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TESTIMONY REGARDING

MARCELLUS SHALE DEVELOPMENT AND ITS IMPACT ON HOUSING

PRESENTED TO THE

SENATE URBAN AFFAIRS AND HOUSING COMMITTEE

BY

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October 25, 2012

The Pursuit for a Dedicated, Flexible Funding Source for Housing
Testimony for Marcellus Shale/Housing Impact Hearing
Senate Urban Affairs & Housing Committee
Thursday, Oct. 25, 2012

Good afternoon. I am Robbie Matesic, executive director of the Greene County Department of Economic Development. On behalf of the Greene County Commissioners, I would like to thank the Senate Urban Affairs and Housing Committee for extending an invitation to address the impact of Marcellus Shale development on housing in Greene County. I am joined today by two of my colleagues, David Mirkovich, executive director of the Redevelopment Authority of Greene County, and Emily Moore, our county grants coordinator.

Today, I would like to present background information on Greene County, including how we have been affected by drilling activities and how our housing needs have been brought to the forefront. This is truly a unique time in the history of Greene County and the Commonwealth, as the benefits of Act 13 have arrived and are quantifiable and undeniable. Greene County will receive $3.1 million from the impact fees collected, and our municipalities will receive more than $5 million collectively. We believe that three of our municipalities are subject to the windfall provisions of the act, meaning that approximately $1 million has been directed to the Pennsylvania Housing Affordability and Rehabilitation Enhancement fund. The time is right to begin the pursuit for a dedicated, flexible funding source for housing.

Background:

Greene County is situated in the very southwestern corner of Pennsylvania. West Virginia borders our county to the south and west, and the Monongahela River provides our eastern boundary. Interstate 79 runs north and south through the heart of Greene County, making us approximately an hour south of Pittsburgh and about 20 minutes north of Morgantown, West Virginia. Greene County is 576 square miles and is a predominantly rural sixth-class county with

a population of under 40,000. The county is home to 26 municipalities and five school districts serving more than 5,000 students. For more than 100 years, our primary economy has been resource extraction. Greene County leads the nation in the annual production of bituminous coal, and our five underground coal mines produce more than half of **all** coal mined underground in Pennsylvania. Three coal companies are currently operating in the county: Alpha Natural Resources, Consol Energy, and Dana Mining.

Marcellus Activity:

But after decades of mining our land for coal, another extractive industry began taking shape in Greene County in 2006, when the first Marcellus Shale well in the county was drilled. The Marcellus Shale play had begun in Greene County. During the past six years, the upstream activity has introduced 502 new Marcellus wells, which have been added to the more than 3,400 already drilled over the decades. Today, the number of permits issued exceeds 600. Compared to the northeastern counties, we used rig counts to estimate that Greene County has had about one-third to one-half of the transient work force impact.

With such a relatively new industry comes a variety of opportunities and challenges. As our biggest opportunity, Greene County has received an incredible economic boost from this industry via the creation of family-sustaining jobs. Greene County's unemployment rate, as of August 2012, is 7.3 percent, among the lowest in the state. The state rate stands at 8.1 percent, and the national rate is also 8.1 percent, with Greene County being lower than both.

As our biggest challenge, the drilling industry has brought an influx of transient workers. With the coal mining industry, four-plus generations of families have gone to work underground and have called Greene County home for years. With the gas extraction industry requiring such a large work force for upstream and midstream activities – like gas exploration and production and

the installation of transmission and gathering lines – many of these laborers follow the work as the booms hit across the country.

Of course, safety, health, and environmental wrongs associated with extraction are prevalent and are still a work-in-progress in being righted. Now, because of the leadership of our county commissioners and the assistance of our Redevelopment Authority, among other entities, we are successfully addressing infrastructure needs, and we are working diligently to correct our number-one, most stubborn problem – housing. It's a big challenge and, to date, we've been unable to correct it on our own.

