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Its boom gone bust, Johnstown is turning hard times into hopeful times

A diamond in the rust

February 27, 2005 12:00 AM



By Paula Reed Ward Pittsburgh Post-Gazette

JOHNSTOWN, Pa. -- Nestled in the heart of the Laurel Mountains, Johnstown rightly earned itself a reputation as the heart of the American industrial revolution.



VWH Campbell, Post-Gazette Donato B. Zucco, mayor of Johnstown, in front of the abandoned Swank Building, which the city bought at auction. The building will be razed and a bank branch built in its place.

With coal mining and steelmaking, the city hit its peak in the 1950s, when more than 40,000 people went to work in those industries every day.

But as happened everywhere that people relied on coke ovens and blast furnaces to make a living, the bottom fell out in the early 1980s, when interest rates climbed to 21 percent and the unemployment rate nearly hit levels seen only during the Great Depression. A population that once stood at 63,000 plummeted to 28,000, and well-paying jobs were scarce.

With such a bleak history, it might seem as if Johnstown had nothing left but to become another old, depressed steel town, like so many in the region before it.

But the city that was built on the backs of laborers from 23 countries has become known as a high-tech corridor, with biomedical research, information technology and military subcontractors leading the new-job revolution. At the same time, developers are bringing in more manufacturing jobs that were once so important.

Diversification

It may be a catchword these days, but for the Johnstown region, diversification means everything. Economic leaders rely on it to help stimulate their economy, and to keep existing jobs in place.

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Four Quick Questions

As a Pennsylvania hunter, I believe the current deer management plan is:

- Working well
- Getting better
- Getting worse
- As flawed as always

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Because she has courted every kind of business, Linda R. Thomson, president of Johnstown Area Regional Industries, a local economic development agency, brags about recent announcements. Gamesa, a windmill manufacturing facility, is coming in. Conemaugh Health System is planning to turn a brownfield into a high-tech park. In a few months, International Steel Group is expected to announce a coke plant that could produce up to 800 jobs between mining and the plant.

Over the next two years, the Johnstown area will need 2,000 people to fill new positions.

"I think that's the most positive thing we've seen," Thomson said.

She insisted that the progress wasn't anything new. In fact, local businesspeople have been working on it for almost 20 years. But, sometimes, she said, it takes a long time before all the groundwork is laid and the payoff starts coming in. That's what's happening now.

Over the past three months, the Johnstown region has announced the creation of at least 1,500 jobs over the next couple of years. Those include 300 at Gamesa and 150 at KDH Defense Systems, a company that manufactures bulletproof vests.

Two weeks ago, Conemaugh Health System announced its plans for a high-tech park at the old Sani-Dairy plant on Franklin Street. The plant has been vacant since Dean Foods bought out Sani-Dairy, then closed it in 1999.

The brownfield site is expected to hold one building along the Stony Creek River that stretches about 100,000 square feet and becomes the new home for InforMedx, Conemaugh's computerized billing agency; John P. Murtha Neuroscience and Pain Institute; and a technology incubator site. There would be room on the site for additional development in the future.

"The city really welcomed us," said Tom Kurtz, vice president of Conemaugh. Initially, the health system planned to put the facility in Richland, a few miles outside Johnstown, but the zoning there fell through, and Johnstown Mayor Donato Zucco offered the Sani-Dairy site.

The health system employs 3,500 people and is the largest employer for a four-or five-county area, Kurtz said.

"Our goal is to provide 1,000 jobs within five to 10 years," he said. "It's a huge project for us."

The state came through with \$5 million in grants and another \$2 million in low-interest loans, and the project is expected to begin before the end of the year.

The property is expected to be owned by a private developer who will lease the facility to Conemaugh, so it will be taxable.

"There's really nothing holding us back now," Kurtz said.

