

*Summary of Report by
K. W. Poore & Associates, Inc.*

**CHALLENGES FOR
ECONOMIC GROWTH IN
THE ALLEGHANY HIGHLANDS**

Prepared for
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CHALLENGES FOR ECONOMIC GROWTH IN THE ALLEGHANY HIGHLANDS

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Background

- For the past 12 years, The Alleghany Foundation has invested millions of dollars in community projects to enhance quality of life and opportunity for the citizens of the region.
- To assist in making the best decisions about funding projects, The Alleghany Foundation commissioned a report on trends and challenges for the Alleghany Highlands region, comprised of Clifton Forge, Covington, Iron Gate and Alleghany County. This new report combines data from several previous reports with new information.
- The report was produced by K.W. Poore & Associates, Inc. of Richmond, a firm with extensive experience in community planning, economic development planning, and implementing of grant-funded community development projects.
- The report's findings are so important that the Foundation has arranged for it to be available to the community.

Trends Facing the Alleghany Highlands

- **Declining Population**
 - Overall, population trends for the region from 1970 through 2000 showed a significant decrease. In contrast, the population of Virginia grew 52.2 percent.

POPULATION TRENDS FROM 1970 - 2000		
<i>Jurisdiction</i>	<i>Population Growth</i>	<i>% Change</i>
Clifton Forge	-1,245 persons	-22.5%
Covington	-3,744 persons	-37.3%
Alleghany County	+284 persons	+2.2%
Virginia	+2,430,021 persons	+52.2%

Source: 1970-2000 U.S. Censuses

- The population of the Alleghany Highlands is projected to continue declining during the next 30 years while the number of people aged 65 and up is projected to grow significantly. Many senior adults have limited, fixed incomes. They generate less in sales tax, and they generally don't need schools. They also may generate less in real estate tax revenue as they leave their homes for alternative housing.
- The number of people aged 15-64 is expected to decrease at a faster pace than the overall population. These are the typical employment years. This is a troubling trend.

TRENDS IN SENIOR ADULTS AND WORKFORCE AGE ADULTS THROUGH 2030		
<i>Jurisdiction</i>	<i>Persons 65 and over</i>	<i>Persons 15 – 64</i>
Covington	+18.5%	-15.9%
Alleghany County	+26.7%	-17.3%
Virginia	+129.1%	+25.5%

Source: Virginia Employment Commission

- The Alleghany Highlands does not have population growth to balance out its increase in elderly residents. Although Virginia's elderly population also is projected to more than double its workforce age population will grow and continue to meet the needs of Virginia's businesses and industry.
- Income lags behind the region and the Commonwealth.

MEDIAN HOUSEHOLD INCOME IN 2004		
<i>Jurisdiction</i>	<i>Median Income</i>	<i>% of Statewide Median</i>
Covington	\$32,622	63.8%
Alleghany County	\$38,489	75.3%
Virginia	\$51,103	

Source: U.S. Census Bureau

- The poverty rate of about 12 percent falls in the middle of Virginia rates. Lower income levels and a higher poverty rate indicate citizens are struggling to make ends meet. Based on income and poverty levels, the Alleghany Highlands has much more in common with Southwest Virginia and Southside Virginia than it does with other localities along Interstate 64.

- **Declining Employment**

- The manufacturing industry is overrepresented and likely will continue to decline. Manufacturing is a much larger part of the economy (26.1 percent) than in Virginia overall (7.6 percent). One manufacturer represents 66.6 percent of all manufacturing jobs in the Alleghany Highlands.
- Other sectors are underrepresented. Professional, business and technical service jobs represent less than 1 percent of employment in the region but 9.6 percent across the Commonwealth. These jobs – including accountants, architects, advertising, engineers, lawyers, management consultants, marketing, veterinarians, etc. – are jobs the area’s young people train for when they go away to college. The lack of these jobs makes it difficult to attract young people back.
- The unemployment rate for the region consistently averages about 1.5 percent higher than the Commonwealth’s. With recent plant closings, the rate is expected to go higher in coming months
- In addition to the general decline in population, the significant number of persons choosing not to work for various reasons, including the lack of good jobs, creates a drag on the economy. The Labor Force Participation Rate in the Alleghany Highlands is about 55 percent, 7 percent lower than the region’s and 14 percent lower than the Commonwealth’s.
- The area is fairly isolated from other local economies. Most residents live and work in the Alleghany Highlands. The area has few workers coming in from other communities, and most of those live close by.

Challenges Facing the Alleghany Highlands

- **Creating Economic Opportunity**

- Long-lasting economic development often starts small and locally. The role of entrepreneurs and industrial leaders who have an appreciation for the area is key.
- Upgrades to the Covington and Clifton Forge wastewater treatment plants and construction of a new eastern regional wastewater plant are essential. These utility improvements are estimated to cost \$33.4 million.
- Many already identified economic development projects are eligible for state and federal grants, low interest loans and private grants. Work to develop these infrastructure and service improvements should intensify.

