

MAKING SMARTER STATE INVESTMENTS: A Metro Analysis of the Geographic Distribution of Business Subsidies Lehigh Valley, Pennsylvania



This Metro Analysis is being released in conjunction with a statewide report by Keystone Research Center (KRC), examining the extent to which state economic development funds are directed towards older urbanized areas and to outlying areas. Our hope is that this new localized information will offer new insights to the role of business subsidies locally and suggest opportunities for change in how they promote economic development. The report looks at three state-funded programs administered by the Department of Community and Economic Development: the Infrastructure Development Program (IDP), the Opportunity Grant Program (OGP), and the Pennsylvania Industrial Development Authority (PIDA) program. Covering grants and loans made between May 2003 and November 2008, the report defines cities, boroughs, and first-class townships as older urbanized areas and defines second-class townships as outlying areas. Nine metropolitan areas are ranked based on their distribution of funds between older urbanized and outlying areas. Those that distribute a greater share of funds to older urbanized areas receive a higher ranking in this analysis. The report and an interactive map, which identifies the location of each subsidy project, may be found at keystoneresearchmap.org.

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Lehigh Valley region (excluding Carbon County) at a glanceⁱ

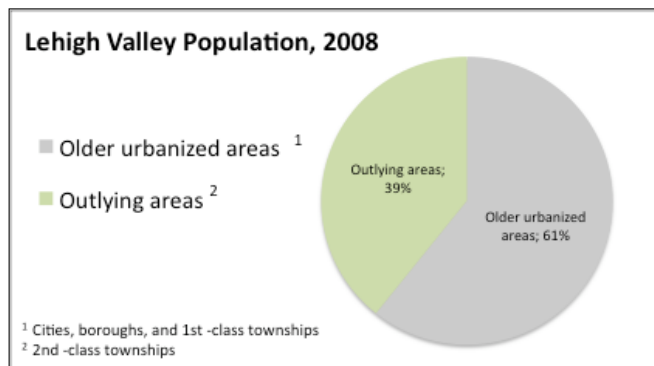
Location	Population 2008 ⁱⁱ	Population Change 2000–08
Older urbanized areas	385,461	-13.9%
Outlying areas	249,315	22.9%
Lehigh Valley Metro	634,776	-2.4%

Location	Poverty 2007
Cities of Allentown and Bethlehem*	19.1% ⁱⁱⁱ
Rest of Lehigh Valley Metro	5.3% ^{iv}

*Note. Poverty data exist for these two cities but not for all older urbanized areas.

Older areas in the Lehigh Valley are declining rapidly. Since 2000, the Lehigh Valley—defined as Lehigh and Northampton counties and referred to here as the Lehigh Valley—has undergone a dramatic population shift. Since 2000, the older urbanized areas have lost 63,000 people, a 13.9% decrease, while outlying areas of the region have gained 47,000 people, a significant growth of 22.9%. Poverty is over three and a half times higher in the cities of Allentown and Bethlehem than in the rest of the metro region.

More than half of residents of the Lehigh Valley live in older urbanized areas



Well over half of the population of the Lehigh Valley still lives in older urbanized areas. These older urbanized areas include cities, boroughs, and 1st-class townships in the metro region. If business subsidies are targeted to older urbanized areas, they can help maintain the vitality and the health of the region as a whole. About 39% of residents live in outlying areas, which include 2nd-class townships in the metro region.

Dollar for dollar, the Lehigh Valley directs more subsidies to outlying areas

On a per person basis, for every \$1 received by outlying areas from 2003 to 2008 . . .



older urbanized areas received just 56 cents.



In the 2010 statewide report, *Making Smarter State Investments: An Assessment of the Geographic Distribution of Business Subsidies in Pennsylvania*, KRC found that from May 2003 to November 2008, PIDA, OGP, and IDP contributed nearly \$33.9 million to the Lehigh Valley. On a per person basis, **for every \$1 that outlying areas received, the older urbanized areas received just 56 cents.** The graphic to the left illustrates the tilt of business subsidies toward outlying areas in the Lehigh Valley.

