CHARLESTON'S COOL

U.S. Mayors Go Green

Charleston, S.C., is no stranger to energy savings, cutting some half a million dollars a year since 2001 off its energy bills. "Even though a lot of our facilities are old in Charleston, we try to make them as energy efficient as possible," says Stephen Bedard, chairman of the city's capital projects committee.

As early as 1998, the city was investigating energy conservation. Through a competitive bidding process, manufacturing firm Johnson Controls won a 15-year contract in 2000 to help Charleston go green.

In 2005, the U.S. Conference of Mayors resolved to get mayors to meet the United States' carbon emissions cutback — the amount of carbon dioxide that would have been reduced had the United States ratified the international Kyoto Protocol, which now has about 141 countries on board. So far, 307 U.S. mayors have signed the plan.

Charleston aims to reduce carbon emissions by 57,000 tons over the 15 years. "In the first four years, we cut greenhouse gas emissions by a little over 30 million pounds," Bedard says.

The immediate need was a new heating and air conditioning system in the city's Gailliard Auditorium, the main venue for entertainment, including events during the city's world-famous Spoleto Festival. The city arranged a lease purchase for $3.9 million with Johnson Controls, which guaranteed savings over 180 months, or 15 years. The arrangement allowed the city to get the work done without borrowing — the upfront money came from Johnson Controls. The energy audit guarantees the city will save and if it doesn't, it gets a check for the difference. That actually happened, and the Milwaukee, Wisc., firm wrote a check for $10,000, the amount the city was off its savings target.

In addition to energy-efficient heating and air conditioning systems, Charleston retrofitted the city's largest facilities with green lighting and low-flow water technology. Those were replaced as quickly as possible because of substantial savings involved. Controls that regulate temperatures automatically were also installed in city facilities.

Charleston is now looking at replacing fleet cars with energy savers. Totally green buildings may be next. "We're also talking about trying to get a couple of high profile buildings that we could bring out of the ground from scratch," Bedard says.

To date, energy savings total some $2.5 million, Bedard says. "The payoff on those things are two and three years," he says. "We're long past what it cost us in addition to the fact that it's the right thing to do, given what we're facing in this country."

Charlottesville, Va., another "cool city," shows how green spaces capture runoff in its demonstration rain garden. The city's also exploring alternative fuel vehicles and green buildings, among other environmental projects.

PHOTOGRAPHY: COURTESY OF THE CITY OF CHARLOTTESVILLE

Mayor David Brown of Charlottesville, Va., signed on last spring. He says the city is growing so fast that they're losing a lot of trees, noteworthy carbon eaters. "There are lots more cars, more buildings, and a lot more people consuming energy. The city's got lots of carbon-reduction strategies, including tree planting, auditing and altering the city's energy use, and urging citizens to cut back energy use and buy energy-efficient appliances."

Today's rising energy costs are making green building more affordable, Brown says. "Lots of these things have a shorter payback period because energy costs so much."

— BETTY JOYCE NASH

Fifth District Cool Cities

Maryland	North Carolina	South Carolina	Virginia
Annapolis	Asheville	Charleston	Alexandria
Baltimore	Carrboro	Greenville	Charlottesville
Chevy Chase	Chapel Hill	Sumter	Richmond
Rockville	Durham		Virginia Beach
Sykesville			Williamsburg

Washington, D.C.

SOURCE: Sierra Club

WORKERS UNITE?

The Tides of Economic Change Have Eroded the Power of Organized Labor

Handling animals at the Maryland Zoo in Baltimore would appear to have little in common with handling molten steel. For the past three years, the local United Steelworkers in Baltimore welcomed 99 zoo workers as part of an effort to diversify its union membership. The relationship also helped workers attain wage increases and maintain their benefits, according to zookeeper and union leader Tammy Chaney.

But in August, a majority of workers were apparently satisfied enough with their situation to vote for leaving the union. Jim Strong, who directs the United Steelworkers' activities in Maryland, attributes the decision to employee turnover and the union's failure to win higher seasonal pay. Zoo management says it has forged a better relationship with workers. In the larger scheme of things, this decision typifies the decline of organized labor in the United States.