Marcellus Impact on Housing:

We've followed the recent activity of this Committee, the Pennsylvania Housing Finance Agency, the state Department of Community and Economic Development, and our neighbors in the southwestern region, and we know that you all understand and are deeply concerned about the dramatic impact the transient workforce of the Marcellus industry has had on housing. Being a smaller, rural county, Greene County does not have anywhere near the number of dwelling units needed to accommodate this workforce. Our hotels – of which there are fewer than 10 in the whole county, including only four national chains – are constantly operating at near-capacity, with many being reserved for a year in advance. While we anticipate the construction of two new hotels in Waynesburg, we recognize that hotel rooms are a short-term solution to our long-term housing problem.

New campground sites are plentiful, and the state Department of Environmental Protection is working with the municipalities to regulate those sewage discharges. When this play began, we had multiple reports of individuals living in their vehicles. We also received reports that make-shift dormitories were being made of garages and sheds. Now, the problem of

insufficient housing is affecting our most needy, long-time residents. We are seeing a greater squeeze on subsidized housing, and Greene County has gone from zero homeless families to more than 20. In response to our request for assistance, PHFA seeded an expedited process to secure funding for the county's first transitional housing shelter. This project is only days away from completion and we are certainly grateful that PHFA responded to this serious need in Greene County. This is the first PHFA project in Greene County, and without their support to seed the project, it never would have happened.

Legacy Housing Problems:

Greene County's housing problems did not begin with the introduction of Marcellus Shale drilling, but it has certainly exacerbated the problems and leaves us in jeopardy of not being able to benefit in a sustainable way from the development of this resource described as the second-largest energy reserve in the world. We believe we can overcome that jeopardy in partnership with you and housing finance agencies.

Fifty-five percent of our housing stock is over 60 years old, and 80 percent is over 30 years old. Those numbers alone indicate that our housing decline is several decades old. This is a key difference between our county and more urban locations – and there are multiple reasons. With the decline of the coal and steel industry, we lost an entire generation. There were no jobs, and young people moved away. In a healthy economic environment, it would be normal to see a first-time home-owning family graduate from a starter home to a three-bedroom home, and so on. Then, a new family starts off in the smaller home, and the continuum is sustained. That doesn't happen when the population has suffered the loss of a generation.

Also, you likely understand that with the introduction of long-wall mining in the coal industry, the aftermath of subsurface subsidence can cause significant damage to the structures

on the surface. The coal companies are able to work with willing homeowners to preserve housing stock, but in many cases the economics simply do not make that feasible, or perhaps the family simply wishes to relocate. Hundreds, if not thousands, of homes have been abandoned in that process. That housing stock has not been replaced.

Regarding the need for new infrastructure, or upgrades to existing infrastructure, that will justify further investment in housing – our investment in water and sewer has grown exponentially in the past decade, as a result of the efforts of good leadership. But there is a great divide. The eastern side of the county is more densely populated and has benefitted substantially from that. But the western, more sparsely populated half of the county has very little access to public water and sewage, with six western townships having **no** public water or sewage. That western half is also where most of those housing units were lost as a result of coal operations, and this has culminated in a harsh impact on one entire school district – and their enrollment has dropped by nearly one-third in the past 10 years. If you will review the attachment, today drilling is active in that area. But it is absolutely not possible to accommodate the workforce in that area.

Across the county, add the issues of land use, blight, and the steep slopes of our terrain. The director of our redevelopment authority is working with each of our municipalities to prepare an inventory of blighted properties – they have listed hundreds to date. So, if you are the owner of a flat-open piece of land, you likely have an inflated sense of the appraisal value. Developable, flat land in any location, with infrastructure, sells at a premium price.

We've sought out housing developers, and we have been sought out by them. But, the harsh reality is that for a new housing development to advance, our challenges are not comparable to other counties. Too many times recently, the ability to secure the site has been an insurmountable challenge for seasoned, respected developers. Developers are restricted in where

they can break ground due to the limited infrastructure to support future housing markets and the terrain. Flat land has been developed. The funds that are available to invest in housing are 1) not enough to offset the rate at which our housing market is declining, and 2) are significantly short of the additional costs we incur that other counties with flat land and existing infrastructure do not, resulting in a lack of safe, affordable housing for current residents to live in, as well as no potential for future growth.

