

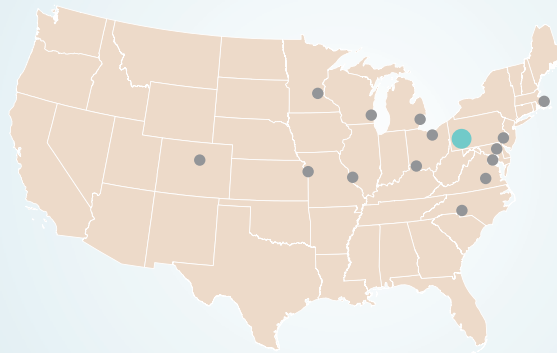
PITTSBURGH

TODAY & TOMORROW

REGIONAL ANNUAL REPORT

THE FACTS AND THE FUTURE OF OUR REGION

HOW DOES
PITTSBURGH
COMPARE WITH
14 SIMILAR CITIES



Denver
Kansas City
Milwaukee
St. Louis
Minneapolis/St. Paul

Indianapolis
Detroit
Cincinnati
Cleveland
PITTSBURGH

Charlotte
Richmond
Washington, D.C.
Philadelphia
Boston

KNOW YOUR REGION

pittsburghtoday.org

PITTSBURGH TODAY AND THE BENCHMARK REGIONS: In order to zero in on opportunities for progress, the journalists and researchers of Pittsburgh Today compare our region with the 14 metro areas listed above. We chose the competitor regions because of a variety of sometimes overlapping similarities: geography, demographics and industrial mix. We compare these 15 regions in 440 regional indicators, which can be viewed at pittsburghtoday.org. In most of these indicators, we define the Pittsburgh region as the Pittsburgh Metropolitan Statistical Area (MSA), which includes Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland counties. But in many of our reports, we take a broader view of the region, including counties surrounding the MSA in Ohio, Pennsylvania and West Virginia.

Pittsburgh Today is part of the University of Pittsburgh's University Center for Social & Urban Research. Pittsburgh Today believes that the best decisions about Greater Pittsburgh's future can only be made when we first understand the region's current strengths and weaknesses. We augment this statistical portrait with explanatory journalism—including this Pittsburgh Today & Tomorrow report—which gets behind the numbers to help further an in-depth understanding of key topics for Pittsburgh's future. ■



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■ **INSIDE THIS REPORT:** The 2014 Pittsburgh Today & Tomorrow report, produced by Pittsburgh Today, analyzes recent data to assess the Pittsburgh region's standing compared with 14

U.S. cities in 10 categories. ■ **FEATURE STORIES:** Also included are numerous in-depth reports focusing on the most important issues facing Greater Pittsburgh.

■ **LOOKING TOWARD THE FUTURE:** Pittsburgh Today asked 20 local leaders across a variety of disciplines and industries to weigh in on Pittsburgh's future by briefly answering this question: What obstacles do we need to overcome and/or opportunities do we need seize in order to ensure a strong future for the region?

Through the pages of this report, you'll find their insights. ■ **GET MORE:** Explore additional Pittsburgh regional data and journalistic reports at pittsburghtoday.org.

IDEAS FOR BUILDING PITTSBURGH'S TOMORROW

“Economic vitality positions the region for 2014 and beyond. Students and research dollars from around the world come here and stay here. Our financial institution headquarters are strong. A new industrial manufacturing base has been created by the Marcellus Shale. Stable housing and commercial real estate values make this region extremely attractive. Communities surrounding the city that need to be revitalized are a major concern. These areas have lost main streets, population and tax base. Infrastructure needs repair. We must jump-start these communities because they are the core of our region.”

— Howard W. “Hoddy” Hanna III,
Chairman and CEO
HOWARD HANNA
REAL ESTATE SERVICES



You'll find more “future thoughts”
throughout the report >>



ECONOMY

Trending stronger

FURTHER EXPANSION ON TAP FOR PITTSBURGH'S ECONOMY

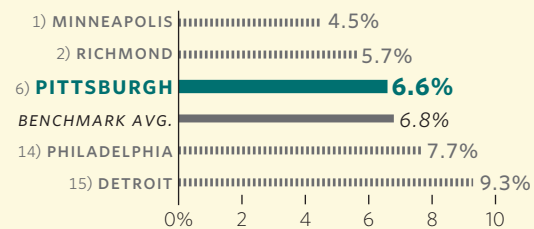
By *Stuart Hoffman*

IN 2013, THE PITTSBURGH METRO AREA'S economy continued to march forward on several broad fronts. Employment growth of almost 15,000 jobs (1.4 percent) lagged national gains of 1.5 percent only slightly, and comfortably outpaced

Pennsylvania's 0.5 percent job growth. The metro unemployment rate ended 2013 at 6.7 percent. Service industry job creation drove labor market gains throughout last year. And aside from the market area's stalwart education and healthcare sector, professional and business services made the strongest contribution to 2013 hiring.

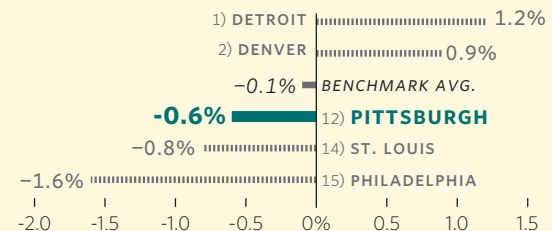
PNC forecasts job gains of 15,000–20,000 this year with the Pittsburgh metro area's unemployment rate ending this year at 6.3–6.5 percent—a rate not seen since late 2008. Clearly lacking in Pittsburgh's steady labor market recovery, though, is the more rapid consumer spending that one might expect from gains in the relatively high-paying positions the market area added over the past year.

UNEMPLOYMENT RATE | NOV. 2013



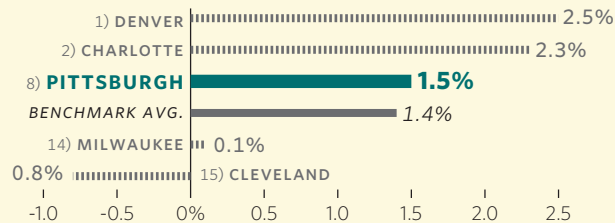
DATA SOURCE: Bureau of Labor Statistics; Figures are for U.S. Metropolitan Statistical Areas (MSA); Current month data are preliminary. All data are seasonally adjusted figures.

% CHANGE IN LABOR FORCE | NOV. 2012–NOV. 2013



DATA SOURCE: Bureau of Labor Statistics; Figures are for U.S. Metropolitan Statistical Areas (MSA); Current month data are preliminary. All data are seasonally adjusted figures.

JOB GROWTH | NOV. 2012-NOV. 2013



DATA SOURCE: Bureau of Labor Statistics; Figures are for U.S. Metropolitan Statistical Areas (MSA); Current month data are preliminary. All data are seasonally adjusted figures.

WAGES/COST OF LIVING | 2013

	Average annual pay	Composite cost of living	Wages as a function of cost of living
1) DETROIT	\$52,341	94.8	\$55,212
2) CHARLOTTE	\$50,960	95.0	\$53,642
5) PITTSBURGH	\$48,701	93.7	\$51,976
BENCHMARK AVG.	\$51,697	105.5	\$49,002
11) PHILADELPHIA	\$55,833	121.2	\$46,067
12) BALTIMORE	\$52,967	115.6	\$45,819

DATA SOURCE: U.S. Bureau of Labor Statistics (2012 annual average pay); Council for Community and Economic Research (2nd quarter 2013 composite cost of living Index).

Locally, retail and leisure/hospitality industries have trailed the national pace of hiring consistently since 2012, with retail jobs finishing 2013 below 2012 year-end figures. High-paying, education-heavy job creation is a great story for Pittsburgh's long-term health. But in order for the market area to push its unemployment rate back towards its pre-recession levels in the mid-4 percent range, income creation will have to translate into more consumer spending; an optimistic take is that the faster 2014 national economic growth that we forecast could well provide the confidence boost that Pittsburgh's spending habits need.

On the longer-term radar is regional income growth potential from natural gas drilling. So far, low prices have delayed expansion of Marcellus Shale natural gas extraction throughout most of the post-recession period. Once prices rebalance, new hiring should boost regional income growth substantially. Nationally, infrastructure to transport Marcellus natural gas to processing plants and utilities is becoming ever more apparent. Addressing the need for pipeline construction will likely rejuvenate Pittsburgh's manufacturing job base as well, which maintains a heavy concentration in primary and fabricated metals production. This industrial evolution in the Pittsburgh market area will support consistently strong income growth in the years to come.

Pittsburgh's housing market enters 2014 riding a very encouraging trend. Home values are rising at a 5-percent-plus rate in year-over-year terms, and accelerating. While such price growth may not be eye-catching compared to other regions, Pittsburgh has not seen such a trend since the national economic boom of the late 1990s. The benefit of this trend in home values is underscored by the fact that Pittsburgh's housing market equilibrium is already well in hand. The market area saw very little damage to home values through the recession; housing market activity is in no way threatening an untenable expansion. New residential permitting activity and existing home sales remain down from their respective pre-bubble paces. Continued job creation into 2014 and relatively conserva-

tive current spending trends mean that improving home values in the Pittsburgh market area will provide a robust foundation for household wealth management over the next several years.

Pittsburgh's long-time trend of population decline is in the early stages of a turnaround. With continuing new industrial development, housing market strength, and broad urban development, Pittsburgh is well positioned to attract and retain young workers for years to come. Reliable education, healthcare and financial industry employers are firmly entrenched and will support workforce development for the foreseeable future. Pittsburgh is well positioned to benefit from gas drilling activity in the Marcellus Shale formation over the longer term. Skilled workers already experienced in this industry will find Pittsburgh's low living costs attractive, and migration trends are likely to see a boost as a result. ■

Stuart Hoffman is chief economist with PNC Financial Services Group and chairs the Pittsburgh Today economy committee.



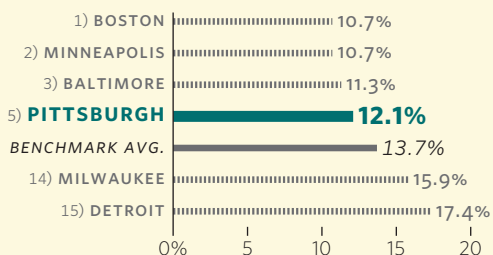


DEMOGRAPHICS

THE TOTAL POPULATION OF SOUTHWESTERN Pennsylvania continues to creep upward and, as has been the case for the past five years, more people are moving into the region than leaving. Few, however, are immigrants.

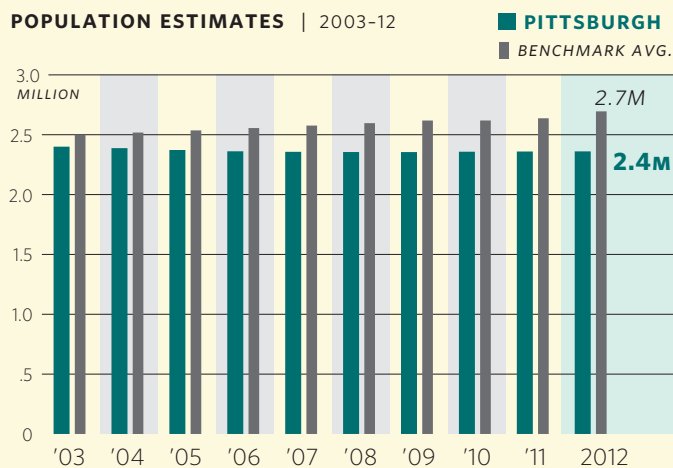
At a time when diversity is of growing importance to businesses and regions, southwestern Pennsylvania has been slow to change. Whites, for example, account for 86.6 percent of the seven-county Pittsburgh Metropolitan Statistical Area (MSA) population. Only 3.3 percent are foreign born—the lowest rate among the 15 Pittsburgh Today benchmark regions.

