

Winter 2020

# Hourglass Quarterly



**OPPORTUNITY ZONES**

**HOURGLASS FALL FORUM**

**WILL AI TAKE YOUR JOB?**

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**FIRST FRIDAY FORUMS**

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## Letter from the Executive Director

Hello,

I am pleased to welcome you to our new Hourglass Quarterly! This publication has historically been one of our key methods of presenting Lancaster County's leaders with relevant, exciting and important articles from a variety of sources. This new Quarterly reaffirms our commitment to keeping you informed by providing more in depth summaries of our First Friday Forums, increasing the number of articles we showcase, and relating these featured articles to Lancaster County when possible.



In this edition, we first highlight the reporting done by PA Post's Ed Mahon on the City of Erie's use of Opportunity Zones to spur economic growth. We also include a summary of our highly successful forum "The Future Ain't What It Used To Be". This forum featured eight presentations from leaders from Lancaster and York Counties on innovative ideas and practices that will influence our future. Following this summary, we have included two articles which relate to two topics covered in the forum: Artificial Intelligence and Immigration and Refugees.

If you enjoy reading the Hourglass Quarterly, please sign up to receive our bi-weekly email publication "Keeping Lancaster Current" which includes recommendations of articles to read from across the web. You can do so by visiting our website ([www.hourglassfoundation.org](http://www.hourglassfoundation.org)) and entering your email address on our homepage.

This Quarterly is part of our commitment to educate Lancaster's leaders and to champion and facilitate sound decision-making in order to assure prosperity while maintaining the county's unique character and enviable quality of life.

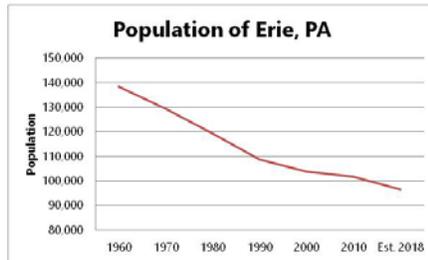
Happy reading!

Jonathan Russell  
Executive Director

# OPPORTUNITY ZONES IN ERIE

## Rust Belt Community Uses Tax Program

Since the 1960's Erie County, like much of Western Pennsylvania and the Rust Belt, has experienced substantial population decline as a result of the loss of many manufacturing jobs. Factories, such as the General Electric locomotive plant, are a shell of their former selves and companies such as Malleable Iron, the American Meter Company, and the International Paper Company have shut their doors. When these middle-class jobs left, the economy started to suffer. Poverty in Erie skyrocketed. For the last 60 years, Erie has been caught in a vicious cycle of job loss, population decreases, and an increase in poverty.



### What are Opportunity Zones?

When the 2017 Tax Cuts and Jobs Act was signed into law and established Opportunity Zones, community leaders in Erie saw a solution to their plight. According to the Tax Policy Center, "Any corporation or individual with capital gains can qualify. The program provides three tax benefits for investing unrealized capital gains in Opportunity Zones:

- *Temporary deferral of taxes on previously earned capital gains.* Investors can place existing assets with accumulated capital gains into Opportunity Funds. Those existing capital gains are not taxed until the end of 2026 or when the asset is disposed of.
- *Basis step-up of previously earned capital gains invested.* For capital gains placed in Opportunity Funds for at least 5 years, investors' basis

on the original investment increases by 10 percent. If invested for at least 7 years, investors' basis on the original investment increases by 15 percent.

- *Permanent exclusion of taxable income on new gains.* For investments held for at least 10 years, investors pay no taxes on any capital gains produced through their investment in Opportunity Funds (the investment vehicle that invests in Opportunity Zones).

So, what does this look like? Due to the real estate market, it is difficult to make development projects work in Erie with traditional financial incentives. The purchase price plus the cost to rehabilitate a property oftentimes exceeds the value of the property after rehabilitation. A traditional bank would not approve the financing for this type of project because the property owner would be underwater in their investment after the rehabilitation of the property.

