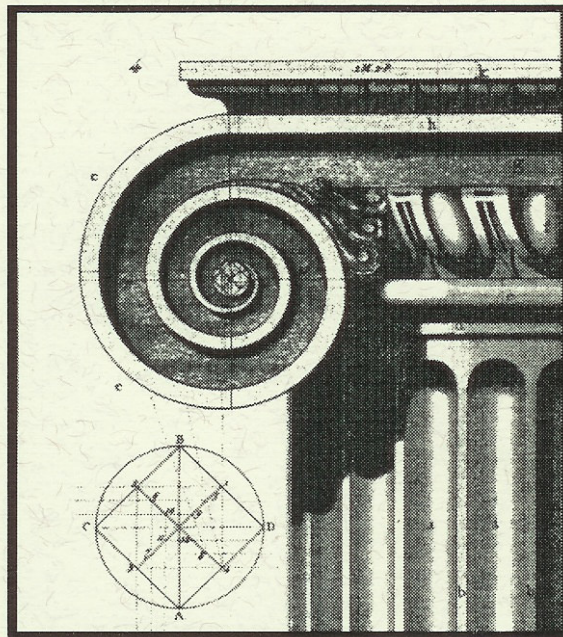
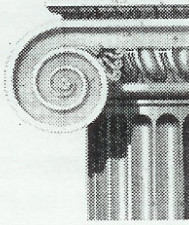


Institute of Politics
University of Pittsburgh



Status Report
A Hope and a Future:
Regional Development in Southwestern Pennsylvania

Bruce Barron
April 1998



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Should we all just give up and migrate to the Sun Belt?

It's a tempting thought when one looks at the collection of adversities stacked against Pittsburgh and southwestern Pennsylvania as this region seeks to plan for the future. Yet the region's leaders—even those who speak most frankly of its difficulties—consistently display a hopeful confidence in its prospects and a determination not to give up.

The challenge is daunting because most of the adverse factors are far beyond the control of any local leader. For example:

- Many of Pittsburgh's former advantages, such as river transportation, coal deposits, and heavy manufacturing, have dwindled in value.
- Some parts of the region once dependent on steel and other heavy industries for their prosperity still have not recovered from the shellshock of global competition.
- Advanced transportation and communication—and air conditioning—have made it much easier for businesses to locate in more attractive climates.
- The region's once-formidable lineup of major corporate headquarters has been decimated by consolidation (Gulf, Rockwell, Westinghouse) and diversification (Alcoa, USX). Some wonder if mergermania in the banking industry will eventually make Mellon the next to go.
- Despite the region's economic and cultural transformation, the national perception of Pittsburgh remains fixated on its outdated Smoky City image, hindering business and tourism development.
- The state's corporate tax rate, though reduced, still ranks among the nation's highest.

As if these obstacles weren't enough, southwestern Pennsylvania has placed additional ones in its own path. Among those most often mentioned are fragmentation among public entities and economic development agencies; a history of labor-management conflict; and a lack of urgency in addressing regional problems.

And yet the region also boasts an impressive series of plusses, including proximity to numerous major markets; a highly trained workforce; a technology sector of national significance; three prominent universities; superb health-care resources; a strong and very well coordinated foundation community; a world-class airport; modest living costs; and an attractive center city with a low crime rate.

For those involved in planning the future of southwestern Pennsylvania, this is a challenging but exciting time. Despite—and in some cases because of—the defeat of the Regional Renaissance Initiative last November,

an unprecedented level of dialogue and cooperation on regional development issues is emerging.

To capture and disseminate top-notch perspectives at this decisive moment in the region's history, and in hopes of further encouraging regional progress, the Institute of Politics conducted one-to-one interviews with some of the area's most influential and thoughtful leaders. (The selection of interviewees was intended to be representative, not exhaustive.) Although suggested discussion topics were provided, the interviews proceeded in largely open-ended fashion, with interviewees invited to concentrate their remarks on whatever issues they considered most important to the region's future.

This Institute of Politics status update relies on the transcripts of those interviews (which totaled nearly 17,000 words), along with published documents from the Pittsburgh Regional Alliance, the Allegheny Conference's Working Together Consortium, the Southwestern Pennsylvania Regional Planning Commission, and the *Pittsburgh Post-Gazette*.