% OF POPULATION IN POVERTY | 2012



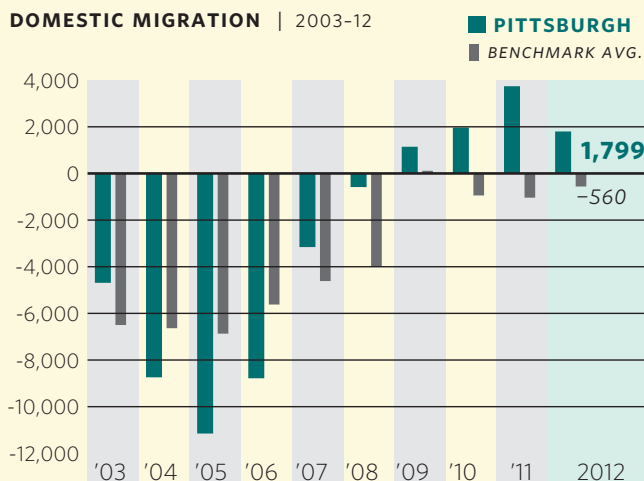
DATA SOURCE: U.S. Census Bureau; Figures are for U.S. Metropolitan Statistical Areas (MSA)

POPULATION ESTIMATES | 2003-12



DATA SOURCE: U.S. Census Bureau, Population Estimates Program

DOMESTIC MIGRATION | 2003-12



DATA SOURCE: U.S. Census Bureau, Population Estimates Program

IDEAS FOR BUILDING PITTSBURGH'S TOMORROW

Southwestern Pennsylvania's population is also disproportionately gray compared to the 14 other benchmark regions, despite evidence that more young adults have recently arrived than departed. Nearly 18 percent of the population is 65 or older, which is the highest percentage of seniors among the benchmark regions. On the other end of the age spectrum, the Pittsburgh MSA has the smallest percentage of residents aged 18 and younger.

Part of the reason for those numbers is the brief but significant exodus of mostly young adults from southwestern Pennsylvania in the 1980s, triggered by the catastrophic collapse of the steel industry and massive job loss. At its peak in 1984, some 50,000 more people left the region than moved in.

That exodus is a distant memory. The most recent data suggest that nearly 1,800 more people moved to the region in 2012 than left, sustaining a trend that began five years earlier. And the majority of the new arrivals are young adults, who are bringing a high level of education and their future families with them.

Little progress has been made in reducing the poverty rate in the region. At 12.1 percent, it has barely budged since the 2010 decennial census, which reported 12.2 percent of the Pittsburgh MSA population living in poverty. And 18 percent of children are living in poverty, a rate that suggests more children are growing up poor than in 2010. ■

“Pittsburgh has evolved into a dynamic and diverse city comprising multiple industries that have led to job creation. Considering how the city performed during our most recent economic downturn, those attributes have served us well. The continued support of prominent corporate leaders and government officials working together has contributed to create our world-class city. Our ability to sustain the current environment is enhanced by the expanding energy industry and the continued growth of our larger financial institutions. A challenge to overcome is the need for the creation of a comprehensive mass transportation system.

— Vincent J. Delie, Jr., *President and CEO*
F.N.B. CORPORATION, and CEO of FIRST NATIONAL BANK

“Historically known for its powerful steel empire, the Pittsburgh region struggled long and hard when that industry declined. Applying lessons learned, we now are developing a vibrant, flexible and diverse economy that includes healthcare, education, manufacturing, technology, and of course, energy. As a region, we must continue to drive business diversity for our combined economic benefit, and not permit history to repeat itself by relying upon one industry to carry us through.



— Danny Roderick, *CEO*
WESTINGHOUSE ELECTRIC
COMPANY

“The dramatic transformation our region has made over the past 25 years is remarkable. However, we still have some tough problems to tackle, including: teen drug addiction; redundant administrative infrastructure across government agencies; an empty airport; and overdependence on service industries that effectively recycle dollars but rarely produce new ones. To drive real economic growth, we must become an even more attractive location for companies with large customer bases from outside our region.

— Christopher Gessner, *President*
CHILDREN'S HOSPITAL OF
PITTSBURGH OF UPMC

“Our Pittsburgh region has many world-class business, cultural and non-profit leaders who take active roles in our community. Their passion and expertise provide vitally important contributions that enhance our economic resiliency. Moving forward, harnessing our region's diversity of thought, ideas and cultural backgrounds will not only help us drive and lead future innovations and breakthroughs, it will also help us to “see around corners,” providing a sustainable economy and enhanced quality of life.

— Susan Baker Shipley,
*President, Pittsburgh & Ohio
Valley Region*
HUNTINGTON BANK



Immigrants wanted

CREATING A WELCOMING REGION
IS AN INEXACT SCIENCE

by Jeffery Fraser and Julia Fraser

WHEN KISHOR Pradhan arrived in Pittsburgh six years ago, he was alone. His wife was some 7,500 miles away in a Bhutanese refugee camp in Nepal, where they had been married. His family was also in a refugee camp. So were his in-laws.

Within a few years, they'd all call Pittsburgh home, arriving with the early waves of Bhutanese refugees who've been resettled in southwestern Pennsylvania, where they've become one of the region's fastest growing immigrant populations.

"While applying for resettlement, they said that they'd like to go to Pittsburgh," says Pradhan. "I brought all of my family, my wife, and all of her family. Every one of them is here in Pittsburgh because of me."

How to develop that kind of critical mass of foreign-born newcomers across southwestern Pennsylvania is part of the

puzzle that businesses, nonprofits and local governments are trying to piece together as they explore ways to attract and retain immigrants, whom studies suggest can stimulate population growth and satisfy future workforce demand.

They have their work cut out for them. Only 3.3 percent of the population across the Pittsburgh Metropolitan Statistical Area (MSA) is foreign born—the lowest rate among the 15 Pittsburgh Today benchmark regions and well below the 12.9 percent of foreign-born residents across the U.S.

IMMIGRATION GAP

Within Carnegie Steel's mighty Homestead Works, danger was spelled *veszely* and *pericolo* and *opasno* and *nebezpecno*. Still, warnings posted in Hungarian, Italian, Serbo-Croatian and Slovak didn't

cover all of the languages spoken in the mill at the dawn of the 20th century, when more than one in five residents of southwestern Pennsylvania were foreign-born.

The image of Pittsburgh as a region of immigrants has long faded into history. Its population of foreign-born residents, which peaked in 1910 at 448,000, stands at just under 78,000, even though it's been rising for longer than a decade.

Reestablishing the region as a destination for immigrants is increasingly seen as a prerequisite for continued economic and population growth. The U.S. Census Bureau reports that immigrants will be the main driver of U.S. population growth by mid-century. Those newcomers hold the potential to expand the workforce by filling the need for both the low-skilled and highly skilled workers necessary to start more businesses and expand existing ones.

Although it varies from region to region, the educational level of immigrants to the U.S. is increasing overall. The Brookings Institute reports, for example, that 30 percent of working-age immigrants have a bachelor's degree, which is greater than the rate of those without a high school diploma.

Southwestern Pennsylvania's immigrant population is relatively well educated. More than 53 percent of immigrants in the Pittsburgh MSA have a bachelor's degree or higher, the highest such rate among 50 metropolitan regions ranked by the Census Bureau. And when Brookings rated regions by the skill levels of working-age immigrants, Pittsburgh topped the list of places that were once major immigration ports, such as Cleveland, Buffalo, Detroit and Milwaukee.

What the region hasn't been for decades is a place that attracts immigrants in numbers large enough to have a significant impact on population trends, particularly the number of lower-skilled immigrants necessary for such growth.

"When you take out the older folks who have been here a long time and the highly professional folks, the number left is tiny compared to other places," says Chris Briem, a regional economist at the University of Pittsburgh University Center for Social and Urban Research.

BECOMING A DESTINATION

Rebuilding the region's immigrant population has gotten considerably more attention in recent years, but it remains a work in progress. One reason is that creating a community that immigrants find welcoming is an imprecise science outside of traditional points of entry, such as New York and San Francisco.

Immigrants represent a range of cultures, education levels and languages. The kind of support they need to successfully integrate into their new communities varies widely. Those factors and more test the will and resources of cities, counties and regions, particularly those not accustomed to hosting them in large numbers.

"It requires a level of cultural competency and flexibility to interact with all of these different groups," says Melanie Harrington, CEO of Vibrant Pittsburgh, a nonprofit created to promote diversity in the region with a focus on the workforce. "That kind of cultural competency and flexibility is what the region will need to develop as we grow and more people come here."

For some, language is a considerable barrier. For others, like Pradhan, it is not. He arrived with a command of English—but not a driver's license or the ability to drive. And his first job and apartment were in Cranberry, Butler County, where public transit is scarce. "So to do grocery shopping it would cost me more for the taxicab than what the groceries cost."

Unlike well-educated professionals recruited to work in the region, refugees often need help with the most basic necessities. Jobs, housing, transportation, and

navigating cultural differences and language barriers are high on the list of the challenges they face when they arrive. Finding a place to live is particularly difficult for many refugees who don't have the income or haven't yet established the credit to persuade landlords to accept them as tenants.

And the burdens of adapting are not all on the shoulders of immigrants. Local residents, schools, agencies and others have to work at understanding their new neighbors as well. Missteps, for example, can be as subtle as using an English-speaking child in the family as an interpreter.

"When a child starts interpreting for the parents it changes the dynamic in the family. Then the kid is holding the power, and that's not a good dynamic," says Leslie Aizenman, director of refugee services for the Jewish Family and Children's Service of Pittsburgh. "It's not best practice for a provider to do that. But it does happen."

The opportunity to find jobs is one of the strongest reasons immigrants come to a region. Being able to bond to others like themselves is one of the chief reasons they decide to stay. "Social support is an incredibly important element of making it in a place," says Adriana Dobrzycka, Vibrant Pittsburgh's community outreach and inclusion manager.

ATTITUDES & ACTIONS

One of the most important factors that determine whether immigrants come to a region or city and stay has less to do with them than it does with the expressed or perceived desire of the community's residents and leaders to accept them as neighbors and make them feel at home.

"You have to have that will among enough of the general population to become a welcoming environment," says David Lubell, executive director of Welcoming America, a nonprofit that helps cities and counties become a place where immigrants choose to live. "That tells immigrants that the people want them there and then they start telling relatives and friends to

come."

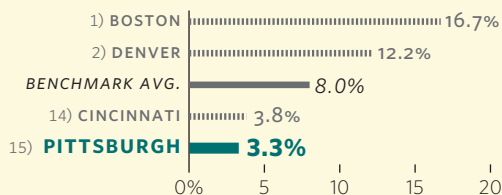
Allegheny County and City of Pittsburgh leaders have gone public with their support of local efforts to attract immigrants. The county, for example, recently became a Welcoming America partner, pledging to work with the groups engaged in improving the environment for foreign-born newcomers. And officials made clear their belief that the region is best served if it's seen as open to all. "We've traded people, like my grandfather, who came here to work with their arms and backs, for those who've come to work with their minds," says Pittsburgh Mayor Bill Peduto. "But we still need the cross section of immigration in order to build up neighborhoods within the city."

Local support for building the immigrant population and smoothing the transition of newcomers has grown to include scores of stakeholders ranging from those who've long been engaged, such as refugee agencies, to human services, businesses, universities, law clinics and nonprofits such as Vibrant Pittsburgh and Global Pittsburgh, whose efforts include attracting international students. And an Allegheny County Department of Human Services advisory council created to identify and address issues affecting immigrants suggests coordination among stakeholders is improving.

Both county and city officials say that rather than taking the reins, local government's role is likely to be one of supporting the ongoing efforts of those stakeholders to make the region a more attractive immigrant destination. "I think there is a role for government to push and coax and encourage," says Allegheny County Chief Executive Rich Fitzgerald. "If they have a partner in government, they move forward."

Such an approach is one of several seen in regions hoping to become new immigration gateways. None have emerged as the best model, says Lubell. "This is still new, and nobody has been runaway successful. It takes time." In Nashville, for example, the business community and nonprofits took the lead. In Dayton, it was city government that convened and led a coalition of nonprofits, businesses and others in 2011 to

% OF FOREIGN-BORN RESIDENTS | 2012



DATA SOURCE: U.S. Census Bureau; Figures are for U.S. Metropolitan Statistical Areas (MSA)

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IDEAS FOR BUILDING PITTSBURGH'S TOMORROW

“Pittsburgh’s most significant challenge in the years ahead will be to find or train the people needed for an economy based on energy, finance, information technology and advanced manufacturing. PNC sees the future our 4-year-olds will graduate into, and success will require math and technical skills, comfort with diversity, creativity and practical innovation. We must invest in preparing them for that future or resign ourselves to falling behind.

— William Demchak, *President and CEO*
THE PNC FINANCIAL SERVICES GROUP



“Pittsburgh is an incredibly rich arts city filled with creative and passionate artists ready to change the world. Let’s harness this energy to reimagine our neighborhoods as creative communities where empowered citizens use their imaginations to generate solutions to the city’s toughest challenges—poverty, education and racism.

