Regional CEDS Updates:

Economic Conditions

Regional economic conditions, for the period July 1, 2018 through June 30, 2019, are and have been excellent in the six county economic development district (Cameron, Clearfield, Elk, Jefferson, McKean and Potter Counties). In fact, unemployment rates for individual counties have been the best in decades. The latest county unemployment rates available (for May 2019) indicate the following: Cameron County, 4.5%; Clearfield County, 3.9%; Elk County, 3.8%; Jefferson County, 3.6%; McKean County, 4.1%; Potter County 4.5%; Pennsylvania, 3.8%; and USA, 3.4%. (All rates are not seasonally adjusted as published by the Pennsylvania Department of Labor and industry.) Part of these unemployment statistics may have to do with a decline in the civilian labor force in the six county region. Comparing May 2012 with May 2019, the total civilian labor force of the six county region declined by 14,600 people (114,600 in May 2012 versus 100,000 in May 2019 according to the Pennsylvania Department of Labor and Industry. The May 2019 figure represents a 12.7% decline in the civilian labor force over the past 7 years. This decline can be explained by a combination of baby boomer retirements, out migration or relocation to other areas, the flight of younger people out of the region, some personal disabilities, and some individuals not possessing the skill sets required in today’s modern economy (technology, engineering, or other) as required in job openings in both the private and public sectors.

Losing 12.7% of the regional civilian labor force (those 18-64 years of age) is certainly troubling for area employers attempting to secure new employees with the necessary skill sets required. This is an important issue that was identified in the regional CEDS Five Year Plan completed in September 2018. As the population slowly decline, ages, baby boomers retire, and young people migrate out of the region this situation is of major concern to our area employers. Do they expand here or at another location? Do they “poach” employees from other companies? Will they be forced to raise wage rates to get the employees they need? Will this increase the cost of doing business and hurt their ability to compete in the global economy? These are huge concerns in the six-county region right now that must be addressed and solved in the next decade or sooner. Here is a brief sector overview of current conditions:

- **Natural Gas:** This sector has maintained fairly level to flat growth over the past 12 months. Market pricing in the $2.40 to $3.00 per thousand cubic feet range has stymied new drilling compared to five years ago. The $410 million Northern Access Pipeline Project by National Fuel Gas was denied by the Federal Energy Regulatory Commission (FERC) in 2017, but later approved after some modifications in early 2019. The estimated 97 mile pipeline is now
expected to cost $440 million and will supply an economic boost to the excavation/construction sector of the regional economy beginning in 2019.

- **Manufacturing**: Manufacturing in the six-county region represents 19.2% of all jobs according to American Fact Finder (May 2019). Manufacturing conditions have experienced single digit growth in most cases during the second half of 2018. There has also been a slight slowdown since the imposition of trade tariffs between the U.S. and China and a slowdown experienced by parts makers serving the automotive industry. Overall, conditions have remained firm, but caution is now in order due to the uncertainty of global trade headwinds. Employment gains remain in place for the time being.
  - **LEDVance**: (China owned) announced it would be closing its lightbulb factory in St. Marys (Elk County) on October 25, 2019 impacting 175 employees

- **Forest Products**: This sector has experienced the most volatility in the six county region. In July 2018, the market price was in the $525-$550 range per thousand board feet of lumber and log values were the highest in several years. However, prices fell to the $370 per thousand board feet by June 2019 and the industry activity has slowed. Due to the tariffs issue with China, export demand for dimension cut lumber has also slowed dramatically (perhaps as much as 40% in some cases), as now China prefers to import raw logs versus dimension cut lumber thus reducing value-added product and hurting lumber mill operations. This sector remains under considerable pressure.

- **Healthcare**: The health care sector has been stable for the most part during the past 12 months as hospital affiliations become more important:
  - Bradford Regional Medical Center affiliated with Kaleida Healthcare
  - Charles Cole Memorial Hospital affiliated with the University of Pittsburgh Medical Center
  - Kane Hospital became affiliated with Hamot Medical Center in Erie, PA
  - Penn Highland Healthcare has announced a $111 million capital improvements initiative at its four hospital campuses (Brookville, DuBois, Clearfield, and St. Marys) to be completed by 2023. The regional substance abuse situation (opioids, meth, heroin, cocaine, alcohol and prescription drugs) has created a substantial demand for treatment and rehabilitative efforts at these hospitals, which they are attempting to meet in a positive and effective way. Demand for such services remains at an all-time high throughout the region

