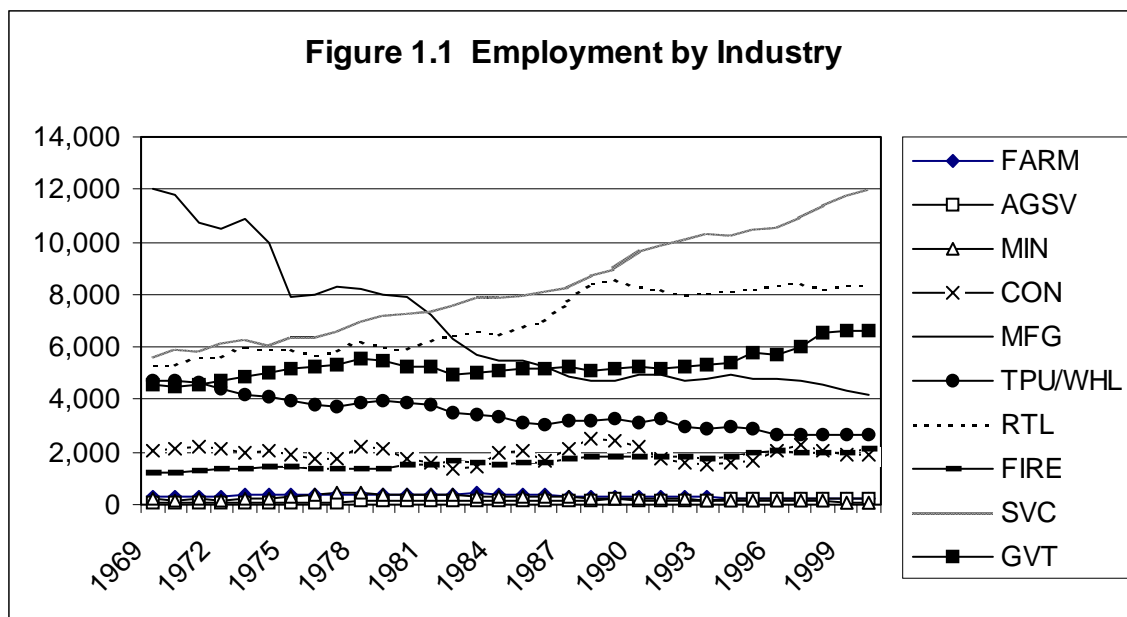


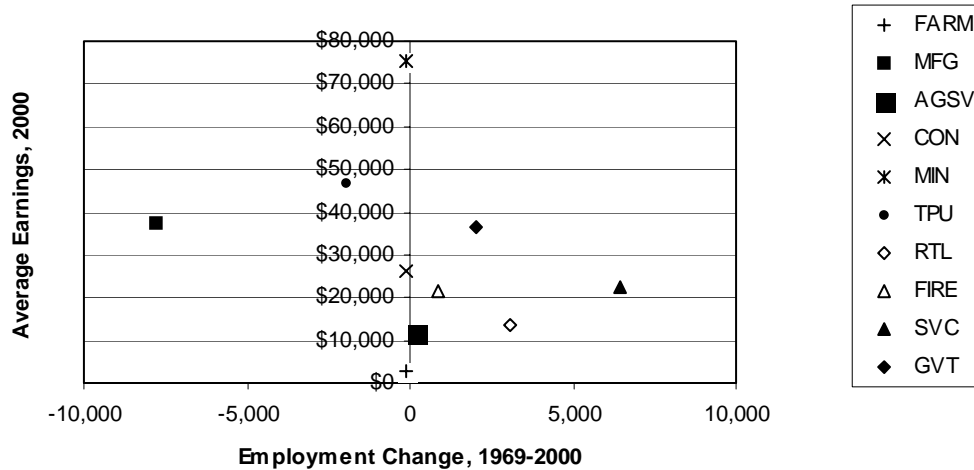
1.0 Economy

Cumberland is located in western Maryland, equidistant from Washington, DC, Baltimore, MD, and Pittsburgh, PA. Economically, it more closely resembles the Monongahela Valley Industrial region of southwestern Pennsylvania than it does the rest of the state of Maryland. Like the Mon Valley, Allegheny experienced a rapid decline in high-paying manufacturing jobs during the 1980s (see figure 1.1—employment time series). These losses were aggravated by the closure of Kelly Springfield (Tires), Celanese (Chemicals), and Pittsburgh Plate Glass. Although three major industrial employers continue to function in the region (Westvaco—Luke, MD; CSX—Cumberland, MD, and ATK—Rocket Center, WV), the area is much more economically diversified than before, with a larger proportion of jobs in the services, retail trade, and government sectors. The area has succeeded also in attracting a number of light manufacturing (e.g., Hunter Douglas, Bayliner, Biederlack), service (e.g., Biospherics, Cyberrep, Litton Industries), and government (WCI and FCI) employers, albeit ones that often pay less than the manufacturing jobs that were lost. Figure 1.2 shows a wage gradient that illustrates the economic re-structuring during the last thirty years which has resulted in the replacement of higher wage industries (each mark represents an employment sector described in the legend) with lower wage industries.



Source: Bureau of Economic Analysis, Regional Economic Information System (FARM=Farming; MFG=Manufacturing, AGSV=Agricultural Services and other, CON=Construction; MIN=Mining; TPU=Transportation, Communication, and Public Utilities; RTL=Retail Trade; FIRE=Finance, Insurance, and Real Estate; SVC=Services; GVT=Government).

