



**I**N THIS 2018 PITTSBURGH TODAY & TOMORROW REPORT, we compare the seven-county Pittsburgh Metropolitan Statistical Area with regions across the country in key quality of life measures. Additionally, look for in-depth reports on: the region's 2018 economic forecast; the rationale for building a new airport; an examination of what effect the Trump administration's removal of environmental regulations will have on Pennsylvania streams; factors behind the growing importance of the tourism sector; the results of a survey of regional caregivers; Pittsburgh's maturing venture capital landscape; and a Q & A with the new leader of the Allegheny Conference on Community Development, Stefani Pashman. Finally, we've asked a group of regional leaders what we need to do to make Western Pennsylvania the best place to live in the world.

## THE ECONOMIC OUTLOOK FOR 2018

GREATER PITTSBURGH IS PRIMED FOR LONG-OVERDUE JOB GROWTH

*written by* **JEFFERY FRASER**

**S**tronger hiring last year, rising wages and upcoming tax cuts lead those who read the economic tea leaves to be cautiously optimistic that 2018 could reward southwestern Pennsylvania with the largest increase in job growth in five years, finally shaking the malaise that works to contract the local labor force, send residents packing and stifle the flow of workers into the region.

Construction is one sector poised to make a significant contribution in new jobs with several labor-intensive projects scheduled in the region, while less is expected from manufacturing, which has been

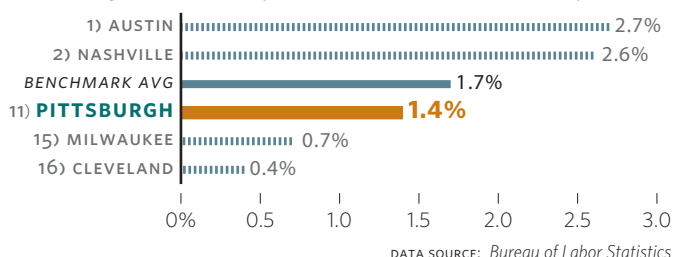
bleeding jobs in recent years.

Fueling the 2018 forecast is last year's national and regional economic momentum and the tax reforms President Donald Trump signed, including a steep cut in corporate rates. PNC economists estimate the national unemployment rate will keep falling to settle around 3.75 percent, although it isn't likely to drop that far in southwestern Pennsylvania. Wages are projected to rise by 3 percent, better than in recent years. Corporate profits should do well and the stock market should continue a healthy ascent, although not as robustly as last year.

"We think the U.S. economy grows faster this year and next year," said PNC Senior Economic Advisor Stuart Hoffman. "It has built up a lot of momentum and the tax cut, we think, is going to stimulate more business investment and consumer spending."

### Economy: Job Growth

Percent change in total non-farm jobs, November 2016-November 2017, by MSA



### LOCAL JOBS WANTED

Tepid job growth has been one of the most discouraging features of the regional economy for nearly a decade. And its influence reaches from the local labor force to migration of people into and out of the region.

"Unless Pittsburgh is able to create far more jobs than it has been, this slow, almost stagnant, growth we've had will remain in place," said Kurt Rankin, vice president and economist for PNC Financial Services Group. "That isn't so bad if you have a job. But it's not good if Pittsburgh wants to accelerate economic growth and bring in new jobs



# PITTSBURGH TODAY & TOMORROW 2018

and industries.”

Job growth has been flat since 2012. At the same time, the local labor force has contracted, while across the United States it has steadily expanded.

And in each of the past three years, the region has experienced an exodus of residents that outnumbered new arrivals. “That’s probably been one of the most disappointing trends over the past couple of years,” said David Ruppertsberger, president of the Pittsburgh Regional Alliance.

The trend reversed five consecutive years of positive migration that raised hope the region was gaining traction in attracting more people and holding onto those already living here.

“It’s a chicken-and-egg relationship between demographics and employment,” Rankin said. “But I think it starts with job growth. If you’re creating jobs, you are going to be able to retain people and highly skilled talent that comes out of universities rather than lose them to other parts of the country. Look at Columbus, Indianapolis, Baltimore, Cincinnati—any region with stronger job growth—and the local economies are seeing people come into the market to take advantage of those opportunities.”

Last year signaled improvement. In November, jobs increased 1.4 percent over the previous November, and the region was on course to create as many as 12,000 jobs by year’s end. Local economists caution, however, that encouraging year-end job growth data in recent years may end up being revised sharply downward later.

“I expect that number to be better,” Rankin said. “Even given the possibility of downward revision, I think there’s enough potential with the momentum Pittsburgh has coming in, tax cuts and more money in consumers’ wallets for 2018 to be the best job growth year since 2012.”

## LABOR FORCE LULL

That would be a positive turn for the regional labor force, where good news has been scarce. In 2016, it fell below 1.2 million for the first time since the Great Recession. And it had gained little through the third quarter of last year.

A shrinking labor force is a burden on the economy that the Pittsburgh MSA shares with few other regions. Both Rankin and Hoffman put most of the blame on the lack of meaningful job growth over the better part of a decade.

Retiring baby boomers do not appear to be eroding the labor force as anticipated. Fewer appear to be retiring than anticipated. The labor force participation rate among Americans aged 55 or older has risen 2 percentage points since 2006, according to the Bureau of Labor Statistics. Meanwhile, participation among 25-to-54-year-old “prime working-age” Americans has fallen 1.6 percent.

“The lack of labor force participation among the prime-age working group makes me think that Pittsburgh’s older workers are a bit of an asset, at least temporarily,” Rankin said.

But that is not likely to last, raising longer-term concerns about labor force expansion in a region that is experiencing a downturn

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We asked a cross-section of regional leaders to respond, in 75 words or less, to this question:

**What do we need to do to make Western Pennsylvania the best place to live in the world?**

“The incredible transformation here in such a short time gives me tremendous hope and excitement for the future of our great city, and the region. The new jobs in our blossoming technology industry, the excellence in our hospitals and universities, and the cultural sophistication of our arts all contribute to a palatable and attractive energy. Let’s keep building on what we’re already doing; we will be the best place to live in the world.”

Michael J. Annichine, CEO,  
**Magee-Womens Research Institute and Foundation**

“Our region must first be the best place to live for every child, regardless of background or circumstances—a place where every kid feels loved, supported, respected, and safe; where every school and learning space sparks curiosity, creativity, and joy. All of us—parents, educators, neighbors, and policymakers—must work together to ensure all children can follow their passions, find their purpose, and bring their unique brilliance to bear on our community and world.”

Gregg Behr, executive director,  
**The Grable Foundation**





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in domestic migration and has been unable to attract significant numbers of foreign-born immigrants.

An Allegheny Conference on Community Development report points to several steps that concerned employers could take to help ensure an adequate labor pool. Job postings suggest, for example, that many companies demand candidates have higher credentials or greater experience than the jobs actually require. And fewer than half of local employers offer college internships.

"We also have to do a better job keeping our college graduates," Ruppertsberger said. "We continue to say that, but we are only keeping about 50 percent, which is below our peer regions."

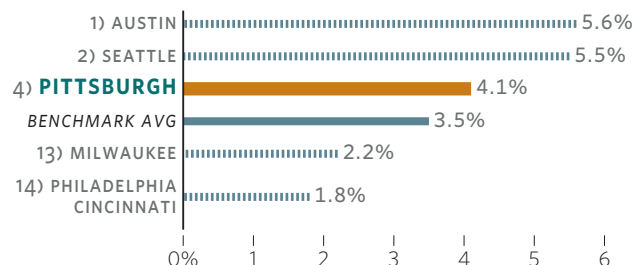
## WAGES ON THE RISE

Higher wages could also help address the soft spots in the regional economy by stimulating local spending, helping businesses compete for workers and improving the prospects for job creation and expanding the labor force.

The good news is that wage growth has emerged as a regional strength and economists expect it to continue to fuel the economy

## Economy: Average Weekly Wages

Percent change in average weekly, 2nd quarter 2016-2nd quarter 2017, by MSA



DATA SOURCE: The Quarterly Census of Employment and Wages, Bureau of Labor Statistics, seasonally adjusted rates

in 2018.

Local wages picked up steam in 2017 after slipping the previous year. In the second quarter, for example, the average weekly wage for the Pittsburgh Metropolitan Statistical Area rose 4.1 percent over 2016—the fourth highest increase among the 15 Pittsburgh Today benchmark regions. At \$1,004, local wages remained below

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the benchmark average, but higher than in regions such as Nashville, Cleveland and Cincinnati.

## BUILDING BOOM

While regional economic sectors are expected to thrive this year, manufacturing is not one of them. Once the region's economic backbone, it been a steady underperformer in regional jobs, bucking the national trend.

"We continue to lose jobs," said Jim Futrell, vice president, market research for the Pittsburgh Regional Alliance. "But the sector's percentage of GDP is still holding its own and we still see activity in terms of expansion. The manufacturing sector here is probably using technology to a much greater extent to automate-out employment."

The region's technology sector, which has attracted major companies, such as Google and Uber, is expected to continue to grow. In September, the professional, science and technology sector had added 2,600 jobs, up 3.2 percent over the previous year.

A growing local energy industry buoyed by abundant natural gas is awakening after enduring several years of low global energy prices. Job growth is expected, but it won't necessarily be driven by drilling operations, which have become much more productive with advances in technology and practices. "There's a lot of infrastructure being built: pipeline, gathering lines, separation facilities," Ruppertsberger said. "Many billions of dollars have been spent in the region and that will continue."

Although 2017 brought talk of major national infrastructure spending, it was still little more than a topic of discussion in the White House and Congress when 2018 began. But building is booming in southwestern Pennsylvania, spurred by major private-sector capital projects still in their infancy.

The largest is the \$6 billion Shell Appalachia ethane cracker complex being built in Beaver County, where 1,000 workers are on the job and an estimated 5,000 are expected to join them soon. A new natural gas-fired power plant is under construction in Westmoreland County. Last year, UPMC, the region's largest health care provider, announced it plans to spend \$2 billion to

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“A comprehensive regional transportation system driven by a coherent regional vision of land use is essential to the future growth and prosperity of southwestern Pennsylvania. Our aging bridges, tunnels, roadways, railways and transit systems are an opportunity to reimagine the future of our region’s transportation resources as we create new solutions responsive to changing demographics and the technologies transforming how and where citizens work, live and spend their leisure time. Regional mobility is now among the “front burner” issues that will determine our destiny.”

Dusty Kirk, *partner,*  
**Reed Smith LLP**

“Nurturing the strengths and qualities of this impressive young generation remains an overriding objective in preparing for the future. They have a sincere desire to make the world a better place. High-impact service learning complements their generational qualities and develops compassion, a civic awareness, and an understanding of the long-term social issues faced by the communities where they work, live and are educated, enabling them to be the transformational leaders of the future.”

