

A steel town finds lost jobs tough to replace

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ALIQUIPPA, Pa. — This riverfront city, named after a local Indian queen, was declared "distressed" by state officials in 1987. Its major employer, J&L Steel, had closed, taking with it jobs and most of the city's tax base.

Over the next 17 years, the city tore down vacant buildings and spruced up its downtown with new streetlights and sidewalks. It lured new industry to its now-clean riverfront. But Aliquippa is still classified as distressed, meaning its ability to provide basic services and pay its bills remains questionable. Unemployment is about 14 percent.

With employment at the center of national debate about the economy, the experience here underscores just how difficult it is for some communities to replace jobs once they go away. Many cities have seen their budgets torpedoed by the loss of property taxes when huge factories close, and the loss of wage taxes from high-paying jobs that have been eliminated or gone overseas.

Other problems rooted in the loss of a big employer, such as a declining population, can start a downward spiral. As months and years pass with lower taxes from businesses, cities have a tougher time providing services. Deteriorating services brand a city as unstable, making it harder to attract investment. "It's a Catch-22," says William Gamble, appointed by the state to form a recovery plan for Aliquippa.

Fifteen cities in Pennsylvania are classified as distressed, including Pittsburgh, which received the designation last year. Other states, including Ohio, New York, New Jersey and Michigan, have similar designations. Municipal experts say dozens of cities are caught in the same sort of cycle — trying to attract new business, during a time of dwindling resources.

Nationally, job growth has picked up this year after three years in which the U.S. lost 2.3 million jobs. Nonfarm payroll employment in the first four months of 2004 rose by 867,000, according to the Labor Department, a sharp turnaround from a year earlier when the economy was losing jobs. The unemployment rate last month dropped to 5.6 percent from 5.7 percent.

Aliquippa was a company town, built nearly a century ago along the Ohio River. Its steel mills once stretched for seven miles. Homes were laid out in 12 sections, or "plans," each with its own nationality and social class. Plan 6 housed supervisors and craftsmen. One plan had a Macedonian club, another had a Serbian one. The composer Henry Mancini grew up in the Italian section. Former Chicago Bears coach Mike Ditka came from another part of town and played for the Aliquippa High Quips, helping create a football dynasty that still exists. The Quips won the state championship last year.

The city's population peaked at more than 30,000 in the 1950s and employment at the mills rose to 13,000. The city flourished, as did smaller towns along the river named Industry and Economy.

Over time, people here became familiar with economic cycles, assuming upturns followed downturns, ensuring relative stability. That concept was permanently derailed in the early 1980s, when lower-priced steel imports from Japan arrived, the area's first real encounter with the forces of globalization.

After the closure of J&L Steel, which was then owned by LTV Corp., most of the Aliquippa mills were torn down. Thousands of jobs were lost. The city began borrowing from one budget to cover another until it ran out of cash. By 1987, it had more than \$400,000 in unpaid bills. "The entire tax base disintegrated," says Mr. Gamble, the state-appointed coordinator.

Duquesne Light Co. threatened to turn off the streetlights. Parking meters along Franklin Avenue, the city's main street, were yanked out and sold after the meter maid retired. The code-enforcement office — which is supposed to inspect all structures in the 4.2-square-mile city limits — was cut to one person.

Desperately needing revenue, the city tried a novel tax plan. Hoping to prod the steel company into developing land left vacant after the mills were demolished, Aliquippa instituted a two-tier tax system — charging 11 times more for vacant land than for land with buildings on it.

But instead of developing the land, the company sold it. The new owner successfully challenged the high assessed value in court — and ended up paying even fewer taxes than before. "The plan backfired on the city," says Thomas Stoner, who was hired as Aliquippa city manager last fall.

With steel jobs gone, the city's population fell 12 percent during the 1990s, to 11,700, even as the state's population gained 3 percent overall. In Aliquippa, 36 percent of the population is black, 57 percent earn less than \$25,000 a year and 29 percent are over the age of 60. Eight elementary schools closed over the past two decades.

As people moved out, houses fell into disrepair, diminishing their taxable value. About 40 percent of the houses in the city are rentals, compared with a state average of 29 percent. The city is currently trying to track down out-of-state landlords and others who owe some \$200,000 for garbage collection. More than 200 abandoned homes were demolished by the city between 1996 and 2003.

With fewer jobs and fewer residents, Aliquippa changed. Theaters, shops and restaurants began closing downtown. Bars stayed open. The shooting of a police officer a few years ago made national news. A woman leaving the B.F. Jones Memorial Library in 1998 was killed when a carjacker rammed her car into a pole.

Fearful, people were reluctant to come downtown, which made it more difficult for existing businesses to hang on, and for city officials to entice new ones. About half of the downtown property is now empty.

Shiflet Imaging Inc. left downtown about two years ago. The family-owned photo-processing business, which had been in Aliquippa for about 45 years, once employed about 300 and occupied close to half a city block. But in recent years, the company thought municipal services declined.

"The infrastructure was horrible," says Shiflet's Chief Executive Officer Gary Campbell. When it rained hard, drain and storm sewers backed up. The road leading into the city was filled with holes. "It's just a dank area. A lot of buildings are vacant. They're working on sprucing sidewalks up, but those things are superficial."

The city became an obstacle in recruiting employees, Mr. Campbell says, because people associate it with crime and drugs _ even though, by some measures, it is safer than it has been in years. Assaults are down 22 percent since 2000 and with the help of a state program to crack down on drugs, police have made about 600 felony and misdemeanor arrests since 2002.