Interviewees for this report included:

- **RICHARD FLORIDA, Ph.D.**, H. John Heinz III Professor of Regional Economic Development, Carnegie Mellon University.
- **TOM FOERSTER**, former Allegheny County Commissioner and Distinguished Fellow of Government & Politics, Duquesne University, Carnegie Mellon University, and the University of Pittsburgh.
- **FRANK GIARRATANI, Ph.D.**, Professor of Economics and Associate Dean for Faculty Affairs, Faculty of Arts and Sciences, University of Pittsburgh.
- **JAKE HAULK**, Managing Director, Allegheny Institute for Public Policy.
- **DIANA IREY**, Commissioner, Washington County.
- **MARK S. KAMLET, Ph.D.**, Dean and H. John Heinz III Professor of Economic and Public Policy, Carnegie Mellon University.
- **THOMAS J. MURRIN**, Dean, School of Business Administration, Duquesne University.
- **RITA POLLOCK**, Executive Director, Southwestern Pennsylvania Regional Development Council.
- **CARL REDWOOD**, Associate Director, Hill House Association.
- **BEA SCHULTE**, Chair, Beaver County Board of Commissioners.
- **VJAI P. SINGH, Ph.D.**, Professor & Associate Chancellor, University of Pittsburgh.
- **DONALD F. SMITH, JR., Ph.D.**, Executive Director, Center for Economic Development, Carnegie Mellon University.
- **RICHARD STAFFORD**, Executive Director, Allegheny Conference on Community Development and the Pennsylvania Economy League, Western Division.

Why Must the Pittsburgh Region Grow?

Amidst all the hand-wringing about southwestern Pennsylvania's lack of growth, one question is often omitted: does it matter?

After all, many Pittsburghers like the area's current population size, and many who sit in frequent traffic jams or bemoan the disappearance of pristine green space along the region's existing development corridors might think of growth as a curse, not a blessing.

University of Pittsburgh economist Frank Giarratani explains that the Pittsburgh region's stagnant population and employment levels have several negative consequences, beginning with increasing difficulty in financing and delivering public services. Suburbanization distributes population density over a wider area and reduces activity surrounding the center core, making mass transit and other services less viable. Government structures established for a larger population do not shrink in conjunction with population decline, creating unfavorable imbalances.

Lack of growth also accentuates other regional problems, such as land use, housing, and poverty. Blighted and brownfield sites become harder to redevelop. Abandoned homes create eyesores, reduce property values, and discourage others from moving in. Impoverished communities have fewer opportunities to attract new investment.



Adds Don Smith of Carnegie Mellon University, “I don’t think our region is at a size that enables us to maintain our current infrastructure, let alone improve it. The burden of sustaining it on a stagnant or shrinking tax base hampers our ability to be more competitive now and in the future.

“Not only does growth add to the tax base and benefit existing companies, but it would establish us as a positive environment for business investment. If you’re not growing, you’re not demonstrating that you deserve new capital. On both an economic and an image level, it’s important to make this demonstration.”

CMU’s Mark Kamlet concludes, “Our region’s civic, cultural, and institutional structure presumes a larger tax base than we currently have. In Portland or Seattle or Denver the concern may well be how to control growth. But the circumstances we face make growth necessary here.”

After the Initiative: Snatching Victory from the Morning of Defeat

Several interviewees chided the sense of defeatism toward future growth possibilities among some southwestern Pennsylvania leaders. But no such defeatism can be found among either proponents or opponents of the failed Regional Renaissance Initiative in their reflections on the results of last November’s referendum.

Some regrets persist about the virtually universal agreement to rule out new taxes in response to the Initiative’s defeat. Smith warns that delaying key infrastructure investments could cause the region to lose more ground, and Kamlet fears the greater—and less fiscally responsible—reliance on bond funding Plan B appears likely to contain. The University of Pittsburgh’s Vijai Singh, while connecting the region’s overtaxed status with the erosion of its economic base, says prudent, nonpermanent, targeted investments will be necessary to turn things around: “To assume that if we don’t invest in ourselves others will come and invest in us is silly.

On the other hand, Jake Haulk, who helped to lead the opposition to the Initiative at the Allegheny Institute for Public Policy, asserts that high taxes—including local property and sales taxes—are already the foremost deterrent to regional growth.