In an Opportunity Zone, individuals and businesses can defer and reduce their capital gains

taxes by putting their profits from other investments toward projects in pre-designated low-income census tracts. Additionally, if someone puts \$500,000 into a new building, and that building grows in value by \$500,000 — then, after 10 years, that additional \$500,000 is excluded from the capital gains tax.

### Opportunity Zones in Pennsylvania

Gov. Tom Wolf's administration designated 300 census tracts in Pennsylvania to be part of the Opportunity Zone program. According to the PA Department of Community and Economic Development, these designations were made on the potential for new investment to eliminate pov-

### Opportunity Zones in Lancaster:

There are six Census Tracts designated as Opportunity Zones in Lancaster County. Four in southern Lancaster City and two in Columbia.



erty, and if the census tract coincided with already existing local and state economic development priority areas. Approximately 120 of Pennsylvania's Opportunity Zones have a poverty rate above 35 percent.

### Opportunity Zones in Erie

Erie is home to eight Opportunity Zones. They are all located geographically close together. Of note, they include the Bayfront Convention Center and residential areas. Community leaders hope to draw investment to the waterfront area and to encourage the elimination of blight in the residential neighborhoods. Five of the eight Opportunity Zones in Erie have a poverty rate above 35 percent.



With 300 Opportunity Zones to choose from in the state, competition is stiff. So why invest in Erie? One of the arguments for investing in Erie is that your money will go farther. In a larger metropolitan area, \$1million might not go far, but in Erie \$1million could make a substantial impact. Another reason to invest in Erie is that community leaders are unified in a strategy for using Opportunity Zones. This type of community support is not common and makes investing in the community much easier.

### Effects of Opportunity Zones

Have Erie's efforts paid off? In many ways "yes". The City has seen a \$2.6 million investment into a new culinary arts district, a mixed use project with 87 apartments and 20 businesses including a restaurant incubator space (architectural render-

ing below). Erie has also benefitted from a \$10 million investment by CapZone for startup companies in the Opportunity Zone.



But these projects have also attracted a fair number of detractors. In order to undertake the culinary arts district project, the Erie Downtown Development Corporation announced it would not renew the leases of three restaurants in the project area. At least one of these restaurants is minority owned. The community was outraged. In response, the Downtown Development Corporation created a \$75,000 tenant assistance fund to help business owners relocate.

This conflict underscores the central argument against Opportunity Zones, that money from wealthy investors with no ties to the community are benefiting from investments made in poor communities that do not benefit the community. Much investment in Opportunity Zones is not done in conjunction with the local community nor with their knowledge.

Communities such as Erie are betting that they can attract investors into projects set up to benefit the community as a whole. Time will tell if that bet will pay off.

*Article summarized from PA Post "Erie lost people for decades. Now, leaders there hope a new tax break will transform the city". Written by Ed Mahon. October 15, 2019. *

# HOURGLASS FALL 2019 FORUM

## “The Future Ain’t What It Used To Be”

On October 30, 2019 the Hourglass hosted a forum entitled, “The Future Ain’t What It Used To Be” which featured a variety of future-making presenters. These presenters shared with the audience new and exciting initiatives in the fields of agriculture, medicine, education, immigration, robotics, the environment, local governance, and artificial intelligence. Not only did these presentations enlighten us about what we can expect in the future, they highlighted the exciting work currently underway to prepare us for what is to come.

Dr. Michael Leichter, Superintendent of Penn Manor School District, and Charlie Reisinger, Technology Director of Penn Manor School District, shared that artificial intelligence (AI) and machine learning will have a profound impact on how students learn in the future. For example, a 2015 study by Oxford University and Yale University predicted that by 2024 AI will be able to translate languages better than humans; by 2026 it will be able to write high school-level essays; by 2049 it will be able to write books; and by 2053 it will be able to perform surgery. With IBM CEO Ginni Rometty predicting that AI will “...change 100% of jobs within the next 5 to 10 years”, how should the education system prepare students for this future? Students must not only learn hard skills in technology, they should have emotional intelligence, know how to problem solve, possess learning agility, know how to think critically, and be adept at collaboration.