Douglas G. Lee, *president,*  
**Waynesburg University**

“To me, the best place to live is a place where people feel connected and invested. I’m a big believer in the power of purpose. Everyone wants to make a difference, but if we can rally around common goals, we can have a much greater impact. It’s the journey there that connects us, and the resulting change that keeps us invested. But above all, we should never stop striving to be the best.”

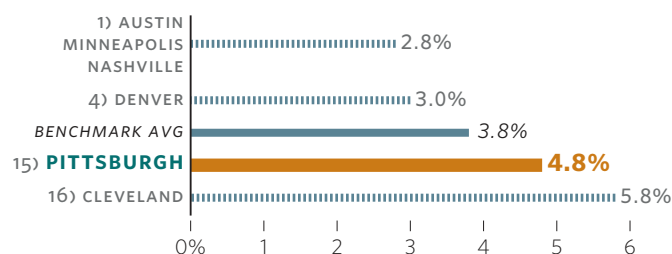
Rebecca Lucore, *head of CSR and Sustainability,*  
**Covestro LLC**

build three new specialty hospitals, with the first set to open in 2020. And Highmark Health announced \$700 million in new building. As Futrell said, “It’s a good time to be in construction.” **P Q**

*Jeffery Fraser is Pittsburgh Today’s senior editor and a frequent contributor to Pittsburgh Quarterly.*

## Economy: Unemployment

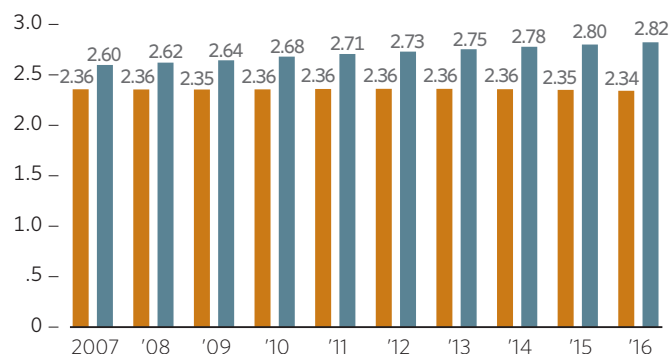
Unemployment rate, by MSA



DATA SOURCE: Bureau of Labor Statistics, seasonally adjusted rates, November 2017

## Demographics: Population Growth

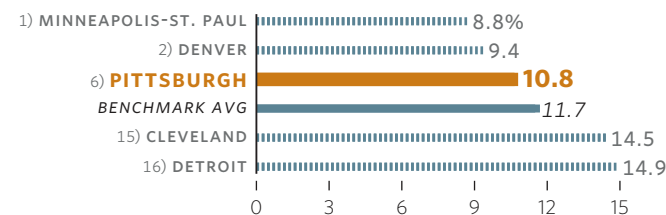
Total population 2007-16 (in millions)



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

## Demographics: Poverty Rates

Percentage of population in poverty in 2016, by MSA



DATA SOURCE: American Community Survey, U.S. Census Bureau



# PITTSBURGH TODAY & TOMORROW 2018

## AIRPORT OVERHAUL

CHANGES AT PITTSBURGH INTERNATIONAL ACKNOWLEDGE THE NEW REALITY

image illustration: Allegheny County Airport Authority



A conceptual design for the new airport terminal with atrium, tree, water and natural lighting.

*written by* **JEFFERY FRASER**

**A**s birthday celebrations go, this one was fairly harsh. The local news media was gathered at Pittsburgh International Airport's Midfield Terminal on a late-summer day last September. Earlier, they'd reported the terminal complex, once lauded for its innovative design, had turned 25. Now, with cameras rolling, airport officials noted its inefficiencies, declared it was time for much of it to go and announced their willingness to borrow upwards of \$1 billion to overhaul it, just as the last of the nearly \$700 million borrowed to build it were rolling off the books.

As the price tag suggests, the modernization plan they presented isn't a collection of cosmetic changes. The Landside Terminal that houses ticketing, baggage and security operations will be retired. A new one will be built adjoining the Airside Terminal. Conceptual designs depict a stunning steel and glass gateway to the city and region designed for operational efficiency and traveler convenience with advanced technologies, an atrium, trees, water and natural lighting.

The airport's cumbersome dual baggage systems will be replaced with an integrated one, a new international arrivals portal will be built

with covered parking, and the tram shuttling passengers between Landside and Airside terminals will be eliminated and more.

Those on board with the changes include Allegheny County Executive Rich Fitzgerald, the county Airport Authority, the Allegheny Conference on Community Development, and the airlines, which will pay the lion's share of the cost. But is an ambitious makeover and \$1 billion in debt really necessary?

"It's a fair question," said Matt Smith, president of the Greater Pittsburgh Chamber of Commerce and member of the Allegheny County Airport Authority. "Right now, the airport is inefficient. It was built for a market that doesn't exist anymore. We're paying to operate large parts of the airport we don't fully utilize. We were going to have to spend money to do something."

What is clear is that over the past quarter-century, profound changes within the airline industry, the 9/11 terrorist attacks, USAirways' decision to abandon Pittsburgh International as the connecting hub the Midfield Terminal was designed to accommodate, and the emergence of a new strategy for growing air service in southwestern Pennsylvania all conspired to shorten the lifespan of the airport as configured today.

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## GREAT EXPECTATIONS

The crush of passengers inching through the zigzagging maze of TSA security checkpoints during morning departure hours reveals an airport designed for a different function and a different time. Such passengers are known in the industry as “origin and destination” or “O&D” traffic—passengers who begin their travels in Pittsburgh or fly to the airport with Pittsburgh as their destination. They were not the focus of the Midfield Terminal design when it opened in 1992.

The Midfield Terminal complex was built to handle more than 30 million passengers a year as a mega-connecting hub for USAirways. As such, most passengers were connecting passengers. They never left the Airside Terminal, moving instead from one gate to another to board connecting flights to other cities. And the airport terminal complex was designed around that fact.

Airside is the more spacious, amenity-laden and passenger-friendly of the two terminals. Its “air mall” offers some 100 shops and restaurants in walking distance of 75 gates. Half a mile away, the Landside terminal is home to ticketing, security and baggage claim for O&D passengers.

It offers few amenities and requires passengers to use elevators, escalators and a tram to get to where they need to go.

“They had no choice in the 1990s to build that [Midfield] terminal,” said Michael Boyd, president of The Boyd Group, a Colorado-based aviation consulting firm. “They had USAir, which was strong and growing at the time. It made a lot of sense.”

USAir predecessor Allegheny Airlines expanded quickly following airline industry deregulation in 1978. The modern Pittsburgh hub helped the airline expand its routes and leverage strong gate positions in passenger-dense airports, such as New York LaGuardia and what is now Ronald Reagan Washington National.

“It turned into a little profit engine,” said William Lauer, principal and chief financial officer of Allegheny Capital, who studies the airline industry and local aviation. “It allowed Allegheny Airlines to grow and acquire Pacific Southwest out of San Diego and Piedmont in Charlotte.”

Total passengers at Pittsburgh International peaked at nearly 21 million in 1997 driven by connecting travelers flying USAir, which occupied two-thirds of the airport’s gates. Such dominance by one airline meant higher fares for local travelers. A 1999 Allegheny Institute

for Public Policy study reported the average cost per passenger mile to fly from Pittsburgh was more than 30 percent higher than what passengers at nine comparable U.S. airports paid.

Travel options, on the other hand, were vast. Pittsburgh International offered passengers nearly 600 daily flights, including nonstops to 110 destinations when USAir was at its healthiest. But the airline soon encountered strong headwinds.

The Midfield Terminal was less than a decade old when the airport’s status as a connecting hub started to fade. Low-cost carriers, such as Southwest Airlines, challenged USAir in a growing number of cities. The threat of terrorism and rising fuel costs roiled the industry. The airline filed for bankruptcy twice in the span of four years and aggressively cut costs. Negotiations to lower fees at Pittsburgh International were unsuccessful. Through mergers, USAir inherited other hubs, including Charlotte. And its Philadelphia hub offered a much larger local market.

USAir closed its Pittsburgh hub in 2004. Total annual passengers fell to little more than 13 million that year and continued to slide. Fares became more affordable, but nonstops sank to a low of 37 destinations.

## REALITY CHECK

“I was hired to answer the question, ‘Is this the best we can do?’” said Allegheny County Airport Authority CEO Christina Cassotis, who was hired in 2015 from a global commercial aviation consulting firm. “My answer to the board was, ‘There’s a lot you can do, but none of it involves becoming a hub again.’”

Major carriers have consolidated into their respective hubs, where they appear to be entrenched. And whether expanding carriers, such as Alaska Airlines, will open a mid-Atlantic base remains to be seen. The way airport officials and most experts see it, Pittsburgh International should get used to being an O&D airport.

Restoring air service to the region continues to be a priority, particularly nonstop flights that make doing business here more efficient and appealing.

The airport’s strategy is to recruit airlines, flights and destinations one at a time by convincing airlines the local market is underserved and money can be made by filling in the gaps. Pitches for flights are based on what the local market needs and can reasonably support,

“While familiar with the beauty of Pittsburgh’s riverfronts, it wasn’t until I began working at Riverlife that I realized how varied our riverfronts are. Some communities provide recreational opportunities, others have industrial uses, still others have a mix of diverse waterfront activities. Let’s celebrate Western PA’s riverfronts by ensuring that everyone has access to them. Imagine if we double the number of places where the public can enjoy our rivers with additional seating and open spaces, restaurants, new boat launches, improved trails, even overlooks where the public can watch and learn about water-dependent industrial uses.”

