

FROM THE OUTSIDE IN

FROM THE OUTSIDE IN

*Suburban Elites, Third-Sector Organizations,
and the Reshaping of Philadelphia*

CAROLYN T. ADAMS

CORNELL UNIVERSITY PRESS
ITHACA AND LONDON

Copyright © 2014 by Cornell University

All rights reserved. Except for brief quotations in a review, this book, or parts thereof, must not be reproduced in any form without permission in writing from the publisher. For information, address Cornell University Press, Sage House, 512 East State Street, Ithaca, New York 14850.

First published 2014 by Cornell University Press

Printed in the United States of America

Library of Congress Cataloging-in-Publication Data

Adams, Carolyn Teich, author.

From the outside in : suburban elites, third-sector organizations, and the reshaping of Philadelphia / Carolyn T. Adams.

pages cm

Includes bibliographical references and index.

ISBN 978-0-8014-5162-1 (cloth : alk. paper) —

ISBN 978-0-8014-7998-4 (pbk. : alk. paper)

1. Regionalism—Pennsylvania—Philadelphia Metropolitan Area. 2. Nonprofit organizations—Pennsylvania—Philadelphia Metropolitan Area. 3. City planning—Pennsylvania—Philadelphia Metropolitan Area. 4. Urban renewal—Pennsylvania—Philadelphia Metropolitan Area. 5. Philadelphia Suburban Area (Pa.)—Politics and government. I. Title.

HN80.P5A33 2014

307.1'160974811—dc23

2014016073

Cornell University Press strives to use environmentally responsible suppliers and materials to the fullest extent possible in the publishing of its books. Such materials include vegetable-based, low-VOC inks and acid-free papers that are recycled, totally chlorine-free, or partly composed of nonwood fibers. For further information, visit our website at www.cornellpress.cornell.edu.

Cloth printing 10 9 8 7 6 5 4 3 2 1

Paperback printing 10 9 8 7 6 5 4 3 2 1

CONTENTS

Acknowledgments	vii
Introduction: Regionalism and the Third Sector	1
1. States Create Transportation Authorities to Cross Local Boundaries	24
2. Third-Sector Organizations Reshape Central Cities	49
3. Outsiders Reshape the Educational Landscape	82
4. Neighborhood Nonprofits Tap Outside Resources for Development	112
5. Who Governs the Third Sector?	141
Conclusion: Harnessing the Third Sector to Benefit the City	170
References	189
Index	207

ACKNOWLEDGMENTS

This book draws upon previous books and articles I have published over several decades of research devoted to my city. It reflects thirty years of personal experience in the city's nonprofit world, where I have served as either board member or board chair for a college, a foundation, and a number of public interest nonprofits, as well as a researcher and consultant to additional civic groups and governmental agencies. It is also based on a wide range of sources, including annual reports, land use plans, analysis by consultants, funding proposals, enabling legislation, and press coverage. I supplemented that documentary information with personal interviews of two dozen knowledgeable respondents who serve as board members or professional leaders of major civic institutions. Although I am bound by my promise to keep their identities confidential, I want them to know how much their open and candid interviews helped me understand both facts and perspectives about their work.

One particular respondent deserves special mention. At different times in his life, Bernard Watson has served as academic vice president of Temple

University, both vice chair and chair of the Pennsylvania Convention Center Authority Board, chair of the Board of Philadelphia's Avenue of the Arts, president and CEO of the William Penn Foundation, and chair of the board of the Barnes Foundation, among many other positions of civic responsibility. He knows as much as any Philadelphian about the workings of the city's major Third-Sector institutions, and his willingness to share that knowledge helped me immeasurably. Neither he nor any of the respondents who devoted their time to answer my questions is responsible for any errors of interpretation they may find in these pages. That responsibility is mine.