— Janera Solomon, *Executive Director*
KELLY STRAYHORN THEATER

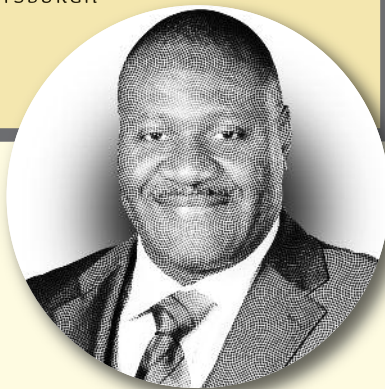


“All of the landlords out there with empty spaces that have been sitting there for years should give out reduced rent leases to start-ups that scale upwards if the company succeeds. It’ll help ideas turn into realities, because entrepreneurs are more inspired in an office and can recruit talent better. Incubators and shared office spaces are cool, but this would be a step above that.

— Joey Rahimi, *Co-Founder*
BRANDING BRAND

“Our region has a great opportunity to be the national example of bridging the gap for chronically unemployed and underemployed people who have few transferable skills by training them for the emerging natural resources job market. This is being done locally now in an effort led by Mentors Consulting and Training, and it can and should be done on a larger scale.

— State Rep. Jake Wheatley,
D-19th District
PITTSBURGH



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draft a strategy for making the city more immigrant-friendly.

The Welcome Dayton blueprint includes initiatives to expand language services for immigrants and government employees, stimulate immigrant hiring, and provide cross-cultural competency training. Dayton also is enacting immigrant-sensitive law enforcement policies, such as limiting immigration status checks to only those who are suspected of committing a serious crime.

Dayton officials found several reasons to act, not the least of which was the hope that a surge of newcomers would reverse a steady drop in population, revive an economy struggling to recover from recession, and heal some of the damage caused by both, including vacant housing and blight.

“Number one, it’s the right thing to do. We’re an immigrant country,” says Dayton City Manager Tim Riordan. “And we saw these immigrants coming in buying and taking care of houses in the city. We have lost a lot of population. So, when you’ve got a group coming in and buying the cheap, crummy houses and fixing them up, that’s a good thing.”

Job growth and several other conditions important to growing an immigrant population have improved in southwestern Pennsylvania, a point made clear last June to those who traveled to Detroit for the first convening of Global Great Lakes, a network of cities looking to promote immigration that includes Dayton, Cleveland, Detroit, Indianapolis and Columbus. It was also clear that the Pittsburgh region has a long way to go to become a new gateway.

“Pittsburgh stacked up well among peer regions because of the participation of our universities, unemployment rate, the resilience of the economy during and after the recession, the healthcare network and tech sector. But we’re not as far along in developing a strategy to attract and retain immigrants,” says Thomas Buell, director of Global Pittsburgh’s Study Pittsburgh initiative.

That would mean developing a strategy to attract more immigrants like Pradhan, who six years after arriving in Pittsburgh, lives in Oakdale with his family and has an information technology job at Highmark, downtown. “I love being in Pittsburgh,” he says. “I’ve never given a second thought to moving out of this place, not even to California.” ■

Jeffery Fraser is Pittsburgh Today’s senior editor. Julia Fraser is a Pittsburgh Today staff writer and research specialist.



HOUSING

SLOW AND STEADY IS AN ACCURATE description of the housing market in southwestern Pennsylvania. And that has been a good thing for housing values in recent years.

The region didn't see much of the housing bubble that many other places experienced during the first decade of the 21st century. While some homeowners may have watched with envy as prices skyrocketed elsewhere, being a reluctant outlier spared them the pain of watching the value of their homes plummet when the bubble burst.

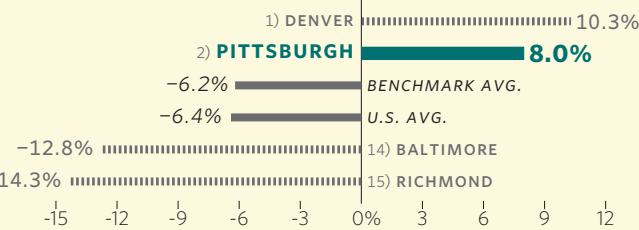
Housing price appreciation trends vividly illustrate the benefits of market stability in the region. Over the past five years, the Pittsburgh Metropolitan Statistical Area (MSA) has had the second highest appreciation rate among the 15 Pittsburgh Today benchmark regions. In fact, Denver is the only other region where prices have risen over that period.

Looking back 10 years, housing prices in the Pittsburgh MSA are up 25 percent, well above both the 8.9 percent average appreciation rate among the Pittsburgh Today benchmark regions and the 14.7 percent national average.

In the city, housing prices are climbing in several neighborhoods that have emerged as desirable places to live, particularly among young adults. For example, the average price of residential property has risen 104 percent since 1995 in Lawrenceville, where the population of residents aged 65 and older has declined from 25 percent to 16 percent over the past two decades.

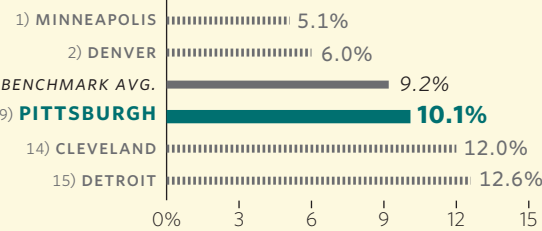
The relative stability of the southwestern Pennsylvania market is also seen in new building permits issued. The region has historically been well below the Pittsburgh Today benchmark average in that category. New permits continue to

5-YEAR HOUSING APPRECIATION RATES | 3rd Quarter, 2013



DATA SOURCE: Federal Housing Finance Agency (FHFA); Figures are for U.S. Metropolitan Statistical Areas (MSA)

% HOUSING VACANCY | 2012



DATA SOURCE: U.S. Census Bureau; Figures are for U.S. Metropolitan Statistical Areas (MSA)

be lackluster and the region still falls short of the benchmark average. But the gap has narrowed considerably due to the fact the Pittsburgh MSA hasn't experienced the steep decline in permits that has stifled markets elsewhere.

Southwestern Pennsylvania's housing market is not without its blemishes. Its housing stock is the oldest among Pittsburgh Today benchmark regions. And the rate of vacant houses and apartments remains higher than the benchmark average, despite improving slightly last year. ■



EDUCATION

E DUCATION IS A BAROMETER of a region’s economic viability and the prospects of the people who live there. Residents with a basic education are found in impressive numbers among southwestern Pennsylvanians. Where the region falls short is in the number of those who’ve built on that foundation.

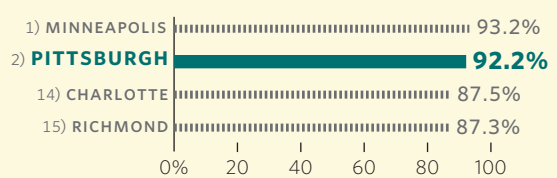
Few regions have a higher rate of residents with at least a basic education than the Pittsburgh Metropolitan Statistical Area (MSA). For years, it’s had one of the lowest rates of residents who’ve failed to earn a high school diploma among the Pittsburgh Today benchmark regions.

Trends in high school graduation rates suggest that is not likely to change anytime soon. Those rates have generally improved across southwestern Pennsylvania in recent years. Nearly 8 in 10 school districts in the Pittsburgh MSA are graduating at least 85 percent of their seniors on time, Pennsylvania Department of Education data suggest.

The number of Greater Pittsburghers who earn a college degree following high school is less impressive. The overall Pittsburgh MSA population fares poorly when compared with other benchmark regions in several related categories, including percent of residents with some college and percent of those with a bachelor’s or higher degree.

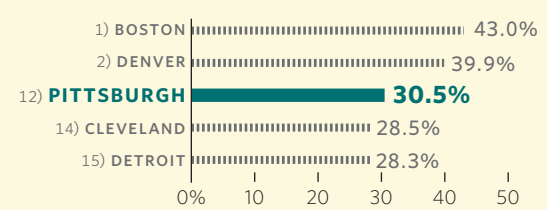
There is evidence suggesting the number of degree-holding residents will rise in coming years. In more than 73 percent of public school districts in Allegheny County, for example, at least seven in 10 high school graduates were heading to college last year, according to state Department of Education data. In 61 percent of districts, at least 80 percent of graduates were college-bound. The highest rate was in the Upper St. Clair School

ATTAINED HIGH SCHOOL DEGREE (or higher) | 2013



DATA SOURCE: U.S. Census Bureau, American Community Survey, 2013; (1-year estimates for 2012)

ATTAINED BACHELOR’S DEGREE (or higher) | 2013



DATA SOURCE: U.S. Census Bureau, American Community Survey, 2013; (1-year estimates for 2012)

District, where 95 percent of graduates were college-bound. The lowest was in Wilkinsburg, one of the most impoverished districts in the county, where only 3.2 percent of high school graduates headed to a two- or four-year college.

Overall educational attainment data also mask the fact that southwestern Pennsylvania has one of the highest rates of young adults with a bachelor’s degree or higher. Some 48 percent of the 25-to-34-year-olds in the region have at least a bachelor’s degree—a rate surpassed only by Boston and three other regions in the country, 2010 Current Population Survey data suggest. ■



Attendance matters

ALLEGHENY COUNTY TARGETS CHRONIC SCHOOL ABSENTEEISM

By Julia Fraser

JUVENILE COURT Judge Dwayne Woodruff sees the worst of the problem. “By the time kids get to me they’ve missed 50, 60, 80 days of school,” he says. It’s a common thread running through the Allegheny County cases over which he presides, regardless of whether the student is delinquent or in need of protective custody due to abuse or neglect.

Unfortunately, it’s a problem affecting a population far larger than students passing through Juvenile Court. Chronic absenteeism—missing at least 10 percent of the school year for any reason—is an issue in every school district in southwestern Pennsylvania, the state and the nation. And it often has serious consequences. Studies and local data

suggest that student performance drops sharply when students miss 18 or more days of school, dimming their future prospects, particularly their chances of going to college.

“What we’re finding based on our research is if kids want to pursue a year or two of college they need to be attending 95 percent of the time. They should be missing no school at all,” says Peter Lavorini, project manager of career and college readiness for the Pittsburgh Public Schools.

The good news is chronic absenteeism has become an issue of community concern in Allegheny County, where school attendance is being addressed in ways ranging from long-standing truancy prevention programs to emerging strategies involving school districts, the

courts, human services providers and philanthropic organizations.

A HIDDEN POPULATION

Schools in Pennsylvania and most other states are not required to track chronic absenteeism, and most don’t. As a result, a comprehensive picture of chronic absenteeism remains elusive.

Traditionally, attendance has been measured in two ways: average daily attendance and truancy; neither adequately identifies students who are chronically absent, which studies suggest is a better measure of risk.

Average daily attendance, which Pennsylvania schools must report, is the total days of attendance for all students in the school divided by the number of days in the school year. Such an average masks individual attendance and doesn’t reveal how many students miss a significant number of days for any reason.

Truancy is based only on unexcused absences; a student with three is considered a truant in Pennsylvania.

The scope of the absenteeism problem in a large, urban school district is evident in an attendance analysis of the Pittsburgh Public Schools performed by the Allegheny County Department of Human Services, which maintains a data warehouse that contains human services data, court records and, most recently, a growing body of school-related information. It found that 23 percent of students missed at least 10 percent of the 2011-2012 school year—the same year the district was credited with 91 percent average daily attendance on its Pennsylvania Department of Education report card.

The data also show why attendance is such a concern for the Department of Human Services: 58 percent of students who missed at least 20 percent of the school year are in the human services system. And those involved in public welfare, mental health services and child welfare were the most likely to miss at least 10 percent of school days.

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School attendance and neighborhood patterns are uneven. Dense clusters of chronically absent students exist in Crafton Heights, the Hill District, Homewood and Mount Oliver. Many of the absenteeism hot spots are neighborhoods with public housing.

But it's not necessarily where students live or demographic factors such as poverty that matter most, says Lavorini. "What seems to be more of a factor is the school itself. So, you'd look at [Faison Elementary in Homewood] and you'd imagine their chronic absentee rate would be much higher than it is. But they have made a very concerted effort to work with Homewood Children's Village, they have strong teacher leadership teams, and the principal there has really taken this on. They have a much lower chronic absentee rate than some of the schools that look very similar."

Students miss many days of school for a variety of reasons, including issues outside of school: illness, homelessness, being in the child welfare system, domestic violence exposure and caring for a younger sibling. In school, bullying and unmet needs for special education or other support affect attendance. But with chronically absent kids, it's usually a combination of factors.