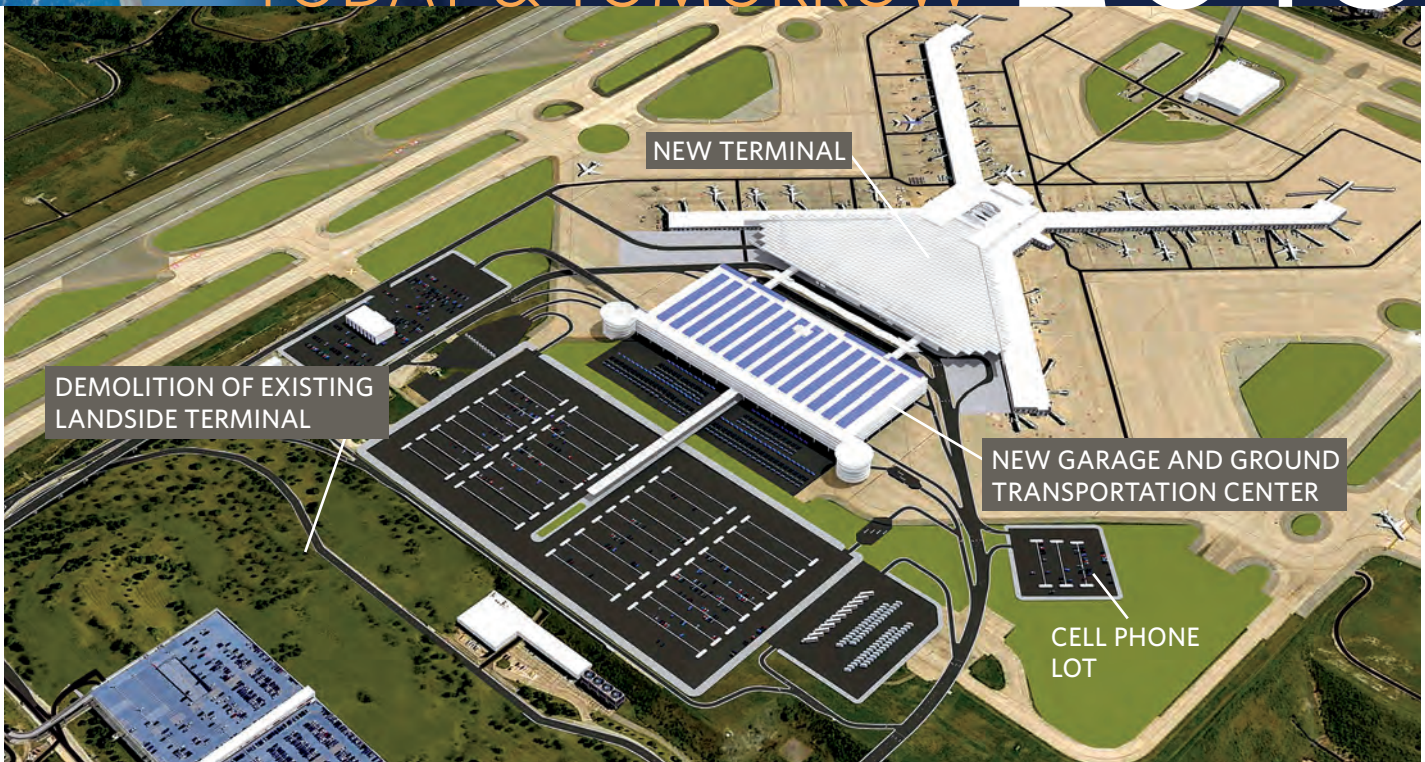
Vivien Li, *president and CEO, Riverlife*



# PITTSBURGH 2018

## TODAY & TOMORROW

image illustration: Allegheny County Airport Authority



The new Landside Terminal will adjoin the Airside Terminal in the Terminal Modernization Program.

which a coalition of community partners, ranging from tourism to technology, helps define.

Southwestern Pennsylvania's energy industry places a premium on convenient access to places such as Dallas and Houston. At the top of the wish list of the region's growing innovation economy are nonstops to the West Coast, where technology investors, major tech companies and talent are heavily concentrated.

"That's a hard sell," Cassotis said. "It's long-haul flying and those guys make a lot more money getting six plane loads of people rather than one. And the big carriers want to take you through their hubs."

As of November, nonstops to 72 destinations were available from Pittsburgh International—nearly double the total four years earlier, but 35 percent fewer than the peak years as a USAir hub. Several

new West Coast flights begin this year, including an Alaska Airlines nonstop to Seattle and a second daily United Airlines nonstop to San Francisco during summer months.

"All decisions about flights are driven by market demand," said Dan Landson, spokesman for Southwest Airlines, a leading Pittsburgh International carrier. "If there's demand for a certain route, we want to make sure we provide that service."

While not a deciding factor in adding flights, the cost of operating at a particular airport is part of an airline's business equation, especially at low-cost airlines. Airport operations, including debt service, are largely paid with fees charged to airlines. Those costs have historically been high in Pittsburgh, but never more so than immediately after the

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“Over the course of raising five children here in Pittsburgh, my wife, Mary, and I have seen their commentary about the future switch from ‘Why would we stay here?’ to ‘Why would we leave?’ Pittsburgh is now among the top places for millennials to build a career and family. Our region needs to redouble its commitment to cutting-edge technological innovation, social justice and livability. Let’s also fully use the incredible gift of our unique natural resources, in particular, our rivers, as a springboard to create an even more dynamic living environment for all our descendants.”

**Dean A. Calland, co-founder and shareholder, Babst Calland**





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USAir hub closed and passenger traffic and leased terminal space sharply declined. The cost per enplaned passenger—the industry standard for measuring charges to airlines—rose to nearly \$15 in 2011, almost twice what airlines paid in 2002 and one of the highest rates in the nation.

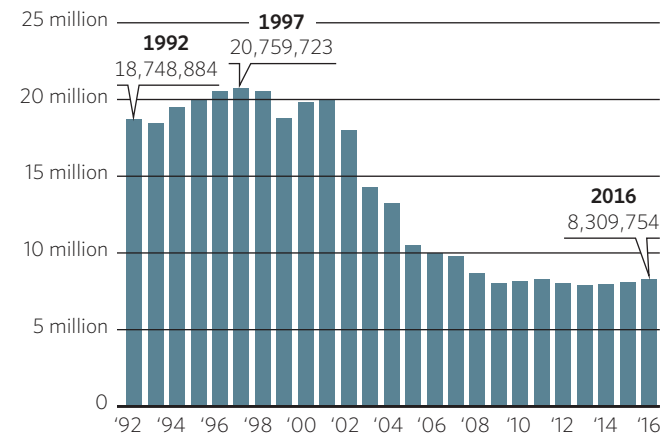
Passenger totals have risen incrementally since. Estimates suggest the airport finished 2017 with nearly 9 million passengers, about 1 million more than in 2013, when the fewest passengers in the Midfield Terminal-era was recorded. The cost per enplaned passengers that airlines incur has also crept lower, falling to an estimated \$12.85 in 2017 but still higher than the median rate for medium-sized U.S. O&D airports.

When officials planned the airport's modernization, reducing those costs, eliminating inefficiencies and improving passenger experience were seen as critical to making Pittsburgh International competitive as an O&D airport.

"As a connecting hub, Pittsburgh was wildly over-served because flights came in, interconnected people and flights went out. That gave you a whole lot more service than the local market could support," Boyd said. "Pittsburgh is no longer a hub. Its future is as a point-to-point airport and it makes good sense to adjust your facility to your future."

## Transportation: Pittsburgh International Airport

Total passengers 1992-2016



\* Midfield Terminal opened in 1992. DATA SOURCE: Allegheny County Airport Authority

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These installations were made possible through the Richard King Mellon Foundation's support for the Creating a Sense of Place program at Pittsburgh International Airport.





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## 'AN EASY CHOICE'

Options for positioning the airport for that future ranged from maintaining and repairing what is there now to embarking on a major overhaul. And while the airport is close to retiring the Midfield debt, it faces expensive problems with implications for the future growth of local air service.

The Landside Terminal's cramped quarters make it a poor fit for post-9/11 security. Baggage inefficiencies mean longer bag travel times and high maintenance and labor costs. The airport maintains 75 gates, but uses only 40. Airline costs remain high.

International arrival gates are another issue. Built prior to the 9/11 terrorist attacks, they posed security issues afterward. When passengers retrieved bags at international gates, they became "non-sterile" in the eyes of TSA and were prohibited from mingling with "sterile" domestic passengers who had not claimed their bags. Yet, that's what they had to do to exit the airport through the Landside Terminal. For several years, arriving international passengers were sent through security again. Later, the airport took out a wall, created a corridor to the tram, hired security guards to escort them and quarantined them

in a special tram that ran to Landside exits.

"After a seven-hour flight, you took off your shoes and waited in a line with 200 other people to go through a single scanner to leave," Cassotis said. "I couldn't sell that. I couldn't go to British Airways, Norwegian, WOW or Condor and say, please come to Pittsburgh so we can push your passengers through that. We fixed it. It works, but not for the long term and not for volume."

None of the options for fixing such issues involved county tax dollars for financing. But the airport is counting on an estimated \$3.1 million a year in state gaming revenues and \$7.3 million a year in royalties from natural gas drilling on airport property, according to Airport Authority budget projections.

For the airlines, holding down the fees they're charged to cover airport operations and maintenance was a key concern when they met 25 times with airport officials about the modernization plan.

The least expensive option was building only a new international arrivals concourse and new Landside Terminal parking garage for an estimated \$409 million. It would lower the airlines' cost per passenger from \$12.85 to \$10.63 by 2025, according to an airport-commissioned

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analysis based on passenger growth averaging 2.2 percent a year.

A more ambitious option included building a new international arrival facility, a central security checkpoint inside the existing Landside Terminal, a new parking garage and retrofitting the dual baggage system into one. It carried an estimated cost of \$980 million, but would only slightly lower the airline's cost per passenger to \$12.18 by 2025.

The plan that won the support of the Airport Authority and the airlines was the most ambitious and expensive option at \$1.1 billion. It involves a major terminal complex overhaul featuring a new Landside Terminal, and it's estimated to generate the most savings for the airlines. Even with new debt, the cost per passenger is expected to drop to \$9.73 by 2023, bringing it closer to the national average for comparable airports.

Airport officials are banking on saving \$23 million a year by addressing all of the thorniest post-hub inefficiencies in an airport tailored to the market it serves.

Significant savings are expected from replacing the four-floor Landside Terminal with a two-story version adjoining the Airside Terminal that consolidates passenger traffic on one level, allowing for shorter walks, and easier passenger navigation and convenience,

including fewer elevators and escalators. Marrying the two terminals also eliminates the \$3 million-a-year tram connecting them.

Closing the half-mile gap between the terminals and installing an integrated baggage system eliminates eight miles of bag belt and the cost of tugging bags on carts from Landside to Airside. Trimming the ends off Airside concourses right-sizes the number of gates the airport maintains from 75 to 51. A new international arrival facility mindful of today's security demands saves \$1 million a year in airport security. And more concession revenue is expected from 24,000 square feet of additional retail space designed into the new Landside Terminal.

"We could fix what we have—our bags, all of the aging systems—expand TSA checkpoints and build a new international arrivals facility, where the old commuter gates were. Or, we could spend a little more, have a brand-new Landside Terminal and significantly lower operation and maintenance costs for everybody, including the airlines," Cassotis said. "It's an easy choice." **P Q**

*Jeffery Fraser is Pittsburgh Today's senior editor and a frequent contributor to Pittsburgh Quarterly.*

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**Angie Lopez**  
Client Service Associate





## STEFANI PASHMAN—a new hand on the tiller

Stefani Pashman brings extensive experience in workforce development to her role as CEO of the Allegheny Conference on Community Development.

