RECOMMENDATIONS

Based on the economic data, cluster analysis, workforce and education information, and the local stakeholder interviews, we recommend six strategic actions to promote economic prosperity in the region.

1. **Embrace Potomac Highlands Regional Identity:** Embracing the five-county region as the Potomac Highlands in economic development efforts, county level decision making, state and federal level resource requests, and tourism related branding would provide a united front, thus increasing the area’s visibility in business, visitor, and resident attraction efforts.

2. **Assist in Recruiting and Training Workforce:** With the significant changes in the workforce over the last five years, including major layoffs and hiring activities in different sectors across the region, maintaining a worker training and recruitment infrastructure is essential to support business retention and local citizen needs.

3. **Improve Digital Communication of Economic Development Opportunities:** The digital information available on the area needs to be refined and improved to maximize the region’s digital presence for both businesses and visitors.

4. **Collaborate Regionally on Federal Funding Opportunities:** In many cases a regional application may be more competitive for federal funding opportunities based on preferential grant application scoring for larger “impact” based on population demographics. Regional or multi-county applications also show cooperation and grant management capacity.

5. **Develop Land Use Policies That Incentivize Housing and Lodging Growth:** There was a strong demand by local stakeholders for additional hotels in the region, and a recognition of the need for new housing stock. To attract appropriate residential and commercial lodging, the region should work collectively across the counties to implement land use policies that incentivize residential housing and commercial lodging opportunities while preserving the natural assets of the region. Regional proactive planning is necessary to allow community stakeholders to address viewshed concerns, water resource impacts, and other unintended consequences of growth.

6. **Target Primary and Emerging Clusters for Recruitment:** We recommend focusing economic development efforts on the industries that were identified as part of Primary and Emerging clusters in our cluster analysis. These include: Advanced Materials, Forest and Wood Products, Business and Financial Services, Information Technology and Telecommunications, Machinery Manufacturing, and Transportation Equipment Manufacturing.

SUMMER 2019

INTRODUCTION

In 2015, Pendleton County, WV, and the broader Potomac Highlands region (including Hardy, Hampshire, Grant, Mineral, and Pendleton counties) experienced a significant economic loss when the Sugar Grove Naval Station shut down its operations. The base provided a stable source of income for its employees and in turn local businesses that relied on the patronage of the workers at the base for their livelihoods.

As a result of the closure of the Sugar Grove base, the Pendleton County Commission, in coordination with the Region 8 Planning and Development Council, engaged researchers at West Virginia University to develop a Strategic Action Plan to promote the economic development in the Potomac Highlands Region. The development of the Strategic Action Plan was completed through a four-pronged approach with the completion of (1) an economic impact analysis of the Sugar Grove Naval Base closure and economic profile of the region; (2) a cluster analysis that made recommendations for industrial targeting based on an assessment of existing economic conditions in conjunction with industry-specific growth potential; (3) a workforce and educational assessment of the Potomac Highlands counties; and 4) extensive interviews with business and community stakeholders in the region. Based on these findings, we made recommendations that make up our proposed Action Plan for Economic Prosperity in the Potomac Highlands region.
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SUMMARY

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ECONOMIC IMPACT OF THE SUGAR GROVE NAVAL STATION CLOSURE

The closure of Sugar Grove Naval Station eliminated 158 jobs in the region, with an additional 469 jobs lost in the broader labor market areas of the nearby cities. In total, the region lost 627 jobs as a result of the closure. These losses represent a significant blow to the local economy, with the potential to have long-lasting effects. The region is estimated to lose $100 million in annual expenditures from the former workers that would have otherwise contributed to the local economy. The losses are not only felt by the individuals who lost their jobs, but also by the businesses and communities that were supported by their spending.