- **Coal Mining**: Coal mining has reached a several decades low in production output, sales, and employment. One major coal-fired power plant in the region at Shawville in Clearfield County switched to natural gas from coal, thus eliminating 9 million tons of coal annually being burned for the generation of electricity in the region and elsewhere.
• **Civilian Labor Force:** The region’s civilian labor force continues to contract as the population declines and ages. In May 2019, the regional civilian labor force was 100,000, down 14,600 from just seven years earlier in May of 2012 with 114,600 workers. This rapid descent in the civilian labor force has area employers wondering about future workforce skills and labor supply looking ahead to the 2020's. This represents a 12.7% decline in the civilian labor force in seven years, something troubling if you are a relatively large employer.

**SWOT Analysis**

The regional SWOT analysis conducted in July 2018 remains in place as a thorough vetting of the issues impacting the region, both positively and negatively, were discussed and evaluated at regional CEDS meetings leading to the preparation of the new CEDS Five Year Plan covering the period 2018-2023.

**Performance Measures**

During the reporting period three major efforts were approved and put in place:

• **CEDS Five Year Plan:** A new regional CEDS Five Year Plan was put together for the 2018-2023 year period by the regional CEDS committee. A significant amount of both committee and staff time went into this new plan and included:
  
  o New goals and objectives for the five year period
  o New performance measures for the five year period
  o A new mission statement for the organization
  o A new targeted investment strategy and action plan

• **Rixford Waterworks Association Tank Replacement Project:** Staff assisted the Village of Rixford in McKean County with obtaining funding ($125,000 from the Appalachian Regional Commission and a $125,000 loan from the United States Department of Agriculture) for this $250,000 project approved August 20, 2018.
  
  o One community served
  o 89 households served
  o 3 businesses served
  o 234 residents served
  o A new 43,000 gallon capacity water tank to be installed

• **Penn Highlands DuBois Behavioral Health Expansion Entrance:** Staff prepared a funding application to the Appalachian Regional Commission requesting $1,222,895 in funding for improvements to four streets impacted by a $22 million hospital expansion project. The Pennsylvania Department of Transportation will oversee the project’s design and construction. It was approved on May 2, 2019.
  
  o 2,087 feet of new and enhanced roadway
  o 2 communities served
120,000 square feet of new hospital space
110 new jobs created within 3 years

Summary of Accomplishments:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Task</th>
<th>Benefits/Outcome/Impacts/Deliverables</th>
<th>Milestone Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>New CEDS Five Year Plan</td>
<td>CEDS Committee involvement in drafting the plan</td>
<td>A sub-committee of the regional CEDS committee was formed to identify planning elements to be incorporated into the new CEDS Five Year Plan based on the SWOT analysis conducted in July, 2018. The sub-committee made recommendations that the regional CEDS committee considered and added to the new five year document. A thorough review of all required items was conducted from July through most of September before the final plan was accepted and approved.</td>
<td>September 26, 2018</td>
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<tr>
<td>Rixford Waterworks Association Tank</td>
<td>Community outreach and guidance</td>
<td>CEDS Goal 2</td>
<td>October-December 2017</td>
</tr>
<tr>
<td>Tank Replacement Project.</td>
<td>Prepare funding application.</td>
<td>CEDS Goal 4</td>
<td>February 13, 2018</td>
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<td></td>
<td>Work with funding agency review process</td>
<td>CEDS Goal 4 $250,000 ($125,000 ARC grant and $125,000 USDA loan)</td>
<td>June-July 2018. August, 20 2018</td>
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<tr>
<td>Health Hospital Expansion Entrance</td>
<td>Prepare funding application</td>
<td>CEDS Goals 2,3,4. Submit funding application</td>
<td>March 26, 2019</td>
</tr>
<tr>
<td></td>
<td>Work with funding agency review process</td>
<td>CEDS Goals 2,3,4. Assisted in answering review requests for additional information.</td>
<td>April 2019 May 2, 2019</td>
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<td></td>
<td>Funding approval ($1,222,895)</td>
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CEDS Online:

Challenges and Mitigation:

One of the major challenges facing many communities in the six-county region is the inability to provide adequate matching funds, where required, in a community/economic development project. This has been increasingly noticeable over the past five years. Population decline, an aging population, out-migration of young people, and an inability of the local tax base to keep up with the rising costs of local government (municipal, county, and school districts) are all elements involved in the financial pressures facing these governing bodies in rural Pennsylvania. Local government budgets are pressured by rising costs and an inability to raise property taxes and
fees that will exacerbate population loss if implemented. Median family incomes are roughly 66% or two-thirds that of the state average. Thus the difficulty to raise local matching funds, even in an improved economy such as now, remains difficult.