*written by* **DOUGLAS HEUCK**

In October, after seven years as CEO of Partner4Work, Stefani Pashman became CEO of the Allegheny Conference on Community Development. In this interview, she answered a handful of questions about the key issues facing the region and how she expects to address them.

**Q** What particular skills and attributes do you bring to the job, and what kind of leadership should the community expect from you and the team you build?

**A** I think my style of leadership is very engaged and inclusive. It's important to me internally to have a very active, engaged team that feels aligned to the mission and that each person is activated to play a role. Externally, it's important that we acknowledge all the expertise and potential partnerships in the region. As we address the region's challenges, it's critical that we rely on that external expertise, engage partners, and get input from the public, private and nonprofit sectors. That concept of enhanced partnership, I hope, will be a signature of my time here.

**Q** What are two or three of the biggest challenges facing the region and what do you think we need to do to meet them successfully?

**A** One of the primary challenges is our broken Pittsburgh Water and Sewer Authority. The East End has more water main breaks than I think I've ever seen in a year. We're heavily engaged in guiding and changing the governance of the PWSA, in ensuring the integrity of our water system, the health of our drinking water, and the challenges of our sewer system as well. It's a potential ticking time bomb. If it explodes, it affects all of us. On the corporate side, companies don't want to see their market caps going down the toilet; if Pittsburgh becomes an unappealing market place and people don't want to live and work here, then we start losing business. We can help in that we have pretty robust research capacity internally, and we've been looking at these issues for many years. We also can provide some convening power behind the scenes to understand different viewpoints and build consensus around the right path forward. We want to make sure we're at the table to help guide the research horsepower, political capital and business influence. We want folks to know we support the change and we're willing to provide the political cover to make that happen.

Workforce and education is always top of mind at the Conference. We're looking to be strategic in influencing and addressing education gaps. The most recent Inflection Point study has gotten the region's attention, we're seeing educators, schools and superintendents responding to the report's recommendations: everything from strengthening tech education to infusing more communication and leadership skills to enhanced STEM education. We see closer relationships being built with the business community, and we want to





# PITTSBURGH TODAY & TOMORROW 2018

encourage and facilitate that.

We're also thinking about how we can make our business climate more favorable, bringing business here, and spurring innovation. We have a high corporate net income tax rate. We know there's a limited pool of incentives to bring companies here, so we're looking for opportunities to expand that. Now that the next tax law has passed, there are shifting incentives to operate or not operate in Pennsylvania based on state law. We're working with the Philadelphia Chamber, the Pennsylvania Chamber and the business community to come up with comprehensive policy recommendations.

Obviously diversity and the disenfranchised population is one of Pittsburgh's Achilles heels. There's an underrepresentation of minorities in the workforce and in high-wage jobs, particularly African Americans. And there's limited diversity in the C-suite. There's a history of people relocating to Pittsburgh and then leaving, and there's a limited African American middle class. The question is, what role can the Conference play in this? We've worked in supporting some neighborhoods through our Strengthening Communities Partnership program, and want to expand opportunities there. And we're also looking at how the Conference can support efforts of others including foundations and nonprofits.

**Q** The Conference turns 75 next year—the country's first public-private civic leadership group of its kind. It's solved some major problems because the top public and private leaders put their shoulders into the efforts and, when a new leader emerged, he was expected to get involved. Does that ethic still exist here? Is the leadership doing enough? Can we, with the right encouragement and leadership expect them and the organizations they lead to become more involved in the effort to build a great region?

**A** Absolutely. The faces have changed. It's no longer just historic Pittsburgh companies such as Westinghouse, U.S. Steel or Heinz. Now it's PNC, Peoples, UPMC, Highmark and a litany of others. That culture of corporate involvement and leadership for the good of the region still exists. But what's different today and what the Conference leadership is realizing is that we have a whole new crop of leaders, who sit in Bakery Square or innovation spaces. But they really care about this region and want to be engaged. We're opening a couple of board seats, even if they don't have the financial wherewithal. We're opening a couple additional seats on our 50-to-60-person

CONTINUED ON PAGE 159



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## A DIFFERENT PITTSBURGH

THE ARTS AND TOURISM SPARK GLOBAL INTEREST AND BOLSTER THE REGIONAL ECONOMY

written by **JULIA FRASER**

There's an Andy Warhol canvas of a newspaper clipping with a photograph of a can of tuna fish and, beneath it, two middle-aged women and the caption: "Seized shipment: Did a leak kill...Mrs. McCarthy and Mrs. Brown?" The painting, "Tunafish Disaster," is comedian and Warhol collector Steve Martin's favorite work by the Pittsburgh-born artist. And he's made a trip to Pittsburgh to see it in person.

Rap mogul Jay-Z and pop songstress Beyoncé recently stopped by the Warhol, where Jay-Z recorded a screen test in a museum gallery modeled after Warhol's Silver Factory studio. Rock star Alice Cooper also showed up at the museum and imitated Elvis as he stood in front of the Warhol silkscreen painting of a pistol-packing Elvis dressed as a cowboy.

Pittsburgh has been attracting some colorful tourists these days—and many others yet to enjoy their 15 minutes of fame.

Tourism is big business in southwestern Pennsylvania, a growing economic engine that pumps billions of dollars into the local economy. And that growth has a lot to do with the arts.

The Andy Warhol Museum, not the Steelers or the Penguins, is the top tourism draw in the City of Pittsburgh. In fact, regional arts

and cultural events sell more tickets each year than all the local professional sports teams combined, according to the Greater Pittsburgh Arts Council (GPAC) and VisitPittsburgh, the tourism promotion agency for Allegheny County.

### A TOURIST DESTINATION?

"That we've become a tourist destination is something I think the average Pittsburgher cannot believe," said Craig Davis, VisitPittsburgh CEO. "People who have grown up here ask, 'why would anyone want to visit here?'"

But visit they do. The region drew 11.5 million overnight visitors and 18.9 million day visitors in 2015, the most recent year that Pennsylvania Tourism Office data are available. The state agency defines the Pittsburgh region as Allegheny, Armstrong, Beaver, Butler, Greene, Indiana, Lawrence and Washington counties.

Visitors come for reasons ranging from business to conventions to visiting family and friends, watching the Penguins win the Stanley Cup and attending the Three Rivers Arts Festival. But 90 percent of hotel stays are for leisure purposes, according to VisitPittsburgh. Even Downtown, most hotel rooms are filled by people visiting the city for pleasure—only an estimated 25-35 percent of hotel stays Downtown last year were for business or conventions.

About half of visitors come to see friends and family. About 1 in 5 come for a special event, according to a survey conducted by Longwood International. "We've seen that special event number increase since we've been tracking it," Davis said. "And we haven't gone down in visitation since 9/11."

People also are spending more when they're here. Visitors spent \$8.1 billion in 2015, a record high for the region and a 3.8 percent increase over the previous year, according to state data.

And the region's leisure and hospitality industry has responded, adding 17,600 jobs over the last decade—a 16.1 percent increase in job growth from November 2007 to November 2017. In recent years, the sector has consistently led all others in percentage gains.

That vitality has caught the eye of the tourism industry. In 2016, The Atelier Ace/Ace Hotel Group, a boutique chain with locations from Portland to London, opened an Ace Hotel in the former East Liberty YMCA, underscoring Pittsburgh's rise as a hip, cultural city.

"Pittsburgh, though one of the most iconic American cities, is not necessarily known for its tourism," said Kelly Sawdon, the chain's chief brand officer. "Since we've been here, we've seen a perspective shift, for sure. People are getting even more excited and pursuing bolder projects. The city's passionate sports culture, its art museums and experimental DIY spaces and its amazing architecture and restaurants have built an even bigger draw."



The Andy Warhol Museum is Pittsburgh's top tourism attraction.





# PITTSBURGH TODAY & TOMORROW 2018

## DIVERSIFYING ITS APPEAL

Most people who visit Pittsburgh are from the area, for instance making a day trip from Butler to see a show at the Benedum and dine at Meat & Potatoes before driving home. But the region has begun to enjoy wider appeal, thanks in part to positive press, such as praise in the *New York Times* for its restaurant scene, and frequently topping “best of” lists.

“You start with most livable city,” Davis said. “National Geographic Traveler named us one of the top 20 places in the world to visit. When you get on these lists, people take notice and they come.”

Fallingwater is southwestern Pennsylvania’s top tourist destination. But as the region has matured as a tourist destination, visitors are coming to experience more than one place.

“Now, people come here and want to know where to eat,” said Andy Warhol Museum director Patrick Moore. “At one point, if you were a hipster cultural tourist, you’d probably come to the Warhol, the Mattress Factory, maybe add a day trip to Fallingwater. You wouldn’t think, I’m going to make a three-day trip out of this and eat at all these great restaurants. People now are looking at the city in a whole ‘nother way. They have a whole itinerary, making their restaurant reservations long before they get here. Their driver may be to see the Warhol, but they’re thinking about Pittsburgh the way think about Seattle or San Francisco or Miami.”

## DRAWN TO THE ARTS

Ace Hotel bet on the growth of cultural tourism when it chose to come to Pittsburgh, Sawdon said. “As with all of our hotels, Ace Pittsburgh’s guests are often domestic, sometimes international, but always cultural enthusiasts of all ages—people who are curious about art, tech, design, cuisine, music, film and literature.”

According to a 2017 GPAC report, 84 percent of Allegheny County visitors cite the arts as the primary reason for their visit. Pittsburgh is at the top of GPAC’s ranking of benchmark cities for this indicator, which includes cities such as Minneapolis, Baltimore and St. Louis.

These tourists are a boon for the local economy, generating spending and jobs. Audiences in Allegheny County spend \$30.64 per person more than the cost of a ticket—buying concessions or going out to dinner, for example. Out-of-town cultural tourists are bigger spenders than local residents and spend 83 percent more per event they attend than residents. Such spending resulted in more than \$1 billion in direct spending by arts organizations, such as creating jobs and paying their employees’ salaries, and their audiences, when they buy tickets to a show. The arts generate

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“Provide the best cultural experiences from sports to the arts! These activities add an exciting dimension enhancing our quality of life. Western Pennsylvania has a unique landscape providing diversified opportunities from hiking and water sports to museums and symphonies. We need to continue to support and expand these offerings, complementing a life worth living!”

**Roxann Booser, executive director,  
the Maridon Museum**

“Pittsburgh is a great place that I love. The city is obviously not perfect. We face challenges such as the city’s water service. Fortunately, we recognize our problems and can and will solve them. The city has always had passionate citizens, business leaders, fantastic health care and universities. Today, Pittsburgh is more vibrant, and our strengths are more well-known. We need to believe in ourselves more and tell our story to the world.”