Everyone, whatever their view on new taxes, appreciates the decoupling of sports facilities from other infrastructure issues that has occurred since the Initiative vote. There is broad agreement that major-league sports are neither a primary economic generator nor a substantive issue for companies deciding where to do business; the value of retaining the Pirates and Steelers is related largely to the tarnished image and deflated spirit the region would suffer should it involuntarily lose a beloved franchise. “Perception is the problem,” says Singh. “If the Pirates or Steelers were to leave, it would show that the region cannot hold onto its institutions.”

The Initiative’s defeat, says Tom Murrin of Duquesne University, “put regional issues much more on people’s mind than before. Even bringing out the parochialism was healthy—we now understand better how people feel and perhaps we’ll make progress.”

Rick Stafford of the Allegheny Conference noted another positive consequence of the Initiative debate: polls have shown increased awareness among all demographic groups of the need for public investment in the region. “One way (to package that investment) was rejected,” but not the concept of investing, he points out.

Rita Pollock of the Southwestern Pennsylvania Regional Development Commission, in addition to citing the Initiative’s role in raising public awareness, believes it “energized the elected officials of our region, particularly the county commissioners, to take a prominent role in public affairs and economic development.”

Beaver County Commissioner Bea Schulte says the Initiative’s failure brought the region “back to square one, with some bad feelings to work through besides,” but her assessment of what has happened since then is positive. “People have come to realize that a regional initiative must be truly grass-roots and involve people from all over the region if it is to succeed,” she says. “Since the Initiative’s failure, (outlying county commissioners) have been getting invited to more meetings and better relationships are developing.”

The change in attitude reflects an obvious yet often-overlooked fact: when southwestern Pennsylvania is considered as a ten-county region, the city of Pittsburgh represents less than 15 percent of the population. “Our region is *more* complex and fragmented than it was 50 years ago,” says Carnegie Mellon’s Richard Florida, “and we cannot expect people from outlying areas to reflexively understand that proposals that appear to be

conferring the benefits on downtown Pittsburgh are good. Proposals must be marketed as benefiting a host of actors in this mosaic we call a region."

Next Steps: Content

As responses to the *Post-Gazette's* recent calls for public opinion have shown, there is no dearth of ideas for the Pittsburgh region's future. Unfortunately, many are logistically inconceivable, cost-prohibitive, or politically unachievable. Even the region's most respected strategic plans have often focused on goals (such as cutting business taxes, amending the Clean Air Act, and attracting more federal research funding) that, while important, lie beyond southwestern Pennsylvania's immediate sphere of influence.

Setting aside the imaginative visions and long-term advocacy projects, however, still leaves a significant, complementary group of concrete proposals, among which the following areas receive the most recurring attention.

Entrepreneurship

The region's low entrepreneurship rate is consistently cited as a major obstacle to growth. Lack of access to capital, a relatively small proportion of persons age 20-35, and a conservative culture are the usual explanations.

The McKinsey report recently commissioned by the Pittsburgh Regional Alliance and the Greater Pittsburgh Convention and Visitors Bureau recommended an increase in available seed capital, a self-sustaining network for investment in high-technology opportunities, and a reference network for initially unsuccessful loan applicants. The Carnegie Mellon University Center for Economic Development's "1997 Entrepreneurial Vitality Scorecard" suggests creation of a high-tech business incubator, an entrepreneurial fellowship program, and educational activities designed to promote an entrepreneurial culture.

Most of the recommendations call for particular concentration on building new business activity around the region's emerging strengths (McKinsey calls them "spike industries"), such as robotics and the Pittsburgh Tissue Engineering Initiative. Murrin, who chaired Governor Ridge's Technology 21 Task Force, believes that the new availability of \$50 million of Catalyst Stage Funding will help.

CMU's Florida is less concerned about the capital issue, feeling that "capital flows fairly well toward good deals," as about establishing a base of seasoned talent that keeps entrepreneurs who originate good ideas in Pittsburgh from feeling they must relocate to other business centers as their idea flourishes. To attract and retain such talent, Florida calls for augmenting the region's quality-of-life advantages with a focus on developing the amenities most often sought by the younger generation—such as bikeways, cafes, and a downtown multiplex theater.