Shiflet moved about three miles away to an industrial park in Hopewell Township. But it still feels Aliquippa has a negative image. "One of the things we don't like about where we are now is that we have to use an Aliquippa post-office box because Hopewell doesn't have one," says Mr. Campbell. "It would be very nice to drop the name Aliquippa altogether."

The city's big success story is on its riverfront. A \$112 million U.S. Gypsum Co. plant opened in 2000, on land that once housed steel mills. During the last presidential campaign, George W. Bush stood on the site, commending local and state efforts for transforming it.

But the new plant doesn't provide the number of jobs the steel mills did. It employs about 200 people.

The city remains a tough sell, says Mr. Stoner, the new city manager. Well-connected in the area after 30 years in public administration, he says he called several developers and invited them to check out Aliquippa. He noted its prime location, only 15 miles from Pittsburgh International Airport and close to highways and railroad. Grants are available to fix facades downtown. Developers have their pick of what to bring downtown, he says, because almost everything is needed. The closest grocery store is about four miles away.

Their response, he says: "Good luck."

Two grocery chains looked at Aliquippa in recent years. First was Aldi, a German company, whose U.S. stores are smaller than average groceries and carry only lower-priced, private-label items. It decided to open a store in another town across the river. "We toured Aliquippa, but Baden had a better feel to it. There's more retail happening around Baden," says Kevin McClure, Aldi's real-estate director for the region.

"For us to just drop a store in downtown Aliquippa when a lot of retail has moved out wouldn't work for us," says Thomas Behrtz, a vice president for Aldi. "We're not in and of ourselves a huge traffic generator."

In the late 1990s, Aliquippa officials approached Larry Furry, a business-development manager for Save-A-Lot grocery stores, a unit of Supervalu Inc. But even with all its downtown space, none of the options presented would work for his company, says Mr. Furry. One building had several floors _ he wanted a single-story building _ and no parking. Another involved closing a side street and rerouting traffic. Another meant condemning buildings, and building over a sewer line, which isn't permitted.

"There was never a site we could agree on," he says. The deal didn't happen.

Even companies that need less space wouldn't go downtown. A privately-held chain called Brighton Hot Dog Shoppes had an outlet on the outskirts of Aliquippa that closed five years ago because of a landlord dispute. "We loved the community," says Mark Papa, a vice president for the 10-shop company.

City officials suggested a location on Franklin Avenue, but he declined. "I'm not sure we could get anyone to run the shop down there, managers or employees," he says. "Everyone is afraid of crime and intimidation."

He believes the city's biggest challenge is getting one business to locate downtown. "No one wants to be the first," he says. The most significant recent investment in downtown has been the Salvation Army, which moved into a new \$1.1 million building last year.

Since no others were willing to take the risk, John Stanley did. In 2002, Mr. Stanley, a member of the Aliquippa Franklin Avenue Development Committee, bought an old tavern downtown at a sheriff sale for \$1,000. He is transforming it into a cafe with volunteer labor. "We have to create something worth coming downtown for," he says.

Workers peeled off nine layers of flooring and cleared dusty bottles of Southern Comfort left standing on the bar. The project opened his eyes to the difficulty and cost of turning neglected buildings into something viable. "We can help with facade grants but that doesn't fix the roof or redo the plumbing," he says.

At one point, officials thought the tax base was stable enough to remove the city's "distressed" status. In 2000, boosted by the new plant on the riverfront, the city was receiving \$673,300 in wage taxes, up 33 percent from 1997.

Then came what is referred to locally as "Black Thursday." On Oct. 5, 2000, LTV said its tinmaking operation, once part of J&L Steel, was closing. That took 400 jobs out of the area _ and about \$70,000 in wage taxes. The local water authority increased its rates by 25 percent to make up for the \$300,000 that LTV once paid for water.

"For every step forward, we took three steps back," says the development director, Mr. Gamble. Since 2000, earned-wages taxes have fallen about 25 percent, or \$165,000.

As the tax base has eroded, it has become harder to keep up the quality of life that retains and draws residents and employers. Recreation programs suffered. Part of the bathhouse roof of the city's lone pool collapsed a few winters ago and the city didn't have the money to repair it. This year, firefighters have volunteered to fix the roof, with some funding from local churches.

Enrollment in the city schools fell as the population did. In the mid-1990s, part of the high-school football stadium had to be closed because some of the bleachers were falling apart. The district proposed merging with other schools, but the overture was rebuffed.

"If I can be frank, it's a racial thing. People won't say it, but that's what it is," says David Wytiaz, business manager of the school district. About 75 percent of the district's students are African-American, he says, and about 85 percent qualify for lunch programs. The high-school marching band _ where Mr. Mancini played piccolo and flute _ now has 55 members, including middle-school recruits. Many parents can't afford musical instruments. Nearby Ambridge, which marched in Pasadena, Calif.'s Rose Bowl parade last year, has about 300 band members.

For now, Aliquippa is working to find untapped revenue sources, such as delinquent taxpayers, while trying to recruit businesses and spruce up its image on a shoestring. In one part of town, there are plans for a new strip mall and a pizza shop. The city recently reached an agreement with the county to have jail inmates on work-release programs clean Aliquippa streets free.

Says Mr. Stoner, the city manager: "I figure it's going to take five to seven years to turn this city around."

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