**Louis R. Cestello, head-regional markets and  
regional president-Pittsburgh & SW PA,  
PNC Financial Services Group**

“The Pittsburgh region is known for many things including education, medicine, arts and culture, food, tourism and especially technology and robotics. No one has made the strides we have in that technology. We should utilize them more to make this the best place to live in the world. Travel and tourism could utilize them to welcome travelers at the airport or accompany people at our many attractions. This would lead to more people considering it as a place to live or invest. (For the record, I already think this is the best place, in the world, to live.)”

**Craig Davis, president & CEO,  
VisitPITTSBURGH**



“Transportation and infrastructure should be a strategic priority. Increasing the number of direct flights in and out of Pittsburgh and expanding our light-rail system to connect prominent destinations like the airport, Oakland and the business district would significantly improve our regional appeal and make the area more inviting to businesses. These investments would drive job growth and significantly improve Pittsburgh’s chances of securing new corporate headquarters, in turn improving job prospects and the retention of local talent.”

**Vincent J. Delie, chairman, president and CEO, FNB Corporation and First National Bank**

“Pittsburgh was built on a foundation of generosity and philanthropy. In fact, many of the city’s iconic landmarks were made possible through support from local individuals and organizations. I believe it’s this sense of giving that sets Pittsburgh apart from other cities—it’s the defining mark of a Pittsburgher. Making Western Pennsylvania the best place to live means finding ways to harness this sense of charity, and encouraging younger generations to continue the tradition.”

**Patricia L. Dodge, managing partner, Meyer, Unkovic & Scott LLP**

“Bridging the bridges: Western Pennsylvania is a robust region of individuals, neighborhoods and homes. Businesses, universities, business, health care and culture draw us out of our neighborhoods, but how far do we really go? An infrastructure of smart mass transportation would lead to increased economic and cultural vitality: making the region THE most desirable place to live, along with recognition as a city and region that has taken the lead in how we engage our community.”

**Annie Hanna Engel, chief legal officer, Howard Hanna; president and COO, Howard Hanna Insurance Services**

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another \$1.3 billion in indirect expenditures, such as when audience members go out to eat after a show and restaurant owners hire more staff, according to fiscal 2015-2016 data reported by GPAC.

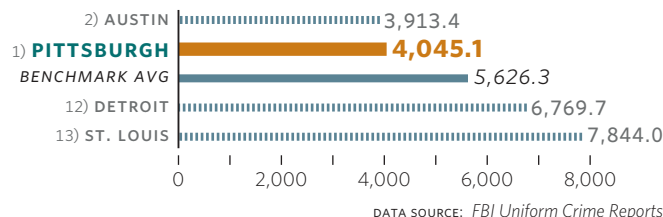
The arts alone generated 32,211 jobs with tax revenue of \$115 million in Allegheny County for fiscal 2015-2016. And GPAC reports that Pittsburgh ranks first among its benchmark cities in spending and jobs generated by the arts.

Davis expects the upward tourism trend to continue. “We’re pacing ahead by about 35,000 rooms booked for next year, so we’re bracing for a good year.” VisitPittsburgh is extending its marketing well beyond the region, with the addition of West Coast and overseas flights, including European nonstops offered by WOW Air and Condor airlines. “The new flights we’re getting are causing a lot more visitation. A lot more people are experiencing Pittsburgh because it’s inexpensive and it’s easier to get here.” **P Q**

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

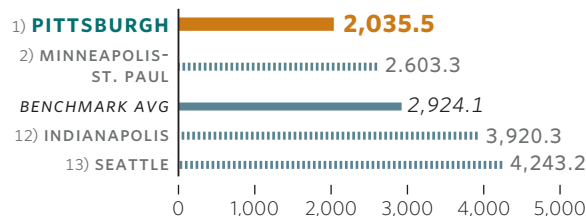
## Public Safety: All Crimes By Core City

Rate per 100,000 population, 2016



## Public Safety: All Crimes By MSA

Rate per 100,000 population, 2016\*



\*Data not available for St. Louis



# 2018

## PROTECTING OUR STREAMS

DEP SAYS NO BIG DEAL IF TRUMP ADMINISTRATION RESCINDS 'WATERS OF THE UNITED STATES' RULE; ADVOCACY GROUPS DISAGREE

*written by* **ASHLEY MURRAY**

**D**etermining where water begins and ends seems a matter of physical properties, of whether two hydrogen molecules are bonded to oxygen, and how much of it exists. Where is it located, and will people eventually drink it? Swim in it? Fish in it? This molecule, essential to life, has become another point of political polarization.

Lawmakers have grappled for decades with defining which waters matter under the law, and which don't. A bright spotlight now shines on the debate as the Trump administration amplifies the conversation by rolling back numerous Obama-era environmental initiatives.

Citing states' rights and ease of doing business, the Trump administration last summer moved to squash the 2015 Clean Water Rule that expanded what's governed as "waters of the United States" under the landmark 1972 Clean Water Act.

In Pennsylvania, the Trump administration's move to rescind the rule pleases farmers, builders, coal miners and other industry leaders who feared the federal government could absorb small ponds and ditches under its jurisdiction and slow development with unwieldy permit requirements.

Exactly how the Clean Water Rule would have actually affected Pennsylvanians' water protection is a matter of debate. Pennsylvania Department of Environmental Protection (DEP) officials hold steadfast to the argument that state laws are stronger than anything the Clean Water Rule could impose. But environmentalists and watchdogs doubt the enforcement ability of the DEP, weakened by budget cuts over the years. Meanwhile, despite DEP's claims that nothing would change, Pennsylvania opponents of the rule continue to vociferously object. One big player, the Pennsylvania Farm

Bureau, encouraged its members to publicly comment on the federal Environmental Protection Agency's reversal and joined in on the national hashtag campaign "#DitchtheRule."

The Clean Water Rule, often just referred to as the Waters of the U.S. rule, or simply WOTUS, added smaller streams and wetlands that the administration deemed vital to larger drinking water sources, thus expanding the jurisdiction of the Clean Water Act.

According to the EPA, one in three Americans gets drinking water from sources that depend on the headwaters of smaller, sometimes seasonal streams. (More than 10,000 miles of smaller and seasonal streams in Pennsylvania flow into major sources of drinking water.)

"The biological processes that really help clean our water naturally are particularly concentrated in these smaller headwaters areas," said Daniel Bain, University of Pittsburgh assistant professor of geology and environmental science, whose expertise is hydrology.

The 2015 Obama-era Clean Water Rule never actually went into effect. The National Association of Manufacturers sued, and the Sixth Circuit Court of Appeals—the federal court that hears appeals from Kentucky, Michigan, Ohio and Tennessee—granted a national stay on the rule.

In January, the U.S. Supreme Court returned the decision to the district courts.

One month into his term, President Trump issued an executive order to review the 2015 rule, and by June, the EPA and the U.S. Army Corps of Engineers moved to rescind it. The agencies are currently reviewing public comments. Despite the Supreme Court ruling, the EPA has issued a two-year delay on any implementation.

In February 2017, President Trump issued an executive order to review the 2015

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Photo: Heather Mull

This stream runs along the Rock Furnace trail at Kiski Township's Roaring Run Recreation Area in Apollo, PA. It is part of a restored natural environment consisting of 650 acres of former coal mining land and an abandoned railroad.

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rule, and by June, the EPA and the U.S. Army Corps of Engineers moved to rescind it.

Although already-converted cropland and certain ditches would be exempt from the rule, the Pennsylvania Farm Bureau maintains strong opposition. The organization's communications director, Mark O'Neill, stated that members "didn't see this as regulating water; it was about regulating land."

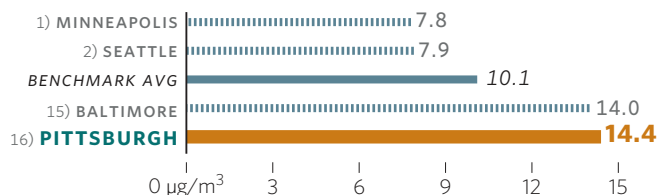
Members of another outspoken group, the Pennsylvania Builders Association, are concerned the rule could slow the rate of development.

"It already takes \$100,000 to bring a parcel of land to point of development," said the association's CEO, Daniel Durden, citing a statistic that U.S. Supreme Court Justice Antonin Scalia argued in his opinion on the 2006 case, *Rapanos v. United States*. "That's from acquisition to when you want to start digging. Engineering studies, permits... time is literally money to the builder and homeowner."

Current and retired Pennsylvania DEP officials say the state

## Environment: PM2.5, Fine Particulate Air Pollution

Average annual mean concentration of fine particulate air pollution (PM2.5) in micrograms per cubic meter, 2016



EPA annual PM 2.5 standard is 12.0 micrograms per cubic meter.

DATA SOURCE: U.S. Environmental Protection Agency

already has strong water-protection laws, so a new federal rule would make no difference.

"Basically our jurisdiction in Pennsylvania over Waters of the Commonwealth expands beyond the federal jurisdiction of waters





of the United States," Ramez Ziadeh, DEP's acting executive deputy for programs.

Waters of the Commonwealth are defined by the Pennsylvania code of regulations as "rivers, streams, creeks, rivulets, impoundments, ditches, watercourses, storm sewers, lakes, dammed water, wetlands, ponds, springs and other bodies or channels of conveyance of surface and underground water, or parts thereof, whether natural or artificial, within or on the boundaries of this Commonwealth."

"The bottom line is WOTUS doesn't make any difference in PA because we're already doing more than that," said retired agency official David Hess, who served as DEP secretary from 2001 to 2003 and as deputy secretary from 1995 to 2001.

Others remain skeptical. Despite the state's strong laws, environmental advocates still question whether the state enforcement body is strong enough.

A January DEP report declared 19,900 miles of the state's rivers and streams to be impaired.

"You have to look no further than the current state budget fight to see how fragile our environmental protections at the state level are," said Stephanie Wein, clean water and conservation advocate for PennEnvironment, in an October interview. "All the more case to have a Clean Water Rule."

On Oct. 30, months after the deadline, state legislators passed a revenue package to close a roughly \$2 billion shortfall in the state's nearly \$32 billion budget. They did so by expanding gambling and transferring \$300 million from special funds. It's unclear how much will be drawn from funds devoted to state environmental programs.

"What has been a big deal for PA is obviously the continuing budget cuts over the last decade," said Hess, citing a trend since the late 1990s. The DEP was created in 1995. "[There's been] a 40 percent cut in the general fund dollars support to the agency, which primarily that's how water quality programs were funded. That cuts into the enforcement of processing permits and enforcing permits for water quality issues."

