

Public works, private education revive Appalachian town

BY BETTY JOYCE NASH

The sign taped to the door of the Comfort Inn in Grundy, Va., warns guests to remove muddy boots before entering. That says a lot about the construction business in this coal mining mountain town of about 1,200 where the Levisa River and Slate Creek meet in southwest Virginia. There's the new strip mall going up by the motel, apartment buildings under way, one with 88 units, and construction of a second campus for the new pharmacy school that should be finished by August. The 10-year-old law school occupies a renovated schoolhouse.

But all that's nothing compared with the empty 13 acres awaiting construction across the Levisa from the flood-prone downtown. It's hard to find much flat land in one place, so a piece of mountain was shaved off for more space, leaving geological time visibly stacked up behind the future Grundy.

To demolish a town and literally build a brand-new one on higher ground is about as dramatic and rare as flood solutions get. But that's the plan for Grundy.

Between the highway, a floodwall, and the town site prep, the rebuilding of Grundy is costing taxpayers at least \$130 million. The economic hope is that the public works will lift the region's spirits and leverage growing private investment. Along with the law and pharmacy schools, Grundy's got a new Chinese restaurant and the promise of a Wal-Mart.

Long-Term Investment

Nobody expects the public investments in Grundy to pay off overnight. Maybe never, in any traditional economic sense. "The way I think it would be justified would be that you're going to set it on a new path," says Brad Mills, an economist at Virginia

Tech. "Eliminating the risk is going to create a better environment for investment and growth."

While that may turn out to be true, spending lofty sums on chronically flooded communities raises economic questions, similar to those being mullied in the wake of Hurricane Katrina. Edward Glaeser, an economist at Harvard University, wrote in *The Economists' Voice* on the merits of rebuilding New Orleans: "We could try to make good on the idea that the government provides insurance by rebuilding the city. Alternatively, we could provide residents with checks or vouchers, and let them make their own decisions about how to spend that money — including the decision about where to locate, or relocate, themselves." As Glaeser points out, in the old days, towns sprouted beside rivers, the transport mode of the day. Such

locations may no longer be desirable or viable.

Of course, in many mountain communities like Grundy, the only flat land around lies near rivers and streams — and the major industry remains coal. John Bock is project manager for the U.S. Army Corps of Engineers' Huntington, W.Va., district office. He says flood control projects in southwest Virginia, eastern Kentucky, and southern West Virginia yield benefits that can't necessarily be captured in typical analyses. "Are we providing direct protection for a coal mine? No. But we are providing livable communities so people can work these coal mines," he says. "We still have to find the most efficient way [to flood-proof], but we're going to do it."

Private investment will develop the new town across the river. The U.S. Army Corps of Engineers will build a floodwall, and the Virginia Department of Transportation will reroute U.S. Highway 460 on top of a new earthen levee.

Grundy is the county seat of Buchanan County, next to West Virginia and Kentucky. The county may have been built by coal, but it's also been burned by coal. "Coal is booming right now, but we have to look at the future," says Grundy Town Manager Chuck Crabtree. "In the 1970s nobody planned ahead."

At least the coal jobs resurrected by the current demand will buy time for the town to develop its retail and for the new universities to reach capacity, Crabtree thinks. New retail businesses plus the higher education institutions surely will bring new people and help attract new employers.

During the coal boom, everybody shopped downtown Grundy. In 1979, the county was home to about 38,000 people with a personal income that almost met the state and national averages. But a decade later, the population had fallen to 32,000, and the per-capita personal income slid to 66 percent of the state average and 70 percent of the national average. By 1999, the 27,500 people brought in 63 percent of the state average and 66

percent of the national average. Its 2004 population of about 25,143 again was at 63 percent of the state average and 69 percent of the national average. And almost 6,000 people in the county live below the federal poverty level, about 23 percent, compared with 10 percent statewide and 16 percent in Appalachian Virginia, according to 2000 data.

"We have gone from nearly 40,000 people down to about 25,000 people; you've got to remember there were no jobs," Crabtree says. The largest employers are the school system, the government, and the hospital. "For a young person to get a job he's going to have to go out and weed eat somebody's yard."

April 1977

Flora Rush did something most kids don't do anymore; she moved back to Grundy after college in 1978. She had just finished at Virginia Tech. Rush is an extension agent today with the Virginia Cooperative Extension and works with entrepreneurs. She returned, she says, because of the community spirit that prevailed during the hard times after the flood. "The people made the town, the people and the coal companies working together."

In April 1977, Grundy got the worst — the 100-year "flood event." Sixteen inches of rain in three days filled creeks and rivers and sent it all down to Grundy. Before the river crested at


22 feet above flood stage, five feet of water stood on Main Street. That flood killed three people and slammed 228 homes and businesses to the tune of \$15 million.

Roger Powers, who is Grundy's mayor and owns several businesses, remembers the flood of 1977; his grandfather owned Jackson Hardware, located in the 1930s-era downtown. "I don't think the town ever recovered; several people just didn't bother to fix up their buildings and left mud in the basements," he says.