At Temple University my colleagues David Bartelt and David Elesh, with whom I have worked on many projects large and small over two decades, have taught me a great deal about our shared city. Some of those many lessons are reflected in this book. I am also indebted to the members of my 2013 graduate seminar, who carefully read and critiqued drafts of the manuscript: Ritwika Biswas, Charlotte Castle, Kwesi Daniels, Clint Davis, Nicole Hall, Yoonhee Jung, Dan Mina, Karen Pezzetti, Christian Przybylek, Alisa Shockley, and Sarah Stinard-Kiel. Temple University deserves my thanks for providing a sabbatical that allowed me to draft this manuscript. In addition the College of Liberal Arts generously contributed to the book production. At a time when every dollar in academic budgets is precious, I am delighted to acknowledge this strong support from my institution.

I am grateful to Mark Mattson of CARTONOVA Web Software not only for designing the figures for this volume but also for teaching me many lessons over the years about visualizing data.

Several anonymous reviewers spent their precious time at different stages of the manuscript to strengthen the project with thoughtful and constructive suggestions, which I gladly accepted. I appreciate their help and encouragement more than I can say, and I hope they feel that the finished product justifies their investment in it. Finally, I owe special thanks to my editor, Michael McGandy, whose professionalism, perception, and guidance have helped shape the manuscript and kept the project moving. Michael knows just when to press an author and when to relent, which he proved at one important point in the process by assuring me, "I am pushing, but I am not crazy." Indeed you are not, Michael. Thank you for all your support.

FROM THE OUTSIDE IN

INTRODUCTION

Regionalism and the Third Sector

Metropolitan regions represent critically important economic and social units for which the United States possesses no adequate governmental framework. This is an enormous problem for the nation, which is why urbanists continue to think and write about the prospects for consolidating suburbs with cities, despite almost universal pessimism about the likelihood of creating formal institutions of government at the metropolitan scale. Except for the constantly cited exception of Portland, Oregon, we have scant evidence that states, cities, and suburbs possess either the will or the ability to establish metropolitan governments. That has led advocates for metropolitan cooperation to shift their sights away from governmental consolidation and toward the informal coalitions, alliances, and networks that weave together nongovernmental actors with existing units of government in metropolitan areas. Regionalists now focus less on formal *government* than on *governance* through special-purpose authorities, quasi-governmental bodies, and nonprofit corporations—that is, networks of institutions that constitute a Third Sector alongside the private profit-making sector and the governmental sector.

Proponents of metropolitan planning look to progressive mayors to weave these networks together, as Chicago's mayor Richard J. Daley did when he convened the Metropolitan Mayors Caucus, to engage suburban municipalities in strategizing about the region's economic health, or as Denver's mayor Federico Peña did when he reached out to suburban officials to collaborate on airport development, an initiative that ultimately spawned the Metro Mayors Caucus of greater Denver (Katz & Bradley 2013, chapter 2). We think of regionalism as an impulse that emanates from central cities reaching out to surrounding suburbs. A former mayor of Albuquerque, David Rusk, has spent two decades traveling across the nation to urge big city mayors to move beyond their city limits to form alliances with suburban political and business interests. Rusk argues that dealing successfully with population outflow from inner cities, sprawling development of suburban land, racial segregation, and poverty requires city leaders to play an "outside game." They must build regional alliances that can ultimately change the rules of the game that are creating systematic disadvantages for central cities (Rusk 1999, 2013).

The Philadelphia experience suggests that while mayors work to perfect their "outside game," they need to be attentive to an "inside game" being played within the bounds of their cities by outsiders. A kind of stealth regionalism has emerged in greater Philadelphia, increasingly incorporating outside interests into the process of restructuring the city. While this book focuses on one city region, readers who live elsewhere will recognize parallel patterns in their own regions. Suburban towns and counties continue to resist formally coordinating investments and services with each other, much less with central cities. While this resistance continues, a new form of regionalism is evolving, practiced from the outside in. This incorporation of outside influences into the central city confirms a theoretical point made near the end of the 1990s by two adherents of postmodern urbanism when they posited a new "re-territorialization of the urban process in which hinterland organizes the center." Previous models of urban growth had envisioned the city as "an organic accretion around a central, organizing core." In contrast, these scholars identified "a postmodern urban process in which the urban periphery organizes the center within the context of a globalizing capitalism" (Dear & Flusty 1998, 65). This book describes how that outside influence is being exerted to restructure one central city.