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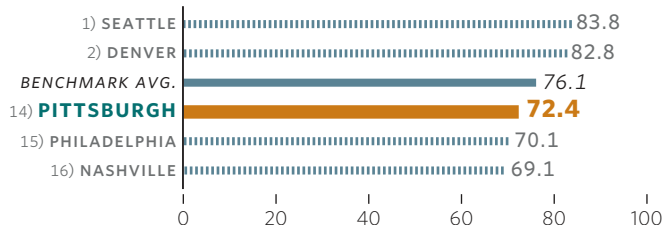
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## Health: Physical Activity

Percentage of adults who say they participated in physical activity in the past month



DATA SOURCE: Centers for Disease Control and Prevention, by MSA, 2015

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## 'WE DO THE BEST WE CAN'

Asked whether the DEP is able to adequately enforce protection of all waters spelled out in "Waters of the Commonwealth," Ziadeh said, "It's no secret we've endured some big budget cuts, but we do the best we can with the resources we have. That's beyond our control too. You'll have to speak to the legislators about that."

Asked how many violations have been issued and cleared recently under the state's Clean Streams Law, Neil Shader, DEP press secretary, said he and Ziadeh weren't sure.

"We typically don't track violation of any sort with a tally," Shader said. "We could find out, but that would require going through different programs and different regions to collect all of those. I'll see if we have any sort of estimate on that."

He passed the inquiry to the DEP's community relations coordinator, John Repetz, who responded via email that the "numbers are not readily available. On our public webpage, there are several reports that might be useful to your research."

A search of the webpage revealed that the DEP has enforced 1,874 of the 2,473 violations it issued to permitted facilities in

the Southwest region under its "Clean Water Program" since Jan. 1, 2012. The region encompasses Allegheny, Armstrong, Beaver, Cambria, Fayette, Greene, Indiana, Somerset, Washington and Westmoreland counties.

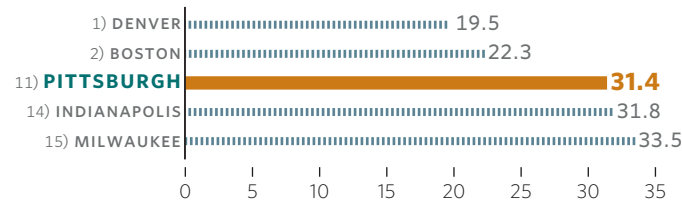
Lauren Fraley, DEP's community relations coordinator for the Southwest region, said she couldn't answer as to how many total "Clean Water Program" permits were issued for the region. Fraley said because permits are issued for numerous program categories pertaining to the state's Clean Streams Law—for example, permits for oil and gas drilling or construction—a more accurate number was not available. "We just don't collect data in that manner."

Environmental advocates in Pennsylvania lament not having the extra layer of protection the Clean Water Rule might have offered. They suggested a case about one of these small waterways could be filed in federal court rather than with the state's Environmental Hearing Board.

"For the DEP to say that [the federal Clean Water Rule] is not necessary is kind of annoying, from my perspective, because it means they don't have to be held federally accountable," said Veronica Coptis, executive director for the Center for Coalfield Justice. Last summer, her organization won a case when the state Environmental

## Health: Obesity

Percent of adult population that is obese (BMI 30.0 to 99.8), 2015



DATA SOURCE: Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System.

“Western Pennsylvania is a great place to live and work. To continue to help drive the region's robust economy and to ensure we have the workforce required for continued innovation—colleges and universities must focus new academic program development in the areas of growth and potential growth for employment, such as health care, information technology, and business strategy. Further, partnering with area businesses to provide relevant internships that offer real-world experiences is essential. Seton Hill continues its 100-year tradition of educating students, the vast majority of whom live and work in the region post-graduation, and looks forward to continued partnership with the business community.”

Mary C. Finger, *president*, **Seton Hill University**



Hearing Board voted unanimously to reject a permit that Consol Energy sought to mine beneath a stream in Ryerson Station State Park in Greene County.

Coptis said concerns in Greene and Washington counties include small streams being drained due to underground mining as well as poor water quality caused by coal waste—costs that add up to more than any other state in the nation, she said. She believes the Clean Water Rule is important because it allows communities to go to both state and federal courts.

“As much as the judicial branch is supposed to be uninfluenced by politics, it still is,” she said. “It gives communities different options to have enforcement they deserve for their right to clean water.”

But coal industry leaders in Southwestern Pennsylvania say they’re already aggressively regulated on both the state and federal level.

“If anything, the vague terms in WOTUS could unnecessarily expand the scope of jurisdictional waters, creating confusion among agencies and causing permitting delays,” wrote Rachel Gleason, Pennsylvania Coal Alliance spokesperson, in an emailed statement.

Whether regulated on a federal or state level, what happens upstream matters, say hydrologists. As people continue to move away from cities traditionally built along large rivers, and move nearer to smaller headwaters, the questions of how to best prevent contamination becomes more urgent. Mistakes made upstream cost real dollars—in special water treatment protocols and loss of clean water—for those living downstream.

“In terms of thinking about how to deal with messes, releases, spills, the cheapest way to deal with those things is to put a lot of money into preventing contamination,” Pitt hydrology expert, Bain said, acknowledging that planning for the future is key.

Of Pennsylvania’s three main basins—the Delaware, Ohio and Susquehanna—Bain said the Ohio River water basin is the most polluted by industry. Coal waste, and in the last decade Marcellus shale drilling wastewater, has polluted streams and rivers

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feeding into the Ohio, he said.

"When you don't think about it in terms of watersheds, it's easy to lose sight of 'Well it might [cost] a little bit more for me. But a lot of people downstream will save a lot of money,' " he said. "It's a balance. It's part of democracy. Science can give you answers, but a lot of these problems boil down to human problems."

Now that the public comment period on rescinding the Clean Water Rule is closed, it's up to President Trump's EPA to finalize its move. Concurrently, stakeholders whose minds are on the nation's, and Pennsylvania's, headwaters—from President Trump down to the farmers, builders, and environmental advocates—must now look to the district courts for any decisions on how the rule could be implemented. But, with the EPA's delay, nothing can happen for at least two years. **P Q**

*Ashley Murray is a graduate student in the School of Communication at Point Park University, where her studies concentrate on environmental journalism.*

## WHAT ARE "WATERS OF THE UNITED STATES"?

*written by* **ASHLEY MURRAY**

What are the so-called "waters of the United States" and why did the Obama administration expand the definition? To understand that is to understand the evolution of environmental regulation in the United States and how the nation's courts have interpreted what's protected.

With the exception of the 1948 Federal Water Pollution Act, hardly any water regulations existed until the 1950s and '60s when the federal government began to encourage states to protect water resources. In the 1970s, overarching national environmental regulations began to take shape, with the 1972 Clean Water Act's "objective to restore and maintain the chemical, physical and biological integrity of the nation's waters." The Clean Water Act set an ambitious—and unmet—goal that "discharge of pollutants into the navigable waters be eliminated by 1985."

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The law—enforced by the U.S. Army Corps of Engineers—gives the federal government jurisdiction over “waters of the United States.” The definition of those waters is key to today’s debate.

The federal code of regulations defines those as waters used for past or present interstate or foreign commerce, including those “which are subject to the ebb and flow of the tide.” They also include interstate wetlands and waters that could affect commerce between states. The Corps grants permits for discharge into any of these navigable waters.

Grant MacIntyre, director of the Environmental Law Clinic at the University of Pittsburgh, offers this explanation: “As an example, you can put a boat on the Allegheny and eventually flow down to Ohio. Well there’s your interstate commerce connection. That’s part of why [waters of the United States] is such an important term under the Clean Water Act. Subject to some exceptions, that’s one of the easiest ways for the federal government to exercise jurisdiction over something that’s within a state.”

In 2001, the Supreme Court ruled in a 5-4 decision in *Solid Waste Agency of N. Cook County v. U.S. Army Corps of Engineers* that the Corps could not deny a permit for the Chicago agency to use as a landfill an abandoned gravel pit where water accumulated and attracted migratory birds. Essentially, the court ruled that the Corps doesn’t have jurisdiction over an isolated body of water within a state.

In 2006, in the 4-1-4 decision of *Rapanos v. the U.S.*, the court grappled with whether land developers broke the law by filling wetlands in Michigan.

“That rule has a very long history,” MacIntyre said. “The EPA has tried to figure out what exactly the waters of the United States are for years. It’s been up and down to the Supreme Court a few times.”

Former Justice Antonin Scalia wrote in his *Rapanos* opinion, “The restriction of ‘the waters of the United States’ to exclude channels containing merely intermittent or ephemeral flow also accords with the commonsense understanding of the term—the Corps has stretched the term ‘waters of the United States’ beyond parody.”

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# PITTSBURGH TODAY



Justice Anthony Kennedy focused on whether waterways had a "significant nexus" to the waters under the purview of the Corps—meaning to smaller waterways and wetlands that connect to the so-called navigable waters, significantly affecting the chemical, physical and biological characteristics of downstream waters.

"Essentially it boils down to what waters the federal government can regulate, and often, almost always, that regulation is in the form of requiring a permit to fill in a wetland," MacIntyre said. "So the people who are concerned about impacts are [in] farming, housing development, those are a couple of the bigger industries. How the cases get up to the Supreme Court is individuals, to the extent they seek to build a house on a wetland or near a wetland. Those are the

type of issues you see at stake; it's complex."

Whether water remains in one spot year-round and how it might affect chemistry and purity downstream would prove central to the Obama administration's aim to clarify "waters of the United States."

"They essentially took the position that a water that passed either of those two tests, subject to some additional scientific clarification, would be waters of the United States and be subject to jurisdiction," MacIntyre said. "And I think people expect that the current administration would not have that view." **PQ**

*Ashley Murray is a graduate student in the School of Communication at Point Park University, where her studies concentrate on environmental journalism.*

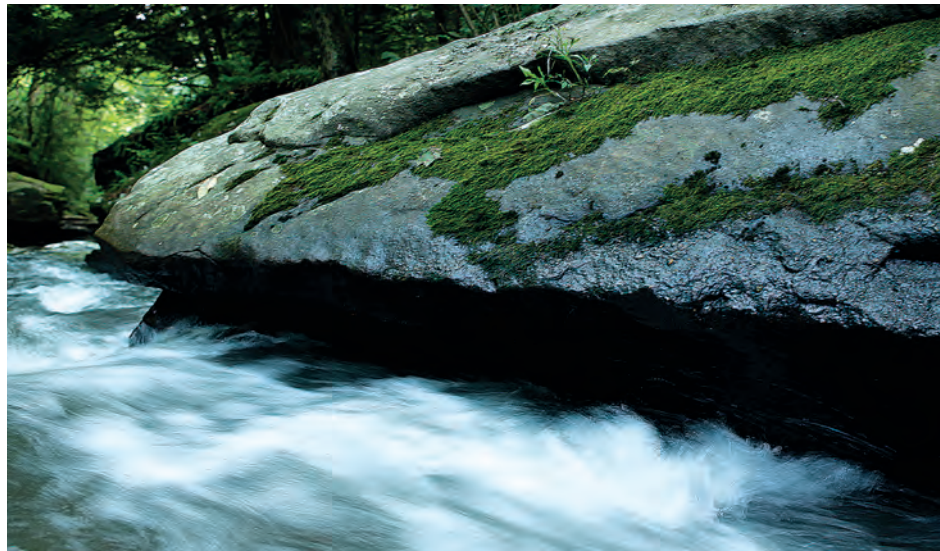


Photo: Heather Mull

“We need to ensure the decisions we make today lead to a sustainable future for our region. At Duquesne Light, we provide our customers with information and tools they can use to make smarter energy decisions. We also see an opportunity to reduce greenhouse gas emissions and improve air quality by advancing the adoption of electric vehicles, which generate less than half the emissions of conventional vehicles, and cost roughly half to refuel.”