"We wish it was just one issue—that there's a kid and he's not going to school because of transportation and that's it," says Judge Woodruff. "But with the majority of these kids there's three or four different reasons."

Students in the human services system miss school for a variety of often overlapping reasons, including poverty, being in the child welfare system, changing schools, juvenile justice involvement and being too old for a grade, according to human services analysts. "We look at a number of factors, but we're really trying to group them to identify students most at-risk for chronic absenteeism and to inform interventions. For instance, is it students living in poverty

who've changed schools during the academic year, that are most likely to be chronically absent?" says Emily Kulick, manager of external partnerships in the Department of Human Services Division of Analysis, Research and Evaluation.

SERIOUS IMPLICATIONS

In the Pittsburgh Public Schools, chronically absent students are much less likely to have grade point averages of 2.5 or higher than more regularly attending students. And the more days missed, the wider the achievement gap. Of students who missed at least 20 percent of the school year, only 19 percent had a GPA of 2.5 or better. Conversely, of students who missed 5 percent or less of the year, three quarters achieved a GPA of 2.5 or better.

Among the more troubling findings is the link between absenteeism and violence. High rates of absenteeism exist in city neighborhoods with some of the highest numbers of homicides and shootings. From 2003-2011, about 15 percent of homicide victims aged 25 and younger had at some point attended city public schools. Their average absenteeism rates were more than twice as high as those of other high school students.

Attendance is particularly important to the futures of the youngest students. A University of Chicago Consortium on Chicago School Research study reports that preschool students who attend regularly are significantly better prepared for kindergarten and ultimately have better attendance as they get older.

"From what we know, the strongest predictor of chronic absence for the current year is chronic absence from the prior year. It makes sense that those habits tend to continue," says Ken Smythe-Leistico, assistant director of the University of Pittsburgh Office of Child Development, which several years ago introduced the Ready Freddy Program to improve kindergarten

enrollment and attendance in city public schools. "What we try to do is start off on the best habit possible at the very beginning. We targeted the kindergarten year because we know that kids that are chronically absent in kindergarten are on a path."

In the city public schools, fewer than half of kindergarten students who miss at least 10 percent of the school year earn scores of proficient or higher on their third-grade Pennsylvania System of State Assessment reading test. By comparison, 74 percent of students who attend kindergarten more regularly earn proficient or better scores, the Department of Human Services analysis suggests.

NEW STRATEGIES EMERGE

As awareness of such outcomes has increased, so too have strategies to reduce absenteeism, including several Allegheny County partnerships. The collaborations include a workgroup within the Children's Roundtable Initiative to address truancy and a new attendance campaign, Be There, launched last year by the United Way of Allegheny County.

Another is Focus on Attendance, a pilot program for reducing absenteeism in King PreK-8 and Manchester PreK-8, two city public schools where the rates of students receiving human services and chronic absenteeism are among the district's highest. With Department of Human Services staff, the program monitors attendance, identifies issues, reinforces the importance of attendance with parents, and arranges support services for students and families, if needed, when a troubling attendance pattern is detected.

In some cases, solutions can be as simple as helping families establish "morning and night accountability schedules," including setting their alarms or cell phones to wake up in time for school, and other steps, such as

IDEAS FOR BUILDING PITTSBURGH'S TOMORROW

laying out school clothes at night and knowing how long it takes for them to walk to school, says Carlena Jenkins, the program's school outreach specialist.

With so many students involved with human services, improving communication between the school and human services staff working with students is important in resolving absenteeism issues.

"Number one is to know if our kids are missing as early as the absences start happening," says Samantha Murphy, Department of Human Services educational liaison. "Number two, to know exactly who to talk to. One difficult thing for school staff is that they don't know which services their kids and families are involved with. Some of the confusion with child-serving workers (probation, child welfare) is they don't know who to connect with within the school about a child. If it's a discipline issue, is it the principal? If it's a bullying issue, is it a counselor?"

An evaluation of the Focus on Attendance program's first year found that nearly half of the students improved attendance by an average of 10 percent. And students who improved their attendance saw their GPAs rise by an average of one-half point.

But finding a solution to an issue as broad in scope and complex as chronic absenteeism will require the commitment of more than the schools, says Judge Woodruff. "We need a village response. We need everyone—business owners, more 'block watchers.' They see a kid during school time, they need to pick up the phone and say, 'Hey, your kid's not in school today. How come?'" ■

Julia Fraser is a Pittsburgh Today staff writer and research specialist.

“It's been well documented that today's economy emphasizes flexibility in the face of ever-changing conditions in the workplace. Education remains the best opportunity for a more secure future for our region. Western Pennsylvania's colleges and universities are a tremendous asset and a major driver of the new knowledge-based economy. A workforce that is well educated will be the key to remaining flexible and being able to adapt rapidly to unforeseen changes as they arise.

— Suzanne Mellon,
President
CARLOW
UNIVERSITY



“Cultural assets represent a tremendous opportunity to build the stature and brand of the Pittsburgh region. As a cultural destination, Pittsburgh outshines many other cities. From our museums to our theaters to our ballet, opera and symphony, Pittsburgh can be more fully positioned as a cultural destination city. Add to this the comparatively uncongested airport; Pittsburgh is accessible and affordable. We look forward to working with our colleagues in business and the arts to get a strong message out that Pittsburgh is a place to come to be inspired.

— Harris N. Ferris,
Executive Director
PITTSBURGH BALLET THEATRE

“Innovative enhancements to our educational system must always be a regional priority. Sixty years ago, Pittsburgh established itself as a leader in using media creatively—by launching a single, all-educational, public television channel. That spirit still lives in our region's teachers, students, parents and schools. Let's work together to discover the full potential of an educational system that includes free, universally available educational content for children, families and teachers—not from a single broadcast channel—but from television, radio, online, interactive, and mobile technologies. Educational excellence is just a click away!

— Deborah L. Acklin, *President and CEO*
WQED MULTIMEDIA

“I believe Pittsburgh's 'Eds and Meds' will expand and be even more important in the future, continuing to create quality jobs and lead the infusion of entrepreneurial energy. As one small example of the indirect benefit, many of our new faculty have chosen to live downtown, adding to the vitality of the city as consumers and patrons of cultural offerings. In broader economic terms, the universities continue to attract billions of dollars from outside the region, especially in research funding, which directly impacts the regional economy.

— Gerald D. Holder, Ph.D., *US Steel Dean of Engineering*
SWANSON SCHOOL OF ENGINEERING
OF THE UNIVERSITY OF PITTSBURGH



HEALTH

SOUTHWESTERN PENNSYLVANIA IS HOME TO two major hospital networks, top specialists and clinics, a ranked medical school and more insured residents than most other regions—all of which make it a place rich in the resources necessary to treat disease. But taking steps to prevent disease is something people in the region need to work on, new health data suggest.

The Centers for Disease Control recently revised its Behavioral Risk Factor Surveillance System in ways intended to get a more representative picture of health across the country. The first set of data from the new survey offers a few surprises, not all of which are encouraging.

Smoking, for example, is more widespread than previously reported. More than 23 percent of Pittsburgh Metropolitan Statistical Area (MSA) residents said they were current smokers in the latest survey, which was done in 2011. That's up from 17.2 percent reported in 2010, the year before the CDC revised its survey method. The recent Pittsburgh MSA rate of smokers is higher than both the national average and the average among Pittsburgh Today benchmark regions.

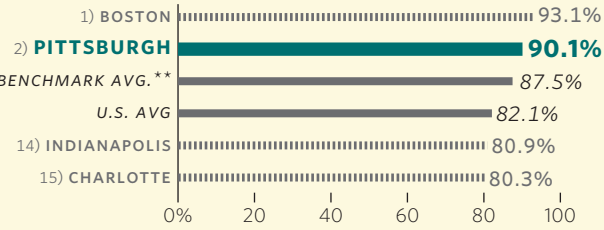
And the rate of overweight adults in the region is also higher than previously reported.

Not all of the news regarding the battle to control our waistlines is bad. The rate of obese adults in the region is lower—27 percent compared to the 35.7 percent rate the CDC found the year before it revised its survey. And the rate of adults who maintain a healthy weight is higher than the national and benchmark averages.

A slightly lower rate of adult diabetes in the region is also reported in the latest survey data.

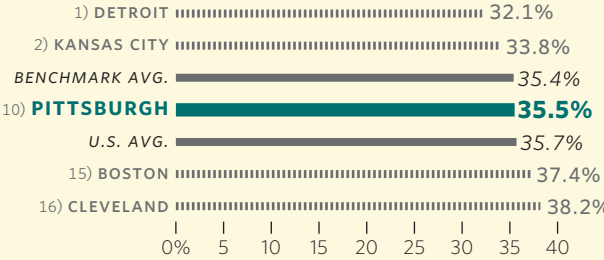
But on measures of physical activity, residents of the Pittsburgh MSA are found wanting. Fewer than 1 in 5 spend at least 150 minutes a week on aerobic and strengthening exercise.

% INSURED ADULTS | 2011



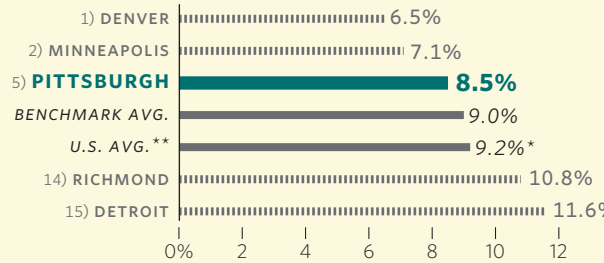
DATA SOURCE: Centers for Disease Control and Prevention; Figures are for U.S. Metropolitan Statistical Areas (MSA); **2010 U.S. average

% OF OVERWEIGHT ADULTS | 2011



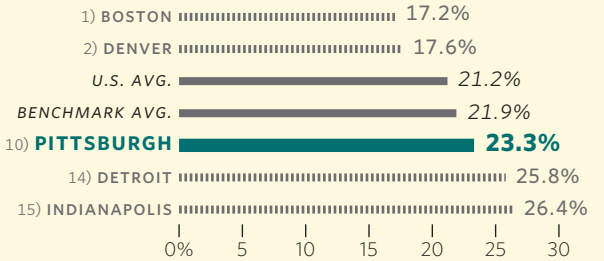
DATA SOURCE: Centers for Disease Control and Prevention; Figures are for U.S. Metropolitan Statistical Areas (MSA)

DIABETES RATES AMONG ADULTS | 2011



DATA SOURCE: Centers for Disease Control and Prevention; Figures are for U.S. Metropolitan Statistical Areas (MSA); **2010 U.S. average

% OF POPULATION WHO SMOKE | 2011



DATA SOURCE: Centers for Disease Control and Prevention; Figures are for U.S. Metropolitan Statistical Areas (MSA)

About half participate in more than 150 minutes of aerobic activity per week, but that rate still falls below both the national average and average among benchmark regions. ■



ENVIRONMENT

SOUTHWESTERN PENNSYLVANIA'S environmental profile is complex. The air is much cleaner today than during the region's smoky industrial past—but not clean enough to meet federal standards for one of the most common pollutants. Our rivers and streams offer an abundance of fresh water at a time when the world is getting thirstier by the day. Yet, the precious resource is threatened by a host of contaminants, including runoff from over-taxed municipal sewage systems.

How southwestern Pennsylvanians view such issues came into focus in 2013 with the findings of the Pittsburgh Regional Environment Survey, which Pittsburgh Today conducted with our colleagues at the University of Pittsburgh Center for Social and Urban Research.

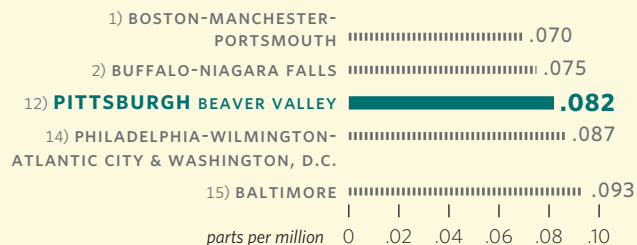
More than 800 southwestern Pennsylvania residents were interviewed for the survey. The results provide the most comprehensive profile to date of the environment-related behaviors of residents and their perspectives on issues ranging from local water quality to global climate change.

Some 65 percent of residents, for example, see air quality as a minor problem or not a problem at all. Such perceptions are in some cases at odds with local air quality data. While annual measures of fine particulate pollution have fallen to within acceptable federal levels, the region still fails to comply with standards for ground-level ozone, a common pollutant better known as smog.