Carl Redwood of Hill House adds that the pattern of startup companies being born in Pittsburgh but going elsewhere as they grow is a key factor preventing the region's business successes from making an impact on inner-city communities.

Hauk of the Allegheny Institute calls promoting an entrepreneurial culture in southwestern Pennsylvania a crucial task, but a difficult one. "We need to raise people to think that starting your own business rather than depending on government is the norm," he says. "Ours is not a culture that encourages people to take chances and risk failure."

University Involvement

The region's three major universities (and the UPMC and Allegheny health-care conglomerates are sometimes included in the same breath) consistently rank among its top plusses, creating a level of intellectual capital matched in very few American cities. Many, however, feel these resources could be used better.

Vijai Singh rates Pittsburgh's civic-university partnership as weaker than that between the Wharton School and Philadelphia leaders, or between Cleveland's Federal Reserve Bank and that city's top universities. Better collaboration, he says, could lead to better analytical input into policy decisions. "Academics have their own activities, so without serious attention from civic organizations they will not become very involved" in this partnership, he says.

While universities are valued primarily for their role in advanced education and research, technology transfer, and workforce development, Giarratani focuses on another, usually overlooked function: improving the quality of secondary education. For example, University of Pittsburgh language professors have validated local high-school programs' performance expectations as conforming to college standards. "We don't tell them how to teach, but as the experts in particular subjects we can tell them what our standards are," Giarratani explains.

Florida offers the most expansive proposal: creating between the three universities a world-class think tank that would bring together the best minds—both locally and beyond—to work on regional development issues. He believes Pittsburgh's status as "the world's foremost ecologically and economically transformed region" would help such a research center draw leading thinkers from all over the globe.

The region's universities, observes Kamlet, "have never seen ourselves as having as much responsibility for the region's future as we do now." He and others praise the leadership of all three major institutions for their shared commitment to this role.

Workforce Development

Duquesne's Murrin speaks regretfully of one local corporation's struggles in attracting suitable employees for a high-tech telemarketing operation, due to the prevalence of "high-school graduates who can't read and are scared of keyboards."

As Redwood points out, sometimes part of the problem in linking workers to jobs is that the jobs are boring and low-paid. But mismatches between the available employee pool and higher-level jobs are happening too.

"Workforce is companies' number-one priority," Smith asserts, "and their location decisions are driven by who can provide a skilled workforce. Local employers express frequent concern about having to screen many applicants to find qualified workers, and then having to offer remedial training to the ones they do hire." Singh adds that, along with quality education, a less fragmented workforce delivery system and better transportation to plant sites could help.

An Economic Development Planning Process

The anticipated merger of the Southwestern Pennsylvania Regional Planning Corporation and Development Corporation (SPRPC and SPRDC) gives Bea Schulte hope that the region will begin doing comprehensive planning for economic development as it has done (by federal mandate) for transportation. The SPRDC's Pollock welcomes the opportunity; in fact, she suggests that the region adopt an EDIP (or economic development improvement plan) just as formal and thorough in scope as the federally required TIP for transportation. An SPRDC-commissioned study of 36 other cities found that 17 engage in some joint planning process of this type.

Florida believes the region still lacks a clear vision of its desired future (in comparison, for example, to Cleveland, which set and achieved specific goals for manufacturing and tourism growth) and looks to the Allegheny Conference's inclusive Working Together Consortium process as the means by which such a vision can emerge. Schulte, while sharing this concern, emphasizes that the process must rely on rigorous research and public engagement without which "no amount of visioning or dreaming makes sense." (One of the McKinsey recommendations—to enhance tourism by developing a showcase attraction—could spark renewed, earnest debate over what kind of image southwestern Pennsylvania wishes to project.)

Business Assistance

Several interviewees expressed the view that a shortage of ready-to-occupy sites hampers southwestern Pennsylvania's ability to serve expanding or relocating businesses. "Even if we could entice companies, we don't have any sites with adequate infrastructure to bring them to," observes Washington County Commissioner Diana Irely, who points out that her county has made developing more industrial park space a priority. In addition, though the Pittsburgh Regional Alliance and Southwestern Pennsylvania Growth Alliance are credited with some progress, concern persists over the region's economic development delivery system, which the McKinsey study calls "a highly fragmented set of organizations that lack a unified governance structure, mis-

sion or vision . . . and are unable to deliver a holistic strategic marketing plan.” Irely recommends that each county have a single lead economic development agency interacting with its cohorts in other counties.