Table: Total Economic Impact of the Sugar Grove Naval Base Closure

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>Direct</th>
<th>Indirect</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing (1,000)</td>
<td>216</td>
<td>469</td>
<td>685</td>
</tr>
<tr>
<td>Health Care (100)</td>
<td></td>
<td></td>
<td>469</td>
</tr>
<tr>
<td>Wholesale Trade (100)</td>
<td>381</td>
<td>330</td>
<td>711</td>
</tr>
<tr>
<td>Retail Trade (300)</td>
<td>330</td>
<td>180</td>
<td>510</td>
</tr>
<tr>
<td>Food and Beverage (50)</td>
<td>58</td>
<td>561</td>
<td>619</td>
</tr>
</tbody>
</table>

In addition to the direct jobs lost, the region also experienced indirect job losses. These indirect losses are a result of the decrease in spending by the former workers, which leads to a reduction in demand for goods and services. The total economic impact of the closure is estimated to be $22 million.

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Cluster Analysis

Demanding industry clusters in the Potomac Highlands region help to identify targets best suited for economic development. The balancing act between large and small businesses is critical for potential growth in the region over the next five years (shown in the upper right quadrant of Figure 1). Potomac Highlands residents work outside the region, but choose to live in the area, indicating that they value the quality of life in the region. They also import income into the region from their jobs in the larger labor market areas of the nearby cities.

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3. The region's labor challenges over the next five years include a demand for lower-skilled workers to meet the needs of growing industries and an undersupply of workers with higher skills (Table 2). Overall we expect that the region will continue to grow in a region require a skilled workforce to meet the demands of their businesses. Overall we expect that the region will continue to grow in a region require a skilled workforce to meet the demands of their businesses.

Cluster Analysis

Deliberate industry clusters in the Potomac Highlands region help to identify target industries for economic development. In order to understand the workforce, institutional, and cultural needs of the Potomac Highlands region, we conducted interviews with business owners and other community leaders throughout the last half of 2018 and the beginning of 2019. While the results of such surveys have been varied in the region, they culled out a sense of challenges that have faced regional business owners in understanding markets for the labor they hire. The cluster analysis also highlighted the region's role in the larger metropolitan areas in surrounding states. Lastly, the cluster analysis found the Agribusiness, Food Processing, and Technology sector to be a highly attractive area for targeted development efforts:

2. Forest and Wood Products
3. Advanced Materials
4. Transportation Equipment Manufacturing
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7. Transportation

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WORKFORCE AND EDUCATIONAL ASSESSMENT

We interviewed 35 business owners and other community leaders for our cluster analysis of the Potomac Highlands region. They said they valued the quality of life they find in the area, particularly its rural character and outdoor recreation opportunities (see Figure 4). However, some also mentioned that limited infrastructure—such as broadband and cellular service—may make attracting new residents a difficult task. However, they also import income into the region from their jobs in the larger metropolitan areas. The region also has significant commuting ties to Harrisonburg, VA. The fact that many of the region's jobs are not necessarily in the Potomac Highlands may be a barrier to attracting new residents, as well as private sources. Coordinating as a region will allow the Potomac Highlands counties to work together to attract new residents and businesses. Interactions with the region's neighbors, particularly its rural character and outdoor recreation opportunities (see Figure 4). However, some also mentioned that limited infrastructure—such as broadband and cellular service—may make attracting new residents a difficult task. However, they also import income into the region from their jobs in the larger metropolitan areas. The region also has significant commuting ties to Harrisonburg, VA. The fact that many of the region's jobs are not necessarily in the Potomac Highlands may be a barrier to attracting new residents, as well as private sources. Coordinating as a region will allow the Potomac Highlands counties to work together to attract new residents and businesses.

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Cluster Analysis
Determining industry clusters in the Potomac Highlands region helps to identify broad and specific labor market needs. The analysis of data from the 2017-2018 regional economic snapshot, including interviews with businesses, provides the foundation for this analysis. Our cluster analysis identifies two primary clusters for potential growth in the region over the next five years (shown in the upper right quadrant of Figure 1):

Secondarily, our cluster analysis identified four additional sectors that can be seen as emerging sectors in the region. These sectors are not currently highly utilized in the region, but are growing in specialization and have the potential to contribute significantly to the local economy. These emerging sectors include:

2. Educational Attainment

<table>
<thead>
<tr>
<th>Educational Attainment</th>
<th>Grad/Prof Degree</th>
<th>Bachelor's Degree</th>
<th>Associate’s Degree</th>
<th>High School/Diploma</th>
<th>Less than High School</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation Equipment Mfg</td>
<td>31%</td>
<td>33%</td>
<td>22%</td>
<td>3%</td>
<td>11%</td>
</tr>
<tr>
<td>Business and Financial Services</td>
<td>17%</td>
<td>20%</td>
<td>23%</td>
<td>38%</td>
<td>12%</td>
</tr>
<tr>
<td>Agribusiness, Food Processing,</td>
<td>22%</td>
<td>18%</td>
<td>15%</td>
<td>35%</td>
<td>7%</td>
</tr>
<tr>
<td>&amp; Technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology, Health Services,</td>
<td>5%</td>
<td>6%</td>
<td>14%</td>
<td>72%</td>
<td>7%</td>
</tr>
<tr>
<td>Recreation, Hospitality,</td>
<td>2%</td>
<td>1%</td>
<td>7%</td>
<td>16%</td>
<td>67%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>8%</td>
<td>11%</td>
<td>15%</td>
<td>35%</td>
<td>21%</td>
</tr>
<tr>
<td>Distribution &amp; Logistics</td>
<td>9%</td>
<td>12%</td>
<td>16%</td>
<td>30%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Table 2: Expected Supply and Demand of Workers by Educational Attainment

WORKFORCE AND EDUCATIONAL ATTAINMENT
Many reported that the labor market in the Potomac Highlands region supports its economic growth. However, a variety of factors contribute to labor shortages at certain times, resulting in workforce issues for many businesses. The region's labor challenges are often characterized by a relatively small proportion of the total employment in the region as a whole. However, they also represent a significant portion of the demand for labor and services.

In the Potomac Highlands region, the labor market is characterized by a relatively small proportion of the total employment in the region as a whole. However, they also represent a significant portion of the demand for labor and services. The region's labor challenges are often characterized by a relatively small proportion of the total employment in the region as a whole. However, they also represent a significant portion of the demand for labor and services.

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Secondarily, our study analyzed the demand for additional sectors that can be seen as emerging sectors in the region. These sectors are not currently highly utilized in the region, but are growing in importance and are increasingly important to the economy of the region. In addition to the primary clusters, these emerging clusters are attractive areas for targeted development efforts.

1. Business and Financial Services
2. Insurance
3. Information Technology
4. Machinery Manufacturing

Lastly, the cluster analysis found the Agriculture, Food Processing, and Technology sector to be a highly attractive area for additional development in the region. Overall, the region is in need of a workforce in these areas, as it does not have the same potential for growth as the other clusters identified as growth and emerging clusters.

The closure of Sugar Grove Naval Station eliminated 158 jobs in the region, with an additional 58 jobs lost in secondary industries—such as restaurants, grocery stores, retail stores, etc.—coming as a result of the lost Naval Station. While these impacts were certainly significant, particularly in terms of the region’s ability to attract new residents, the $61,000 in lost revenue coming from troops leaves at Sugar Grove Naval Station is relatively small proportion of the total employment in the region as a whole.

The rural nature of the region is both a blessing and curse: Limited infrastructure—such as broadband and cellular phone service—may make attracting new residents a difficult task. However, workers may also be drawn to the rural lifestyle they find in the Potomac Highlands. They said they valued the quality of life they find in the area, particularly its rural character and outdoor recreation opportunities (see Figure 4). However, they also import income into the region from their jobs in the larger labor market areas of the nearby cities.

Cluster Analysis

Determining industry clusters in the Potomac Highlands region helps to identify targeted strategies for the economic development of the region. The Potomac Highlands region has an opportunity to capitalize on its potential to grow in a region where a skilled workforce is vital to succeed in many areas.

