

NEWS RELEASE

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For Immediate Release

NEW REPORT DESCRIBES ALLEGHANY HIGHLANDS

Report Includes Trends and Challenges for Region

COVINGTON, VA – (April 2, 2008) – The population and economy of the Alleghany Highlands continues to decline, and the area faces significant financial challenges for the next 30 years, according to a report prepared for The Alleghany Foundation.

The report was developed by K. W. Poore & Associates, Inc., a consulting firm in Richmond. “The original intent was to have information available to assist the Foundation in making decisions on grant applications,” said Charles A. Kahle, president. “After seeing preliminary findings, the Foundation decided that the report should be widely disseminated to the community.

“One of the roles of the Foundation is to be a source of quality information,” Kahle continued. “In making this report public, the Foundation is simply carrying out its role to communicate factual information to the community.”

The report includes demographic and employment information about Covington and Alleghany County. It combines data from several previous reports with new information to paint a current picture of the area and make future projections.

“Results of our study indicate that with the decline in population, income and employment, the Highlands faces serious challenges,” said Craig A. Wilson, senior planner with K. W. Poore & Associates.

Declining Population

- Overall, since 1970, population decreased by about one-third, while Virginia’s population grew more than 50 percent.
- The population is expected to continue declining while the number of people aged 65 and up will increase. By 2030, one in four residents will be senior adults who have fixed incomes.
- Another significant decline is in the number of workforce age adults, those aged 15 - 64. About 16 percent fewer working adults will be contributing to the economy of the area, while expected population growth in Virginia will add 26 percent more workforce age adults to the Commonwealth. This means the Alleghany Highlands will not have population growth to balance out the increase in elderly residents.
- Median household income lags significantly behind the region and the Commonwealth. Median household income in Virginia in 2004 was \$51,103; in Alleghany County, that figure was \$38,489 and in Covington, \$32,622.

Declining Employment

- Unemployment rate for the region consistently averages about 1.5 percent higher than the Commonwealth's. With recent plant closings, the rate will be higher.
- The manufacturing industry likely will continue to decline. Manufacturing as a percentage of the local economy is much larger in the Alleghany Highlands (26.1 percent) than in Virginia overall (7.6 percent). One manufacturer – MeadWestvaco – represents 66.6 percent of all manufacturing jobs in the region; this overdependence is not an ideal employment mix.
- In addition to the general decline in population, the significant number of persons choosing not to work for various reasons, including the lack of good jobs, creates a drag on the economy. The Labor Force Participation Rate in the Alleghany Highlands is about 55 percent, 7 percent lower than the region's and 14 percent lower than the Commonwealth's.
- Professional, business and technical service jobs represent less than one percent of employment in the region but 9.6 percent across the Commonwealth. College-age residents typically leave to train in these fields and do not return.

The report also includes four financial challenges facing the Alleghany Highlands:

Creating Economic Opportunity

- Needed upgrades to the Covington and Clifton Forge wastewater treatment plants and construction of a new eastern regional wastewater plant are estimated at more than \$33 million.
- The Alleghany Highlands Regional Commerce Center lacks a natural gas line, essential for recruiting new industry. The gas line is estimated to cost \$5 - \$6 million. Three prospects, including one that is now investing \$100 million in a Southside Virginia industrial park, have passed on the Center because it lacks natural gas service.
- The region is running behind many Virginia localities and neighboring states that have industrial sites and facilities ready for use with new shell buildings, industrial pads, utilities and roads already in place.
- Tourism could be increased. Although the Alleghany Highlands shares the same natural beauty with neighboring communities, it lacks the same income-producing tourism assets. Current local efforts to develop special events, tourism venues and a stronger retail mix should be supported.

Offering a Strong Housing Mix

- Poor housing conditions prevail, the vacancy rate is nearly twice as high as in Virginia, and housing stock is significantly older than that found elsewhere in Virginia. Most housing dates to pre-World War II. Statewide, 9.1 percent of housing was built before 1939.
- 2000 median housing values (\$52,800 - \$77,500 depending on locality) is much lower than Virginia's (\$125,400); however, median income is lower as well, leading to an affordability gap for many.
- Declining population, aging population, the predominance of single-family housing, and the age and condition of housing play a role in the region's inability to attract new residents or retain younger residents.

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Providing Quality Public Schools

- Performance of students on SOL tests compares well with similar school districts and the Commonwealth.
- Covington is one of the smallest school districts in Virginia yet spends more per student (\$12,106) than Alleghany County (\$9,724), its peer districts or the state average (\$9,755). The higher expense is at least partially due to a higher percentage of Special Education students (25.6 percent compared to the state average of 14.7 percent and peer districts ranging from 13.5 percent to 19.8 percent), as well as educating students from poverty.
- Alleghany County educates three times as many students as Covington. A larger student population allows costs of administration and other services to be spread out.
- Outdated school facilities need replacing in both districts. Paying for these facilities will be challenging in a region where population and economy are declining.

Keeping Taxes Low

- Tax rates in both Alleghany County and Covington currently are close to those of similar communities. Current debts and debt service are reasonable and in line with similar communities.
- New and pending capital projects and their debt service will lead to much higher debt loads. Both localities likely will be forced to reduce staff, operating budgets and services, and/or raise taxes in order to handle the additional debt.
- As both total population and workforce age population decline, the ability of the region to raise additional revenue declines. Pressure will increase on both Alleghany County and Covington to increase tax rates.

The report was made public today at a meeting sponsored by the Alleghany Highlands Chamber of Commerce. The report is available at local government offices and public libraries. The report and a summary of the report are posted at www.AlleghanyFoundation.org.

Wilson is available to present the report at meetings of civic and community organizations. Anyone interested in scheduling a presentation should call the Foundation at 540 962.0970.

K. W. Poore & Associates, Inc. is preparing a second phase of the report which will be made public when it is completed. Phase two will seek to identify potential efficiencies that might be achieved to address the trends and challenges.

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The Alleghany Foundation was established in 1995 with \$35 million in proceeds from the sale of Alleghany Regional Hospital. Since then, the Foundation has awarded \$26 million in grants in the areas of healthcare, education, recreation, economic development, arts & humanities, historic preservation and social and community services. Assets of the Foundation currently are \$68 million.