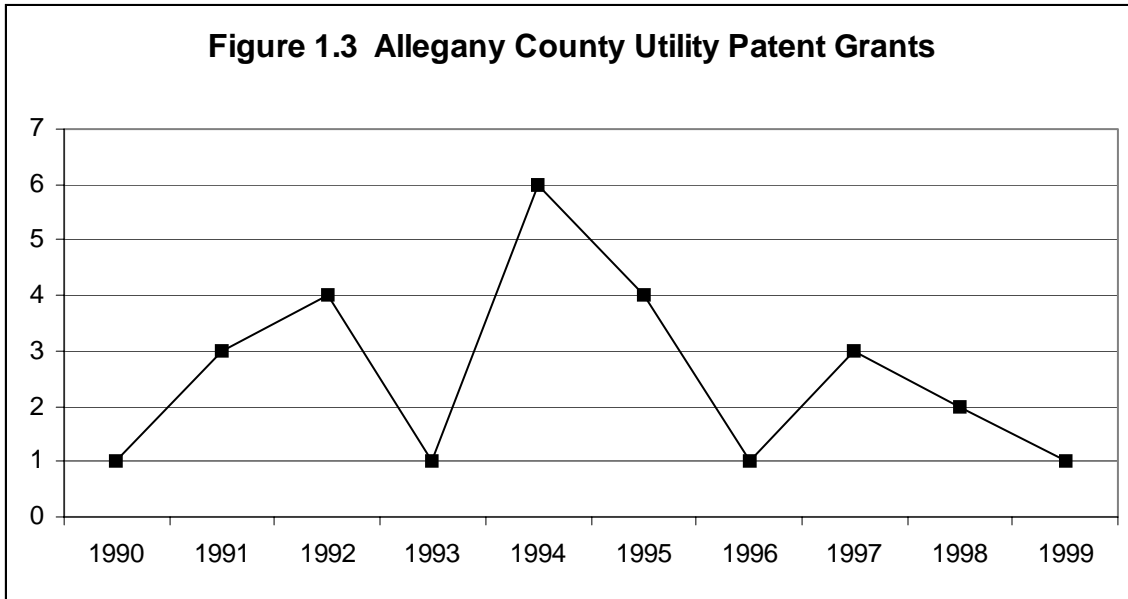
Figure 1.2 Employment Change vs. Average Earnings



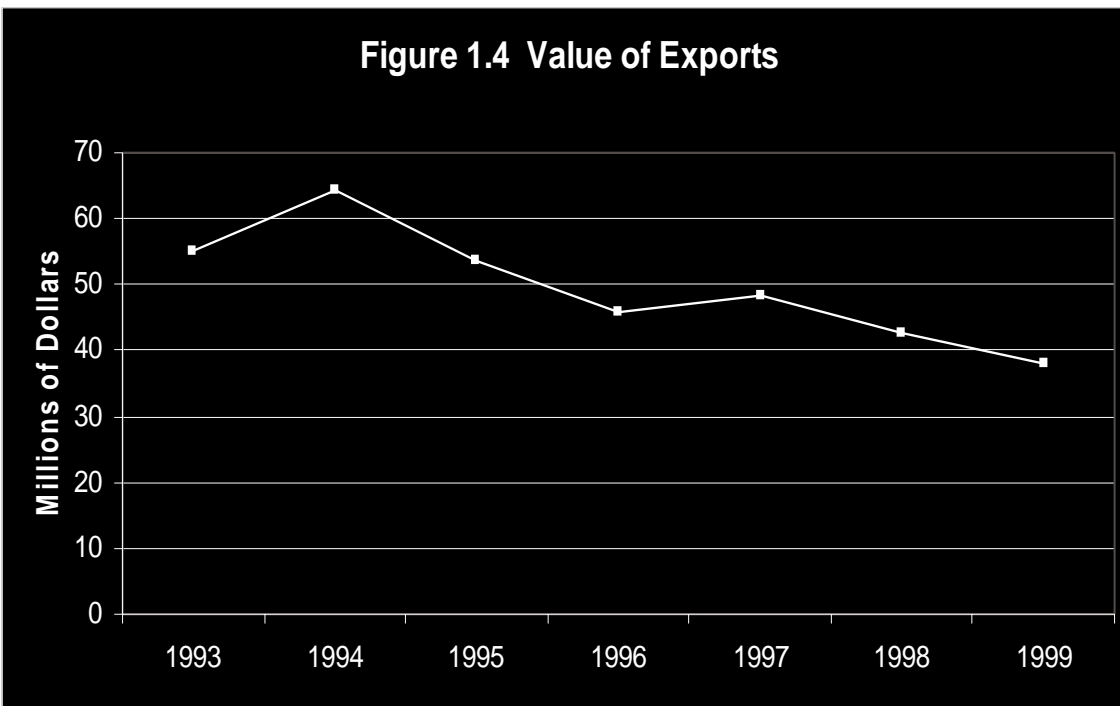
Source:

Bureau of Economic Analysis, Regional Economic Information System.