The cluster analysis also highlighted the positive role that smaller communities such as Romney and Clarksburg play in the region. These communities have a strong sense of community and work closely with each other as a result of the region’s unique physical characteristics. In addition, they are attractive areas for targeted development efforts:

1. Agribusiness, Food Processing, and Technology
2. Business and Financial Services
3. Information Technology
4. Machinery Manufacturing

Though some of the region’s gaps may require interventions from the state level and federal level, the region’s ability to potentially attract future residents, workers, and businesses is enhanced as a result of collaboration and cooperation of regional agencies acting together to further the region’s development.

The region’s labor challenges over the next five years are not just small, but growing; creating enough jobs for lower-skilled workers while at the same time attracting workers with the necessary education to fill higher-skilled job openings. The rural nature of the region is a blessing and a curse. Limited infrastructure and limited labor market areas can make it difficult to attract workers with the necessary education to fill higher-skilled job openings.

The region also has significant commuting ties to Harrisonburg, VA. The fact that many Potomac Highlands residents work outside of the region is not always beneficial when it comes to the region’s ability to retain skilled workers.

Many obstacles we encountered in our cluster analysis of the Potomac Highlands region are common to other rural communities entering the labor market each year, and an undersupply of workers with higher skills (Table 2). For example, many said they faced significant barriers to that expansion in the rural Highlands region. This is particularly true for those who plan to hire in the region for the next five years.

Local stakeholders also identified a wide range of transportation connectivity and limited emergency services as barriers for further economic development in the region. They also identified the need for the region to grow in a manner that meets the demand for jobs and services in the region.

In order to understand the workforce, institutional, and cultural needs of the Potomac Highlands region, we conducted interviews with business owners and other community leaders throughout the last half of 2018 and the beginning of 2019. While the respondents at small farms and growing in the region, they outlined a series of challenges that they found competing for labor to be the most significant barriers facing the region.

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Conclusion

ECONOMIC IMPACT OF THE SUGAR GROVE NAVAL STATION CLOSURE

THE CLUSTER ANALYSIS

In order to understand the workforce, institutional, and cultural needs of the Potomac Highlands region, we conducted interviews with business owners and other community leaders throughout the last half of 2018 and the beginning of 2019. While the respondents at small farms and growing in the region, they outlined a series of challenges that they found competing for labor to be the most significant barriers facing the region.

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Based on the economic data, cluster analysis, workforce and education information, and the local stakeholder interviews, we recommend six strategic actions to promote economic prosperity in the region.

1. **Embrace Potomac Highlands Regional Identity:**
   Embracing the five-county region as the Potomac Highlands in economic development efforts, county level decision making, state and federal level resource requests, and tourism related branding would provide a united front, thus increasing the area's visibility in business, visitor, and resident attraction efforts.

2. **Assist in Recruiting and Training Workforce:**
   With the significant changes in the workforce over the last five years, including major layoffs and hiring activities in different sectors across the region, maintaining a worker training and recruitment infrastructure is essential to support business retention and local citizen needs.

3. **Improve Digital Communication of Economic Development Opportunities:**
   The digital information available on the area needs to be refined and improved to maximize the region's digital presence for both businesses and visitors.

4. **Collaborate Regionally on Federal Funding Opportunities:**
   In many cases a regional application may be more competitive for federal funding opportunities based on preferential grant application scoring for larger "impact" based on population demographics. Regional or multi-county applications also show cooperation and grant management capacity.

5. **Develop Land Use Policies That Incentivize Housing And Lodging Growth:**
   There was a strong demand by local stakeholders for additional hotels in the region, and a recognition of the need for new housing stock. To attract appropriate residential and commercial lodging, the region should work collectively across the counties to implement land use policies that incentivize residential housing and commercial lodging opportunities while preserving the natural assets of the region. Regional proactive planning is necessary to allow community stakeholders to address viewshed concerns, water resource impacts, and other unintended consequences of growth.

6. **Target Primary and Emerging Clusters for Recruitment:**
   We recommend focusing economic development efforts on the industries that were identified as part of Primary and Emerging clusters in our cluster analysis. These include: Advanced Materials, Forest and Wood Products, Business and Financial Services, Information Technology and Telecommunications, Machinery Manufacturing, and Transportation Equipment Manufacturing.