- The Alleghany Highlands Regional Commerce Center lacks a natural gas line, which is key to successfully recruiting new industry. The gas line is estimated to cost \$5-6 million. Three prospects, including one that is now investing \$100 million in a Southside industrial park to employ 150 people, have passed on the Center due to lack of natural gas service.
- The region is running behind many Virginia localities and neighboring states that have industrial sites and facilities ready for use with new shell buildings, industrial pads, utilities and roads already in place.
- Tourism is a significant part of the economies of several neighboring localities. Although the Alleghany Highlands share the same natural beauty with these communities, the region lacks the same income-producing tourism assets. Additional special and seasonal events and tourism-oriented venues are needed to create an ongoing draw for tourists. Theme hotels, a school of arts, stronger downtown retail mixes, and development of trails and walkways are local efforts that should be supported. Most successful tourism efforts are “home grown.”

▪ **Offering a Strong Housing Mix**

- Poor housing conditions prevail, and vacancy rates are nearly twice as high as in Virginia overall. Housing stock in the region is significantly older than that of the Commonwealth. Most housing dates to pre-World War II. Statewide, only 9.1 percent of housing was built before 1939.
- Declining population, aging population, the predominance of single-family housing, and the age of the housing stock play a role in the region’s inability to attract new residents or retain younger residents.
- Median value of housing is much lower than Virginia’s; however, median income is lower as well, leading to an affordability gap for many.

MEDIAN HOUSING COSTS AND RENT IN 2000		
<i>Jurisdiction</i>	<i>Housing Value</i>	<i>Gross Rent</i>
Clifton Forge	\$52,800	\$341
Covington	\$52,500	\$404
Alleghany County	\$77,500	\$360
Virginia	\$125,400	\$650

Source: 2000 U.S. Census

- Diversity of housing that appeals to people in various stages of life is essential. Businesses and industry choose locations partially based on housing that suits family and financial needs of those they hire.
- Recent upscale housing projects are appealing to buyers from other states who want quality-of-life and natural beauty. Those seeking early retirements, outdoor recreation and second home-based careers could spark a trend toward people moving in and fixing up older housing stock.

▪ **Providing Quality Public Education**

- Performance of students on SOL tests compares well with similar school districts and the Commonwealth. The highest level of education attained by 40 percent of the population is a high school diploma or G.E.D.
- Continuing education is limited to associate’s degrees, reflecting the manufacturing economy. The percentage of those with higher degrees is significantly lower than Virginia’s.

PERCENT OF POPULATION WITH BACHELORS AND MASTERS DEGREES		
<i>Jurisdiction</i>	<i>Bachelors Degree</i>	<i>Masters Degree</i>
Covington	5.1%	0.8%
Alleghany County	8.5%	2.6%
Virginia	18 %	8.0%

Source: 2000 U.S. Census

- Covington is one of the smallest school districts in Virginia yet spends more per student (\$12,106) than Alleghany County (\$9,724), its peer districts or the state average (\$9,755). Higher expenditures relate to a higher percentage of Special Education students (25.6 percent compared to the state average of 14.7 percent and peer districts ranging from 13.5 percent to 19.5 percent) and educating students from poverty.
- Alleghany County educates three times as many students as Covington. Per student expenditures are similar to the statewide average. Special Education students are 17.9 percent of students. A larger student population allows for economies of scale in administrative costs and services.
- Although workforce age population is expected to decline significantly, school age population is projected to remain stable through 2030. Paying to educate students will fall to a smaller base of taxpayers.

- Some school-related services are shared by Covington and Alleghany County. There are potential additional savings through resource sharing by the two school systems. Alleghany County could potentially cut operational expenses by \$1.5 million and save an additional \$2.8 million through new shared services during a five-year period. Savings for Covington could potentially be \$1.3 million in operational expenses and \$800,000 through new shared services during a five-year period.
 - Outdated school facilities need replacement in both districts. Paying for these facilities will be challenging in a region where the population and economy are declining.
- **Keeping Taxes Low**
- Alleghany County and Covington currently have tax rates that are competitive and are equal to or close to those of similar communities. Current debts and debt service are reasonable and in line with similar communities and suggested policy
 - For Alleghany County and Covington, new and pending capital projects and their debt service will lead to significantly higher future debt loads. Both localities likely will be forced to reduce staff, operating budgets and services, and/or raise taxes in order to handle the additional debt.
 - As both total population and workforce age population decline, the ability of the region to raise additional revenue declines. Pressure will increase on both Alleghany County and Covington to increase tax rates.

Conclusion

- These interesting trends and challenges are from the first phase of the report commissioned by The Alleghany Foundation. The second phase of the report will seek to identify potential efficiencies that might be accomplished to help address these trends and challenges. Phase two of the report is under way, and it will be made public when it is completed.