of empty nesters and young singles back into our cities and older suburbs.

In today's dynamic and ever-changing economy, education and skills are of the utmost importance. Our future depends upon our knowledge base. Educational institutions need to do their part to attract potential talent to their regions. But if we are to be successful, businesses too must participate in the process. Communities must step up efforts to recruit and train local talent from the college and university students in their regions. Home-grown talent can help support our area's older communities and help our region's economy grow.

Philadelphia and many other cities have the advantage of universities that attract students from near and far. In fact, many universities draw a substantial number of students from elsewhere in the nation and around the world. These newly educated and skilled workers offer a local pool of talent and know-how.

Culture and amenities, and most important, job opportunities, are vital to retaining these young people after graduation and encouraging them to work and live in the area. But, unfortunately, many graduates leave the university area for positions elsewhere. It would do well for Philadelphia and other communities to understand what this population of new knowledge workers desires in a working and living environment, and how to give it to them.

We must also respond to the needs of knowledge industry companies, to attract and keep them in the area. This is an important point, since they attract and keep the best and the brightest in a region. This educated labor force can help drive growth and development.

Cities must also adapt to the needs of these new industries by investing in their knowledge infrastructure --- education, training, technology. If we don't, companies will not have the skilled workers and cutting-edge tools necessary to create higher-paying jobs and strengthen a region's economy.

To achieve all this, strategic collaborations among community and business leaders are necessary. That is one of the reasons this conference can be so valuable.

We must work to find common ground within and among individual communities, disparate governmental units, businesses, and urban reinvestment advocates. By striving toward a shared goal, we can integrate and unify the visions

you will hear presented during this conference. All of us must take responsibility for cultivating a climate of growth in our regions. To be successful, this endeavor requires partnership and cooperation, not only among municipalities, developers, and residents, but also among the people in this very room.

These next two-and-a-half days will provide much valuable information on reinventing America's older communities. I thank you for your participation and contribution.