Using data from the Bureau of Labor Statistics, economists Barry Hirsch at Trinity University, David Macpherson at Florida State University, and Wayne Vroman at the Urban Institute found that union representation among nonagricultural workers has dropped significantly since 1964. The percentage of these workers who belong to a union shrank from 29 percent in 1964 to under 13 percent in 2005.

The Fifth District followed a similar pattern (see table). The declines in unionization were steepest in the region's right-to-work states — North Carolina, South Carolina, and Virginia — where it is illegal to make union membership a mandatory condition of employment.

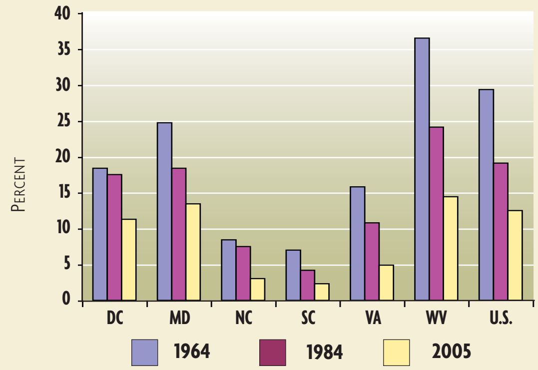
However, West Virginia, a state with a long history of worker organization in coal mines, wasn't far behind. The Mountain State's share of nonagricultural workers belonging to unions dropped by almost two-thirds from 36.5 percent in 1964 to 14.4 percent in 2005. Maryland's share has also declined despite the state's past with steelworker unionization.

So, why is a smaller percentage of the work force organized? One reason could be that a union card isn't as valuable as it used to be.

Although various studies have shown that union workers earn more than nonunion workers, that wage premium has shrunk somewhat in recent years, according to Hirsch and Macpherson. Companies in competitive industries have faced greater pressure to reduce their labor costs, so they have fought unions harder. In turn, unions have agreed to wage cuts and layoffs in exchange for concessions on nonwage benefits and to ward off future downsizing or outsourcing of the work force.

Also, the relationship between management and employees runs in cycles — during periods of social upheaval, discontent among workers gives them a common cause to unite against and union membership surges. For example, unions pushed for and won shorter hours, safer workplaces, and higher wages around the turn of the 20th century when many blue-collar workers felt that they were not receiving a fair return on their labor. Labor conditions have improved over time and the share of the work force employed in the manufacturing sector, where organized labor's presence has been most prominent, has fallen.

Share of Nonagricultural Wage and Salary Employees Who Are Union Members



SOURCE: Barry T. Hirsch, David A. Macpherson, and Wayne G. Vroman. "Estimates of Union Density by State." *Monthly Labor Review*, July 2001, vol. 124, no. 7, pp. 51-55. (updated by authors in 2006)

Gerald Friedman, an economist at the University of Massachusetts at Amherst, says that the decline in "bad" factory jobs contributes to the perception that unions are no longer needed. However, he believes there are still incentives for workers to unionize. Certain white-collar professions like call center representatives sometimes face difficult working conditions, and all workers need an independent third party to arbitrate grievances. "Unions give workers a voice in what's going on in the workplace," Freidman says.

Not surprisingly, union officials also believe their organizations remain relevant. MaryBe McMillan, secretary-treasurer of the North Carolina AFL-CIO, says the benefits of unionization extend beyond the negotiating table. Unions help workers to contest improper disciplinary actions against them and to find the social services they need, she says.

More important, McMillan believes, people need the collective bargaining power of unions. "A lot of workers feel they are being squeezed by companies [and] can't give up anymore. They need an advocate."

Whether workers themselves believe this, however, is what really matters. And many, like those at the Maryland Zoo, apparently think that they can do just as well negotiating on their own. — Charles Gerena

CASHING IN ONLINE

Online-Only Banks Show the Way to Higher Yields

Interest-bearing savings accounts have typically been thought of as a safe place to put one's money, but in exchange for that safety one could expect only negligible returns. Recently, however, some online-only banks have been offering yields on savings accounts that are sometimes 10 times higher than those of traditional banks.