**Richard Riazzi, CEO, Duquesne Light Company**





## GAINING CRITICAL MASS

PITTSBURGH'S STARTUP ECOSYSTEM MATURES

*written by* **JEFFERY FRASER**

**A**lfred Hunt knew a good idea when he saw it. And Charles Martin Hall had one. In 1886, the 23-year-old chemist had discovered a smelting process to make aluminum inexpensively while working in a lab he cobbled together in a shed behind his parent's house in northern Ohio.

Hunt, a Pittsburgh metallurgist, realized its commercial potential and was willing to take a risk. He put up \$20,000 of his own money and investments from colleagues to launch a startup that later became Alcoa, an international manufacturer of aluminum that today has \$16.7 billion in assets, 14,000 employees and its headquarters on the city's North Shore.

It's the kind of success story that builds industries and economies and one that southwestern Pennsylvania hopes will spin out from the knowledge and expertise at its research universities and the technology companies gathering around them. And developments over the past decade provide reasons for optimism.

The key pieces that define a major technology hub have fallen into place. The region long has been fertile ground for ideas. It's seen a robust network of entrepreneurial support evolve. Major tech companies, such as Google and Uber, have set up shop in Pittsburgh. And an increasing number of young companies are attracting venture capital on the strength of their potential.

"Our total investments have grown because the quality of the investment has improved and companies are getting great ground support," said Catherine Mott, president and CEO of the Wexford angel investor group, Blue Tree Allied Angels, and founder and CEO of Blue Tree Venture Fund.

But soft spots in the region's tech ecosystem remain. Chief among them is that emerging tech companies needing later-stage capital to finance their growth have to look outside the region to find it.

### GAINING MOMENTUM

Total venture capital investments in a region tend to fluctuate year over year, sometimes significantly. Lately, at least, southwestern Pennsylvania companies have been on a roll.

Local companies managed to buck the national trend in 2016, the most recent year for which complete data are available. Nationally, venture capital financing fell from \$77.3 billion the previous year to \$52.3 billion, a 32 percent decrease. At the same time, the Pittsburgh area attracted \$235 million in funding, an increase of more than 8 percent, according to a report by the professional services firm Ernst & Young and Innovation Works, a source of seed-stage funding and business support for Pittsburgh startups.

And 2017 appears to have been another strong year. Preliminary

data suggest local companies raised more than \$324 million in 115 venture deals.

Recent data are incomplete, however, and don't include several major deals. The largest is Ford Motor Co.'s five-year, \$1 billion investment in Argo AI, a local artificial intelligence company the automaker is banking on to develop a virtual driver system for future autonomous vehicles. Other deals not included are Providence Strategic Growth's \$35 million investment in Pineapple Payments, a local payment processing technology company, and a \$63 million investment by Pfizer Venture and others in University of Pittsburgh spinout Complexa, a biopharmaceutical company developing novel therapies for treating inflammatory-based and metabolic diseases.

Petuum, a Carnegie Mellon University spinout in the city's Strip District, also grabbed headlines in 2017 when it attracted \$93 million in venture capital from the investment arm of Tokyo-based Softbank and others.

Such interest has helped the Pittsburgh Metropolitan Statistical Area move up in the rankings of Pittsburgh Today's 15 benchmark regions to sixth best in total venture investments last year. Pittsburgh is still well shy of the \$3.3 billion raised in Boston and the \$1.4 billion raised in Seattle, but is nudging closer to other top-tier regions, such as Denver and Charlotte, NC.

"The number of new startups formed continues to increase, and these companies are successfully attracting investment from local and national investors," said David Lishego, senior investment associate at Innovation Works. "This indicates that local startups are solving important problems and have potential to scale into significant businesses."

### A BETTER GREENHOUSE

Local tech sector growth is the result of long standing regional attributes, economic trends, the quality of emerging companies and resources to help them survive early-stage challenges.

Carnegie Mellon and Pitt have strong research credentials and established cultures for moving ideas from the laboratory to the marketplace. Their strengths in artificial intelligence, robotics, autonomous vehicles and biomedical technologies are becoming critical to the national economy. And they attract talent ranging from top students and scholars to major tech players that thrive on them, such as Google, Amazon, Uber and Facebook.

The presence of such companies tends to attract more talent, broaden the support network, and generate entrepreneurs and angel investors. The founders of Argo AI, for example, had worked for Google and Uber and have ties to CMU. And a large concentration of well-paid talent is a defining characteristic of the tech ecosystem in the Silicon Valley, where venture capitalists invested \$16.5 billion last year.



# PITTSBURGH TODAY & TOMORROW 2018

## Economy: Venture Capital Investment

Deals and dollars, 2017\*

HQ LOCATION	DOLLARS INVESTED (\$MILLIONS)	NUMBER OF DEALS
1) SAN FRANCISCO, CA	\$16,544	1204
2) NEW YORK, NY	\$11,948	1209
3) BOSTON, MA	\$3,319	345
4) SEATTLE, WA	\$1,481	280
5) AUSTIN, TX	\$1,184	314
6) SAN JOSE, CA	\$905	117
7) DENVER, CO	\$546	125
8) CHARLOTTE, NC	\$469	36
9) <b>PITTSBURGH, PA</b>	<b>\$324</b>	<b>115</b>
10) BALTIMORE, MD	\$282	60
11) MINNEAPOLIS, MN	\$266	47
12) CLEVELAND, OH	\$216	29
13) PHILADELPHIA, PA	\$176	103
14) NASHVILLE, TN	\$139	57
15) INDIANAPOLIS, IN	\$114	54
16) CINCINNATI, OH	\$60	37
17) DETROIT, MI	\$30	19
18) MILWAUKEE, WI	\$15	22
19) ST. LOUIS	—	0

\*2017 data are incomplete and totals might omit some deals and investments.

DATA SOURCE: Pitchbook

But bright ideas and talent don't guarantee success in an industry where the failure of startups is common. For early-stage tech companies, mentorship, networks, seed funding, office space and free or discounted support services are critical to avoiding the pitfalls of business development.

Growth in those resources over the past decade is a key reason the region's tech industry has enjoyed recent success in attracting investors, those familiar with the industry say. About 30 business accelerators and incubators tailored to the tech industry have sprung up with names such as Blast Furnace, Ascender and Alloy26.

Some are university-based, such as Pitt's Innovation Institute, which offers services ranging from mentoring to protecting intellectual property. CMU's Project Olympus incubator offers startups advice, small grants and faculty connections. Innovation Works, the region's state-funded Ben Franklin Technology partner, runs two Alpha Lab accelerators.

"We're seeing them bear fruit," Mott said. "Startups can be three people in a garage who say, 'We have a great idea, let's build a company and see what we can do.' What they find is they don't know what they don't know. These resources help them understand what

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“Since ‘the best place in the world to live’ is highly subjective, making western PA a great place to live seems more achievable. The key to unleashing Pittsburgh’s potential is to make it a thriving boutique city that supports technology development at our universities and medical centers. Attracting and developing technology is autocatalytic—the more you have, the more you get, and the residual benefit attracts federal research support, which in turn creates the high-paying jobs that a great city needs.”

Gerald D. Holder, *U.S. Steel dean of engineering and Distinguished Service Professor of Chemical and Petroleum Engineering, University of Pittsburgh Swanson School of Engineering*

“FedEx believes that the brightest futures start with connecting people and possibilities. Our civic and corporate leaders have a duty to work together to foster an environment where these connections solve problems and convert ideas into reality. With all the unique resources—economic, educational, environmental, and cultural—at our disposal, Western Pennsylvania can be a place where any and every dream is realized.”

Henry J. Maier, *president and CEO, FedEx Ground*

“We know, based on what we are doing at Phipps, that we in Pittsburgh have the technology and ability to be leaders in creating a healthy world for people and the planet. We can address climate change through net-zero energy buildings and our water issues through green infrastructure and we can address our air pollution, which is among the worst in the country, and is truly the only thing that is holding us back.”

Richard V. Piacentini, *executive director, Phipps Conservatory and Botanical Gardens*



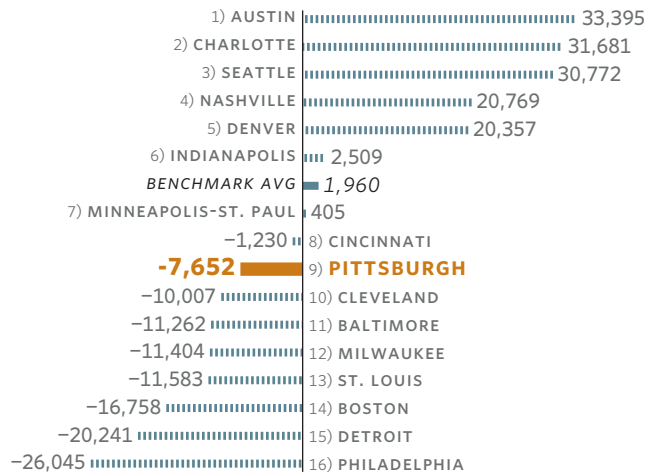


# PITTSBURGH TODAY



## Demographics: Domestic Migration

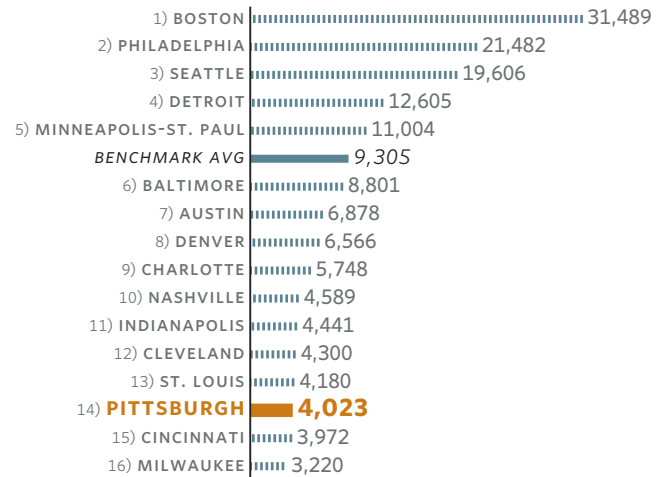
Net domestic migration in and out of MSA in 2016



DATA SOURCES: U.S. Census Bureau Population Estimates Program

## Demographics: International Migration

Total foreign-born residents who migrated to MSA in 2016:



DATA SOURCES: U.S. Census Bureau Population Estimates Program

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they don't know, avoid obvious mistakes and navigate obstacles. For them, that's critical."