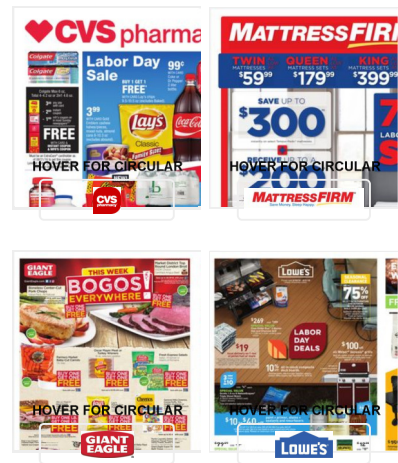
That's the same feeling coming from nearby Windber, Somerset County. There, the Windber Research Institute, a medical research center that opened in October 2001, is expanding rapidly.

It employs 45 scientists and will hire 50 more in the next six months. What started out as a heart disease and breast cancer research facility has expanded into all gynecological diseases. It is conducting the largest breast cancer vaccine trial in the world right now, President Nick Jacobs said.

Because of the success there -- the institute is finishing a 36,000-square-foot headquarters building -- more medical research and high-tech companies are looking to move into the region, Jacobs said.

"I really think it's coming together in a way none of us could ever have predicted," he said.

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Measured growth

Announcements like Conemaugh's, which could generate hundreds of jobs, are great, but economic development officials are just as happy when they can announce smaller companies moving into the region.

For example, Applied Ordnance Technology, based in Waldorf, Md., opened an office in downtown Johnstown in October 2003 and now employs 10 people, all of them local. The company offers engineering services and specializes in ordnance development. AOT has offices in Virginia, Maryland and New Jersey, and employs about 200 people.

Jon Asashon, 23, a programmer with the company, worried he'd never be able to find a job in computer science near his childhood home of Colver, Cambria County. During his junior and senior years at the University of Pittsburgh at Johnstown, all he heard was that the market for computer science, especially in that area, was terrible.

But then he found AOT.

Rick Williams, the technical lead at the company, moved to Johnstown from the company's Maryland office. He shares Asashon's enthusiasm for the area.

Local universities are a great source of information technology developers, he said, and the cost of living is low. The region has much to offer in the way of outdoor recreation, he said, and it's close to Pittsburgh and Washington, D.C.

"I love it here," he said. "I'd like to stay here permanently."

That's how Bill Kuchera felt. He was raised in Milwaukee, although his parents were from the Johnstown area, and they longed to return. That's how he, his brother and his uncle came to open Kuchera Industries 20 years ago in Windber.

They started with four people and now employ 300. Kuchera attributes his company's success -- they have formed another business, Kuchera Defense Systems, which does military contracting -- in part to U.S. Rep. John Murtha, D-Johnstown.

"That man is unbelievable," Bill Kuchera said. "He's the guy that opens all the doors. [But] he can't close the deal for you."

As ranking member of the Defense Appropriations Committee, Murtha has helped countless businesses not only locate in the region but also learn to compete to win federal contracts.

Even though these new high-tech industries are growing rapidly -- at a rate of about 35 percent a year, -- the service sector is still Johnstown's core employment base.

"It's a nice, balanced approach, and I think that's important," said Ronald Repak, the executive director of the Johnstown Redevelopment Authority.

Government cooperation

One of the factors in the region attracting so many new upstart businesses is the cooperation throughout the local, state and federal governments, Zucco said.

When he took office eight years ago, he made that one of his priorities, along with working with the smaller communities outside of Johnstown.

"We speak with one voice, and as a result we're making progress," he said.

Taking one voice to the funding sources -- state and federal governments -- makes it easier to get grants and low-interest loans, Zucco said.

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He has experience with that. The city recently spent \$25 million to build a conference center and renovate the War Memorial, a venue for concerts and sporting events. It also is in the process of renovating Point Stadium and recently finished the Heritage Discovery Center.

"It takes time," Thomson said. "Things don't happen overnight.

"When the economy gets better, we get better."

Even with all its recent successes, the Johnstown Metropolitan Statistical Area, which includes Cambria and Somerset counties, still has the highest unemployment rate of the 14 regions around the state. The current unemployment is about 7 percent, while the rest of Pennsylvania is around 5.6 percent.

"One must understand what we've been through," Repak said. "You've got a lot of pieces now fitting together. There's nowhere to go but up."

Paula Reed Ward can be reached at pward@post-gazette.com.

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