Allyson Ladley Gibson, Coordinator of the Lancaster Clean Water Partners, warned of the disastrous consequences of inaction in cleaning up our rivers and streams. More than half of Lancaster County’s 1,400 miles of streams are not healthy. This is due to a variety of issues including agriculture, stream bank erosion, and the ineffectiveness of municipal wastewater and rainwater collection and treatment systems. The Lancaster Clean Water Partners is spearheading

the effort toward clean water by coordinating environmental efforts and leveraging the work of each of the partners to ensure Lancaster County’s streams are clean and clear within a generation.

Cheryl Hiester, Executive Director of the Literacy Council of Lancaster-Lebanon, underscored the importance of immigrants and refugees to the Lancaster County economy and community. In 2014 alone, foreign-born residents contributed an astonishing \$1.3 Billion to the GDP of Lancaster County. Immigrants make up 4.4% of the population of Lancaster County but they make up 5.4% of the area’s working-age population. The growth of Lancaster County’s economy is dependent upon the labor of immigrants and refugees. We must continue to welcome newcomers to our County in order to grow our economy and strengthen the fabric of our community.



John McElligott, CEO of York Exponential, a robotics company, discussed the dire skills gap our country is facing in the technology sector. America is facing a mass retirement of an aging workforce, lack of interest in tech and trades jobs from millennials, and unparalleled technological advancements. As a nation, we are falling behind other countries such as China as the “Second Machine Age” and the 4<sup>th</sup> Industrial Revolution begin. Mr. McElligott discussed the “York Plan” of World War II, a time when companies and communities set aside their differences to equip the United States military in the war effort. A new version of this plan should be implemented today to focus all of the community’s resources on a single goal, dominating the 4<sup>th</sup> Industrial Revolution. Not doing so could have disastrous



consequences for our national security and economy.



Susannah Bartlett, Community Development Administrator for the City of Lancaster showed the audience the power of big data to better serve constituents of local governments. Ms. Bartlett demonstrated how the Building Blocks software tool can be utilized to spot properties at high risk of condemnation in the near future. This software catalogues each interaction a property has had with the City of Lancaster, whether it is receiving a permit to complete work, receiving a visit from the fire or police, tax delinquency, or utility shutoff. Using this data, the City can identify trends that lead to condemnation and work with the property owner to prevent condemnation from happening. This is just one of the ways big data is helping local governments more effectively deliver services while making the best use of their resources.

Dr. Michael Ripchinski, Chief Clinical Officer at Penn Medicine Lancaster General Health provided insight into the future of medicine. He shared that the amount of data we can collect from individuals through diagnostics and wearable tech has greatly increased our ability to treat patients. The use of AI will enable medical practitioners to further expand our diagnostic capabilities. For example, using a patient's genome, we will be able to not only identify how the patient is being affected by cancer cells, we will be able to create a treatment plan to eliminate cancer cells in that patient specifically. Technology and AI will enable doctors to provide individualized treatment for each patient.

Dr. Keith Verner of Cognitive Learning Systems and Dr. Paul Eslinger of the Penn State College of Medicine discussed the exciting field of cognitive learning. Specifically, they focused on crystallized and fluid intelligence. Crystallized intelligence is associated with knowledge and fluid intelligence is associated with reasoning. Fluid intelligence is becoming even more important because machine intelligence can supplement crystallized intelligence. Subjects like math (and other STEM domains) utilize identical brain structures as fluid intelligence operations and improve general cognitive function. A curriculum that increases problem-solving strategies and conceptualizations will also increase fluid intelligence. In the future, neurocognitive research can and will stimulate educational innovation.