As Marcellus Shale has gained momentum, and the upstream and midstream workers have been brought in, the workers relocate and move into every nook and cranny available. Existing campgrounds are filled, RV sites are established on private property, hotels are booked for years in advance, apartments and rental houses vanish seemingly overnight, all for a traveling population that stays for anywhere between a couple of weeks to several months to a few years. Greene County has been lucky that these industrious workers have a habit of living on the road, and that they didn't turn down working in Greene County due to the deplorable housing options. As a community, we are aware of the opportunity lost in missing out on these workers being able to have the option to purchase or rent safe and affordable homes.

Conclusions:

This is what we need from you, the committee. We need to be included in the conversation of what your plan is for the allocated surplus funds. With the amount that is contributed from Greene County, and in order to continue to support the demand that the Marcellus Shale project has placed on our community, we need a dedicated source of funding to put into affordable housing to have a chance at more economic growth.

The deck is stacked against Greene County in the way of housing development. In order to find ourselves at the same level of preparedness as other counties in the beginning stages of building a new development, our contractors have to invest over a million dollars in site work before construction can even begin, all due to the terrain and lack of infrastructure. Due to our site construction costs, Greene County is literally fighting an uphill battle. Our land may be beautiful, but it is not attractive to build upon.

Investing in housing is a chain reaction. By investing these funds into housing, we are investing in our property tax base, which leads to investing in our schools. Ultimately, we are making an investment in the future of Greene County, giving us a fighting chance to break the double cycle of a historic lack of funding to the county and the exodus of young people and families from our county.