The County experienced little of the “new economy” bonanza during the late 1990s that affected other areas of the state. Growth in such leading-edge, high growth sectors as telecommunications, computer software, and biotechnology has been insignificant, innovative and inventive activity has been weak, entrepreneurship lags behind comparable regions, and the global economy has made few new inroads. Innovation activity as reflected in the number of utility patents issued to firms and individuals residing in the Cumberland MD-WV metropolitan area has declined and is among the weakest of all U.S. metropolitan areas. Allegany County totals (see figure 1.3) represent an insignificant proportion of statewide totals (less than .1% of state totals in 1999). A recently published index of entrepreneurial firm growth shows that the Labor Market Area (LMA) centering on Cumberland ranks 135th among 138 LMAs in the 150,000-300,000 population size class in the United States (National Commission on Entrepreneurship 2001). The value of exports from the Cumberland, MD-WV metropolitan areas has receded over the past seven (see figure 1.4) years at the same time that exports expanded in 87 percent of U.S. metro areas (Source: U.S. Department of Commerce, Metro Area Exports).

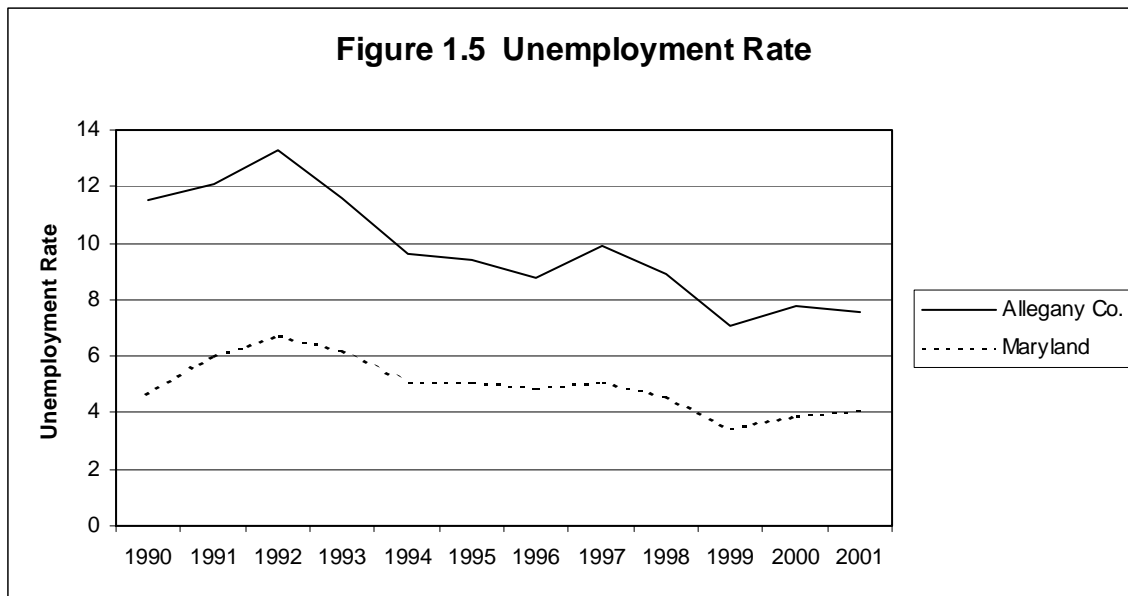


Source: Office for Patent and Trademark Information, U.S. Patent and Trademark Office.

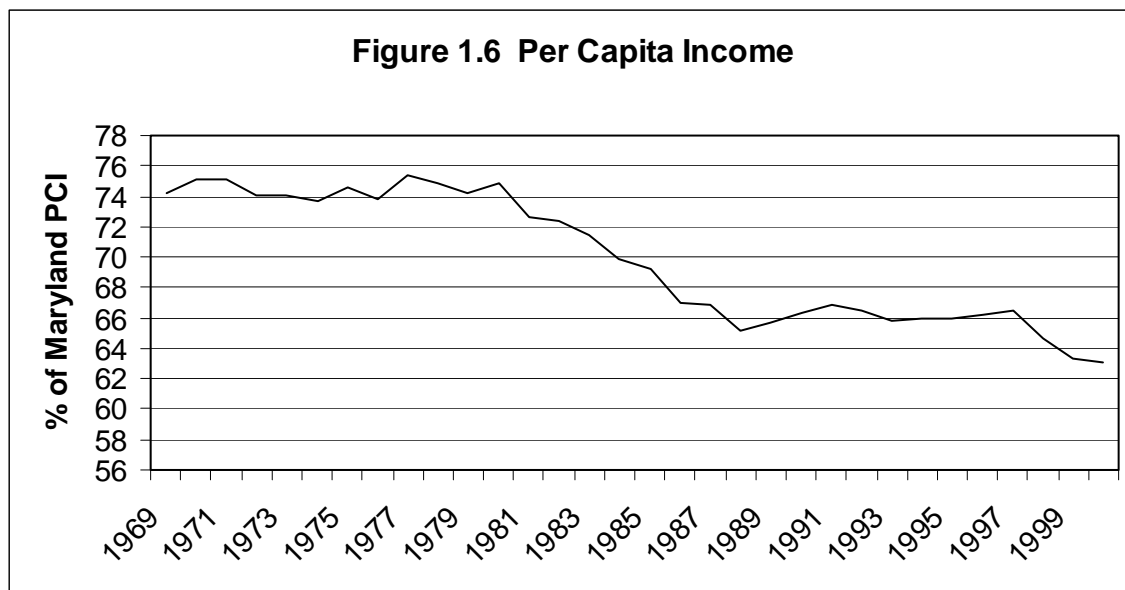


Source: U.S. Department of Commerce, Office of Trade and Economic Analysis, International Trade Administration, Metro Area Exports.