Our final speaker of the night, William B. Spire, President of Heathside Ventures, LP, shared with us the tremendous possibilities for indoor agriculture. Indoor farms, those existing in a built, controlled environment, are able to produce an extremely high crop yield per acre using a fraction of the water all while taking up less space than a traditional farm. These farms grow crops hydroponically and use millions of data points to provide the exact amount of light, water, and nutrients each crop needs. These indoor farms can be located in urban centers and can provide cities with fresh, nutritious produce on demand.



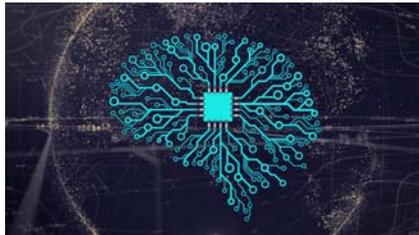
These eight presentations provided the audience with a unique look into exciting initiatives and programs already in place to guide us into the future. These presenters are not only aware of what the future might hold, but also they are actively working to influence the direction it takes. And they are doing it in Lancaster County and our region! These presenters showed us that truly, "The Future Ain't What It Used To Be." 

# WILL AI TAKE YOUR JOB?

## White collar workers are most at risk

As we move further into the 21st Century, it seems as though Artificial Intelligence (AI) features more prominently in our lexicon. So what is it? AI is the ability for computers and machines to mimic human reasoning and process complex tasks such as visual perception, speech recognition, decision-making, and translation between languages.

Much has been written about the affects AI will have on employment in the United States. As machines will increasingly be able to perform tasks humans currently undertake, those studying the phenomenon have been ringing the alarm bells. In Carl Benedikt Frey and Michael Osborne's 2013 paper, "The Future of Employment", the authors make the claim that "about 47 percent of total U.S. employment is at risk" of automation from AI. A 2017 report from McKinsey Global Institute predicts that as many as 30% of jobs could be in jeopardy.



### Factories or Office Jobs?

When discussing automation, images of factories with robots and assembly lines come to mind. While this is certainly a part of automation, AI will affect a much wider swath of the American workforce.

A new report from Brookings examines the level of "exposure", or vulnerability to AI, for different classifications of employment. Using AI, this study compared occupational descriptions from the US Department of Labor to the capabilities outlined in patents for AI software. The study identified

where job classifications and AI capabilities intersected. Jobs experiencing many of these overlaps, were considered to have a high level of "exposure" to AI. Jobs without many overlaps were considered to have a low level of "exposure".

What the study found was surprising. In addition to manufacturing jobs, the jobs most open to exposure, were those held by better-paid, better-educated white-collar workers. These jobs are typically held by men who are white, Asian, prime-age workers.

The research is unclear, however, if the level of exposure experienced by these employment sectors will result in replacing these jobs, complementing them, or creating new forms of employment.

### Geographic Disparities

While AI will be employed virtually everywhere, the depths of its use will vary geographically. This will be determined by an area's industry, occupational mix, and education levels.

Bigger, higher-tech metro areas and communities heavily involved in manufacturing are likely to experience the most AI-related disruption. Smaller rural communities will be much less open to exposure than larger urban communities. This is most likely due to the concentration of the IT and professional economies of urban areas — economies that are all susceptible to AI.

As AI technologies continue to be adopted in the workforce, its impact on employment and the economies of localities will become more clear.

*Article summarized from "What jobs are affected by AI? Better-paid, better-educated workers face the most exposure" by Mark Muro, Jacob Whiton, and Robert Maxim from Brookings. November 20, 2019.*



# THE LANCASTER PUZZLE

## Why is Lancaster's Economy Special?

Lancaster County presents a unique economic circumstance. It is a heavily rural county with a lot of manufacturing jobs and a low share of college-educated workers. These are economic traits that have been devastating to the economies of other similar counties, including a lot of other counties in Pennsylvania. And yet, Lancaster County is doing well. It is thriving. Why is that? What makes its economy special? In order to find out, the team from NPR's "The Indicator from Planet Money" podcast headed to Lancaster County.