More residents are worried about water: 67 percent see pollution in rivers and streams as a severe or moderate problem. And they have reason to be concerned. State Department of Environmental Protection data suggest 6,561 miles of streams in the region are impaired by acid from dormant mines, farm runoff and other contaminants. In Allegheny County, sewage runoff

OZONE | 2010-12

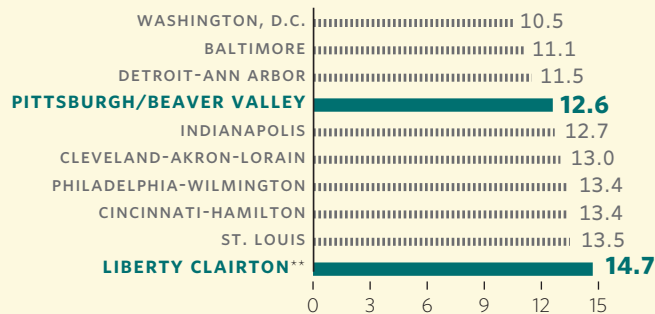
(a 3-year average of the 4th highest daily maximum 8-hour ozone concentration. To comply with National Ambient Air Quality Standards for 2010-12, the ozone concentration could not exceed .08 parts per million)



DATA SOURCE: Environmental Protection Agency, Design Value Reports, Office of Air Quality Planning & Standards (2010-12)

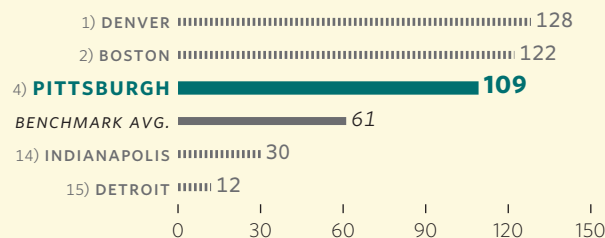
SMALL PARTICULATE AIR POLLUTION | 2010-12

(Calculated as a 3-year average; annual PM2.5 concentration could not exceed 15 micrograms per cubic meter to comply with National Ambient Air Quality Standards)



DATA SOURCE: U.S. Environmental Protection Agency, Design Value Reports, Office of Air Quality Planning & Standards (2010-12); **Classified by the EPA in 2009 as a special "non-attainment area" within Allegheny County.

GREEN BUILDINGS | 2012



DATA SOURCE: U.S. Green Building Council

results in high bacteria levels in rivers that on average claim more than half of the recreational season each year—an issue that has prompted \$3.5 billion in proposed infrastructure improvements.

The survey also reveals a regional population that generally sees climate change as a problem, but is divided on whether human activity or a natural warming cycle is to blame. Most take steps to curb their energy use, unless that means driving less. More support natural gas drilling in the Marcellus Shale than oppose it, as long as it's not done in state parks. And most feel they share responsibility for solving environmental problems, but have little chance of making a difference. ■

The Pittsburgh Regional Environment Survey report and data tables can be viewed at: pittsburghtoday.org/The_Pittsburgh_Regional_Environmental_Survey.html



Shale gas & the environment

PITTSBURGH EMERGES AS AN ARBITER
IN THE POLARIZED DEBATE

by Jeffery Fraser

FOR YEARS THE WELL pads, truck traffic and logos of energy companies large and small multiplied across counties like Washington and Greene as southwestern Pennsylvania became a poster child for the rush to extract natural gas trapped in the Marcellus Shale.

It was in such a climate that the region recently assumed a new identity as a place where efforts to stake a middle ground in the polarized debate over drilling and environmental protection are seen as so advanced that they're drawing interest from regulators and elected officials from countries as far away as Kazakhstan.

A group of energy companies, environmental nonprofits and foundations known as the Center for Sustainable

Shale Development (CSSD) emerged from two years of closed-door negotiations last March to announce they'd agreed on voluntary standards that raise the bar on protecting the air and water in communities where drillers operate. And unlike industry best practices, they coupled the standards with a certification process that audits a driller's compliance. The idea is to promote state-of-the-art environmental practices throughout the Appalachian Basin shale play with the hope that drillers who earn certification will gain a competitive edge that will provide an incentive for others to follow suit.

It's been applauded and criticized. Much of the attention has focused on the fact that a group of unlikely partners bridged the partisan divide to reach a consensus on environmental standards

for shale gas drilling, rather than on what those standards specifically require certified drillers to do.

CSSD partners have implied that the first set of environmental standards require certified drillers to raise their practices above the floor set by state and federal regulations. A Pittsburgh Today review of those standards and Pennsylvania law finds that to be generally true.

TEAM OF RIVALS

The idea of finding a group of companies and environmental nonprofits willing to look for ways to reduce the environmental risks posed by shale drilling had been explored three years ago in Pittsburgh by the Heinz Endowments

with little success. John Hanger had better luck. The former state Department of Environmental Protection secretary and one-time director of Pennsylvania's largest environmental nonprofit drew on his sense of who might be willing to take on such a task and recruited four major energy companies with shale gas operations and five local, state and national environmental nonprofits as partners in what is now CSSD.

The partners include energy producers CONSOL Energy, EQT, Chevron and Shell. Two national environmental nonprofits, the Environmental Defense Fund and Clean Air Task Force, signed on with the Pennsylvania Environmental Council, Citizens for Pennsylvania's Future, and the Group Against Smog and Pollution, a Pittsburgh-based grassroots organization. The Heinz Endowments and William Penn Foundation are involved as philanthropic partners. And the advisory board includes former U.S. Secretary of the Treasury and Alcoa Chairman and CEO Paul O'Neill and former U.S. Environmental Protection Agency Administrator Christine Todd Whitman.

Assembling a team hand-picked for their willingness to tolerate divergent points of view and rely on science and facts as guidance rather than dogma and rhetoric proved critical at a time when public debate over fracking was dominated by intransigent voices.

"You had two strong polarities and neither were helpful. In fact, they were detrimental to finding the best outcomes for the Commonwealth and region," says Andrew Place, director of energy and policy at EQT, who is serving as CSSD interim director. "Some on the industry side were the proverbial, 'drill baby drill; stay out of our way, we know what we are doing.' On the other side there was, 'these molecules should stay in the ground, fossil fuel is not the way to go; it can't be done, the risks are too great.' None of us felt that was the way this debate should go."

Negotiations were fragile at times, particularly in the beginning. But with engineers and scientists at the table, the group was able to deal with drilling-relat-

ed environmental issues as technical problems that needed to be solved. "The right people were in the room," says Place. "Over time, what occurred was relationships were built and people put ideas forward that they would not have been interested in doing or have been willing to do if it had been a very public debate."

The result was a set of 15 standards for the industry that prescribed practices intended to better protect air and water quality. The partners agreed the standards would be open to improvement and that standards addressing other environmental concerns such as terrestrial issues and community impact would be added in coming years.

They also agreed to a certification process requiring drillers who embrace the standards to submit to third-party audits to verify their compliance, not unlike that which the Green Building Council requires developers to pass in order to earn Leadership in Energy and Environmental Design (LEED) certification for their buildings.

For the companies involved, the standards were seen as a way to lower the risk

cient to protect the environment. And several that agreed to join CSSD reported that the decision was not without internal debate over the pros and cons. For some, reasons for choosing to sit at the table included the hope of avoiding the hard lessons of the past, such as those from coal mining, which left a legacy of tainted streams and other problems.

"We want to make sure that this time we have some control of what happens and ride herd on the industry to make sure this is done to the best of everybody's ability," says Davitt Woodwell, executive vice president of the Pennsylvania Environment Council's Western Region. "Anyone who can't do it to the best of their ability, shouldn't be doing it."

And the reality of what's taking place in the hills and valleys of southwestern Pennsylvania added urgency to the idea of addressing the risks while waiting for slow-moving regulations to catch up. "Whether you support drilling, are absolutely opposed to drilling, or are somewhere in the middle, you have to acknowledge the industry is here, right now," says Joe Osborne, the Group

A PITTSBURGH TODAY ANALYSIS FOUND THAT SEVERAL CSSD STANDARDS ADVANCE ENVIRONMENTALLY PROTECTIVE PRACTICES WELL BEYOND WHAT IS CALLED FOR IN STATE AND FEDERAL REGULATIONS.

of environmental mishaps, help secure a "social license" to develop the abundant shale gas play and assure an uncertain public, whose mixed views on drilling were documented last year in the Pittsburgh Regional Environment Survey conducted by Pittsburgh Today. The survey found that about 79 percent of residents across the Pittsburgh Metropolitan Statistical Area (MSA) believe drilling offers significant or moderate economic opportunities to the region. At the same time, 59 percent see it as a significant or moderate threat to public health and the environment.

Few, if any, environmental nonprofits consider current drilling regulations suffi-

Against Smog and Pollution's legal director. "You can't ignore the impact it's having, regardless of how you think things ought to be in an ideal world."

INTEREST, PRAISE & SCORN

CSSD drew worldwide attention almost immediately. In Paris, announcement of its standards created a buzz at the International Energy Agency meeting on unconventional natural gas last March. And throughout the year, CSSD officials hosted delegations of regulators, elected officials, journalists and others from

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Austria, Britain, China, Canada, France, Germany, Kazakhstan, Ukraine and the European Union who traveled to Pittsburgh to learn about the standards and the process that led to them.

Editorial writers from Pittsburgh to Dallas applauded the launch of CSSD. The Washington Post, for instance, described it as a “heartening breakthrough in the war over fracking.” On the other hand, several environmental nonprofits not invited to negotiate the standards criticized those who were, suggesting their involvement amounted to capitulation to an untrustworthy industry.

The Sierra Club, the nation’s largest grassroots environmental organization, took issue with the fact the standards don’t carry the weight of law. “Voluntary certification is akin to slapping a Band-Aid on a gaping wound,” wrote Deb Nardone, director of its Beyond Natural Gas campaign.

The nonprofit Public Accountability Initiative was more personal, documenting how several CSSD partners and board members have industry ties ranging from seats on corporate boards to investments in energy companies. In a report, the nonprofit described CSSD as a “greenwashing” campaign, implying that its standards are more of a marketing ploy than an attempt to advance environmental practices in shale gas drilling. The report, however, offered no evidence that the nonprofit had actually evaluated the merit of the CSSD standards.

TOUGHER, FOR THE MOST PART

Pittsburgh Today compared the 15 CSSD air and water standards to Pennsylvania and federal regulations that address environmental issues related to unconventional natural gas drilling. Both are rife with complexities. It is not uncommon, for example, for a single CSSD standard to have several parts that prescribe multiple practices, timetables and specifications.

Each of the 15 standards was found to require CSSD-certified drillers to take

some degree of protective action not prescribed by state or federal law. How significantly those practices rise above an operator’s legal obligations varies across standards.

Some CSSD standards are similar to existing regulations, save for a measure or two that can have environmental importance. One example is the standard for earthen impoundments that store water discharged during drilling that’s fouled by chemical additives, brine and other contaminants. Like CSSD, Pennsylvania has design requirements that include double lining the impoundments. But unlike the state, CSSD also requires operators to remove hydrocarbons from the water before it is stored and to take steps to prevent wildlife from entering the impoundment.

CSSD standards also prohibit discharging drilling wastewater into streams and rivers, allowing no exceptions. Zero discharge is generally promoted by Pennsylvania regulations. But under state law, public water treatment plants can, under certain circumstances, accept wastewater, which some have done, raising controversy and concern over public water supplies.

Some similarities are also seen in CSSD standards and state regulations related to how drillers deal with the contaminated water discharged when a well is being drilled and afterward. Both call for drillers to identify strategies for reducing wastewater. But CSSD requires a recycling plan, and CSSD requires drillers to recycle at least 90 percent of their wastewater. Such practice reduces the amount of fresh water consumed in the hydrofracturing process, which is measured in the millions of gallons. State regulations don’t require drillers to recycle their wastewater.

Regulations tend to be moving targets, and recent changes have blunted the impact of one CSSD standard that was written earlier. That standard places limits on emissions from compressor engines used to push gas through pipelines after a well has gone into production. While those limits are more stringent than federal rules, Pennsylvania’s revised regulations are, in some instances, more demanding.

But several CSSD standards advance environmentally protective practices well beyond what is called for in state and federal regulations.

One is the approach taken toward protecting groundwater. Before drilling, the CSSD standards require companies to establish an “area of review” that includes the vertical and horizontal legs of a well and to perform an analysis to characterize the geology below. That includes looking at whether the subsurface confining layers can prevent fracking fluids from migrating in unintended ways. It also includes identifying orphaned wells, faults or other vulnerabilities that might pose a problem. State regulations don’t require drillers to perform such geological risk analyses.