## LOCAL MONEY

Attracting growth capital becomes a top priority as companies mature. But later-stage funding is scarce in southwestern Pennsylvania, which lacks venture funds large enough to provide it.

The health of the venture capital environment in the Pittsburgh area continues to improve. The amount of uncommitted capital at Pittsburgh-based venture firms rose for a fifth straight year in 2016 to nearly \$141 million, a 14-year high, according to an Innovation Works survey.

But available funding in the region still only slightly exceeds the median venture capital fund in the United States, and Pittsburgh lacks local growth-stage investors, Innovation Works' Lishego said.

Local venture capital is mostly limited to seed and Series-A funding rounds. Series A funding supports new companies for a year or two as they develop their products, workforce, marketing and other early business operations. When companies reach a stage when they need tens of millions of dollars or more, they have to look elsewhere. Last year, the major deals involving Argo, Petuum and Complexa were all made with out-of-state or overseas investors.

For growing companies, that means working long distance with investors. And local companies looking for growth capital have to compete for the attention of investors concentrated on the west and east coasts to get noticed, when a local fund would already have them on its radar.

But local venture capital funds find it difficult to get traction. When trying to raise a fund from traditional sources, such as pensions, they're often competing with large established firms with a national reach and a resume of solid returns on investment.

Investing in startups is different from investing in publicly traded companies. There is no public market to buy and sell stocks. Investors usually don't realize a return until the company reaches an "exit," which comes as an initial public offering or merger/acquisition. But big, splashy exits don't come often

CONTINUED ON PAGE 160



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## IT WEARS YOU DOWN

SURVEY FINDS CARING FOR OLDER ADULTS MORE DEMANDING HERE

*written by* **JEFFERY FRASER**

Caring for her father fell to Patrice Cottrell about nine years ago. It involved a few errands, at first. Doctor visits, marshaling his medications, coordinating health care and financial matters and scouting out and evaluating long-term care possibilities followed as his health declined.

There were late-night calls when he was anxious about living alone, but he refused professional home care and assisted-living options. For much of that time, she held a full-time job, opting for evening hours to better accommodate her father's doctor appointments and other needs until his death last year at the age of 93.

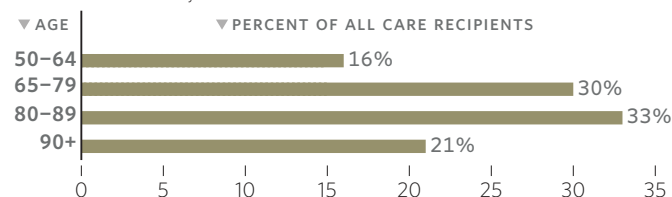
"It wears you down," said Cottrell, a 60-year-old Penn Hills woman with three grown sons living in three states. "Only people who've gone through it know the emotional toll and physical toll it takes. You're constantly going. Your concerns are always about someone other than yourself."

If anybody is likely to have similar experiences, it's southwestern Pennsylvanians, a recent survey of local caregivers suggests.

Local men and women who care for elderly friends or relatives are more likely to be 50 years old or older than their counterparts elsewhere in the nation. Like Cottrell, they are more likely to care for very old adults, aged 85 or older. They spend more hours doing it. And they're more likely to add medical and nursing tasks to their list of duties.

### Age of Care Recipient

In southwestern Pennsylvania



DATA SOURCE: University of Pittsburgh Center for Social and Urban Research, The Pittsburgh Regional Caregivers Survey

More than 1,000 "informal" caregivers aged 65 or older in the Pittsburgh Metropolitan Statistical Area were interviewed last year for the survey conducted by the University Center for Social and Urban Research at the University of Pittsburgh (UCSUR) and the Health Policy Institute's Stern Center for Evidence Based Policy. The findings offer a comprehensive profile of local caregivers and the elderly friends and relatives they help.

Advances in medicine and health care have led more people to live longer, which has elevated informal caregiving to a national issue. Comparing the local findings with those from major national surveys reveals similarities and, in some cases, striking differences between caregivers in southwestern Pennsylvania and the rest of the nation.

"We have a situation that, because we have an older, more-disabled population needing more care, we have caregivers providing higher-intensity, more challenging care, spending more of their out-of-pocket money to provide support—and suffering greater adverse consequences, as a result," said Richard Schulz, professor of psychology at the University of Pittsburgh School of Medicine and director of the Caregiver Project, which examines informal caregiving issues.

"To the extent this experience has adverse effects on them now, it's likely that these effects will carry over into their own old age and may exacerbate their need for care."

### 'OLDEST OLD'

Nearly half of local caregivers care for friends and relatives who are aged 85 years or older, the survey reports. This "oldest old" population on average is more frail, more likely to experience health setbacks and hospitalization and demand higher levels of personal care. Nationally, less than one-third of caregivers help people who are that old.

It's a consequence of the region's demographic profile. Older adults command a greater share of the Pittsburgh MSA population than they do in the nation, particularly adults over age 85, according to U.S. Census Bureau data. Nearly 17 percent of seniors in Allegheny County are 85 or older. By comparison, they make up less than 13 percent of the U.S. senior population.



Caring for an aging loved one can take an emotional and physical toll.



# 2018

That lends to older adults in the region having higher levels of disability and local caregivers providing higher intensity care.

Cottrell's father battled heart and kidney disease, diabetes, colon cancer and dementia. About 27 percent of the seniors whom local caregivers help have Alzheimer's disease and dementia. Two-thirds have high blood pressure; more than half have heart disease; 28 percent, diabetes; more than 25 percent have cancer; and more than 1 in 5 have had a stroke.

About 9 in 10 local seniors turn to relatives and friends to help them with such circumstances. And those caregivers are more likely to be older adults themselves: 84 percent of local informal caregivers are 50 years old or older compared to 73 percent nationwide.

"It takes a partnership of a lot of people for somebody to stay in the home or in the least-restrictive environment for them," said Linda Doman, chairwoman of the Southwestern Pennsylvania Partnership for Aging. "Family caregivers are the glue that holds it all together."

## A CHALLENGING EXPERIENCE

Caring for elderly relatives and friends with mounting needs takes a toll on the lives and health of those who take on such responsibilities, survey findings suggest.

Local caregivers tend to spend more hours a week helping older adults. Nearly half spend at least nine hours. And 17 percent say it consumes 40 or more hours of their week. Only 12 percent of U.S. caregivers devote such long hours to caring for older adults.

About half of local caregivers are employed, similar to the national rate. But local caregivers are more likely to report that caring for older adults negatively affects their work. And 40 percent say it led them to go part time, retire early or give up trying to hold down a job.

But few local caregivers get formal help to ease their burden. Nearly 90 percent talk to friends and family about caring for older adults, but 94 percent don't attend support groups for people in their situation. Only 10 percent get training to help them provide care. Fewer than 1 in 5 use a service that

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“We need to emphasize improving the health of all of our region’s residents. We must change our region’s poor air quality so that it no longer ranks 8th worst in the country and give our residents the cleanest air to breathe. We need to reassert our regional narrative as one dedicated to inclusive self-determination as a basis for building our future. We must resist the temptation to let petrochemicals, plastics, fossil fuels and backward-looking paternalistic, exclusive and non-transparent agendas to influence our future.”

**Matthew Mehalik, executive director, Breathe Project**

“Swagger. I moved here seven years ago and I can attest that Pittsburgh is already one of the best places to live. It is special and unique in so many ways. Despite its rich and impressive history, Pittsburgh is entrepreneurial and always looking forward. From healthcare to robotics and advanced manufacturing, Pittsburgh has unbelievable opportunities to shape the future, and those not lucky enough to live here should be made aware. Pittsburghers are unapologetic about the greatness of their sports teams. They should carry the same swagger about the city as a whole.”

**Mark Opitz, partner, Morgan Lewis & Bockius LLP**

“Our claim to be the best place in the world to live will not be manifested by our collective wealth and economic prowess; not by our sports championships; not by our region’s wonderful cultural, recreational, and environmental features. As important as all of these attributes are (and they are important), the world will judge Pittsburgh by the degree to which we take care of our most vulnerable citizens—a place where the old are honored and feel secure; the young are kept safe and can aspire to any opportunity; and where those with disabilities are empowered and feel they are respected for what they can do, not dismissed by their limitations.”

**Timothy Parks, president & CEO,  
Life'sWork of Western Pa.**

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gives them respite from their caregiving duties.

And local caregivers are more likely to have health issues. They’re much more likely to report being bothered by pain and having low energy. While the rate of depression among local caregivers is similar to their national counterparts, 23 percent meet the criteria for anxiety compared to only 13 percent in the United States.

Perhaps it’s not surprising local caregivers feel less positive about their experience. Only 53 percent report “substantial” positive aspects of caring for older adults compared to 67.5 percent nationwide. And they’re twice as likely to report substantial negative aspects.

CONTINUED ON PAGE 160

## REGION GETS AVERAGE MARKS FOR SENIOR LIVABILITY

The Pittsburgh region has filled a trophy case with awards for being judged the “most livable” place in the nation by a variety of publications and organizations. But when the livability of senior citizens is considered, the region is less than a standout, an AARP index suggests.

AARP scores the livability of U.S. counties based on statistical indicators related to seven livability factors: housing, neighborhood, transportation, environment, engagement and opportunity. On the 100-point scale, a score of 50 is considered the U.S. average.

The average score of the seven Pittsburgh MSA counties is 52. But each county has pronounced strengths and weaknesses.

Allegheny and Westmoreland scored 55 on the index, the highest in the region. Allegheny gets high marks on opportunities for social and civic engagement and on transportation factors, such as frequency of public transit and transportation costs. But it is burdened by extremely low marks on environmental factors, such as air and water quality.

Fayette and Beaver counties scored 50 on the index, the region’s lowest overall marks. Fayette gets high marks for housing factors, such as housing options, affordability and availability of subsidized housing. But it scores poorly on transportation and health factors, which include health care access and quality, and rates of smoking and obesity.

The AARP index helped to inform “Age Friendly Pittsburgh,” a plan released last year for improving the livability of seniors in the region, said Linda Doman, chairwoman of the Southwestern Pennsylvania Partnership for Aging. “Our thinking is that a community that is well designed for older people is well designed for people with disabilities and families with young children.” **P.Q.**

*Jeffery Fraser is Pittsburgh Today’s senior editor and a frequent contributor to Pittsburgh Quarterly.*