In many ways, Lancaster County faces the same economic pressures that much of the rest of the country does. Three decades ago, more than 30% of the jobs in the county were in manufacturing. Two decades ago, those jobs started disappearing. But even now, 15% of all jobs in Lancaster are still in manufacturing, which is almost double the percentage for the U.S. as a whole. Another unique characteristic of the County's economy is that it has a much smaller share of college-educated adults than the rest of the country.

And yet, Lancaster County is doing well. The average County household income is higher than the average United States household income and a higher share of the adults in the county have jobs than in the rest of the U.S.

So how did Lancaster County pull off this economic miracle? Part of the answer is that there are other industries that have helped to cushion the blow of lost manufacturing jobs. For instance, two-thirds of the land in the county is farmland. In addition, the county includes dozens of small towns and villages that are themselves tourist attractions.

The other part of the answer is the County's population growth. The size of Lancaster County's population has been growing steadily for dec-

ades, which is the exact opposite of what's happening in most Pennsylvanian counties whose populations have been falling, especially rural counties. This population growth is due to a variety of reasons including large family size and large numbers of immigrants and refugees. Lancaster County and especially Lancaster City have a reputation for being welcoming to immigrants and refugees from all over the world.

The NPR team met with Mustafa Nuur, a refugee from Somalia. Mustafa is a perfect example of the powerful role immigrants and refugees play in the Lancaster County economy. Mustafa's family left Somalia when his father was killed. They found their way to Lancaster City in 2014. Since then, Mustafa has found work in a variety of fields including construction and marketing.

With a desire to have an impact on the community, he started a company called Bridge, which provides an opportunity for people to sign up to have dinner in the home of a refugee family in the Lancaster area. The refugee family cooks a meal and shares their story. The family also sets a fee for the dinner, which they keep.

Mustafa came to Lancaster County with nothing and has been able to start his own business. Mustafa's story shows the symbiotic relationship between the Lancaster economy and its refugees. The success of the economy makes it possible for the city to offer resources to these refugees so that they can prosper, and their prospering feeds right back into the success of the Lancaster economy. Clearly, one of the solutions to Lancaster's economic puzzle, lies with the County's welcoming relationship with immigrants and refugees.

*Summarized from two NPR "The Indicator from Planet Money" podcasts: "The Lancaster, PA, Puzzle" (11/8/2019) and "Lancaster Spotlight, Part 2: A Refugee's Tale" (11/20/2019). Hosted by: Cardiff Garcia and Stacy Vanek Smith.*



# HOURGLASS FIRST FRIDAY FORUMS

## Highlights from the last quarter

### October 4, 2019 - Millersville University

**Presenter:** Dr. Daniel Wubah

President of Millersville University, Dr. Daniel Wubah, presented on his first year in office and highlighted Millersville's exciting new partnerships and degree programs.

Dr. Wubah provided information on the makeup of the student body. Almost 90% of Millersville students come from Pennsylvania. Millersville graduates are prepared and ready for the changing workforce. Of the 68,000 Millersville alumni, 48,000 stay in Pennsylvania with 18,000 living in Lancaster County. This is a huge benefit to the Lancaster County community.



Millersville has entered into several community partnerships to create opportunities for students and the community. Some of these include a partnership with Penn Medicine Lancaster General Health to create the framework for a certificate and multi-disciplinary degree program in population health, a partnership with Eurofins Scientific to develop new on-site graduate courses, a partnership with Clair Brothers and Rock Litzitz to create a new music business and entertainment technology degree, and a partnership to continue the Respiratory Therapy program with UPMC Pinnacle now at the new Litzitz campus.

Millersville's commitment to its community is exemplified in the 190,000 hours of community service that students, faculty, and staff devote annually. This community service is amplified by a number of key partnerships including: working with the Watershed Education and Training Institute on stream monitoring and restoration; the 150 unique events the Ware Center hosts annually in downtown Lancaster; partnering with WGAL to preserve and digitize the WGAL Film Archive (1949-1979); collaborating with Millersville Borough on traffic flow and safety; conducting research for the Spanish American Civic Association (SACA) on the needs of households in southeast Lancaster City; and participating in the United Way's Day of Caring.



