

SOLD!

James River Islands Auctioned

On Feb. 22, close to 300 people packed a Richmond auction house to bid on some very unusual property: 39 islands scattered across a short stretch of the James River.

Located in Goochland County, several miles up the river from Richmond, these islands range in size from 5 acres to one-hundredth of an acre. Potential buyers were informed that the acreage depends on the water level and that some of the islands are below water part of the year.

Bidders were not thwarted by this news — or by the fact that ownership of five of the islands was contested at the time of the auction. According to Tim Dudley, vice president of real estate for Motley's Real Estate and Auction Group, all 39 islands were bid on, and the islands with contested ownership sold for approximately \$6,000 per island.

Why would people be willing to buy up the islands, despite the iffy conditions? For most buyers, it was a love of the great outdoors, to have their own place to camp, fish, hunt, and enjoy watching wildlife.

"Many islands are now being claimed because of the land value and because land that might have been unimportant years ago has taken on a different perspective. They're great as a recreational opportunity," says George Sydnor, the Richmond businessman who sold the islands at the February auction.

According to a recent survey from the U.S. Fish & Wildlife Service, wildlife-related recreation is a \$108 billion industry nationwide, 12 percent of which is leasing or buying property for such recreation.

Furthermore, an increase in outdoor recreational hobbies — combined with higher disposable incomes and lower interest rates — has played a role in creating a niche market for recreational land.

All of the islands sold on the day of the auction, but some buyers decided not to go through with the deal. For example, one man who took his surveyor out to the river, could not find "his" island and backed out. — JENNIFER SPARGER



A love of the outdoors and a desire to have their own place to enjoy it drew about 300 people to the February 2005 auction of 39 islands located on the Goochland County stretch of the James River.

MOVING ON

GM Plant Closure Frees Up Prime Parcel

At its peak, General Motors Corp.'s van assembly plant in southeast Baltimore employed 7,000 workers. At the beginning of 2005 that number was down to 1,100, and it dropped to zero on May 13 when the automaker closed the plant for good.

But the blow of losing yet more Fifth District manufacturing jobs is somewhat blunted in this case. Economic developers view the closure as a rare opportunity to create a new industrial park in one of the state's prime pieces of real estate.

News of the planned closure last fall sparked a virtual cottage industry of proposals for what to do with the site. (The announcement came well before June's report that GM planned to shed

25,000 workers from its payrolls over the next few years.) No wonder. It sits on 182 acres nearby the Port of Baltimore.

"There's a lot of demand for how we redevelop this land," says Aris Melissaratos, Maryland's economic development secretary. "The strategy for developing this land is key to the future growth of the port."

A GM spokeswoman says the company continues to explore options. It can take more than a year to decommission plants like the one in Baltimore, which most recently made GMC Safari and Chevy Astro minivans.

The plant closure came as little surprise to state officials. The good news, Melissaratos says, is that 70 percent of the GM workers were retirement-eligible.

Melissaratos has backed Gov. Robert Ehrlich's request that GM donate the property to the state and further asked that the company open a research and development facility on the site.

The secretary thinks up to 5,000 jobs can be created on the site which would be called the Baltimore Global Trade and Technology Center and include GM's R&D unit, mid-rise office buildings, and port-oriented manufacturing and distribution operations. Melissaratos thinks groundbreaking for the new buildings should happen simultaneously with demolition of the van plant.

PHOTOGRAPHY: DWIGHT DYKE, VIRGINIA DEPARTMENT OF GAME AND INLAND FISHERIES

Despite the optimism, taking full advantage of the abandoned site is a steep challenge. GM workers were paid an average of \$27 an hour, and even in a market with low unemployment, matching those wages may be a stretch. Still, Melissaratos is undeterred. He sees the re-development of the site as part of a larger “transformation of Maryland’s old manufacturing economy to a new knowledge economy.”