ING Direct, Emigrant Direct, and Amboy Direct, for instance, currently offer 4.4 percent to 5.25 percent on their basic online savings products, while brick-and-mortar giant Bank of America pays only 0.5 percent on its regular savings account.

Online-only banks are an evolving breed, but could be defined as banks that primarily provide services through the Internet and have limited physical presence. That's one of the reasons why they're able to offer higher yields. Online-only banks don't incur as much fixed and overhead costs as physical bank branches do, allowing them to pass these savings on to their customers. Moreover, the online banking business is mostly focused on savings accounts that, unlike checking accounts, are a low-maintenance product. Online-only banks "have chosen to sell a product that doesn't have much customer service or costs associated with it," says Jim Bruene, founder and editor of Online Financial Innovations, a research and analysis firm that specializes in the online banking industry.

In addition, online-only banks can pay a generous return because they take a lower margin on every dollar deposited. What they lose in tighter margins, they aim to gain in the size of the accounts they receive. The balances on online accounts are typically large because they cater to people who have a lot of money in cash and are actively seeking the best rate of return.

Another reason why online-only banks offer such attractive yields is to get the customers' attention, especially since they don't have the branches that traditional banks do to market their brand. "You can buy $100 million worth of ads and put your name on it, or you can have the highest rate in the market and people will find you," say Bruene. It could be much less expensive to have the best rate, and this virtually guarantees that a bank will land at the top of many financial analysts' and magazines' lists of "where to put your money."

So are brick-and-mortar banks rushing to match the online yields? Some are more interested than others. "The high rate is the equivalent of a discount in the retail world. You're discounting the savings account by offering the higher rate, and some want to play in the discount game and some don't. It's a strategic decision," says Bruene. HSBC Bank is an example of a large traditional bank that has introduced an online savings product that pays 5.05 percent while offering only 0.25 percent on its regular savings account. (One can easily spot the difference since it displays both rates on the same page on its Web site.) Because these accounts have very different markets, HSBC can price these products differently. The traditional savings account is typically for people who have smaller balances, for whom the yield is not too important.

Other banks may be less inclined to follow in the footsteps of online-only banks, especially those that have an extensive branch network. Offering a 5 percent product apart from the 0.5 percent one could cost banks a lot of money if their depositors suddenly jump on the higher rates. The larger the depositor base, the higher the risk of "cannibalizing" these accounts. Thus, offering online savings products may not work well for Bank of America but could for HSBC and Citibank, which are traditional banks that don't have the physical presence around the country that other banks do.

But many customers could still prefer the certainty and convenience of banking with a brick-and-mortar. They may decide, for instance, that the higher interest rate is not enough to offset certain rules and restrictions that online-only banks have on withdrawals and deposits. "There are all kinds of ... embedded penalties on how much you can withdraw, and fees, and so on," says Elias Awad, a banking professor at the University of Virginia.

Awad advises customers to "understand what the online-only bank offers and try to match it with [their] own immediate and long-term needs." He feels that many small businesses, for instance, should avoid using these accounts because it could be difficult to quickly gain access to funds in case of emergencies.

At the moment, Bruene estimates that about 5 percent of households hold online savings accounts and believes that, while the market will expand over time, its natural customer base is limited to the relatively wealthy. "[Online savings accounts] will continue to be a factor with customers who have fairly large balances in liquid deposits, so I think these will continue to grow," says Bruene. Awad likewise thinks that customers who have large sums of money may benefit because of the savings, as long as they can afford to commit their money for a few years.

— Vanessa Sumo

Savings Account Rates

	Account Type	Annual Percentage Yield (%)
Emigrant Direct	online savings	5.05
HSBC Direct	online savings	5.05
Citibank Direct	online savings	5.00
ING Direct	online savings	4.40
Bank of America	regular savings	0.50
Wachovia	premium savings	0.35
BB&T	regular savings	0.25

NOTES: Selected bank rates as of October 5, 2006. For Bank of America, Wachovia, and BB&T, bank rates apply for Virginia.
SOURCES: Bankrate.com and bank Web sites

TRANSIT-ORIENTED DEVELOPMENT

Light-Rail Line Will Be Charlotte's First Test of its Land-Use/Transit Plan

Charlotte officials came up with an ambitious plan in the late 1990s — build a transit system to serve populations that largely didn't exist yet. The plan was (and is) to use land-use policies to create developments around future transit hubs. Such “transit-oriented development” would, it was hoped, create the population density to make rail and bus lines competitive with driving while combating sprawl.