I argue against a long-standing premise that the suburbs have turned their back on central cities. As long ago as the early 1970s urban observers were lamenting that economic and political elites in our major metropolitan areas were not merely moving their residences to the suburbs but ceasing to be concerned about what happened to the cities. “It is not exploitation that the [urban] core areas must fear; it is indifference and abandonment,” predicted George Sternlieb (1971, 15). That grim vision from the 1970s has proven to be wrong. Many suburbanites have recognized that cities serve critical economic functions in the twenty-first century and cannot be allowed to decline in ways that jeopardize the region’s future and therefore their own. The recognition that cities are too important to fail has prompted outsiders to take an increasingly active hand in shaping the city’s future. This book presents evidence from greater Philadelphia to show how outside actors from the suburbs and from state government have intervened during the past fifteen years to redevelop the central city in ways that bolster the region. Taken together, these interventions constitute a kind of *de facto* regionalism that brings outside money and influence into the city to help restructure urban land and services. While they increase resources, however, these interventions exacerbate the problems of transparency and accountability facing the citizens of the city. And they prompt the question: Do initiatives that strengthen the region necessarily help city residents?

The City-Suburban Divide in Greater Philadelphia

In many respects the relationship of Philadelphia to its suburbs resembles that of other old cities in the northeastern and midwestern United States. The city grew as a manufacturing center during the nineteenth century, with industrial districts composed of factories, warehouses, rail yards, and worker housing spreading outward from the central business district. Slightly farther from the center, leafy streetcar suburbs sprang up on the north and west sides of the city to house families whose workers commuted daily to downtown businesses. The city’s industrial decline during the second half of the twentieth century closed a devastating share of its manufacturing plants, leaving whole neighborhoods without their traditional economic base and

forcing the city to rely primarily on its downtown offices and accompanying commercial and service economy to generate the jobs and tax revenues that support the municipal budget. Like most downtowns, central Philadelphia faces constant challenges from multiplying office complexes in the suburbs. The most prominent is the massive agglomeration of offices and shopping malls in King of Prussia, which sits west of the city at the intersection of routes 202, 422, I-76, and the Pennsylvania Turnpike. The growth generated by that vast commercial concentration has created some of the best paying white-collar jobs in the region, particularly in finance and insurance. Downtown Philadelphia also competes against the Route 1 corridor in New Jersey between Princeton and New Brunswick, where high-tech firms have clustered, particularly those connected to the region's pharmaceutical industry. While the suburbs have spawned many high-paying jobs, the city is burdened with disproportionate poverty. Over 28 percent of city residents live below the poverty line, bringing the city's median income down to one of the lowest among major cities in the United States (Philadelphia Research Initiative 2013a, 6).

This brief sketch of city-suburban relationships will sound familiar to students of U.S. cities, but Philadelphia is unusual in the degree of separation between city and suburbs because of the way governmental services are organized and boundary lines are drawn. Unlike most U.S. cities, Philadelphia functions as both a city and a county rather than being nested within a larger county. In 1854, when the city acquired its current boundaries, the easiest way to create a governmental unit that covered the existing urban economy was to consolidate into a single municipality all thirteen townships, six boroughs, and nine districts that were then located in one county. Ever since then the government of Philadelphia has served simultaneously as a county and a city with identical boundaries. Readers might assume that dual role confers advantages on Philadelphia, particularly readers who favor city-county consolidation as a way to achieve regional solutions to metropolitan problems. But in fact that dual role as county and city has created significant fiscal problems for Philadelphia's government.

City-county consolidation may bring benefits to cities when the county boundaries encompass affluent suburbs whose resources can help meet the heavier service burden that falls on central cities because they house a poorer population and a disproportionate share of the region's infrastructure, in-

cluding ports, airports, and higher education and cultural facilities. But because city-county consolidation here took place a hundred years before the great migration to the suburbs started in the mid-twentieth century, the higher income households that abandoned the city to seek a suburban lifestyle were taking their resources across the county line.