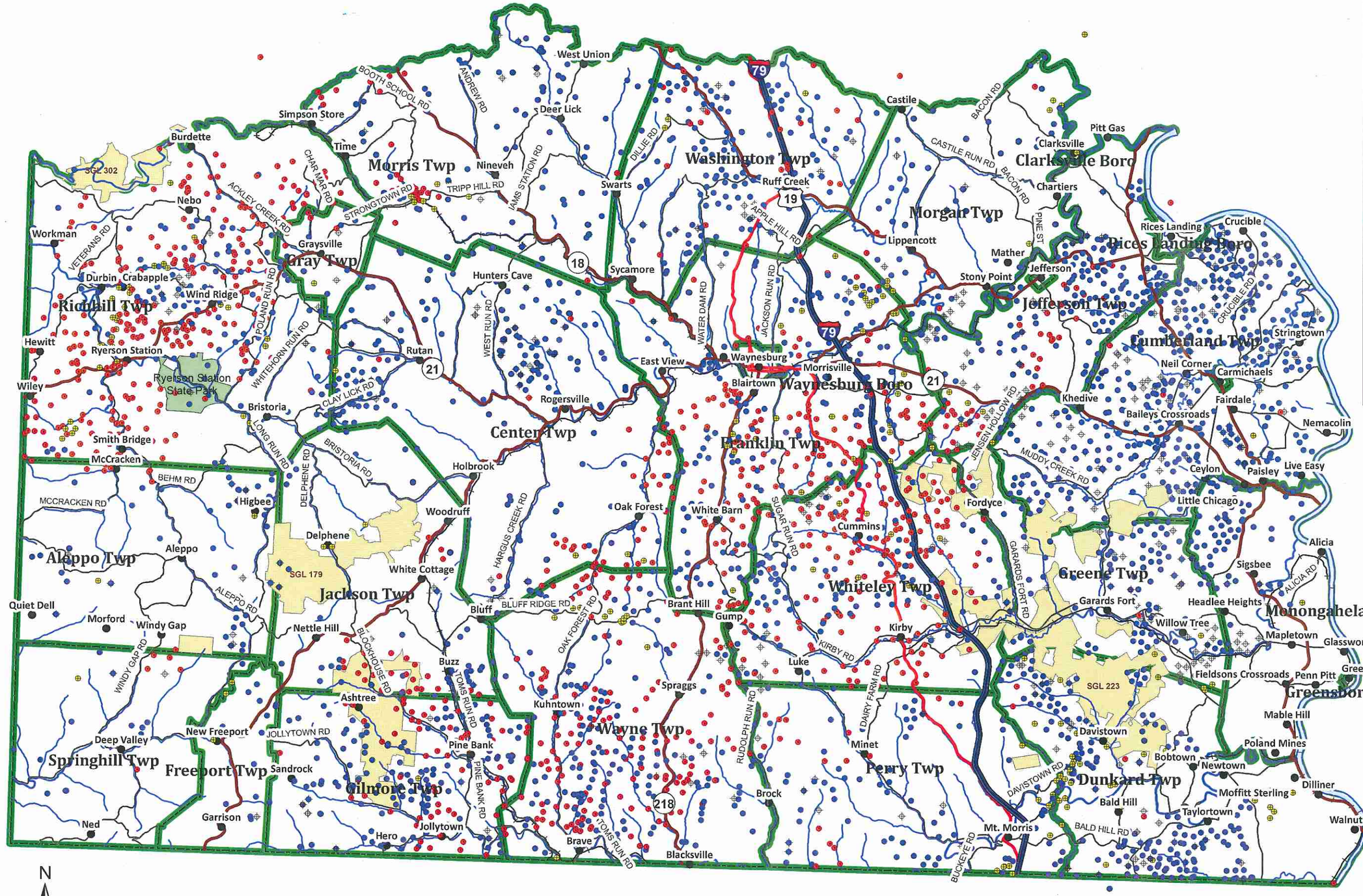
In order to sustain and create upward growth, Greene County needs the opportunity to provide resources for developers to build, and to provide decent housing for long-term workers in the downstream market. With the plans to construct a Shell ethane cracker plant in Beaver County, Southwestern Pennsylvania will reap enormous benefits from the estimated economic output and job creation. We need to be competitive in attracting some of that workforce to live in Greene County, and we simply cannot do that without housing and infrastructure.

In Greene County, we consider ourselves faced with a perfect storm situation. We have an ample supply of Marcellus Shale wells, and with four interchanges off of Interstate 79, Greene County is in a unique position to shorten the supply chain and invest in manufacturing and distribution. If the supply is in Greene County, why not also manufacture in Greene County

instead of exporting the work out of Pennsylvania? Again, we can't do that if the employees of those plants don't have a house to move into.

Greene County is one of the top six contributors to the surplus allocation. Because of the contribution Greene County has made to gaining access to this natural gas miracle, it is unfair for us to compete with 37 other counties, some of which may have only one or two wells within their county lines compared to our 502. We are not simply making a case to earn support based on our production levels alone, although such a case could be made. There is truly a need in Greene County, and our residents will suffer if we cannot reinvest the money made from these Marcellus Shale impact fees into Greene County housing. Greene County needs the flexibility to use these funds to invest in new development of safe, affordable housing for our citizens. We also need to invest in the rehabilitation of our blighted properties. We are asking you to recognize the need of rural areas and give greater weight and priority to rural counties with a demonstrated need, like Greene County, in the allocation of the funding.

I would like to thank the Senate Urban Affairs and Housing Committee for inviting us to speak and address the impact of Marcellus Shale development on our housing. It is my hope that you have a better understanding of the plight that exists in Greene County and will be receptive to our needs. Thank you.



