POLICY BRIEF

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Is Pittsburgh "Short-Sited"?

Is the Pittsburgh region losing potential investment because of the lack of large "ready to go" sites that are equipped with necessary infrastructure such as water and sewer connections? According to various consultants that research site selection for companies seeking to expand or build new facilities, the answer is "yes".

The lack of large developed sites has been the subject of two feature newspaper stories in the past two years. In June of 2001 it was reported that a study conducted by Deloitte and Touche found that five potential companies cited the lack of space as a primary reason for not locating here.

The most recent assessment came from the Wadley-Donovan Group of New Jersey, which stated that if all the potential business activity interested in southwestern Pennsylvania had located here, the region would be flush with new jobs and new capital investment. According to Wadley-Donovan, there was a lack of adequate sites necessary to host these enterprises so the companies located facilities elsewhere. Their recommendation was for economic development officials to act, not analyze, on assembling an inventory of infrastructure-equipped tracts of 250 acres or more that could be marketed to businesses interested in the region.

In order to determine if Greater Pittsburgh is at a competitive disadvantage because of available large sites, two important questions need to be asked: first, how does Greater Pittsburgh stack up to other areas such as Columbus, Charlotte, and Buffalo when it comes to large "ready to go" sites? Second, if there is a real demand for Pittsburgh sites, why are private developers in the region not responding to this demand?

A survey of regional growth associations and Chambers of Commerce in these comparison regions catalogs the available industrial sites in their target areas. During June 2002, a company requiring 250 acres or more of infrastructure-ready land to build a facility could find three sites in the Pittsburgh area, according to Wadley-Donovan. The same company would find three sites in Greater Columbus, none in the Buffalo area and none in Charlotte. The largest site in Columbus is 460 acres. Buffalo expects to have some "mega-sites" prepared in the coming year, but expects no more than three. In areas with which Pittsburgh might compete, there is not an abundance of 250-acre sites.[1]

What is most interesting is that for the majority of sites in the other three regions, the private sector takes the lead in site development. In Columbus, Charlotte, and Buffalo, available sites,

[1] Conversations with officials at the Greater Columbus Chamber of Commerce, the Buffalo-Niagara Partnership, and the Charlotte Chamber of Commerce.

regardless of acreage, are mostly privately owned and privately developed. For instance, in Mecklenburg County, which surrounds Charlotte, there is no public ownership of available sites. Infrastructure is extended by either the public sector or by private developers who can be reimbursed for part of the cost.

All of this suggests that, contrary to Wadley-Donovan's assessment, there is not a great demand for 250- acre sites in Pittsburgh. If there is, why are three sites still available? Once available Pittsburgh sites have been gobbled up, an entrepreneurial site developer would likely recognize the strong demand. Until then, aggressive action to extend infrastructure to other tracts would only build up the supply of large sites in absence of real demand.

No one would dispute the fact that there is a definite public role to be taken in the redevelopment of abandoned industrial sites that may be contaminated, so-called "brownfields". But for "greenfield" development in suburban areas, the private sector should be taking the lead. Witness the decision of Consol Energy to develop nearly 1,400 acres of land in South Strabane Township, Washington County. The company will spend $525,000 to extend water to the site, and will negotiate to have other utilities placed at the site as interest in the site develops.

While the Consol example is ideal, there are public programs that help offset the cost of similar extensions. Pennsylvania's Department of Community and Economic Development administers the Infrastructure Development Program (IDP), which offers loans or grants to assist with the placement of infrastructure. In 2000 and 2001, 22 IDP grants and loans totaling over $12 million were awarded in southwestern Pennsylvania. Only two sites--one in Allegheny and one in Armstrong--were larger than 200 acres. Even with some public defrayment of the cost of placing infrastructure, there seems to be minimal private interest in developing large tracts of land.

Finally, if there is reluctance from the private sector to develop large sites and we want to avoid publicly financed infrastructure extensions to sites for which there is no demand, where can policymakers concentrate their efforts? Wadley-Donovan pointed out that high taxes and poor transportation systems in southwestern Pennsylvania don't help attract much investment or talent. Issues such as Pennsylvania's status as a non-right to work state and expensive prevailing wage laws might also be addressed. There are real economic benefits that can be derived from solving these obstacles to growth. As such, it would be more useful for policymakers to direct attention there.

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