Since it is not nested within a larger county, as many U.S. cities are, Philadelphia shares virtually none of its service burden with surrounding suburban communities. City, county, and school functions must all be supported by the city's tax base. That places an unusually heavy burden on the city's taxpayers. A study in the late 1990s compared the tax burden on the citizens of Philadelphia to that of Pittsburgh, which is nested within the larger jurisdiction of Allegheny County. The study found that if Philadelphians were financially responsible for county-level functions (such as child welfare, public health, prisons, homeless shelters, the court system) only to the extent that Pittsburgh taxpayers were accountable for their share of Allegheny County expenditures, then Philadelphia could shift close to a half-billion dollars from county services into its schools without increasing its local tax effort (Landis 1998, iii). The separation of the city and its suburbs into separate counties means there is less motivation and structural opportunity for city and suburbs to cooperate on providing services.

An additional barrier to coordination arises because the metropolitan area spans the Delaware River to include communities in New Jersey as well as Pennsylvania. Figure 1 shows the collection of counties spanning two states that together constitute the Philadelphia metropolitan area. On the western side, three Pennsylvania counties (Bucks, Montgomery, and Delaware) directly adjoin the city, while a fourth (Chester County) is closely linked historically and economically to the city even though it does not share a border with Philadelphia. Multiple bridges crossing the Delaware River make it possible for residents in southern New Jersey to commute into Philadelphia, linking four New Jersey counties (shaded in gray on figure 1) more closely to Philadelphia than to metropolitan areas within their own state. This bifurcation of the region means that suburban communities on the two sides of the river respond to different constitutional and political frameworks, a fact that complicates efforts to cooperate. In this book I focus on Pennsylvania when analyzing the role of government in metropolitan

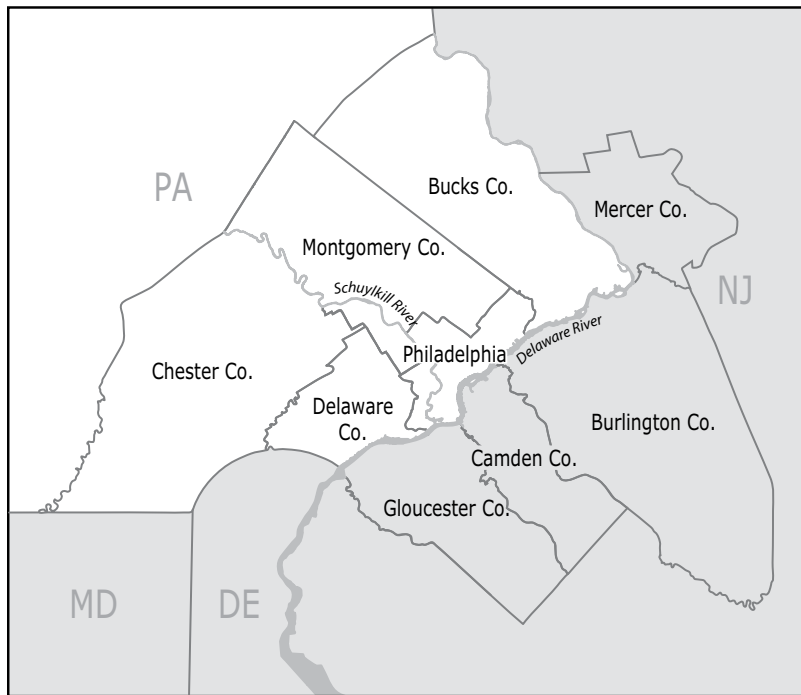


Figure 1. Philadelphia and eight surrounding counties.

affairs because Philadelphia's mandates and resources come from the Pennsylvania capital, Harrisburg.