— DOUG CAMPBELL

COVERING THE UNINSURED

Maryland Governor Vetoes “Anti-Business” Health Benefit Mandate

Concerned about the growing number of working Americans lacking health insurance or dependent on Medicaid, Maryland lawmakers in April mandated that large employers spend a minimum amount of money on health benefits. A month later, the law was vetoed by Gov. Robert Ehrlich, Jr. as being anti-business. Ehrlich also vetoed a bill that would have increased the state’s minimum wage by a dollar.

The Fair Share Health Care Fund Act would have required companies with more than 10,000 employees to devote at least 8 percent of their payroll to health insurance, excluding wages paid in excess of the state median income. Alternatively, large firms would have to pay the difference between their health insurance costs and 8 percent of total wages into the state Medicaid fund.

Four companies in Maryland have that many workers: Giant Foods, Johns Hopkins University, Northrop Grumman, and Wal-Mart. Only Wal-Mart would have had to increase its spending on benefits, which is why the law was widely regarded as targeting the mega-retailer.

The law was aimed at low-skilled workers whose employers often don’t provide comprehensive benefits packages and whose relatively low wages make it difficult for them to purchase insurance on their own. “Somebody still has to empty the trash, park the cars in the garage, and landscape yards,” says Tom Hucker, executive director of Progressive Maryland, which lobbied for the vetoed legislation.

Still, Maryland’s mandate for employer health benefits wouldn’t have addressed why some salaries aren’t keeping up with health costs. Also, it wouldn’t have helped many thousands of other workers who aren’t employed by large companies. According to a December 2003 report by the Kaiser Commission on Medicaid and the Uninsured, 49 percent of uninsured workers nationwide are either self-employed or at firms with less than 25 people.

A proposal to cover a broader range of companies failed to pass the state’s General Assembly last year. “Lawmakers are very sensitive to small-business owners who are trying to create jobs,” explains Hucker.

Economist Aaron Yelowitz at the University of Kentucky says it’s hard to know how much Maryland’s health benefit mandates would have affected businesses, but he thinks that they could have had unintended adverse effects. “If you

make Wal-Mart pay more for health insurance, they might simply lower other forms of compensation,” notes Yelowitz. Or companies could reduce the hours of part-timers to make them ineligible for benefits. In Hawaii, the only state that mandates health coverage of employees, the percentage of people working 20 hours a week or less is higher than the national average due to businesses trying to skirt the mandate.

— CHARLES GERENA

BACK BY POPULAR DEMAND

Fifth District Utilities Seeking Permits for New Nuclear Capacity

It’s been almost 30 years since an American power company ordered a new nuclear power plant. Now, three groups of reactor makers and utilities, including major players from the Fifth District, are seeking to break that drought.

In the past, power companies had to apply for separate licenses to build and run a plant, each of which required extensive regulatory and public scrutiny. That’s why Congress took several steps to streamline the licensing process in 1992, one of which was to create a single construction and operation license (COL).

Despite this change, power companies didn’t rush out to apply for a COL. Instead, they chose to upgrade their existing nuclear plants.

The reluctance to build nuclear plants has softened in the last few years. Fossil-fuel prices have risen, electricity demand has increased, and power companies have faced pressure to reduce their emissions. These factors have put nuclear power back on the table along with other alternatives.

“We have to look at our customer needs and the most economical way to meet them,” says Rita Sipe, spokeswoman at Charlotte-based Duke Energy. Duke belongs to NuStart Energy Development, one of the three consortiums that applied for a COL in response to the U.S. Department of Energy’s November 2003 solicitation. To provide an incentive for companies to test the licensing process, the agency offered to cover up to half the cost of the process, estimated at \$400 million.

Filing a joint application helps spread out the financial burden and risks among the eight consortium members that are power companies, including Duke, Baltimore-based Constellation Energy, Raleigh-based Progress Energy, and EDF International North America in Washington, D.C. Each company contributes \$1 million to the consortium and will have an equal share in any new plant that is built using the COL.

Marilyn Kray, president of NuStart, says the group is evaluating potential plant sites and working with consortium members General Electric and Westinghouse to have their reactor designs certified by the National Regulatory Commission. If all goes well, NuStart’s COL application could be ready for submission within the next three years and construction could begin on a plant by 2010. — CHARLES GERENA