Labor-Management

Even though local experts say Pittsburgh’s current labor-management climate marks an improvement over its history of conflict, the perception of a serious problem remains, especially among outsiders. Haulk comments that business location advisers still cite the labor climate as one of the region’s most severe drawbacks. Stafford says it continues to affect the business decisions even of those employers who are already here and considering expansion; he believes that addressing this issue effectively will require stronger involvement from the business community. Haulk goes further, arguing that Pennsylvania should take steps toward becoming a right-to-work state in order to show clearly that its labor climate has changed.

Former Allegheny County Commissioner Tom Foerster believes the Pittsburgh Pledge commitment to labor-management cooperation should be expanded to encompass more corporate and union participants and should be more prominently marketed by the Pittsburgh Regional Alliance as a means of overcoming the region’s negative labor image.

Allegheny 2000

Four interviewees made unsolicited reference to Allegheny County’s upcoming home rule charter referendum as an opportunity to streamline county government and improve its capacity to address development needs. “If this doesn’t get approved, I think I’ll advise my own children to relocate,” quips Murrin.

Infrastructure

The pressing need for infrastructure improvements was repeatedly stressed, though without consensus on which improvements are most important. (In the transportation realm, airport links, beltways, the Mon-Fayette Expressway, and generally reducing bottlenecks compete for top priority.) Pollock calls for packages of public investments (rather than selecting individual programs piecemeal) that will yield the greatest long-term growth.

For Smith, technology infrastructure—to support advanced Internet capacity and high-speed business transactions—is rapidly becoming the most essential investment in this category. Redwood agrees with Smith and worries that the technology market’s tendency to serve affluent suburbs first is creating a type of “infrastructure redlining” that will aggravate the disparity between richer and poorer communities. A first-class telecommunications infrastructure linking the whole region could become “the wire we all hang onto,” he says.

Foerster proposes an airborne infrastructure priority: working in concert with US Airways to secure more international flights to and from Pittsburgh. He says each direct air connection with a foreign city can generate as much as \$100 million of impact on the region’s economy.

The above-mentioned eight areas hardly exhaust the breadth of good ideas in circulation, but they stand out as widely recognized areas of concern. This set of challenges, which closely parallels the Working Together Consortium’s matrix of key initiative areas, should—if taken seriously—provide enough marching orders for at least the next few years.

Next steps: Process

To achieve even some of the ambitious goals proposed in the previous section will require the region to rise to an unprecedented level of collaboration. Despite southwestern Pennsylvania’s distinctly decentralized character, new signs of such collaboration abound:

- The former Alcoa Building, now under the control of the Southwestern Pennsylvania Corporation, is becoming a locus for regional development activities.
- The SPRPC and SPRDC expect to become a single organization, fully representing nine southwestern Pennsylvania counties, this year.
- The SPRPC and SPRDC have incorporated private-sector leadership for the first time.
- The Pittsburgh Regional Alliance has not only brought together four previously separate organizations

but has also reached out beyond Allegheny County, adding two outlying county commissioners (Schulte and Armstrong's Jim Scahill) to its board.

- The Greater Pittsburgh Convention and Visitors Bureau and the David L. Lawrence Convention Center have signed a joint marketing agreement.
- The Southwestern Pennsylvania Growth Alliance is going to Harrisburg with a unified regional voice, having developed a single regionwide list of recommended projects for the first time.
- Southwestern Pennsylvania's county commissioners are planning to begin including state legislators in their regular regionwide meetings.
- The region's major universities and research institution are newly poised to contribute to regional development. For example, University of Pittsburgh chancellor Mark Nordenberg chairs the oversight committee developing a strategic plan for regional workforce development.
- The shared threat of air-quality regulations, Harrisburg's new emphasis on using regional networks to implement programs (such as job training and the Team Pennsylvania business promotion effort), and even the failure of the Regional Renaissance Initiative have pushed the region's leaders to interact more consistently.

"Without question," says Rick Stafford, "more regional conversations are going on than ever. We still have conflicts, but we are making mindset progress here."