Cities Are Too Important to Fail

Older urban centers have surprised pessimists who had predicted, if not their complete demise, then certainly their continuing decline. Contrary to that bleak outlook, cities are more important than ever in the global economy of the twenty-first century because they are strategic places where entire regions intersect with wider world forces. They house collections of business services (insurance, accounting, law, marketing, etc.) for which there is growing demand. Companies now operate in ever-expanding markets across the globe—markets whose conditions, regulations, and business

requirements vary tremendously. To navigate that variety of environments, companies that operate internationally rely heavily on business services. And those business services enjoy advantages by clustering together in central cities. Being in cities matters the most to the most globalized sectors of the economy (Sassen 2009). Making a related point, Edward Glaeser says that cities remain viable because they attract highly-educated, innovative people and provide places for them to work collaboratively. Cities, in his view, “magnify human strengths” by attracting talent and sharpening it through competition (Glaeser 2011, 15). Talented people feed on each other’s ideas, as proximity makes them more inventive.

Cities provide services and infrastructure that support globally competitive concerns, especially transportation and education (Rondinelli et al. 1998). Central cities are typically the transportation hubs of metropolitan areas, where ports, railroads, and airports converge, transporting local people and products to distant places while bringing visitors and freight into the region. Philadelphia plays that role in southeastern Pennsylvania. Its port on the Delaware River handles imports of fruit, cocoa, wood pulp, and forest products, as well as consumer goods for about three hundred regional distribution centers ranging from IKEA and Office Depot to Porsche North America and Harley-Davidson Motorcycles. It handles exports manufactured by regional companies, notably chemicals and pharmaceuticals. The city’s airport serves over 30 million passengers annually, including about 4 million international passengers. The city’s 30th Street Station, a major stop on Amtrak’s Northeast Corridor connecting Philadelphia to Washington, New York, and Boston, ranks as the third busiest station in the Amtrak system.

The city’s value to the region also hinges on its concentration of universities and hospitals. In a global economy that places a premium on knowledge, technology, and innovation, central cities are sites of innovation, research, and development, particularly cities like Philadelphia that contain strong health centers, universities, and research institutions, a constellation known as “meds and eds.” In this realm, as well as the arts, the city contains the institutions that connect southeastern Pennsylvania to broader national and international trends. In effect the central city “brands” the region, creating its identity in the eyes of the world.

Since the global economy puts a premium on education and innovation, regions thrive by attracting and retaining a talented workforce. Here Philadelphia serves the region less well. One might imagine that the presence of

dozens of colleges and universities in greater Philadelphia signals an inexhaustible supply of well-educated workers. One would be wrong. The city is home to twenty colleges and universities yet has one of the lower rates of college attainment among U.S. cities. Of the young adults (ages eighteen to thirty-four) living in the city, fewer than half are enrolled or hold a college degree. Much of the college problem is attributable to a devastatingly high dropout rate in the city's public school system. The high school graduation rate is only 64 percent. Without improving the education of the city's children in kindergarten through high school, college attainment will remain illusory for young Philadelphians despite the presence of an impressive higher education establishment.

Location decisions made by businesses also depend on other aspects of a region's quality of life besides education, including cultural, recreational, and entertainment resources. In this realm Philadelphia unquestionably remains the center of the region, especially after the substantial investments the city has made since the 1990s. As will become apparent in subsequent chapters, in the 1990s the city began to significantly reshape its cultural, retail, and restaurant offerings and continues working to upgrade its two riverfronts along with its parks. Proponents of this strategy see those investments as achieving multiple goals simultaneously: they enhance the city's image as a tourist and convention destination, attracting outsiders who spend dollars in the local economy and may form a connection to the region; regional visitors come into the city for its parks, zoos, museums, concerts, and sporting events; and these amenities enhance the region's appeal to firms and people considering a move from other parts of the country.