The flood of 1977 wasn't the last flood, but it was the one people still talk about. (People talk about the 2002 flood for different reasons. It inundated nearby Hurley, Va., and muddied the county's reputation, as 16 men were convicted in Operation Big Coon Dog, a bribery scheme involving federal disaster funds.)

It has taken almost 30 years, but Grundy's flood protection is under way. Authorized 25 years ago by special legislation covering flood-prone counties in the coalfields, Grundy's solution is costly. The Corps investigated floodwalls, diversion tunnels, and upstream reservoirs before deciding to move the town. But the town didn't have the required 25 percent cost share.

The Virginia Department of Transportation was also looking to upgrade U.S. 460 through Grundy and continue it on to the Kentucky border. The town, the Corps, and VDOT



Vital Stats
Buchanan County, Va. — Home of Grundy

Population: 25,143 (estimated 2004) **Median household income:** \$22,213 (1999 dollars)
Median age: 38.8 **Single-family owner-occupied homes, median value:** \$55,400

SOURCES: U.S. Census; Bureau of Economic Analysis

came up with this: A levee will run underneath a portion of the new highway, between the Levisa and downtown Grundy. The town was allowed to use VDOT's buyouts of downtown properties as its cost share.

Businesses have either closed or relocated, many to an empty new building owned by the town's Industrial Development Authority, also headed by Crabtree. Many of the businesses on the redevelopment site will be new to Grundy. The town manager, after countless and fruitless calls, finally flew to Bentonville, Ark., to sell Grundy to Wal-Mart. It happened that founder Sam Walton's son was at the meeting when Crabtree pitched Grundy to the executives. The younger Walton remembered Grundy because he and his father had investigated the town three times looking for possible sites.

It was a done deal once they found a private developer. The town will own the site and lease it to the developer for 99 years. The infrastructure includes 9,600 feet of fiber-optic conduit. "We have another chain coming, and other stores to be announced here shortly; these are people who we could never, ever get to look at us before," Crabtree says. Wal-Mart will anchor the new town and perch on a public parking garage. "Before we got Wal-Mart we could not give anything in this town away," he says of his ardent pursuit of the retailer. "They are successful, they know where the markets are, and where they go, retailers follow them."

Appalachian Economics: Education

In a county where only about half, 53 percent, of adults have high school diplomas and a sliver, 8 percent, hold bachelor's degrees, compared with 82 percent and 30 percent, respectively, statewide, education tops everybody's wish list. Eddie Hannah is

the director of the Education Opportunity Center at Southwest Virginia Community College to help adults get to college to break the cycle of poverty. The mini-boom in coal is making his job harder. "Now people are saying, 'I can go back into the coal mine.'" Coal trucks once again travel the highway, and coal-loaded rail cars wait by the river. Chunks of coal spew from a chute at the Apollo Mine in nearby Maxie.

But, over the longer term, higher incomes are associated with education. Hannah notes that it takes a smarter worker today, even in the coal mines, where the skill levels required

Coalfield Economic Development Authority (VCEDA), the county Industrial Development Authority, and private money to renovate another old school building, just like the law school.

"We've already created some jobs; when we max out with 200 students we will have created 60-some full-time and some part-time jobs," board Chairman Frank Kilgore says. Direct spending once the schools reach capacity could reach about \$5.5 million by 2009, according to a study by the Southwest Virginia Office of the Weldon Cooper Center for Public Service of the University of Virginia. That includes retail sales, some taxes,

and visitors to the school, among other expenditures.

Economic development projects are as scarce as flat land in this region for obvious reasons, and so when the Buchanan County Board of Supervisors asked Kilgore, its attorney, to find projects, he suggested the law school. The VCEDA, funded by severance taxes, has given \$1.6 million to the law school and \$3.3 million to the pharmacy school, according to Jonathan Belcher of VCEDA. "The model of private education

has made a lot of sense. It's a niche market there that is really working well," says Belcher. "It's not something we could see work elsewhere."

The law school has tapped into old wealth, including old coal wealth. Its endowment is at \$3.5 million, says President Lucius Ellsworth. "We have had good support from a number of benefactors from the beginning — our first campaign goal of \$7 million raised \$11 million." Most donors have ties to the county.

The Appalachian School of Law has attracted well-paid faculty members from top schools such as Harvard. In 2002, a dean, a professor, and a student were murdered by a disgruntled student. Ironically, the crime led to publicity and actually increased the

continued on page 40



The Appalachian School of Law in Grundy, Va., trains lawyers primarily for solo and midsize practices in the Appalachian region. The school in June was fully accredited by the American Bar Association.

have increased. Education can raise standards of living and draw jobs.

The county snatched up a law school waiting to happen in nearby Wise County, which had backed off of the plan, and admitted its first students in 1997. Buoyed by the law school's success, the Appalachian School of Pharmacy opened in the fall of 2005 with 69 students, to meet a growing need for pharmacists. (States in the Fifth District with the highest demand for pharmacists include North Carolina, West Virginia, Virginia, and the District of Columbia, according to the Pharmacy Manpower Project.)

Both colleges are private and non-profit. Plans call for the pharmacy school to add a forensics department. The school has gotten a variety of public and private money from the Virginia