

MAKING SMARTER STATE INVESTMENTS: A Metro Analysis of the Geographic Distribution of Business Subsidies Reading, 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 outer areas. Nine metropolitan areas are ranked based on their distribution of funds between older urbanized and outer 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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Region at a glance

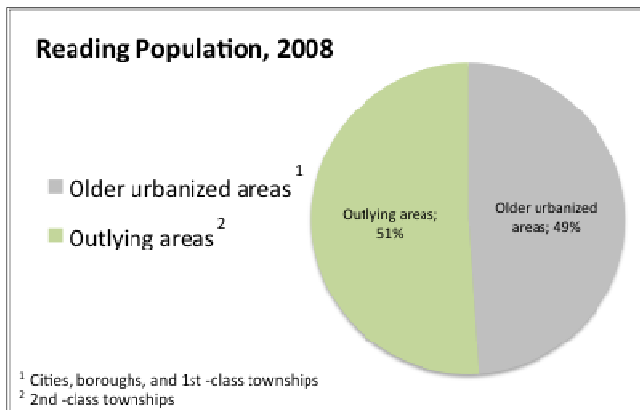
Location	Population 2008 ⁱ	Population Change 2000–08
Older urbanized areas	197,620	1.0%
Outlying areas	205,975	15.0%
Reading Metro	403,595	7.7%

Reading's outlying areas are growing rapidly. Since 2000, the Reading metro region, defined as Berks County, has undergone moderate population growth of 7.7%. This growth, however, is concentrated in outlying areas. Outlying areas of the region have gained almost 27,000 people, a significant growth of 15%, while the population of the older urbanized areas remains constant. Poverty is nearly six times higher in the City of Reading than in the rest of the metro region.

Location	Poverty 2007
City of Reading*	32.9 ⁱⁱ
Rest of Reading Metro	5.7 ⁱⁱⁱ

*Note. Poverty data exist for City of Reading but not for all older urbanized areas.

Nearly half of Reading metro area residents live in older urbanized areas



Nearly half of the population of Reading 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 51% of residents live in outlying areas, which include 2nd-class townships in the metro region.

Dollar for dollar, Reading area directs more subsidies to older urbanized areas

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



older urbanized areas received \$1.50.



In the 2010 statewide report, *In the Public Interest? The Geographic Distribution of Business Subsidies in Pennsylvania*, KRC found that from May 2003 to November 2008, PIDA, OGP, and IDP contributed nearly \$31.3 million to the Reading metropolitan region. On a per person basis, **for every \$1 that outlying areas received, older urbanized areas received \$1.50**. The graphic to the left illustrates the distribution of business subsidies toward older urbanized areas in the Reading region.

Reading metro area receives more subsidies per person than most PA regions

Reading distributed 184% of the state average in business subsidies per person to older urbanized areas and 123% of the average per person to outlying areas from 2003 to 2008. These subsidies come in the form of grants (OGP, IDP) and loans (PIDA). Older urbanized and outlying areas of Reading both received more than the state average in grants and loans with older urbanized areas getting significantly more grants and loans.

<i>Business subsidies received per capita as a percentage of the Pennsylvania average: Reading</i>			
	Total	Grant	Loan
State average	100%	100%	100%
Older urbanized areas	184%	148%	214%
Outlying areas	123%	78%	161%