The View from the Outside

It is true that politicians outside the city and their constituents have shown little appetite for permanently tying their governmental and fiscal future to the central city. But that does not mean they remain indifferent to the city's fate. For more than fifteen years residents of the Philadelphia suburbs have been periodically surveyed about how they regard the city. The findings released by the first such poll, taken in 1995, surprised the editors of the *Philadelphia Inquirer*, who wrote, "From a bunch of folks who supposedly don't give a hoot whether Philadelphia disappears down a sinkhole, this is

amazing stuff: suburbanites saying their future is linked inextricably with the city's" (Editorial Board 1995). In annual surveys taken between 1995 and 2000 an average of 81 percent of suburban residents thought that the business and social conditions inside the city of Philadelphia were either very important or somewhat important to them. When that question was asked again in a poll taken in 2010, 78 percent of suburban respondents chose those options, a result that was statistically equivalent to the earlier result. A similar percentage of suburban respondents said that Philadelphia's economic condition is somewhat or very important to the economy of the region (Philadelphia Research Initiative 2010).

Given such widespread recognition of the city's importance to the region, including the suburbs, it is not surprising that suburban residents with resources and access have invested in reshaping Philadelphia for the new century. This book argues that outsiders have recognized the city as the region's main point of intersection with global forces. Whether or not they frame it in the economic terms used by scholars, many leaders in the suburbs and in state government regard the future of the city as critical to the region and therefore deserving of their attention and investment. Outsiders have not engaged mainly through the city's traditional political processes, which many of them regard as unsavory, inefficient, hidebound, and patronage-ridden. That is hardly surprising since regional news media offer suburban dwellers a constant stream of Philadelphia stories featuring deficit budgets, uncollected taxes, sweetheart deals for connected individuals, and corrupt politicians going to jail. It is the rare suburban resident who participates in city affairs through electoral campaigns, city council hearings, or ward politics of the traditional kind. Outsiders are daunted by the complicated race and class dimensions of city politics, by the power of public employee unions, and by bureaucratic complexity and rigidity. Rather than trying to reform or remake city government, they are engaging in city affairs through Third-Sector vehicles. By assuming leadership positions in nonprofit institutions, public corporations, and quasi-public authorities, they are influencing the future development of the city—especially land development in the central core and the future direction of its school system.

The proliferation of such Third-Sector entities for city development is contributing to a general blurring of the boundaries between the public and private sectors in American civic life. To construct and manage urban infrastructure, city managers are increasingly turning to private investors to help

finance roadways, bridges, and other public facilities through a variety of new contracting and ownership models (Perry 2003). While many other commentators have observed this emerging mix of public and private sector contributions to urban infrastructure, my purpose is to draw attention to the blurring of geographical boundaries in producing that infrastructure. In previous eras urban public works were largely planned and managed by local officials, although admittedly with financial contributions from federal and state agencies. Indeed local politicians have often been judged by their success in bringing outside resources to support local initiatives. They get credit from constituents and the media for mobilizing resources that are used by local government to provide public services and facilities. However, this book highlights the extent to which actors whose home base is outside the city now take substantial responsibility for financing, planning, and building public infrastructure that is reshaping the central city. I argue that the geographical shift in influence is directly related to the shift in sectoral boundaries; it is the proliferation of Third-Sector entities blending private and public resources that has made possible the expanding influence exerted by outsiders on the city's infrastructure.

As the coming chapters will show, suburban participants gravitate toward very particular types of urban assets that advance the region's fortunes rather than investing their resources, talent, and time to improve the general welfare of the city. Two critical policy domains in which suburban and state interests have played an expanding role are land development and public education—areas of deep concern to outsiders looking at the current state of the city. State and suburban actors have sought to influence these domains even though American political tradition places both land development and education squarely under local control. In fact these are among the most jealously guarded prerogatives of local citizens. As long ago as the early 1970s a scholar studying the Philadelphia metropolitan area singled out education and land use as two domains of local policy that were *least* likely ever to be assigned to regional authorities because suburban communities would never relinquish local control over them (Williams 1971). Both types of policy touch “salient lifestyle concerns” that citizens typically defend against external influence: “Educational policy . . . defines who will come together in a socio-spatial unit called a school. . . . Land use policies are similarly life style policies in that they place limits on who is likely to interact with whom” (89).