But just as certainly, the job is far from done. For example, Stafford believes the region still needs "an organization that can say to potential employers, 'Here are seven places (across the region) to look at, and we don't care which one you select.' That approach is much more likely succeed than involving the employer in the middle of a dogfight" between competing agencies.

Similarly, Smith (who feels southwestern Pennsylvania has depended too much on political processes and too little on observing other regions' experiences) points to the Charleston, S.C. area, where three counties agreed to form a regional development alliance. "They did not stop competing with each other," he says, "but they now compete *and* cooperate, because they all understand that a plant coming to the neighboring county helps them too. Their first priority is to grow the regional pie, and then they compete over who gets the bigger piece."

According to Commissioner Irely, the regionwide meetings of county commissioners have produced progress toward mutual understanding on optimizing growth and controlling internal competition, though she feels the region's economic development agencies are lagging behind the commissioners in this regard.

Smith contends that improved coordination—which, he emphasizes, is *not* synonymous with centralization—would reduce administrative overhead, as well as improving the quality of program evaluation and simplifying the path by which businesses access sources of assistance. He argues that fragmentation has hindered the region's marketing effectiveness in both business development and tourism: "Each agency spends a fraction of its revenue marketing its own program; as a result we have inconsistent messages, each of them at a low wattage. We need to broadcast a consistent message at high wattage across the country and around the world. Each organization's marketing expenditures should become part of, or at least supportive of and consistent with, this shared effort."

Richard Florida also advocates not for centralization, which he says would simply create "yet another organization with more highly paid staff," but for a coordinated effort to "create a market (for economic development services) and standards within which that market operates. This would foster a healthy competition in which the organizations that meet the standards get rewards and the ones that don't go out of business." Florida notes that California's Silicon Valley has many separate municipalities and organizations too, but that public- and private-sector leaders there have collaborated in a joint venture to establish a regional vision and business plan.

Murrin echoes Smith's concerns about the region's lack of benchmarking and its lack of urgency. He tells a story that suggests how benchmarking can reinforce the importance of change—and bridge labor-management gaps—all at once: "Many years ago, when I was negotiating technical exchange agreements for Westinghouse in Japan, I realized that the Japanese were about to emerge as industrial competitors. Nobody believed me until we got some funds to send teams of engineers and managers to Japan to see for themselves. And one of the brightest ideas of all was

to send a few labor leaders. When the plant manager and the labor leader left for Tokyo, they were enemies; when they came back two weeks later, they were buddies, and they both realized that the real threat to their self-interest was global competition, not each other.”

Kamlet believes the region’s power structure has given too little attention to ensuring that all citizens, and particularly the African American community, are considered in planning decisions. Redwood says regional leaders generally recognize the need for African American participation, “but in most cases it is token participation that does not capture the richness of voices within the region’s various African American communities. So many times the same folks always end up in the room and new ideas are not heard.”

Haulk voices a frequently expressed hope that the region’s fresh spirit of coordination will extend to its state legislative delegation. “Geography should transcend party when regional issues are at stake,” he says.

Advancing with Hope and Realism

Richard Florida’s message for southwestern Pennsylvania is an inspiring voice of optimism, especially considering that he is a widely recognized expert on regional development who returned last fall from a sabbatical in Boston.

“I think our progress has been remarkable,” he declares—“especially on the technology, entrepreneurial, and sustainable-development fronts. But the entire business development scene has become much more vibrant as well. Having been in Boston for two years, I can really feel the difference. This is a great place with a great future, and I have the most positive feeling about it you could imagine.”

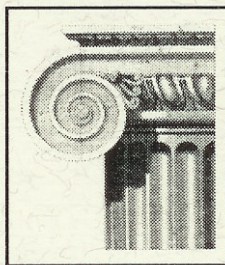
Florida’s enthusiasm should be teamed with Mark Kamlet’s realism. Calling for determination rather than resignation as we face the economic future, Kamlet says, “Economic development is a function of a thousand small things, not one magic bullet that will bring the golden rainbow. But each step, if we pull it off, will make a 0.1 percent difference.

“We shouldn’t consider ourselves failures—it’s amazing that we’ve done as well as we have. But if we sit on our hands, natural forces will move us in the wrong direction.”

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