Operators who are CSSD-certified also must monitor streams, aquifers and other water sources within a 2,500-foot radius of the wellhead for at least one year after the well is drilled and show that the quality and chemistry of the water measured before drilling hasn’t been adversely affected. State law doesn’t require operators to take such steps to see if their wells impact local water sources.

CSSD emissions standards for the diesel engines used in drilling and in the heavy trucks hauling fresh water and contaminated water are more restrictive than those which operators are legally required follow. Diesel engines are prolific sources of fine particles that contribute to smog, which is of growing concern in areas where drilling is concentrated.

At least 95 percent of a CSSD-certified driller’s truck fleet, for example, must meet the most stringent federal emissions regulations within three years. The standard applies to both new and existing trucks, including those bought before 2007, which could account for a large share of an operator’s fleet. Federal law exempts those older trucks. And federal law prohibits Pennsylvania and other states from regulating them on their own.

MOVING FORWARD

Before leaving CSSD to begin his Pennsylvania gubernatorial campaign,

IDEAS FOR BUILDING PITTSBURGH'S TOMORROW

Hanger expressed hope the standards would encourage more effective environmental practices within the industry, derail the argument that such higher standards cannot be met by the industry, and, through market pressures, require companies to earn certification in order to drill in the Appalachian Basin states.

Whether that will come to pass remains to be seen. It took the better part of last year for CSSD to piece together its certification process, including protocols for selecting and training the auditors who'll monitor compliance. Their audits are expected to include both documentation review and field inspections.

Sometime in 2014, the first companies to seek certification are expected to undergo compliance audits. Those presumably will be the four CSSD corporate partners: CONSOL, EQT, Shell and Chevron Appalachia. How many more will follow is unclear, as is the extent to which CSSD is supported within the shale gas industry.

The region's largest shale gas trade group, the Marcellus Shale Coalition, hasn't endorsed CSSD, which is not mentioned on the group's website or on its list of the positive industry developments of 2013. And the group did not respond to interview requests to clarify its position on CSSD.

But the notion that CSSD standards could create market demand for drillers to adopt its standards got an early and unexpected boost in September when Allegheny County added several of the standards to its request for proposals to extract gas under Deer Lakes Park. "I think it's doing the right thing," says Allegheny County Chief Executive Rich Fitzgerald. "Everything is on a case-by-case basis. But we'd like to set a baseline where, if we can get some of these enhancements, it could be a template for doing it in other areas—not just public land, but private land as well." ■

Jeffery Fraser is Pittsburgh Today's senior editor.



“ We need to do a better job of explaining to the public the simple physics, chemistry, and economics in utilizing natural gas. For example, five million gallons of water are needed to frack a well, which ends up being 2½ inches of rain. It turns out that, because of the chemical reactions involved, burning the natural gas from one well will produce 10 times the water used to frack it. And those who heat with natural gas are paying half of what they would have otherwise!

— Ron Muhlenkamp,
Founder and Portfolio Manager
MUHLENKAMP & COMPANY, INC.

“ A new entrepreneurial spirit is rising in Pittsburgh, from local start-ups to innovative giants like Google and Disney. As we continue to diversify our economy—which remains our biggest challenge—the region needs to borrow from the culture of these innovators their willingness to take risks and fail. At the same time we need to continue to cultivate the managerial talent that is necessary for start-ups to grow to become the next Google and Disney.

— Gregory G. Dell'Omo, PhD,
President
ROBERT MORRIS UNIVERSITY

“ City government needs to become a catalyst for young entrepreneurs. The city should become a one-stop shop that guides entrepreneurs toward financing and tax abatement programs, creates a searchable online database of affordable City- and County-owned properties, and connects entrepreneurs with local resources. We should create a small-business incubator space that offers low rents and technical assistance, fostering a collaborative business environment that will spawn even more great ideas and innovations, enhance neighborhood quality, bring in new city residents, and broaden our tax base.

— Daniel Gilman, *Councilman*
PITTSBURGH CITY COUNCIL

“ We've heard a lot recently about air pollution in the Pittsburgh area. One weekend in January, the air in the Mon Valley was just as dirty as in Beijing, with impacts to the East End and beyond. Pittsburgh is a world-class city being recognized for its livability, high education levels, and innovative economy. We now have the opportunity to use our world-class resources to improve our air quality—and ensure a healthy and strong future for our region.

— Dr. Deborah Gentile, *Director of Research,*
Division of Allergy, Asthma and Immunology
ALLEGHENY HEALTH NETWORK



PUBLIC SAFETY

WHEN PITTSBURGH RISES TO THE TOP of various “best places to live” lists—as it does most every year—one indicator usually mentioned is the region’s relative safety as measured by crime rates. The latest data suggest public safety will continue to be described in glowing terms.

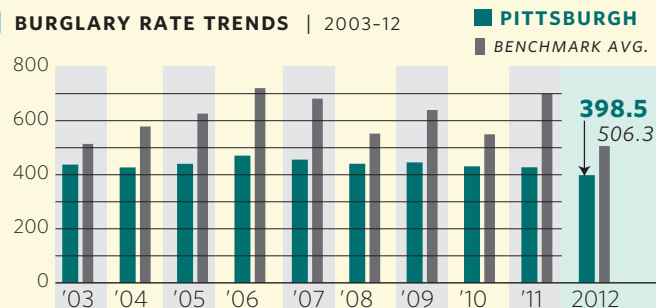
Crime rates in the seven-county Pittsburgh Metropolitan Statistical Area (MSA) fell across every major category except homicide, which was up slightly. Still, the Pittsburgh MSA had the fifth lowest murder rate among the 15 Pittsburgh Today benchmark regions in 2012, the most recent year for which FBI Uniform Crime Index data is available.

Southwestern Pennsylvania ranks even better in other major crime categories. It has the lowest rates of theft and of motor vehicle theft among those benchmark regions, as well as the second lowest rates of forcible rape, robbery and burglary.

As a rule, crime is higher in cities than in regions, and Pittsburgh is no exception. The City of Pittsburgh, however, has seen a sharp drop in crime in recent years and its rates of major crimes fall below the average among core cities in the Pittsburgh Today benchmark regions.

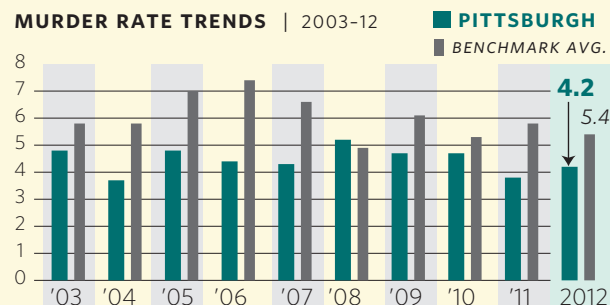
Crime rates are influenced by many social and economic factors. And several characteristics associated with safer neighborhoods and regions are found in southwestern Pennsylvania. Its diverse economy, for example, helped it weather the past recession and navigate the sluggish recovery better than most regions. It hit record employment in 2013. It has the highest rate of residents with a high school diploma among benchmark regions. And in recent years, greater numbers of mostly better-educated young adults have moved into the region.

BURGLARY RATE TRENDS | 2003-12



DATA SOURCE: FBI Uniform Crime Reports

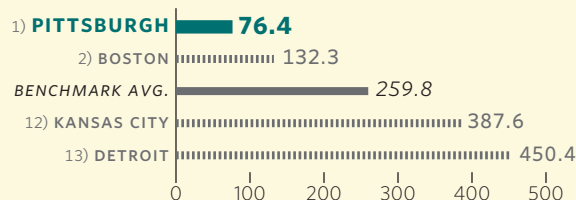
MURDER RATE TRENDS | 2003-12



DATA SOURCE: FBI Uniform Crime Reports

MOTOR VEHICLE THEFT | 2012

(rate per 100,000 MSA population)



DATA SOURCE: FBI Uniform Crime Reports

Southwestern Pennsylvania is also a place where people set down roots, which leads to stability, limits transients, and promotes stronger connections among neighbors and other forms of social control. Nearly 90 percent of residents have lived in the region for longer than 10 years and 80 percent have lived here for longer than 20 years, according to their responses in the Pittsburgh Regional Quality of Life Survey done by the University of Pittsburgh Center for Social and Urban Research and Pittsburgh Today. ■



TRANSPORTATION

MAINTEINING BRIDGES, ROADS AND highways is critical to economic vitality. However, Pittsburgh has struggled to do that maintenance in recent years. And the same can be said of the region's public transit system.

Pennsylvania adopted a long-awaited transportation spending plan in 2013 that is expected to provide \$2.3 billion to improve infrastructure and keep public transportation systems viable. Recent data and studies suggest the investment is sorely needed.

The Federal Highway Administration reports that 24.4 percent of Pennsylvania's bridges are structurally deficient—the highest rate in the nation. And bridge conditions in southwestern Pennsylvania, a region of bridges, mirror those reported statewide.

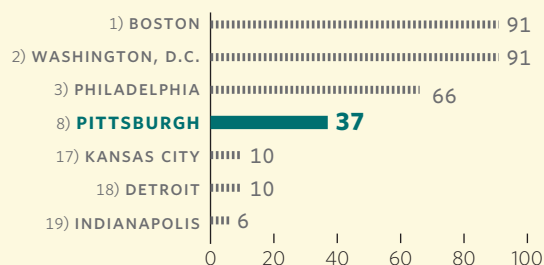
Nearly a quarter of the bridges throughout the seven-county Pittsburgh Metropolitan Statistical Area (MSA) are structurally deficient. Allegheny County has the greatest number in that condition, while Fayette County has the highest percentage of structurally deficient spans.

Roads and highways are another challenge. Almost half of the roads in the Pittsburgh MSA are in mediocre or poor condition, according to Federal Highway Administration data. That's a high rate by any measure. Yet it is lower than the national average and lower than the average rate of poor or mediocre roads found among Pittsburgh Today benchmark regions.

Poor road conditions cost motorists in the Pittsburgh MSA an estimated \$432 a year in repairs and maintenance, according to the most recent data generated by the Highway Development and Management Model, the most common method of calculat-

UNLINKED PASSENGER TRIPS PER CAPITA | 2011

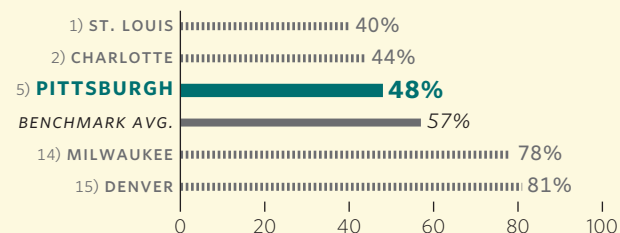
(number of public transit trips people take per year in relation to a region's population)



DATA SOURCE: U.S. Department of Transportation, American Public Transportation Association 2012 Fact Book (data from 2011)

POOR ROAD QUALITY | 2011

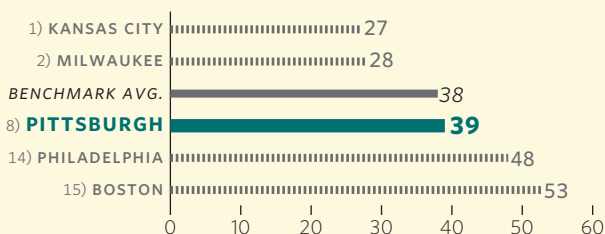
(% of roads that are mediocre or poor)



DATA SOURCE: www.tripnet.org

ANNUAL DELAY PER TRAVELER | 2011

(average hours lost to road congestion)



DATA SOURCE: Texas Transportation Institute, Urban Mobility Report

ing the impact of road conditions on vehicle operating costs.

Additional dollars from the new state transportation plan are expected to ease another pressing regional problem—the steady decline of public transit in the urban core in recent years.

Chronic budget crises led the Port Authority of Allegheny County—the region's largest carrier—to pare the number of bus routes from 219 to 102 over the past six years. Further adjustments led to 430 fewer stops. Lack of ridership hasn't been the issue: The Pittsburgh MSA is one of the biggest consumers of public transportation among Pittsburgh Today benchmark regions. ■



Transit's new era

STATE PLAN IMPROVES OUTLOOK
FOR URBAN COUNTIES AND COMMUTERS

by Jeffery Fraser

THE PORT AUTHORITY of Allegheny County's chronic fiscal crisis was lifted with the stroke of the governor's pen in November to the relief of downtown businesses, seniors, regional developers, people with disabilities and—although they might not realize it—suburban commuters who prefer their cars over a Port Authority bus or light rail transit.