Despite some local job creation and a buoyant State economy, the County continues to experience relatively high unemployment rates (figure 1.5). In 2001, the County's rate was exceeded only by Garrett, Dorchester, Worcester County and Baltimore City. Moreover, because many of the high-paying manufacturing jobs have been replaced with lower paying service and retail trade jobs, the County and City have experienced a large drop in economic wellbeing. One measure of well being, per capita personal income, dropped from approximately 77% of the State average in 1969 to approximately 63% today (see figure 1.6)—the lowest figure in this thirty-two year period. Moreover, median household income for the City was \$25,142 according to the 2000 Census. This figure is less than half of the State median household income (\$52,868) and the lowest among Maryland's larger municipalities (see table 1.1).



Source: Maryland Department of Labor, Licensing, and Regulation



Source: Bureau of Economic Analysis, Regional Economic Information System.

Table 1.1. Median Household Income and Poverty Rate for Maryland's Largest Cities

	Population	Median Household Income	Family Poverty Rate
Baltimore	651,154	30,078	18.8%
Gaithersburg	52,613	59,879	7.1%
Bowie	50,269	76,778	0.7%
Rockville	47,388	68,074	5.6%
Frederick	40,617	47,700	4.8%
Hagerstown	36,687	30,796	15.1%
Annapolis	35,838	49,243	9.5%
College Park	24,657	50,168	4.2%
Salisbury	23,743	29,191	16.5%
Cumberland	21,518	25,142	15.3%

Source: U.S. Census

These economic circumstances are also reflected in the economic condition of families on the lower end of the economic ladder. Cumberland poverty stands at 15.3% for families, 19.8% for individuals, and 29.4% for related children under the age of 18 according to the 2000 Census. The family poverty rate is among the highest in the State, exceeded only by Baltimore City and Salisbury among the 10 largest cities.

2.0 Demographics

Driven by industrial job losses and decentralization to adjoining suburbs, Cumberland has experienced a steady exodus of population since the mid 1950s (see table 2.1). Whereas residents once made up as much as half of county population, that figure now stands at less than one-third. The population that remains is older (see table 2.2) (40.6 years in 2000 versus 39.3 in 1980).

Like other areas in the state and nation, the City is more ethnically diverse than previously. Presently, approximately 7.5% of the population is of minority background versus 5.2% indicated in the 1990 Census. Whereas the city experienced a net loss of 10.3% of whites during the 1990s, the black population grew by approximately 3.9%.

Table 2.1. Population

	Cumberland	Allegany Co.	% Population
1940	39,483	86,973	45.4%
1950	37,679	89,556	42.1%
1960	33,415	84,169	39.7%
1970	29,724	84,044	35.4%
1980	25,933	80,548	32.2%
1990	23,712	74,946	31.6%
2000	21,518	74,930	28.7%

Source: U.S. Census

Table 2.2 Age

Age	1980	1990	2000
<5 Years	6%	7%	6%
5-19 Years	21%	18%	19%
20-44 Years	29%	32%	31%
45-64 Years	24%	21%	23%
65+ Years	20%	21%	21%
Median	39.3	39.5	40.6

Source: U.S. Census

3.0 Housing

Because of losses in population in Cumberland over the past several decades, there has been very little new housing construction in the City limits. For example, an average of only 5 housing permits were issued during the past six years (see table 3.1). The slow rate of new housing construction sustained for several decades has resulted in an older housing stock. Approximately 53 percent of housing units were built before 1939 (Source: U.S. Census). Moreover, much of the housing is substandard, underutilized or vacant. Using criteria and data from the Community Development Department, the most recent *Consolidated Plan* shows that 35% percent of owner-occupied units are substandard with 80% considered ‘suitable for rehabilitation.’ Of city rental units, 35% are substandard, with 87% capable of being rehabilitated. Moreover, according to 2000 Census results, the vacancy rate for homeowner units is 4.4% and for rentals is 13%, large increases over 1990 Census rates of 2.5% and 7.7% respectively.

The presence of so many older, underutilized, and poorly maintained units has resulted in a significant atrophy of the housing stock during the past 10 years. Cumberland had 11,143 housing units in 2000 as compared to 11,562 in 1990, a decrease of almost 4 percent. The area’s stagnant housing market is also reflected in lagging housing re-sale prices. According to a comprehensive regional housing price index issued by the Office of Federal Housing Enterprise Oversight, housing values in the Cumberland MD-WV MSA have appreciated only 23.2% since 1995 (versus 35% for the State). Information available from the Metropolitan Regional Information System, a database of private real estate transactions, reinforces the picture of an overall weak market, with average prices and sale to list price ratios showing relatively little movement (see table 3.3).

On the positive side, relatively low housing prices and the assistance of agencies like Neighborhood Housing Services (NHS) and Interfaith Housing of Western Maryland have expanded opportunities for homeownership. In 1990, 55.4% of occupied housing units were owner-occupied, but this figure stands at 58% in 2000. Moreover, while the population has declined, a drop in the average household size has resulted in the occupancy of housing units that would have otherwise remained vacant. Finally, while the new construction market has been stagnant, local realtors and some professional consultants suggest that there may be latent demand for some housing market segments within the city (e.g., downtown apartments, retirement homes, and middle/upper class dwellings) [see Hammer, Siler, and George Associates 2000 and Morton Hoffman and Company, Inc. 1999].