Local prerogatives allow residents to mold their communities to attract some kinds of households and businesses and discourage others. In fact some observers have concluded that suburbs were incorporated in the first place in order to give outlying residents control over their own land development (Briffault 1996; Fischel 2004) and schools (Bishoff 2008; Meyer 2010). Over the years local self-determination has become “the rallying cry of Americans, and this has meant that each fragment of the metropolis would enjoy the right to govern itself and decide its destiny” (Teaford 1979, 6). With respect to land development and education even more than other local policies, citizens living and voting in each community have controlled their local decisions and investments. State legislatures and courts have traditionally deferred to locally elected bodies, which can generally be expected to resist any efforts to shift land development or school management outside the community boundaries.

Ironically, while they jealously guard these local prerogatives in their own communities, suburban dwellers are exerting growing influence over these developmental priorities for Philadelphia. Their participation in these domains is made possible by Third-Sector institutions whose role in urban development warrants more attention than it gets. The literature on urban land redevelopment is rich with commentary and case studies showing how profit-seeking developers have influenced cities’ built environment, sometimes in concert with political leaders and sometimes in opposition to the wishes of both residents and their political representatives (Dahl 1961; Salisbury 1964; Wolfinger 1974; Mollenkopf 1983; Frieden & Sagalyn 1991; Hannigan 1998; Fainstein 2001). Yet only a small emerging literature exists about the influence of Third-Sector developers on the physical restructuring of cities. A recent spate of commentaries about “anchor institutions” appears largely hortatory—calling upon universities and health care institutions to work more cooperatively with neighboring residents and businesses—rather than providing a critical account of the collective impact of anchor institutions across urban landscapes.

The projects and institutions I examine in this book are restructuring Philadelphia by creating new development districts beyond the traditional boundaries of the downtown area (which locals call “Center City”). This expanding definition of downtown has parallels elsewhere, as many cities have invested in meds and eds, hospitality, and culture and entertainment districts. In Philadelphia as elsewhere the restructuring of the urban landscape

serves a dual purpose. First, it accommodates a growing number of residents who are choosing to live downtown (Birch 2009, 149–50). The professional classes employed by business service firms have gentrified urban neighborhoods and fueled an expanding cultural and entertainment sector. The Urban Land Institute's 2011 forecast of real estate trends waxed optimistic about continuing housing demand in central cities, predicting that "the influx of Generation Y, now in their teens through early thirties, will change housing demand. They are comfortable with smaller homes and will happily trade living space for an easier commute and better lifestyle" (Kirk 2011). Second, this restructuring equips the city with infrastructure that serves the needs of outsiders, from cargo shippers to conventioners, business location consultants, prospective college students, patients seeking high-end medical treatments, and suburban consumers of the city's culture and entertainment.

This book offers a critical analysis of the advantages and drawbacks of the expanding role played by Third-Sector institutions. These institutions have enhanced the influence of outside decision makers in the city's Third Sector, while diluting the control that democratically elected officials exercise over their own city's development. In ways that will become apparent in the chapters to come, city officials have traded off much of their ability to pursue a comprehensive, coordinated planning agenda in exchange for other strategic advantages that the Third Sector offers. This subject has received limited public attention, possibly because it is hard for citizens to recognize Third-Sector organizations as distinct from government. After all, our society defines nonprofit organizations partly by their pursuit of public interest rather than private gain. It should not surprise us that many citizens assume organizations pursuing public purposes represent government, especially when they use government funds. Third-Sector institutions, however, are *not* the same as government. They differ in fundamental ways from government. Outlining those differences is one of the purposes of this book. A second purpose is to illustrate through the Philadelphia case how their distinctive characteristics are shaping the city's development. Further, this study highlights the substantial influence that outsiders wield in the Third Sector. Viewed in the most positive light, these vehicles promote regionalism; viewed negatively, they reduce the city's control over its own development and therefore its own destiny.