An estimated \$2.3 billion a year in additional state money for roads, bridges and public transit was secured with the long-awaited transportation-funding bill signed by Pennsylvania Gov. Tom Corbett. The Port Authority's share had not been precisely determined by the end of the

year. But it is estimated to be enough to end the annual operating deficits that led to deep service cuts in recent years, and allow the Port Authority to tackle maintenance and capital projects, service improvements, and modernization strategies neglected during the rolling fiscal crisis.

For two years, a disparate group of Allegheny County stakeholders ranging from corporate executives to advocates of the poor and disabled had campaigned to restore public transit. They painted a convincing picture of the vital role it plays in urban counties like Allegheny, where Port Authority buses and trains carry nearly 65 million passengers a year.

FUELING THE ECONOMIC ENGINE

One high-profile example of why public transit is important to Pittsburgh and Allegheny County is its impact on the local economy as a means of moving workers to and from their jobs and as an asset for convincing companies to expand or to relocate there.

And it's an issue of statewide importance. Only Philadelphia tops Pittsburgh as a center for jobs and a generator of tax revenue in Pennsylvania. "We have the second and third largest economic centers in the state [Downtown and Oakland], both of which don't survive without transit," says Chris Sandvig, regional policy director of the Pittsburgh Community Reinvestment Group.

An estimated 54 percent of the Downtown Pittsburgh workforce relies on public transit to get to work. An estimated 120,000 people commute to Downtown

IDEAS FOR BUILDING PITTSBURGH'S TOMORROW

daily, most from outside of the city.

“What a lot of people don’t realize is that, while the population in the city has migrated out over the last 50 years, the jobs have not. Pittsburgh has one of the highest jobs-to-population numbers in the country,” says Ken Zapinski, Allegheny Conference on Community Development senior vice president for energy and infrastructure.

“We can do this downtown because we have transit bringing people in. There isn’t enough space for vehicles to drive them downtown and park during the day. There isn’t enough space to keep the jobs downtown if you don’t have a robust transit system.”

Vince Sands, chairman of BNY Mellon of Pennsylvania, underscored the point, telling the state House Appropriations Committee last summer that a viable transit system in Pittsburgh is a key factor in the bank deciding whether to keep more than 7,000 jobs in the city, expand the number or move jobs elsewhere. “Fifty percent of our people depend solely on public transportation. I want to make it clear: This is really important to us. We have to get our people to work.”

Public transit also has emerged as a critical issue in attracting young adults, who bring with them their talents and future families—a demographic trend in southwestern Pennsylvania that’s been on the rise in recent years.

When in 2011, for example, the Allegheny Conference polled some 200 young adults identified by their employers as emerging leaders about their priorities, viable public transportation was far and away the top issue mentioned. And when Pittsburgh Today hosted a series of focus groups with young adults a year later, public transit was the top concern mentioned in every session.

BEYOND BUSINESS

Just as job density is high in urban centers such as Allegheny County, so too is the density of low-income families,

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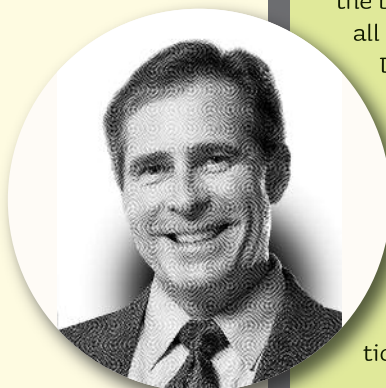
“Improving transportation, particularly by continuing our efforts to obtain more direct airline service and by expanding public transportation, is critical. Making it easier to travel to and from the Pittsburgh region for visitors and residents alike creates new business opportunities, fosters a more robust economy, stimulates a more diverse population and enhances the ability to attract and retain employees. Improved access to transportation also allows us to promote our excellent quality of life and business environment.

— Patricia L. Dodge, *Managing Partner*
MEYER, UNKOVIC & SCOTT LLP



“The biggest obstacle that I see for our region—and I’m going to sound like a broken record—is public transportation. We face a crisis in moving people on every scale. Moving within the city is difficult due to a broken bus and rail system, and traveling around the country is difficult with a severely underutilized airport. It’s holding back what is otherwise a region well suited for remarkable growth.

— F. Dok Harris,
Principal
HARRIS | WUKICH



“As Pittsburghers, we’re always talking about our Downtown, what’s good, or what could be better. For Jane Jacobs, the journalist who literally wrote the book about what makes a city great, it’s all about thriving neighborhoods, and Downtown is surely that. Can it be better? Of course, and it is certainly on its way! Jacobs said a strong neighborhood is one that attracts people to it at all times—not just nine to five. So as a university that makes its home Downtown, let’s do all we can to grow and support what makes this hectic, exciting and sometimes messy destination a great neighborhood.

— Paul Hennigan, *President*
POINT PARK UNIVERSITY

Read more “future thoughts”
throughout the report >>

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people with disabilities, students and seniors—all of whom are among the most frequent users of public transit.

Last year, for example, the United Way of Allegheny County polled people who called its “211” regional helpline to get a better idea of their healthcare needs. More than one-third identified

Alpine park-and-ride in Monroeville near Murrysburg, for example, are registered to Westmoreland County residents.

Public transit even makes life easier for motorists who never take a bus or a train to commute to jobs located in Pittsburgh or Allegheny County. The Southwestern Pennsylvania Commission

“WE HAVE THE SECOND AND THIRD LARGEST ECONOMIC CENTERS IN THE STATE [DOWNTOWN AND OAKLAND], BOTH OF WHICH DON’T SURVIVE WITHOUT TRANSIT.”

— CHRIS SANDVIG, REGIONAL POLICY DIRECTOR,
PITTSBURGH COMMUNITY REINVESTMENT GROUP

transportation as a barrier to getting to care. Another United Way survey of regional human service agencies ranging from Catholic Charities to the Women’s Center and Shelter of Greater Pittsburgh suggests 60 percent of their clients depend on public transit to get to services. “For many people, public transit is a lifeline,” United Way of Allegheny County President Robert Nelkin told the state Senate Committee on Transportation in August.

More than 6,000 seniors and people with disabilities use ACCESS para-transit vans each weekday, according to Port Authority 2012 averages. For them, stable funding for the Port Authority is good news. ACCESS routes are based on Port Authority bus routes, which exposes seniors and people with disabilities to service reductions when those bus routes are trimmed.

The impact of Port Authority bus and rail services is also felt beyond the borders of Allegheny County. Park-and-ride lots offer one measure. License plate numbers on the 5,500 cars parked in those lots each weekday show that, on average, 26 percent belong to people in other counties, with the most living in Washington and Westmoreland. Some 58 percent of cars parked in the 248-space

showed why with a chilling analysis of the impact a proposed 35 percent cut in Port Authority service would have had if the state and county hadn’t come up with an 11th-hour plan to avoid it.

The transit cuts would have added 23,400 more car trips to Pittsburgh-area roads and highways each day. That would have meant an estimated 16-minute increase in peak period travel time in Pittsburgh. But the biggest headache would have been downtown, where 90 percent of the 38,000 parking spaces are already taken. That would leave 3,800 spaces for some 20,000 additional vehicles.

IMPROVED OUTLOOK

Such a scenario is no longer in the forecast for the Port Authority. The state transportation bill, which is to be financed with a hike in the oil company franchise tax, is expected to provide the Port Authority with enough new money to avoid the annual operating deficits that had dogged it in recent years. And without such deficits, the threat of service cuts is greatly diminished.

Port Authority fares also are expected to stabilize, which officials say should

help restore ridership damaged by service cuts. Those cuts began in 2007 after proposed tolls on Interstate 80 to finance transportation across the state failed. Since then, the Port Authority has reduced the number of bus routes from 219 to 102 and raised fares several times. Its \$2.50 base fare is the highest in the state and among the highest in the nation.

The austere years also forced the Port Authority to get its fiscal house in order. Its workforce was trimmed. Pensions and other legacy costs were brought under control. Inefficient routes were pared from the schedule. Data and performance measures assumed a more prominent role in decision-making. At the same time, however, maintenance of rail bridges, garages and other infrastructure was deferred and steps to modernize the system slowed.

Adequate and more predictable funding now allows the Port Authority to address its maintenance backlog and consider improvements, including adding service to overcrowded routes, offering modern bus stations with real-time data on when buses will arrive, and creating transit hubs where riders of buses from other counties can transfer to Port Authority buses to complete their commute into the city.

“It’s a new Port Authority,” says Ellen McLean, Port Authority CEO. “We’re leaner, more efficient and we’ve addressed our legacy costs. It’s now about finding smart ways to effectively offer transit.” ■

Jeffery Fraser is Pittsburgh Today’s senior editor.



ARTS & CULTURE

BOLSTERED BY THE STEADY SUPPORT OF their patrons and local philanthropies, the more than 300 arts and cultural organizations that call southwestern Pennsylvania home have emerged as a major attraction and a significant contributor to the region's economy.

Measured by the number of art and culture establishments alone, the Pittsburgh Metropolitan Statistical Area (MSA) ranks eighth among the 15 Pittsburgh Today benchmark regions with 306. But a closer look at the data finds it among the top five regions in the number of theaters, dance companies, musicians and artists, and museums and botanical gardens.

The data also suggest the region's arts and culture organizations have an economic impact that belies their numbers, pouring an estimated \$686 million into the local economy each year, according to "Arts and Economic Prosperity," the most recent study from Americans for the Arts.

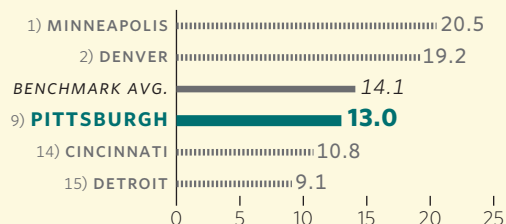
Such estimates rank the economic impact of southwestern Pennsylvania's arts organizations at the top of the Greater Pittsburgh Arts Council's set of benchmark regions, which includes the likes of San Diego, St. Louis and Baltimore. The region also ranks first in that competitive set in tax revenue generated by the arts, which the latest estimates suggest is around \$74 million a year.

Arts and culture organizations in the Pittsburgh MSA employ nearly 4,000 people, which is less than the average among Pittsburgh Today benchmark regions. But in employment per capita, the Pittsburgh MSA's rate of 169 arts and culture workers per 100,000 residents ranks third highest.

Historically, foundation support for the arts has been

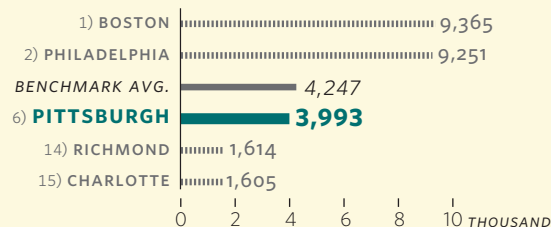
ARTS ESTABLISHMENTS | 2011

(per 100,000 population)



DATA SOURCE: County Business Patterns, U.S. Census Bureau; Figures are for U.S. Metropolitan Statistical Areas (MSA)

TOTAL ARTS EMPLOYMENT | 2011



DATA SOURCE: County Business Patterns, U.S. Census Bureau; Figures are for U.S. Metropolitan Statistical Areas (MSA)

strong. Arts organizations in the Pittsburgh MSA rank third in grants received among Pittsburgh Today benchmark regions. Another local financial lifeline is money from the Regional Asset District's half of the revenues generated by a 1 percent Allegheny County sales tax. The record \$92.2 million RAD budget approved for 2014 represents a \$1.5 million increase in funds allocated to community assets that include libraries, parks, and arts and culture organizations. ■



SUSTAINABILITY

ENERGY-SAVING LIGHT BULBS. Health care. Livable-wage jobs. Fresh water. Sustainability has many faces. At its core, it is about investing in a prosperous future by promoting behaviors and practices that bolster the economy, protect the environment and address social equity.

In southwestern Pennsylvania, challenges ranging from legacy environmental issues to local government fragmentation promise to keep the architects of sustainability busy for decades.