The City recently funded a more comprehensive study of the local housing market to measure city housing quality and identify unmet needs.

Table 3.1. Number (and value) of Residential Construction Permits issued

	#	Value
1996	8	\$1,110,595
1997	6	\$667,000
1998	8	\$957,328
1999	4	\$749,000
2000	1	\$136,000
2001	3	\$350,000

Source: City of Cumberland, Community Development

Table 3.2 Regional Housing Price Index

1997 4	109.6
1998 1	104.5
1998 2	106.6
1998 3	105.7
1998 4	114.9
1999 1	107.8
1999 2	110.2
1999 3	110.5
1999 4	106.8
2000 1	109.3
2000 2	107.2
2000 3	109.4
2000 4	115.7
2001 1	117.6
2001 2	116.9
2001 3	119.7
2001 4	118.6
2002 1	123.3

Source: Office of Federal Housing Enterprise Oversight.

Note: The Index tracks average house price changes in repeat sales or refinancings on the same single-family properties financed by Fannie Mae or Freddie Mac.

Table 3.3 Metropolitan Regional Information Systems, Inc. Year End Real Estate Trend Indicators for Allegany County.

	Total Sales	Avg. sale Price	Median sale Price	Units Sold	Avg. Days	Avg. list Price	Sale/List Price
2001	\$40,559,815	\$77,110	\$62,750	526	194	\$86,044	89.62
2000	\$42,819,911	\$75,922	\$65,000	564	184	\$83,972	90.41
1999	\$39,067,259	\$74,272	\$62,350	526	133	\$83,119	89.36
1998	\$35,250,717	\$72,087	\$59,000	489	140	\$79,850	90.28
1997	\$31,197,728	\$68,566	\$59,000	455	220	\$73,722	93.01
1996	\$23,328,045	\$69,429	\$59,700	336	280	N/A	N/A

Source: Metropolitan Regional Information Systems, Inc. – MLS Resale data.

4.0 Neighborhood Variation

Like other cities, the average socioeconomic levels of residents and quality of housing stock varies significantly by neighborhood of residence. The 2000 Census identifies both Census Block information (for short-form census items) and Census Block Group information (for long-form census items). Both are presented here.

Figure 4.1 reports results of family income by Census Block Group. It shows that the highest average family incomes occur on Cumberland's West Side and the Mapleside/Johnson Heights neighborhood of the South End. The poverty map presents an inverse picture of family income, with the highest poverty rates exhibited in the vicinity of both Maryland and Virginia Avenues on the South End. The City's black population (see Figure 4.3) is fairly well distributed with very little visual association with income levels. However, measures of housing occupancy (Figure 4.4), vacancy (Figure 4.5), age (Figure 4.6), and value (Figure 4.7) tend to mirror income

Although this information indicates that the primary targeted neighborhoods in Zone 1 and 2 of the Community Legacy area have slipped below the city wide average in terms of income, homeownership levels, vacancy rates, housing age, and housing value and, although it does signal that there are negative trends present, the City of Cumberland feels that they have not tilted beyond correction and stand ideally suited for the types of re-investment that Community Legacy funding will allow.