Reading targets more subsidies to older urbanized areas than most metro areas

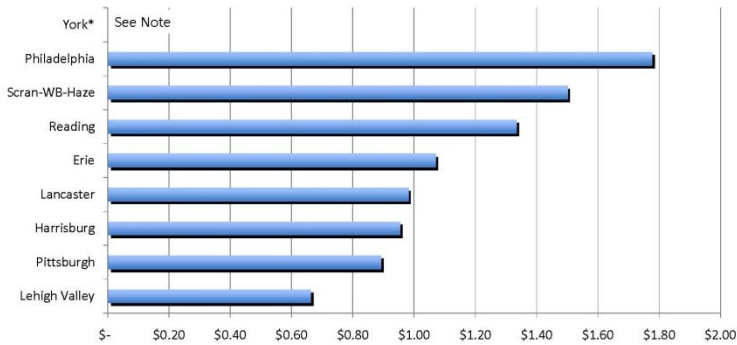
Business Subsidy Targeting to Older Communities	
Erie	#1
Reading	#2
Harrisburg-Lebanon-Carlisle	#3
Philadelphia	#4
Scranton-Wilkes-Barre-Hazleton	#5
Pittsburgh (tie)	#6
Lancaster (tie)	#6
York	#8
Lehigh Valley	#9

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, Reading placed second. 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.^{iv} The rankings for the components of our comparative analysis follow on the next page.

Compared to other PA regions, Reading invests a lot in older urbanized areas

Reading Ranks Fourth 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.

Reading ranks fourth: Distribution of *loan assistance* to older urbanized areas versus outlying areas

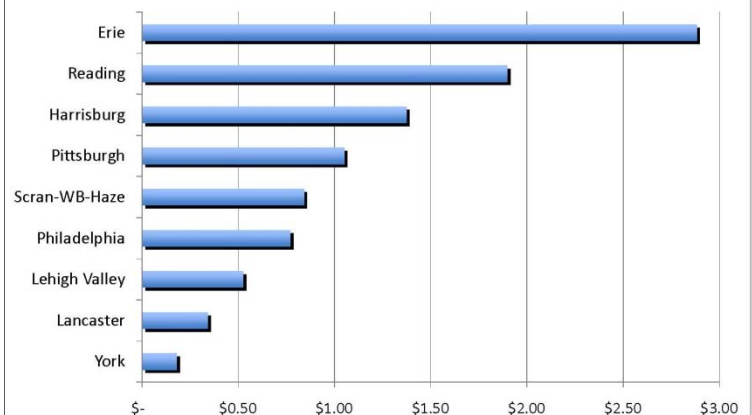
In comparison to nine other Pennsylvania metro regions, Reading ranks slightly above the middle of the pack. On a per person basis, **older urbanized areas received \$1.33 for every loan dollar received by outlying areas**. Similarly sized metro regions such as Lancaster, distributed significantly less to their older urbanized areas per person than Reading.

Reading ranks highly: 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, **Reading distributed nearly twice as many grant dollars to its urbanized areas as to its older outlying areas**. At \$1.90, it distributed over twice the ratio of grant dollars of the five lowest ranking metros.

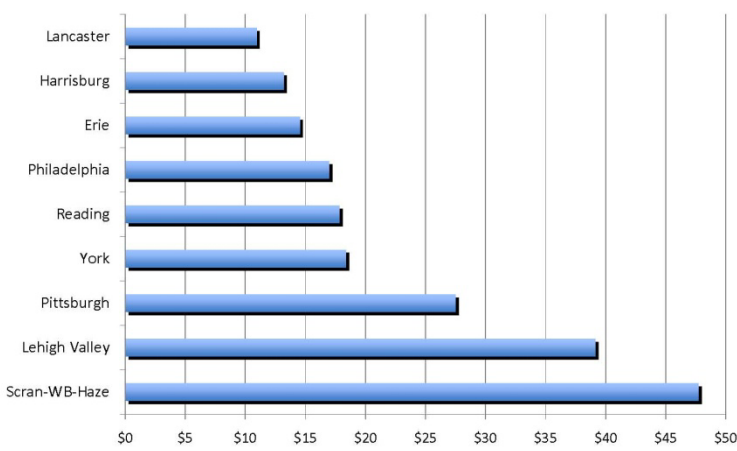
Reading Ranks Second in Grant Assistance to Older Urbanized Areas