Outlying areas in the Lehigh Valley receive more grants than most PA regions

The Lehigh Valley distributed **81% of the state average in business subsidies to older urbanized areas and 143% of the average to outlying areas from 2003–2008.** These subsidies come in the form of grants (OGP, IDP) and loans (PIDA). Lehigh Valley’s older urbanized areas received less than the state average in grants and loans compared to outlying areas, which received 193% of the state average in *grant* dollars and just above the state average in *loan* dollars.

Business subsidies received per capita as a percentage of the Pennsylvania average: Lehigh Valley

	Total	Grant	Loan
State average	100%	100%	100%
Older urbanized areas	81%	96%	69%
Outlying areas	143%	193%	102%

Statewide, Lehigh Valley invests the least in older urbanized areas

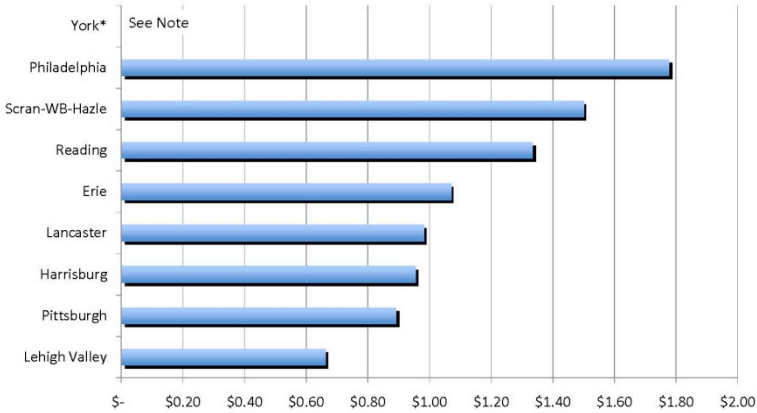
Business Subsidy Targeting to Older Communities	
Erie	#1
Reading	#2
Harrisburg-Lebanon-Carlisle	#3
Philadelphia	#4
Scranton-Wilkes-Barre-Hazleton	#5
Pittsburgh (tie)	#6
Lancaster (tie)	#6
York	#8
Lehigh Valley	#9

Suburban sprawl consumes scarce land while endangering older communities by reducing jobs and population, weakening tax bases, and concentrating poverty. Targeting subsidies to older communities can combat sprawl by promoting well-planned, concentrated development using existing infrastructure. In a comparative ranking of business subsidy targeting in nine Pennsylvania metro regions, the Lehigh Valley ranked last. This ranking takes into account both the business subsidies that go to older urbanized areas versus outlying areas and the grant dollars received by outlying areas.^v The rankings for the components of our subsidy targeting index follow on the next page.

Compared to other metros, Lehigh Valley invests little in older urbanized areas

Lehigh Valley Ranks Last in Loan Assistance to Older Urbanized Areas

On a per person basis, loan assistance to older urbanized areas per dollar distributed to outlying areas, 2003 - 2008



Note: York distributed \$6.80 in loan assistance per person to older urbanized areas and zero to outlying areas.

Lehigh Valley ranks last: Distribution of *loan assistance* to older urbanized areas versus outlying areas