Figure 4.1 Family Income

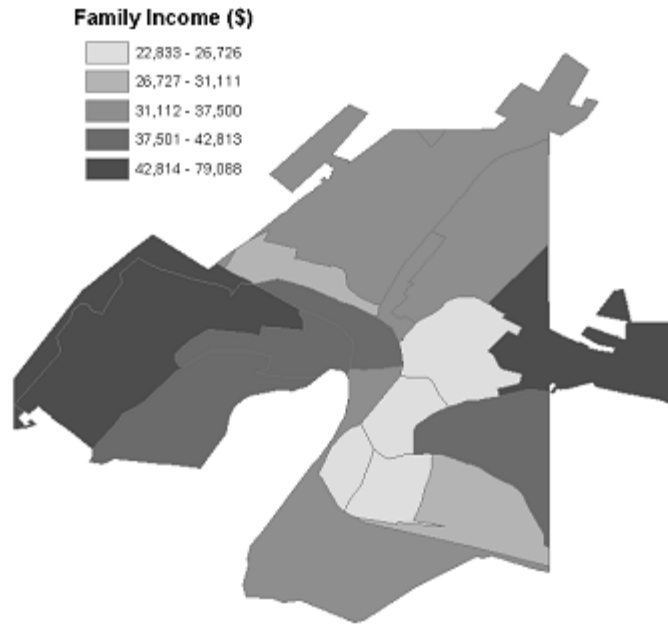


Figure 4.2 Poverty Percentage

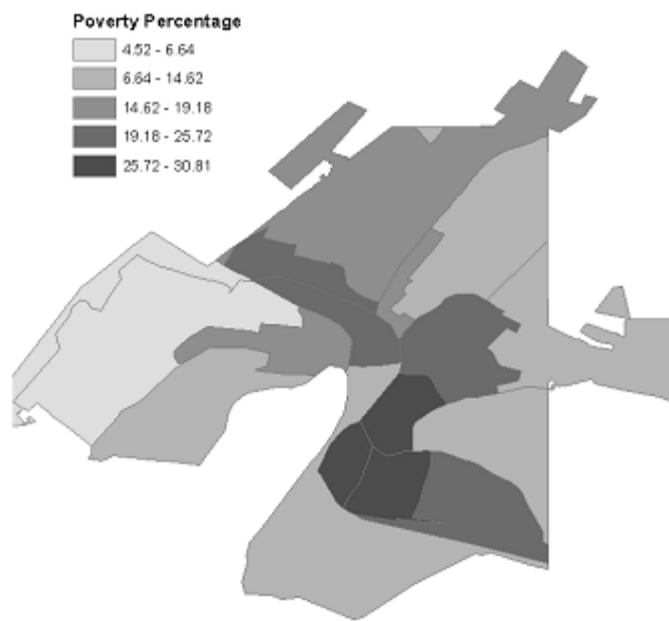


Figure 4.3 Percentage Black

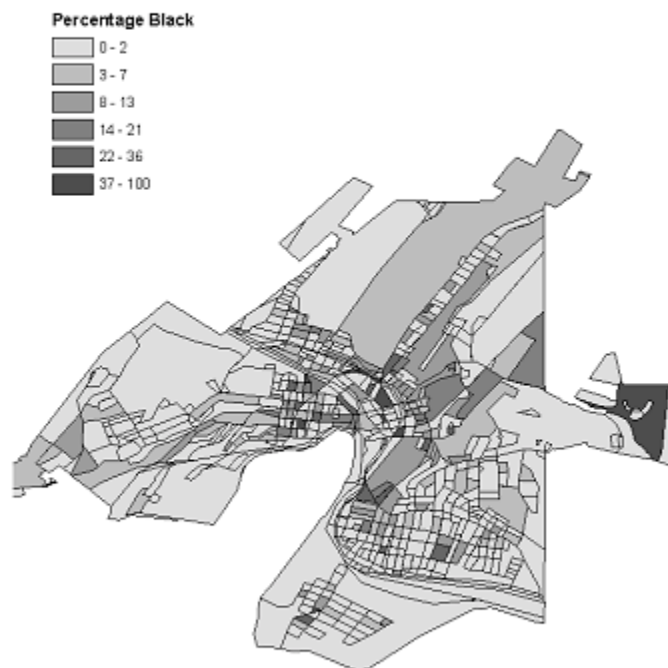


Figure 4.4 Owner Occupied Housing

Owner Occupied Units/All Housing Units

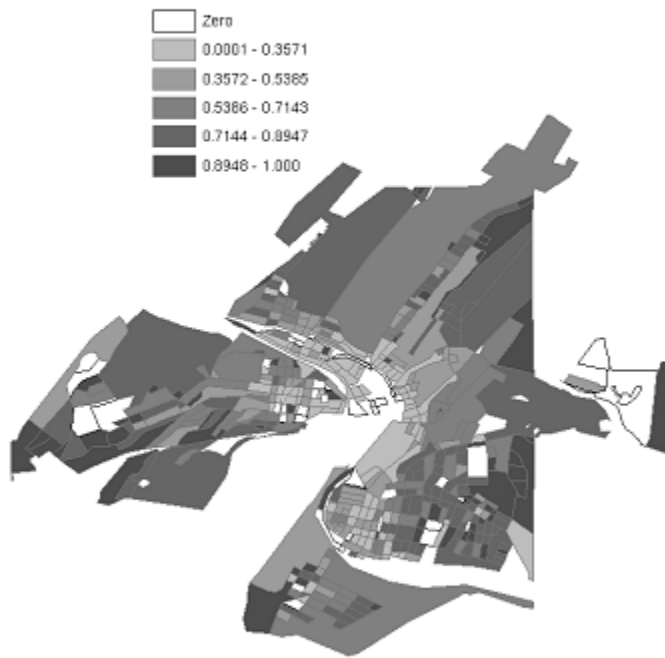


Figure 4.5 Vacant Housing

Vacant Units/All Housing Units

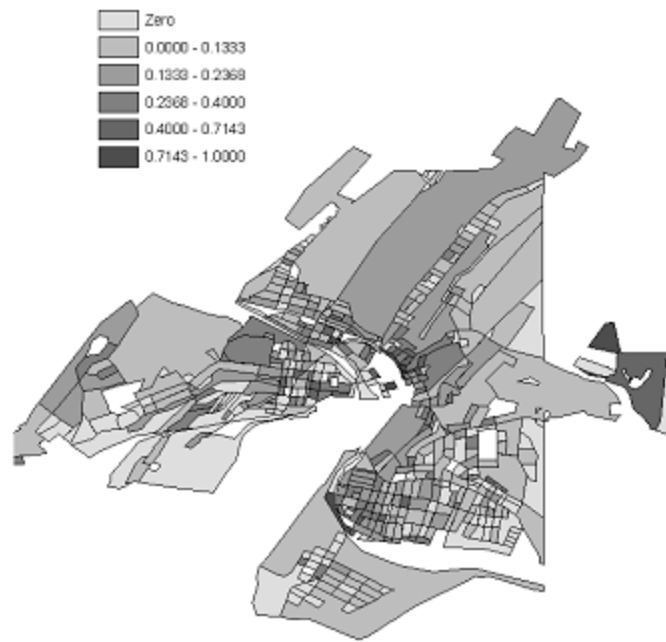


Figure 4.6 Housing Built Before 1940

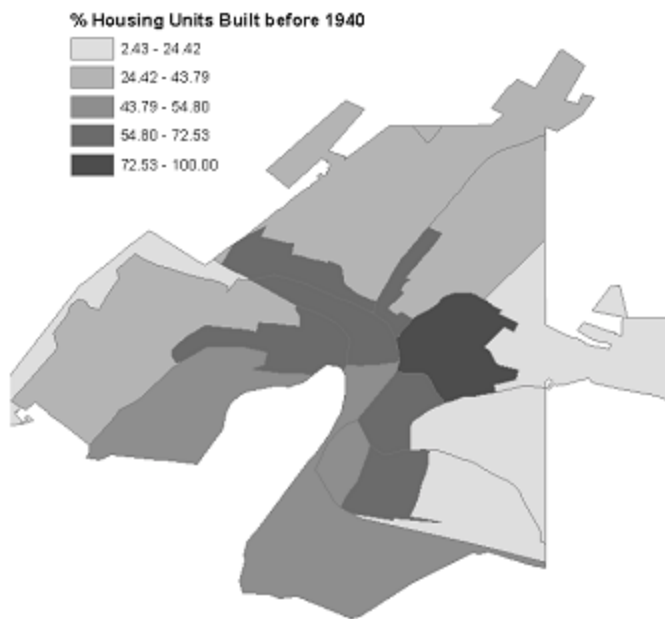
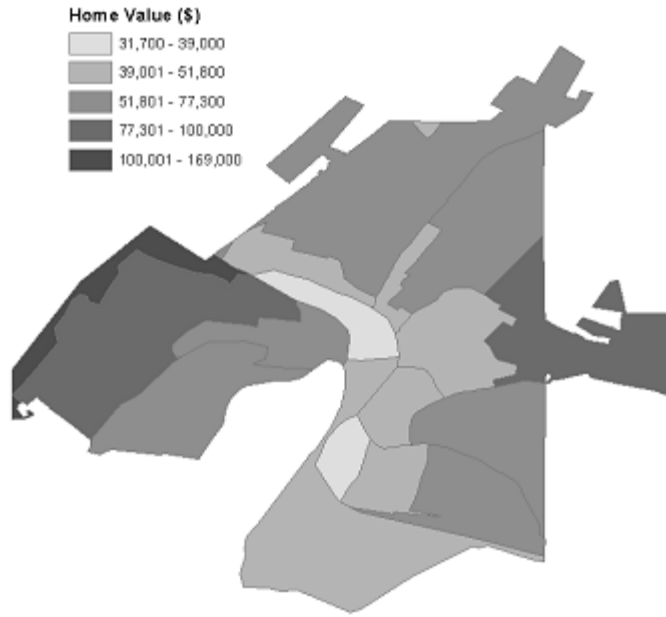


Figure 4.7 Home Value



5.0 Crime

During the last six years, Cumberland serious crime on a per-capita basis has grown slightly. This pattern differs from the rest of the State where crime rates have dropped. Whereas six years ago, Cumberland's crime rate was below the Maryland average, it now stands at a significantly higher level. The loss of middle-income residents, high poverty rates, and lack of economic opportunity may be factors that are contributing to these divergent experiences.

Table 5.1 Index crimes per 100,000 residents

	Cumberland	Allegany Co.	Maryland
1995	5,650	3,180	6,295
1996	6,021	3,408	6,062
1997	6,077	3,486	5,653
1998	6,372	3,545	5,366
1999	6,408	3,311	4,919
2000	5,824	N/A	4,816

Source: FBI, UCR

Note: This data is for violent crime or Part 1 crimes, including murder, rape, robbery, aggravated assault, burglary, theft, M/V theft, & arson

6.0 Education

The educational achievement levels of the city residents lag behind those of the county and state. High school diploma attainment figures for residents 25 years of age and older are lower than the state average (83.8%), with Allegany County at 79.9% and Cumberland at 79.3%. Although Allegany County is the location of two colleges: Frostburg State University (with undergraduate and limited graduate programs) and Allegany College (a two-year community college), college educational attainment levels are much lower than the rest of the state. According to 2000 Census results, 31.4% of Maryland residents 25 years of age and older hold at least an undergraduate degree. The comparable figures for Allegany County and Cumberland are 14.1% and 13.0% respectively.

Another indicator of the significant challenges which face the area in educating the next generation of residents is the quality and funding of the Allegany County school system. As shown on the table 6.1, Allegany County currently ranks seventh from last in the state in terms of per-pupil expenditures, a figure that is significantly affected by a much lower local tax base. Also, County educators are educating students drawn from families with limited financial resources as reflected in the percentage receiving free or reduced lunches. The city hosts three schools with among the highest proportion of students receiving free or reduced lunches in the county (John Humbird Elementary 72.3%, West Side Elementary 66.1%, and South Penn Elementary 56.3%).