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



Reading Distributes Moderate Amount to Outlying Areas

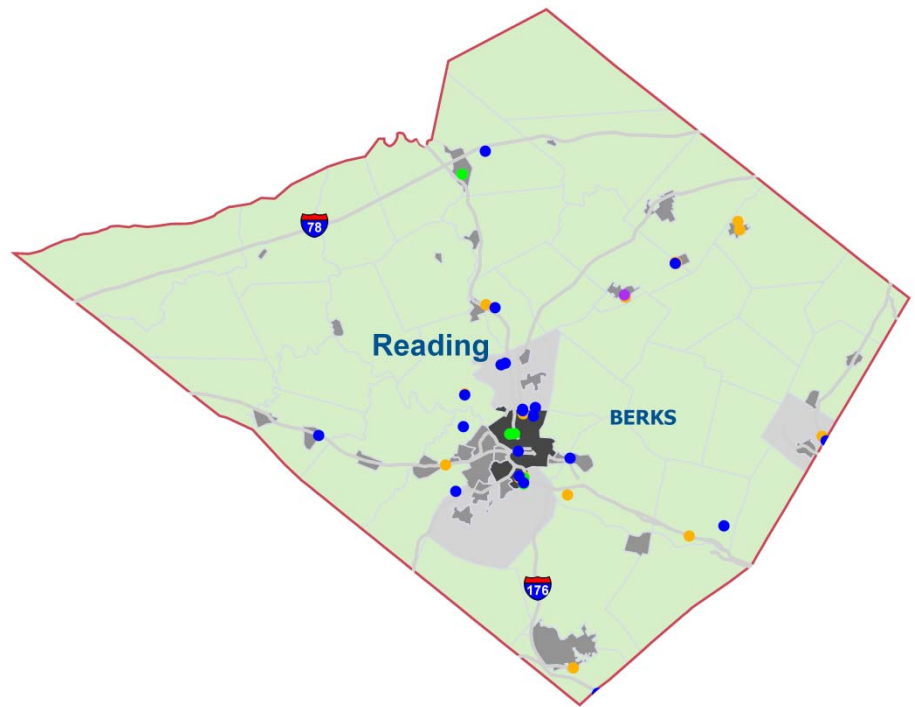
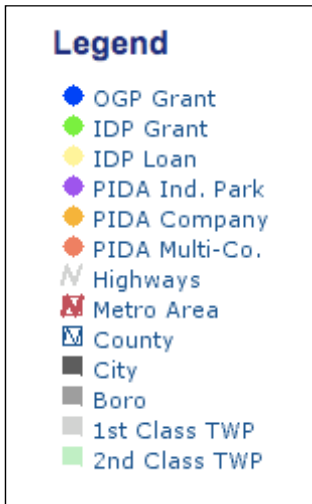
Grant assistance on a per person basis to outlying areas, 2003 - 2008



Reading metro area distributes moderate amount of grant dollars to outlying areas

In comparison to nine other metro regions, the Reading region ranks in the middle in terms of how much grant assistance it distributes per person living in outlying areas. **At \$18 per person, its about two thirds more than Lancaster's per person distribution rate of \$11, and is about one third of what Scranton distributes per person (\$48).**

Reading, Pennsylvania



The figure at the right represents the entire Reading metro region defined as Berks County. As the map indicates, business subsidies in Reading are very targeted to older urbanized areas, represented here in three shades of gray.

On a per person basis, older urbanized areas received \$93.43 as compared to outlying areas, which received \$62.47. To view the map in more detail and to leave feedback, please visit keystoneresearchmap.org.

As part of its data analysis of business subsidies in Pennsylvania, the Keystone Research Center has made its data available at 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 U.S. Census Data 2008 Estimate, <http://www.census.gov/popest/cities/SUB-EST2008-5.html>

ⁱⁱ 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 for the City of Reading only. No data exist for the entire older urbanized areas of the Reading metropolitan region.

ⁱⁱⁱ Source. Keystone Research Center estimate for poverty in the Reading metropolitan region *excluding* the city of Reading

^{iv} 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.