Effective leadership is another challenge as some local officials need additional guidance on how to proceed with development efforts as the municipality may have very limited staffing capacity, if any staffing at all. This is especially true of municipalities under 1,000 in population. The technical assistance provide by the North Central Economic Development District sometimes becomes direct staff assistance to local governments on community/economic development projects as they arise.

Mitigation of these conditions is not an easy task. One possible solution is consolidation of municipal governments and/or school districts. It has happened here at the municipal level three times in the past 25 years, but not at the school districts. A shrinking tax base and decline in student enrollment magnifies the problem yet local leaders defend their independence and have not made any serious efforts at realizing the extent of the situation or pursuing any reasonable solutions. Instead of planning to address current and future demographic trends, many local officials are content to avoid the topic and possibly offending the general public. But of course doing nothing is not a solution. The EDD has offered assistance with identifying the issues and possible solutions, but no one has stepped up in a leadership role to pursue this. Thus the financial pain of solution avoidance will continue to grow in the region unless leadership emerges to address these ongoing issues.

Next Steps:

Staff continues to pursue projects related to implementation of the new CEDS Five Year Plan. Currently two projects are seeking EDA funding: one seeking to develop a former brownfield site and located in a Federal Opportunity Zone, and the other to address rural-regional broadband issues. They are listed below:

- **River’s Landing Project.** The River’s Landing Project is a new project identified in 2019. It is a planned two-story, commercial, multi-occupancy and incubation building on the riverfront (Susquehanna River) in downtown Clearfield Borough. Each floor of the proposed two-story building would be 5,500 square feet of space for office and business use. The first floor would have up to three individual suites for business location or office space. The second floor would provide a 1,900 square foot conference/special events/educational training space, 350 square feet of shared space, 3,000 square feet of office space for Clearly Ahead Development, and another 250 square feet for other offices/incubation service. The project site is an old brownfield development site and is in a newly designated Federal Opportunity Zone. The project’s estimated cost is $4 million. A full application was submitted in June 2019 and is under federal review.

- **Regional Broadband Vertical Asset Inventory.** A request to the Economic Development Administration was submitted in June 2019 to identify any structure, building, tower, or geographical feature that could offer a suitable location for the installation of wireless transmission equipment to serve hard to reach areas. The inventory study will serve six counties and would be funded by $95,500 from EDA. Total cost is estimated at $199,000.
And the project will address CEDS goals and objectives related to brownfield development and regional broadband communications issues.

- Staff is also providing guidance and technical assistance to five regional projects seeking Appalachian Regional Commission, United States Department of Agriculture, and Pennsylvania Department of Environmental Protection funding. These projects will implement regional CEDS goals and objectives pertaining to workforce development, fostering entrepreneurship, environmental protection, health and an aging regional demographic, and economic/industrial development at one new industrial park. These projects are briefly listed below:

  o **Instructional Equipment for Engineering Technology at Pitt-Bradford:** ARC funding is being requested to assist the purchase of essential equipment necessary to implementing a new Engineering Technology Program at the University of Pittsburgh at Bradford. (ARC request is $150,000 and the University of Pittsburgh will match with $150,000 of their funds. Total project cost: $300,000.)

  o **North Central PA LaunchBox & Innovation Collaborative:** The purpose of the project is to foster entrepreneurship and innovation while also enhancing the skill sets of the current labor force. (ARC request is $250,000 and would be matched by $250,000 from Penn State DuBois. Total project cost: $500,000.)

  o **Punxsutawney Flood Levee System—Feasibility Study:** The purpose of the project is to complete a feasibility study to make improvements to the current levee system in Punxsutawney Borough as required by FEMA. (ARC request is $160,000 and would be matched with Pennsylvania Department of Environmental Protection funding of $160,000. Total project cost: $320,000.)

  o **Village of Hope Community Center:** The purpose of the project is the development of a community center in Clearfield County to serve a 23 acre community providing alternatives to long-term institutionalization for individuals suffering from Alzheimer's disease and dementia. An existing 27,000 square foot school building will be renovated for the community center and be surrounded by affordable housing for residents. (ARC request is $250,000 to be matched by a USD loan of $2,033,451 and Pennsylvania Department of Community and Economic Development funds of $2,000,000. Total project cost: $4,272,451.)