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Greene County, Pennsylvania
Oil & Gas Locations

Data Sources:
Greene County GIS Group,
PennDOT, USGS, PA DEP,
PA DCNR, PA Game Commission,
Southwest PA Commission

Pipelines

- Natural Gas Transmission
- Liquid Propane Transmission
- Gathering or Distribution Lines

Map Symbols

- Towns
- Acitve Rail Lines
- Major Streams
- State Park
- State Gamelands
- Greene Municipalities

Greene County has approximately 730 miles of transmission pipelines, (not including gathering or distribution) compared to approximately 575 miles of PennDOT maintained roads, and 841 miles of township maintained roads.

West Union, Deer Lick, Simpson Store, Burdette, Time, Nineveh, Swarts, Ruff Creek, Castile, Pitt Gas, Clarksville, Teagarden Homes, Chartiers, Rices Landing, Crucible, Rices Landing Boro, Lippencott, Mather, Jefferson, Stony Point, Nebo, Workman, Graysville, Durbin, Crabapple, Wind Ridge, Hunters Cave, Sycamore, Hewitt, Ryerson Station, Wiley, Rutan, East View, Waynesburg, Blairtown, Morrisville, Stringtown, Neil Corner, Khedive, Carmichaels, Fairdale, Baileys Crossroads, Nemacolin, Bristoria, Rogersville, Smith Bridge, McCracken, Holbrook, Higbee, Woodruff, Oak Forest, White Barn, Cummins, Fordyce, Ceylon, Paisley, Live Easy, Little Chicago, Alicia, Sigsbee, Aleppo, Delphene, White Cottage, Quiet Dell, Morford, Windy Gap, Nettle Hill, Bluff, Brant Hill, Gump, Kirby, Luke, Garards Fort, Headlee Heights, Willow Tree, Mapletown, Glassworks, Fieldsons Crossroads, Penn Pitt, Greensboro, Mable Hill, Davistown, Poland Mines, Bobtown, Newtown, Moffitt Sterling, Dilliner, Bald Hill, Taylortown, Walnut Hill, Buzz, Ashtree, Kuhntown, Spraggs, Deep Valley, New Freeport, Pine Bank, Sandrock, Garrison, Ned, Hero, Jollytown, Brave, Blacksville, Brock, Minet, Mt. Morris

Morris Twp, Washington Twp, Morgan Twp, Jefferson Twp, Waynesburg Boro, Richhill Twp, Gray Twp, Center Twp, Franklin Twp, Cumberland Twp, Aleppo Twp, Jackson Twp, Whiteley Twp, Greene Twp, Monongahela Twp, Springhill Twp, Freeport Twp, Gilmore Twp, Wayne Twp, Perry Twp, Dunkard Twp

SGL 302, SGL 179, SGL 223

Ryerson Station State Park

79, 221, 19, 188, 21, 218

NEBO RIDGE RD, SAWMILL RD, CHAR MAR RD, MARTIN RD, STRONGTOWN RD, BOOTH SCHOOL RD, ANDREW RD, IAMS STATION RD, DILLIE RD, WATER DAM RD, JACKSON RUN RD, CASTLE RUN RD, BACON RD, CRUCIBLE RD, HAVERS HILL RD, JENSEN HOLLOW RD, MUDDY CREEK RD, CEYLON RD, COLVIN RD, GARARDS FORT RD, FORDYCE RD, MARANDA RUN RD, CLAY LICK RD, WEST RUN RD, DODDS RIDGE RD, ALEPPO RD, LONG RUN RD, BRISTORIA RD, BEHM RD, MCCRACKEN RD, WHITE BARN RD, OAK FOREST RD, KIRBY RD, DAIRY FARM RD, RUDOLPH RUN RD, TOMS RUN RD, HERODS RUN RD, WINDY GAP RD, NED RIDGE RD, DAVISTOWN RD, BUCKEYE RD

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Greene County, Pennsylvania

Gas Pipelines

Transmission and Gathering/Distribution Lines

Base Map Data Sources:
Greene County GIS Group, PennDOT, USGS, PA DEP, PA DCNR, PA Game Commission, Southwest PA Commission

Pipeline Data Sources:
Greene County GIS Group, National Pipeline Mapping System, U.S. Bureau of the Census