The first of the five proposed transit lines, the 9.6-mile South Corridor, is under construction. By next fall, light-rail trains should be running between Uptown, the city’s central business district, and neighborhoods near the intersection of Interstate 77 and Interstate 485 in south Charlotte. There is optimism that people will want to live closer to the city and within a few blocks of a train station. The big question is whether enough of the demand for urban living can be steered to the South Corridor to make light rail economically feasible.

“The economic efficiency [of mass transit] critically depends on its ability to attract people, and that reflects the density of the population,” notes John Silvia, Wachovia’s chief economist.

A set of transit-oriented development principles and policy guidelines drafted in 2002 outline the mixed-use, higher-intensity development desired along the South Corridor and Charlotte’s other transit lines. The minimum densities for housing would generally be 20 units per acre within a quarter-mile radius of each station and 15 to 20 units per acre within half a mile. Detailed land-use and design plans are being drawn up for each station, after which property will be rezoned through normal channels.

In the meantime, dozens of inquiries have come from developers who want to apply for transit-oriented development rezoning for their parcels along the South Corridor, says Tracy Finch, transit station area development coordinator for the city’s Economic Development Office. So far, more than $400 million in private investment has been announced for the corridor, which is dominated by older industrial properties near the existing railroad tracks and has some single-family housing.

Most of the new investment has centered on the five stations in or near Charlotte’s South End, a community just below Uptown that has been experiencing steady redevelopment. For example, real estate developer HHHunt plans to build a four-story, 320-unit apartment complex and a parking garage on five acres near the future New Bern station. Two luxury condominium projects have been completed between two other stations.

Farther down the South Corridor, the city purchased about eight acres surrounding the Scaleybark Road station and solicited proposals from developers. Three plans are under consideration.

“Our reason for doing that was to try to incorporate some affordable housing into the development, to remove blight and nontransit supported uses, and to serve as a development catalyst for the station area,” Finch explains. There was some interest in the property, but she thinks it would have taken longer for something to happen. “We were willing to go out there and take the risk.”

Charlotte’s light-rail system is now expected to handle more than 9,000 passenger trips per day in its first year, lower than a previous projection of just under 13,000 trips.

In general, development will likely take longer to foster around the stations in the bottom half of the South Corridor because they are the farthest away from existing growth patterns and are less dense.

Assuming residential development occurs as planned along the South Corridor, the light-rail line will still need to connect these passengers to a common destination. The line terminates in Uptown, where an estimated 65,000 people work and Wachovia has proposed building an $800 million complex with a 46-story office tower, condos, and space for cultural institutions.

However, Ronald Tober, head of the Charlotte Area Transit System (CATS), has been telling local business leaders that 100,000 positions need to be created in Uptown over the next 20 years to support a hub-and-spoke transit system with the business district at the center. Meeting this goal would require a significant acceleration of job growth, which could be difficult to achieve given the boom in high-rise residential construction in the area and the availability of cheaper office space in other parts of the metro region.

Of course, there is nothing to stop future residents along the South Corridor from hopping on Interstate 77, which parallels the light-rail line. Tony Crumbley, vice president of research at the Charlotte Chamber of Commerce, says that’s why it’s essential to create a system that is clean, safe, and convenient. “I’m not going to walk half a mile and stand there for an hour” for the train, he says.

Light-rail trains will be operating seven days a week, every 7.5 minutes during rush hour and every 15 minutes at other times. Total travel time from end to end is expected to be less than 24 minutes, which is about the same as taking I-77 on a busy day.

Still, past experience indicates that it’s hard to get people out of their cars. Although CATS has expanded the hours of its bus service significantly since 1999, it accounts for just 10 percent of travel to Uptown and less than 2 percent of total commutes in the metro region. — Charles Gerena

PHOTOGRAPHY: CHARLOTTE AREA TRANSIT SYSTEM (CATS)