The Crucial Third Sector

An article published in 2012 asks, “Can nonprofits run cities?” (Clark 2012). It describes the crucial role played by Midtown Detroit, Inc., a nonprofit corporation working since 1976 to revitalize a district just north of downtown Detroit where Wayne State University, the Detroit Institute of Arts, and the Detroit Medical Center are all located. Since this location is regarded as the centerpiece of Detroit’s renewal, it is significant that the renewal effort is being led by a nonprofit organization rather than city government. The writer uses the term “curating development” to describe Midtown’s process of seeding over forty development projects chosen because they are expected to be mutually reinforcing. Midtown’s urban planning and redevelopment efforts have earned the nonprofit a reputation for being “better at performing the role of government than government itself” (Clark 2012). The Detroit case is not unique. A comparable organization, University Circle, Inc., takes even broader responsibility for an area on the east side of Cleveland that contains Case Western Reserve University, the Cleveland Orchestra, and the University Hospitals system. In addition to promoting \$3 billion in development projects, University Circle, Inc. employs a security force for the area and operates a bus line (Clark 2012).

Those local development corporations in Detroit and Cleveland are examples of a variety of different kinds of nonprofit, nongovernmental organizations grouped under the heading of “Third Sector.” The size of that sector has expanded considerably since 1980, as government has privatized an increasing number of its functions that citizens want but are reluctant to have government provide directly. Most of the commentary about this trend toward privatization has focused on government contracting for public services (Salamon 1987, 1995; Kettl 2009). But nonprofit organizations are not only service providers; they are also investors whose physical facilities shape our cities—a reality that puts them at the center of urban politics: “The battlefield of city politics is not flat but is tilted toward an alliance of public officials and land interests” (Elkin 1987, 100).

Admittedly the Third Sector is the smallest of the three sectors in the U.S. economy, accounting for only 9 percent of jobs and 5 percent of GDP. But it is the fastest growing sector, adding jobs in recent years while the business and governmental sectors shed them. From 2001 to 2011 the number of nonprofits increased by an amazing 25 percent. The sector is composed of

independent organizations that are voluntary, self-governing, and of public benefit and distribute no profits to any shareholders or owners (Roeger et al. 2012). Most people think of Third-Sector organizations as depending largely on charitable contributions for their support. While it is true that philanthropy makes a significant contribution to these organizations, charitable donations represent a smaller share of nonprofit revenue than is generally recognized. Actually nonprofit institutions get the largest share of their income from fees and charges, with government supplying the second-largest component of their budgets. Experts who study nonprofits identify government support as the single most important factor accounting for the growth of the sector (Salamon 2012, 5) and draw attention to the changing form of government support during recent years.

Rather than granting funds to nonprofit institutions, government has shifted more of its aid to support consumers of nonprofit services, for example, supplying insurance for medical patients or tuition aid for college students instead of allocating government funds directly to hospitals and universities (Gronbjerg & Salamon 2012). That shift has prompted nonprofits to market their services more assertively and constantly seek broader audiences. Another indirect tool used by governments to support nonprofits is tax breaks for donors and investors who help finance nonprofits. Here too nonprofits compete to find donors and investors who can assist them while benefiting from tax concessions. As we will see, the growing pressure to compete for audiences and investors has shaped the development strategies that nonprofit institutions employ and thereby helped shape the city.

For this Philadelphia study, I have not limited my definition of the Third Sector to institutions normally classified as charitable organizations by the federal Internal Revenue Service, such as colleges, hospitals, museums, and theaters. For my purposes the Third Sector also includes quasi-public organizations, that is, independent organizations established by acts of government to serve a public purpose. They are normally created to finance, construct, and maintain facilities that serve the public. A number of the organizations I describe fit this designation, including the Southeastern Pennsylvania Transportation Authority, the Pennsylvania Convention Center Authority, and the Delaware River Port Authority.

Such organizations share crucial characteristics with traditional nonprofits. Both types of institutions serve as major developers of urban space. Both occupy a middle ground between government and the for-profit sector.