### November 1, 2019 - City Revitalization and Improvement Zone

**Presenter:** Randy Patterson



Randy Patterson joined the Hourglass to discuss the City of Lancaster's "City Revitalization and Improvement Zone" (CRIZ), established in December of 2013. A CRIZ is an area of up to 130 acres, comprised of parcels designated by the CRIZ Authority, which provides economic development and job creation within a political subdivision. State and local taxes collected within the CRIZ are used to repay debt service to stimulate economic development projects within the CRIZ. The focus of the program is to provide opportunity to spur new growth, helping to revive the City of Lancaster's downtown and major corridors and create jobs for the residents of the region. Because of the CRIZ, the City is able to stimulate new business activity that generates additional state tax revenue.

The CRIZ considers the following factors when determining what projects to fund: is the property undeveloped; is the property underutilized; has the property been vacant for a long time; does the redevelopment

## FIRST FRIDAY FORUM SPONSOR



ment of the property have high economic impact? The CRIZ has funded aspects of some substantial projects within the CRIZ boundary — the most significant of which is the 101 N Queen Street project and the Ewell Plaza. This project is a substantial catalyst for economic growth in the City. The CRIZ also provided funding to pay for the debt service on a \$6 million acquisition loan for the Holiday Inn Lancaster.

The CRIZ Authority has developed a Small Business Financial Assistance Program by borrowing \$5 million to capitalize a revolving loan fund. The program is designed to encourage small business growth and improvements as well as create opportunities for entrepreneurs to start new small businesses. The assistance comes in two forms: up to a \$25,000 grant or up to a \$100,000 loan. Both forms of financial assistance include a matching requirement of \$1 for every \$5 of CRIZ funds. The new Small Business Financial Assistance Program has received interest from a variety of small businesses and entrepreneurs since its inception.



### December 6, 2019 - Lancaster Newspapers

**Presenter:** Robert Krasne

This is the 225th anniversary year of the Lancaster Newspapers (LNP). Founded on June 17, 1794 as the Lancaster Journal, LNP and Lancaster County have undergone some drastic changes since its founding, including 19 different names and a variety of headquarter locations.

In order to remain a viable newspaper, LNP has needed to make some operational changes including: addressing pension costs; selling four buildings to developers to convert into offices, retail, residential, and senior living; re-establishing a newspaper printing press in Lancaster County; and moving its headquarters to the new 101 N. Queen Street building (a flagship project undertaken with CRIZ help). Additionally, the Steinman family reaffirmed its commitment to the newspaper by reinvesting any profits from the newspaper back into the organization. All of these changes were undertaken to maintain the vitality of LNP for the future.



The state of local newspapers throughout the United States is one of crisis. Lancaster County is unusual because it has a daily newspaper. Two thirds of the counties in the United States do not have a daily newspaper. In this current news climate, LNP and LancasterOnline are fighting for their survival. Much of this financial hardship comes from a 72% decline in advertising revenue nationwide for newspapers for the last 15 years. Currently, more than 77% of digital advertising spending in Lancaster County goes to Google and Facebook. The digital media revolution has destroyed newspaper's traditional revenue structures.

So what can we do to support LNP and LancasterOnline in this challenging time? Lancasterians can: let the newsroom know about matters that merit attention; write letters to the editor or opinion editorials; share celebrations (weddings, anniversaries) and sorrows (obituaries); promote products and services through LNP; and subscribe to the newspaper and encourage others to do so as well.



To attend forums like these, become an Hourglass member.



**HOURGLASS**  
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The Hourglass champions and facilitates sound decision-making to continue Lancaster County's prosperity while maintaining its unique character and enviable quality of life.

As a trusted source for information, innovative ideas and insights, the Hourglass helps stakeholders, elected officials and citizens make more informed and enlightened decisions.

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