  o **Access Road Intersection Improvements to Airport Industrial Park:** The purposes of this project is to divert heavy truck traffic going to the St. Marys Airport Industrial Park from downtown St. Marys by improving access to the industrial park and widening two intersections. (ARC request is $392,610 to be matched by $70,000 in local funds. Total project cost: $462,610.)
Client Success Stories:

During the reporting period, three major success stories were accomplished /implemented. The first was the new CEDS Five year Plan which involved staff time from early 2018 and an intensive review/commentary period from July 2018 through September 2018. A lot of differing opinion from the overall CEDS committee sparked numerous debates on how to develop the plan, issues and actions to be addressed, and implementation once the plan was completed and approved.

At the July 2018 CEDS meeting and throughout the month of July, commentary was taken and reviewed on the SWOT analysis. Much of the program staff activity in the third quarter of 2018 was devoted to finalizing the new regional CEDS Five year Plan. Below are listed some key dates in the plan’s final development for public review and comment:

- August 7, 2018 – The CEDS Five Year Plan sub-committee completed its fifth work session toward the final draft. The final draft was agreed upon by the sub-committee at that meeting and some remaining follow-up work was completed three days later.

- August 13, 2018 - September 13, 2018 – The new CEDS Five Year Plan was advertised and posted online for a 30 day public comment period. The full regional CEDS committee and general public were invited to review and comment on the document.

- August 29, 2018 – A public meeting was held per the advertisement on August 13 to take any public comments on the document

- September 18, 2018 – The new CEDS Five Year Plan was finalized by incorporating any remaining public comments from the CEDS Five Year Plan sub-committee.

- September 19, 2018 – The new CEDS Five Year Plan was presented to and adopted by the full regional CEDS committee. It was then e-mailed to the North Central Pennsylvania Regional Planning and Development Commission’s Board of Directors for their review and formal adoption at the September 26, 2018 Board Meeting.

- September 30, 201 – The plan was submitted to EDA’s Philadelphia Regional Office.

The second and third success stories involved implementing CEDS Five Year Plan Goal #1: Government Cooperation and Coordination, and Goal #2: Community and Economic Development. It also assists one of the region’s economic clusters: healthcare, and is listed below:

- **Penn Highlands DuBois Behavioral Health Expansion Entrance:** The purpose of this project is to improve 2,087 feet of access road on four individual streets leading to a new $22 million, 120,000 square feet hospital building that will employ 110 new people. The project will improve access to treatment for those seeking medical, opioid addiction, drug and alcohol abuse, and behavioral health issues. (ARC request is $1,222,895 or 100% of the total estimated project cost). The funding application was submitted on March 26, 2019. It was approved for the full amount on May 2, 2019.
Rixford Waterworks Association Tank Replacement: Staff assisted the Village of Rixford in McKean County with obtaining funding for a new 43,000 gallon water tank that would replace two 70 year old water storage tanks on the verge of failure. Funding was obtained from the Appalachian Regional Commission and the United States Department of Agriculture to help this small village of 234 residents. (ARC request is $125,000 in grant funds to be matched by a $125,000 USDA loan. Total project cost: $250,000). The project's funding was approved on August 22, 2018.

EDA Assistance-Needed:

EDA assistance is needed with the Regional Broadband Vertical Asset Inventory Project and improvements to Broadband and Cell Coverage in general. The importance of this project to the business community, education, healthcare, and general public is critical to underserved and unserved rural areas in the counties served by the North Central Pennsylvania Regional Planning and Development Commission. The sparsely populated region, mountainous topography, distance between customers, and the provision of service at a reasonable cost are all challenges for both the service provider and end user. NCPRPDC, as a public internet service provider, has provided some solutions to these challenges by partnering with other organizations, private individuals, and state agencies where it can, since major private sector service providers generally do not see the economic benefit to them in this situation. Thus in many situations NCPRPDC is the only provider out there willing to partner or take a chance to find solutions to such difficulties involved with service delivery in rural Pennsylvania.

Press Engagements/Opportunities:

August 26, 2019: Congressman Glenn "GT" Thompson is hosting a legislative Summit at our office to discuss Federal Program Opportunities.

At this point in time no other press engagements/opportunities are scheduled, but that may change if some future projects develop to the point of being funded and implemented.