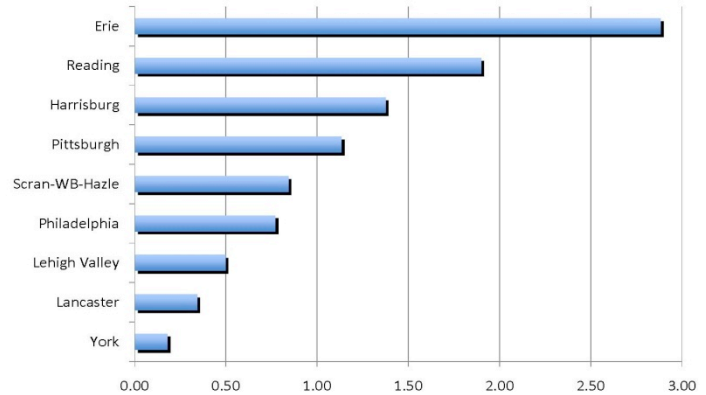
In comparison to nine other Pennsylvania metro regions, the Lehigh Valley distributed the least assistance to its older urbanized areas *in proportion* to its outlying areas. On a per person basis, **older urbanized areas received 67 cents for every loan dollar received by outlying areas.**

Lehigh Valley ranks poorly: Distribution of *grant assistance* to older urbanized areas versus outlying areas

Grant assistance (as opposed to loan assistance) is the most valuable form of business subsidy, because it does not have to be repaid. On a per person basis, **the Lehigh Valley distributed half as many grant dollars to its older urbanized areas as it did to its outlying areas.** Six other Pennsylvania metro regions distributed a higher ratio of grant dollars to older urbanized areas than did the Lehigh Valley.

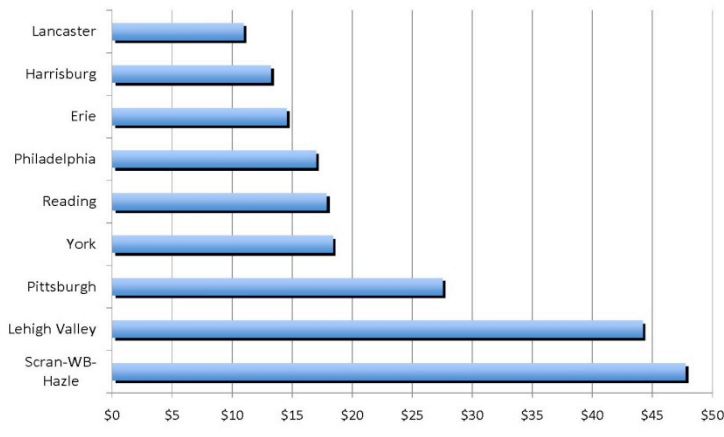
Lehigh Valley Ranks Poorly in Grant Assistance to Older Urbanized Areas

On a per person basis, grant assistance to older urbanized areas per dollar distributed to outlying areas, 2003 - 2008



Lehigh Valley Distributes Significant Amount to Outlying Areas

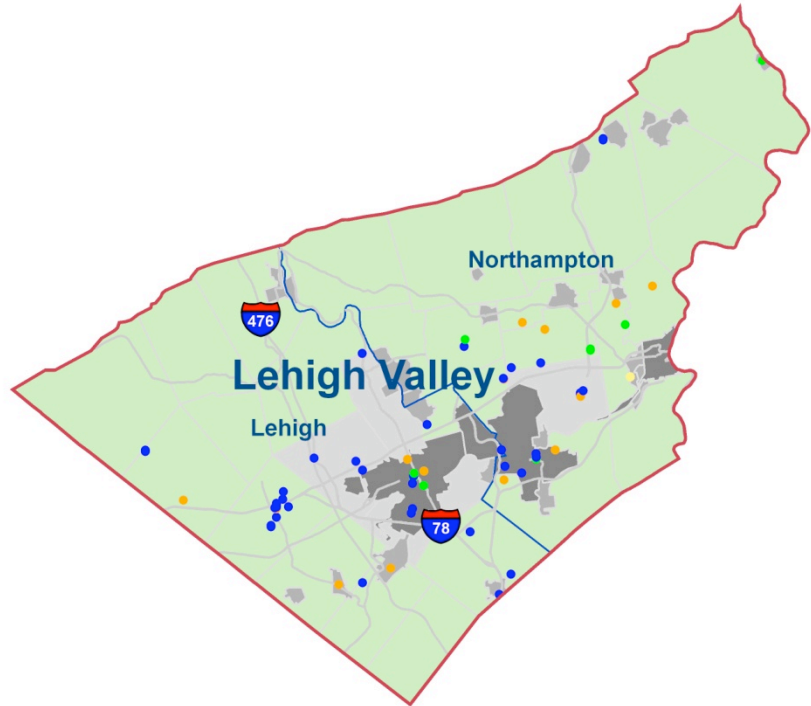
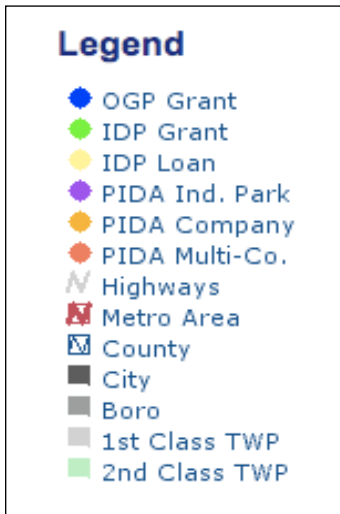
Grant assistance on a per person basis to outlying areas, 2003 - 2008