Table 6.1 County Funding Comparisons (rank from bottom in parentheses)

	Per Pupil Expenditures	Wealth per Pupil	% Free and Reduced Lunches
Allegany	\$6,741 (7 th last)	\$159,697 (4 th last)	54.2% (3 rd highest)
Anne Arundel	\$7,104	\$307,219	20.7%
Baltimore City	\$7,911	\$137,321	76.2%
Baltimore County	\$7,281	\$298,646	32.0%
Calvert	\$6,639	\$244,614	14.2%
Caroline	\$6,376	\$146,536	46.8%
Cecil	\$6,645	\$194,645	17.5%
Charles	\$6,747	\$217,406	24.0%
Dorchester	\$7,396	\$191,696	46.6%
Frederick	\$6,512	\$226,666	15.1%
Garrett	\$6,946	\$207,070	48.8%
Harford	\$6,396	\$218,244	19.4%
Howard	\$7,724	\$309,644	10.0%
Kent	\$7,948	\$294,191	41.8%
Montgomery	\$10,201	\$416,288	28.2%
Prince George's	\$7,042	\$206,571	51.8%
Queen Anne's	\$6,901	\$279,656	17.1%
St. Mary's	\$6,883	\$215,734	25.7%
Somerset	\$8,029	\$155,967	59.8%
Talbot	\$6,676	\$462,727	35.2%
Washington	\$6,735	\$216,274	31.6%
Maryland	\$7,622	\$262,347	36%

Source: MSDE Report Card, 2001.

7.0 Health

Allegany County is an outlier on many health indicators. The major indicators of health status reflect in part poor socioeconomic conditions. Allegany County leads the state in deaths from heart disease and chronic pulmonary disease; the age adjusted coronary heart disease mortality rate is 359. The teen pregnancy rate per 1,000 females is 40 with over 15% of pregnant women receiving no prenatal care in the first trimester (Tri State Community Health Center Project Summary).

The quality and availability of health services for low and moderate income residents is inadequate. In the most recent Maryland State Department of Health & Mental Hygiene Primary Care Access Plan, Allegany County was designated as one of the worst health service areas in the state, with on of the worst overall scores, poor health status with high overall need, and low health resources with poor health status. According to the Maryland State Primary Care Access Plan, twenty two percent (or 15,735) of Allegany County residents are uninsured. In addition, a large portion of the county has been designated a Medically Underserved Area (MUA), and the entire county has been declared a Health Professional Shortage Area (HPSAs).

Unmet needs in the vicinity of downtown Cumberland are particularly evident. A survey of local residents conducted in zone 1 of the Community Legacy Plan by the Western Maryland Area Health

Education Center revealed that (1) 38% of respondents said that they had no regular doctor or clinic, (2) More than 33% said they were unable to see a doctor when they felt they needed to do so, (3) Over a third cited lack of insurance as a barrier to getting health care, and (4) Two-thirds of that group indicated that inability to pay out of pocket prevented them from seeking care.

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b. Obstacles to investment

Discuss significant concerns, perceptions, needs, and/or issues pertaining to the proposed *Community Legacy Area*.

Obstacles to investment

(1) *Political geography*. The location of the city in the narrow neck of the Western part of the State places it in a unique situation. Pennsylvania is only two miles to the North and West Virginia is a mile to the South. Because of the shape of Allegany County and the geographic orientation of its mountains its economic and social systems trend North and South and are thus tri-state in nature. However, these political boundaries create obstacles to consolidation and collaboration.

(2) *Business site availability*. Most of the city consists of built up areas, steep slopes, and flood plain. Land suitable for development consists of relatively small tracts.

(3) *Labor force quantity and education*. The Cumberland workforce is relatively aged and less educated than found in other nearby metropolitan areas.

(4) *Access to health care*. Allegany County has a shortage of primary care providers, is designated a Medically Underserved Area, and has been declared a Health Professional Shortage Area. It also has

high levels of uninsured residents. According to the recent Maryland State Department of Health and Mental Hygiene Primary Care Access Plan, Allegany County is one of the worst health service areas in the state with one of the worst overall scores. The number of residents with poor health status and high overall need is high.

(5) *High tax rates.* Stagnant local property values and loss of business firms has required the city to raise property tax rates over the past decades in order to maintain a consistent level of public services. However, many regional homeowners and businesses consider the rates high and therefore often choose to live, operate, and build elsewhere.

(6) *Building and zoning regulations.* Cumberland and Allegany County codes are regarded as more onerous than those in adjoining states.

(7) *Employment location.* People tend to live close to where they work. However, as employment grows in locations outside the city, it becomes more likely that residents too will live outside the city.

(8) *Entrepreneurship and small business development.* The area has a relatively low level of new business formation and access to capital is more restricted.

(9) *Innovation.* The area has a relatively low rate of invention and innovation.

(10) *Growth locations elsewhere.* The presence of job opportunities within 90 miles (Hagerstown, Frederick, Winchester) of Cumberland has resulted in the exodus of workers to these locations.

(11) *Loss of traditional industrial base.* Traditional reliance on a few large industries resulted in significant employment and income losses when these industries closed down. The loss of these key enterprises is still being felt.

(12) *Transportation.* The area lacks a north-south multi-lane highway and has had intermittent air commuter service over the past few years.

(13) *Regional commercial competition.* Growth of commercial areas in LaVale has affected business in Cumberland CBD.

(14) *Infrastructure needs.* There is a lack of funds for significant infrastructure improvements to accommodate business expansion in the city, even at current high tax rates.

(15) *Resident income.* City residents have a low level of disposable income for consumption and investment.

(16) *Aging housing stock.* The average age of Cumberland's housing stock is 60 years with 78% of all housing stock built prior to 1978. Not only are the older houses not always preferred by today's average homeowner, but many present financial challenges, needing complete system upgrades and other rehabilitation.