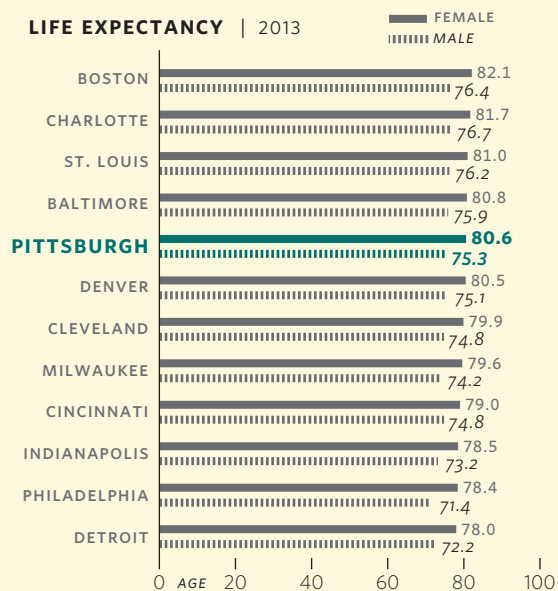
At the same time, the region boasts a stable economy and a well-documented capacity for public-private collaboration that over the years has helped resolve some the thorniest social and economic problems.

The region's challenges are complicated and entwined. The Pittsburgh Metropolitan Statistical Area (MSA), for example, has the second-lowest cost of living and lower-than-average unemployment among the 15 Pittsburgh Today benchmark regions. But 12.1 percent of its population lives in poverty, a rate that is below the benchmark average but is still considered high. And more than 10 percent of housing in the region stands vacant.

More people are moving into the region than are leaving and the majority of them are young adults who bring their future families with them. But southwestern Pennsylvania remains the least diverse of the benchmark regions with whites comprising 86 percent of the population. It continues to struggle to attract and retain foreign-born immigrants.

The quality of the air has improved from the region's smoky industrial days. Annual levels for fine particulate pollution have dipped to within federal limits, for example. But levels of ozone pollution continue to exceed prescribed limits. The region's

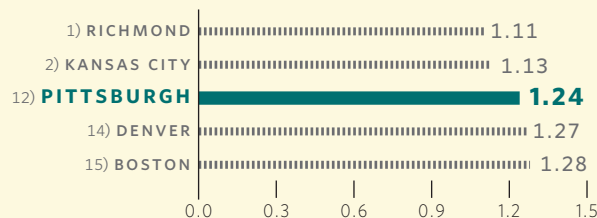
LIFE EXPECTANCY | 2013



DATA SOURCE: University of Washington, Institute for Health Metrics and Evaluation, 2013; Estimates are based on 2010 data.

TRAVEL TIME | 2013

(a traffic congestion measure index which shows the difference between the time it takes on a "normal" trip, and the average "commute" on the same highway)



DATA SOURCE: Texas Transportation Institute, Urban Mobility Report (released in Feb. 2013 using data from 2011)

WALKABILITY | 2013

(a scale between 1-100, based on walking routes to destinations such as grocery stores, parks, schools, restaurants and retail)

0-19	20-49	50-69	70-89	90-100
All errands require a car	Most errands require a car	Some errands can be accomplished by foot	Most errands can be accomplished by foot	Daily errands do not require a car
1) BOSTON	79	9) CINCINNATI	59	
2) PHILADELPHIA	74	10) CLEVELAND	58	
3) MINNEAPOLIS-ST. PAUL	69	11) RICHMOND	51	
4) PITTSBURGH & BALTIMORE	64	12) DETROIT	50	
5) ST. LOUIS & MILWAUKEE	61	13) KANSAS CITY	38	
6) DENVER	60	14) INDIANAPOLIS	37	
		15) CHARLOTTE	34	

DATA SOURCE: The Walk Score, 2013

rivers and streams, fed by ample rainfall, offer an abundance of fresh water. The challenge, however, is finding ways to reverse a century of poor stewardship of the region's waterways and better protect the critical resource. ■



Value in visitors

PITTSBURGH'S GROWING TOURISM INDUSTRY
STILL MISSES THE BIG ONES

by Jeffery Fraser

WITHIN THREE blocks on Pittsburgh's North Shore stand PNC Park, the Pirates' gem of a ballpark; The Warhol, the largest museum dedicated to artist and native son Andy Warhol; and the aluminum and glass corporate headquarters of Alcoa, employer of 61,000 people worldwide. A better snapshot of the engines driving the region's surging tourism industry would be hard to find.

Southwestern Pennsylvania as a travel destination has never been more popular. The evidence includes record amounts spent by visitors on everything from lodging to entertainment, a spike in new hotels on the books, and steady five-year growth in hospitality and leisure industry jobs.

The business traveler has long been the chief driver of the region's tourism economy and still is. But recent years have seen Pittsburgh mature to something more than a strong Monday-through-Thursday market.

"It has now become a regional destination for a lot of social venues, whether it's sports, the arts, education, history," says Kevin Kilkeary, president of Prospera Hospitality, a Pittsburgh-based hospitality management company.

"If you look at the most dominant hotel markets—Manhattan, Boston, Miami, San Francisco—they have a strong combination of corporate and related business and they have strong social venues that attract people. That's what is happening here."

What Pittsburgh isn't, however, is a destination that consistently attracts big-ticket conventions drawing upwards of 10,000 visitors who pour tens of millions of dollars into the local economy per event.

The city has the venue to do so in the David L. Lawrence Convention Center, with its distinctive sweeping roof, environmentally conscious design and convenience to sports stadiums, riverfront parks and the Downtown cultural district. But it lacks the kind of hotel-room density near the convention

center that those who stage large national conventions seek.

That has proven to be a decided disadvantage when bidding against a highly competitive field of cities built to host such events. And finding ways to tap the latent potential of the convention business is one of the region's challenges as it looks to continue to grow its tourism economy.

BOOMING BUSINESS

Whether they are corporate clients, sports fans, consultants, convention-goers, casual vacationers or Marcellus Shale land men, visitors mean money to the region's retailers, hotels, restaurants, bars, entertainment venues and others. And visitors have spent a lot of money recently.

They added more than \$8.5 billion to the economy of the seven-county Pittsburgh Metropolitan Statistical Area (MSA) in 2012, according to the most recent economic impact data reported by Tourism Economics. That was the best year to date, up 5.8 percent over the previous record of \$8.1 billion set the year before. The region's top travel destination is Allegheny County, where visitors spent \$5.5 billion in 2012.

Whether the region can sustain such trends depends on a host of factors, not the least of which will be the strength of the local economy. Its resilience during the recent recession and sluggish recovery was widely noted, particularly within the hospitality industry, which appears confident it will remain healthy.

Two new hotels opened their doors in 2013 and another nine are planning to open in the city and nearby suburbs in the next few years, solidifying the region's standing as one of the hottest hotel real estate markets in the country.

That's an encouraging sign for the future prospects of regional tourism. Unless visitors plan to bunk with friends or relatives, they need a place to stay.

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And the more available rooms and hotel options a region has to offer them, the more widely attractive it becomes as a destination.

Hotel development decisions tend to be based less on indicators such as demographics than on primary industry metrics, such as occupancy rates, average daily room rates and revenue per available room. And southwestern Pennsylvania's numbers have impressed in recent years.

Key hospitality rates have risen in Pittsburgh over the past five years while they've stagnated or fallen in several major cities in the Northeast. The revenue per available room in the region stood at more than \$75.50 late in 2013, up nearly 15 percent since 2008. The average daily room rate rose 11 percent to \$112.40 during those five years. And the Pittsburgh MSA's 67.2 percent occupancy rate is the highest among 15 benchmark regions tracked by Pittsburgh Today.

Those closely watched rates are projected to continue to rise in the southwestern Pennsylvania market through 2017—even with the arrival of new hotels and hundreds of additional rooms. Revenue per available room, for example, is expected to reach \$89, and occupancy rates could reach 69 percent, according to a recent forecast published by hospitality research firm PKF.

"Demand is very high right now. Rooms are at a premium," says Craig Davis, president and CEO of VisitPittsburgh. "As new inventory comes into the marketplace, it's always been the case that it is absorbed."

As the hotel market grows in number, the options available to accommodate the various lodging preferences of visitors and the prices they are willing to pay are expanding, which strengthens the region's appeal. Even the boutique market is being explored. The Klimpton chain, for instance, chose Downtown Pittsburgh as the site of its latest Hotel Monaco, with eclectic décor, wine hour and yoga mats in rooms. And the

YMCA in East Liberty is being remodeled as a new Ace Hotel by the hip, Portland-based boutique chain that describes its hotel offerings as a "collection of individuals—multiple and inclusive, held together by an affinity for the soulful."

Missing from the list of new arrivals soon to open or proposed is the long-coveted, high-capacity convention center hotel that event planners believe would make the region a stronger candidate when bidding for the large national conventions that too often elude it.

LATENT POTENTIAL

When looking for sectors of the tourism trade with the potential to sustain or improve the growth trend of recent years, one that stands out is the convention business, which has recently been less than robust.

Whether it's been dismal or simply lackluster is a matter of debate that depends on the metrics used to measure it. Attendance and the total number of events held each year at the David L. Lawrence Convention Center were lower in 2012 than in 2004, the first full year it was open, according to the latest data available from SMG, which manages the center.

On the other hand, the most recent VisitPittsburgh data available suggest direct spending from major events totaled \$118.2 million in 2012. That's about 32 percent more than what eventgoers contributed to the local economy eight years earlier. The number of hotel "room nights" filled by those attending major events also rose in the same period from 108,000 to 134,014.

It's clear from the numbers, however, that business generated by the convention center has ample room to grow. One of the reasons it hasn't is that large conventions staged in the city have been few and far between. A big reason why is the lack of sufficient peak-night hotel rooms close enough to the convention center to win those events for which the competition is fierce.

And that's been costly.

VisitPittsburgh, which tracks missed business opportunities, estimates that 610,227 hotel room nights have been lost since 2004 primarily due to the lack of a mega-hotel or ample peak-night room density near the convention center.

The kind of large event the city can optimally accommodate is one that requires up to 2,400 rooms on peak nights. Larger gatherings require more creative plans, which can mean scattering convention goers across the city and perhaps the suburbs, as well as having to negotiate with more than a dozen hotels. "The convenience factor is big," says Davis. "It may not be a deal-breaker, but that's where you're at a competitive disadvantage."

Some organizations have been willing to work around such inconveniences. Many have not. When the National Association of Black Engineers held its convention in Pittsburgh in 2012, it needed to negotiate contracts with 18 hotels to accommodate the 8,500 members who attended. They ended up contributing \$15.2 million into the local economy and consuming 14,270 room nights, according to VisitPittsburgh data.

The American Legion needs a minimum of 3,000 peak-night rooms for its national convention, which draws about 10,000 members and their families. The Pittsburgh area, which has one of the largest veteran populations in the nation, last hosted the convention in 1993. "It was a good convention, but they did have us spread all over the place," says Mike Walton, chairman of the American Legion National Convention Commission.

Pittsburgh has since failed to win a bid to have the Legion return, and inadequate peak-night hotel rooms near the convention center has been an issue when bidding against cities like Indianapolis, which hosted the convention in 2012 and has four convention center hotels. "A big plus for a city is having a major hotel attached to the convention center," Walton says. "It's

more convenient. Our delegates wouldn't have to go as far and it makes our job easier."

The David L. Lawrence Convention Center was designed to accommodate such a hotel, which was to be built on plots straddling the 10th Street Bypass. But the demand of developers for up to \$50 million in government subsidies is the chief reason those plots are used as parking lots today.

New hotel development in Downtown has also given pause to the notion of building a major convention center hotel. "We need to see what the effect of the new rooms will have on the marketplace," says Davis. "Measuring that, we'll go from there. But we have to keep growing."

For some, cities such as Austin, Texas, offer hope that a convention center hotel in Pittsburgh is not a question of if, but when. Austin has two 1,000-room convention hotels in development after years of having lost bids for major events due to the lack of rooms near its convention center. Those hotels are largely being developed with private dollars and tax incentives.

Among the key factors that convinced private money to back the projects were the steep growth that Austin's tourism economy has experienced and upbeat projections that revenue per available hotel room and demand for those rooms will continue to rise. Although Pittsburgh's indicators haven't risen as sharply as Austin's in recent years, Pittsburgh is also seen as an up-and-coming travel destination. Moreover, its revenue per available room is currently greater than Austin's and is expected to rise along with occupancy and average daily room rates. "It's happening for us," says Prospera's Kilkeary. "Sooner or later that convention center hotel will happen here." ■

Jeffery Fraser is Pittsburgh Today's senior editor.



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ECONOMY



DEMOGRAPHICS



TRANSPORTATION



HOUSING



EDUCATION



ARTS



ENVIRONMENT



HEALTH



GOVERNMENT



PUBLIC SAFETY



SUSTAINABILITY