Lehigh Valley distributes a significant number of grant dollars to outlying areas

In comparison to nine other metro regions, the Lehigh Valley is second only to Scranton-Wilkes-Barre-Hazleton in how much grant assistance it distributes per person to outlying areas. **At approximately \$44 per person, the Lehigh Valley distributes more than double what York spends in grant assistance to outlying areas.**

Lehigh Valley, Pennsylvania



The figure at the right represents the entire Lehigh Valley defined as Lehigh and Northampton counties. As the map indicates, business subsidies in the Lehigh Valley are not well targeted to older urbanized areas, represented here in three shades of gray.

On a per person basis, older urbanized areas received \$41.03 as compared to outlying areas, which received \$72.62. To view the map in more detail and to leave feedback, please visit www.keystoneresearchmap.org.

As part of its data analysis of business subsidies in Pennsylvania, the Keystone Research Center has made its data available at www.keystoneresearchmap.org where viewers can see the location of all PIDA, OGP, and IDP business subsidies in the last 10 years by county, municipality, metro region, and school district. Viewers can also pull up summary reports with the name of each company receiving subsidies and the amount of each subsidy.

The Keystone Research Center is a nonprofit, nonpartisan research organization that promotes a more prosperous and equitable Pennsylvania economy. Learn more online: keystoneresearch.org

ⁱ This metro analysis excludes Carbon County within the definition of the Lehigh Valley. The Census Bureau name of the Carbon-Lehigh-Northampton metro area is Allentown-Bethlehem-Easton. A separate metro report presents data for the Lehigh Valley with Carbon County. The results are similar with and without Carbon County.

ⁱⁱ U.S. Census Data 2008 Estimate, <http://www.census.gov/popest/cities/SUB-EST2008-5.html>

ⁱⁱⁱ *Source.* Poverty Status in the Past 12 Months, 2006-2008 American Community Survey 3-Year Estimates, <http://factfinder.census.gov/servlet/DatasetMainPageServlet?_lang=en&_ts=278606458090&_ds_name=ACS_2008_3YR_G00_&_program=>>. The poverty figure shown is of the cities of Allentown and Bethlehem only. No data exist for City of Easton or for the entire older urbanized areas of the Lehigh Valley.

^{iv} *Source.* Keystone Research Center estimate for poverty in the Lehigh Valley *excluding* the cities of Allentown and Bethlehem

^v *Note.* Methodology: The smart-growth ranking is a composite score based on three rankings: 1) ratio of loan assistance per capita to older urbanized areas versus outlying areas; 2) ratio of grant assistance per capita to older urbanized areas versus outlying areas; 3) grant assistance per capita to outlying areas. (For the third component, the area with the lowest amount of grant assistance per capita going to outlying areas received a rank of one.) Ranks based on the second measure (ratio of grant assistance per capita), were weighted double.