A NEW FOUNDATION

Manufactured Housing Flourishes in South Carolina

South Carolina often conjures up images of tree-lined streets dotted with Greek Revival homes with porticos. But more than 355,000 South Carolina families live in manufactured homes. That means one fifth of all homes in the Palmetto State are manufactured, the highest percentage in the country.

COURTESY OF MHI

According to estimates, manufactured homes will account for more than one half of single-family housing starts this year in South Carolina.

The Manufactured Housing Institute (MHI) estimates that this year, in the South Atlantic region (from Delaware to Florida) nearly one-fourth of all single family housing starts will be a manufactured home shipment. This percentage has been steadily increasing since 2000.

South Carolina has been experiencing the same trend, but on a much larger scale. Over one-half of South Carolina single-family housing starts this year will be manufactured homes. (Manufactured homes that are placed on a foundation and purchased with land may qualify for mortgage financing. Otherwise, they are considered personal property and are financed as such, usually at a higher interest rate.)

The manufactured housing industry took off at the end of World War II when veterans returned to find a lack of affordable housing. Many consumers remained cautious about purchasing manufactured homes, though, and by the 1970s Congress passed legislation that established safety standards for the industry.

Today manufactured home builders boast that their products are on par with the quality and attractiveness of their site-built counterparts. According to the MHI, "Today's manufactured homes are built with the same building materials as site-built homes, but in a controlled factory environment where quality of construction is invariably superior to what can be done outdoors." Last year, 250,500 manufactured homes were shipped in the United States with an average retail price of $46,000.

Also, the growing trend in the industry is to develop communities of manufactured homes. The new subdivisions offer pools and landscaping options. Oakley Pointe and Strawberry Station are two developments near Charleston, S.C. In these communities, residents usually pay a monthly fee to developers for the lot and purchase their home from a manufactured dealer. As in any subdivision, there are guidelines governing the size, age, and appearance of manufactured units.

Many believe manufactured homes drive down the property values of neighboring site-built homes. But a 1997 study of residential properties by Richard Stephenson and Guoqiang Shen of East Carolina University found no such correlation. In fact, those homes built on a fixed foundation appreciated in value.

Although two-story verandas with white columns are not offered as amenities, manufactured houses are becoming an attractive alternative to a large percentage of South Carolinians who want affordable, quality homes.

—AMANDA WHITE GIBSON

NEW REACTORS

Energy Firms File Permits

Three nuclear energy companies, including one in the Fifth District, have said they will file for early permits to build new reactors. Rick Zuercher, a spokesman for Dominion Resources, based in Richmond, Va., says his company plans to file for a permit to build on its North Anna site, in Louisa County, Va.

Applying for the permit doesn't mean Dominion will actually build a plant, though. "It allows us to keep the nuclear option open," Zuercher says.

The Nuclear Regulatory Commission, under 1992 legislation, allows firms to obtain early permits valid for 20 years. New nuclear plants may loom on the horizon should energy bills under consideration in the

U.S. Congress include loan guarantees for new construction. Also under consideration is permanent reauthorization of the Price-Anderson Act. This insurance program subsidizes the industry, by placing a $9.5 billion cap on liability for owners in the case of nuclear accidents.

Nuclear power accounts for about one-fifth of the nation's electricity generation, but no new plants have been ordered since 1978 because of high plant construction costs, worries about safety, and waste disposal issues. Costs have been estimated to average about $3,000 per kilowatt of capacity in 1997 dollars, according to the Congressional Research Service. However, Steve Kerekes of the Nuclear Energy Institute says costs have been trending downward. "Our goal is to get our costs down on a kilowatt basis installed, to about $1,000 to $1,100 per kilowatt, which is what we need to be competitive," he says.

The Fifth District has 18 nuclear power plants operating in Maryland, North Carolina, South Carolina, and Virginia. In South Carolina, nuclear power accounts for about 55 percent of the state's total power generation. Tom Shiel of Duke Energy, based in North Carolina, says Duke is not planning to build any new nuclear plants but continues to apply to extend the life of its existing nuclear plants.

—Betty Joyce Nash

FIELD GOAL OR FUMBLE?

The Economic Score on the Atlantic Coast Conference's Expansion

Last spring, the Atlantic Coast Conference (ACC) took center stage in college athletics. Its controversial recruitment of two Big East teams — Virginia Tech and the University of Miami — had economic ramifications as well. Both schools could benefit financially from ACC membership, while current members hope the expansion will improve their bottom lines and the conference's future stability.

Seven universities in the Fifth District founded the ACC in 1953. The conference currently has nine member schools, four of which are in the Tar Heel State: Duke University, the University of North Carolina, North Carolina State University, and Wake Forest University. The other members are the University of Maryland, the University of Virginia, Clemson University in South Carolina, Georgia Institute of Technology, and Florida State University.

Being part of the ACC offers several advantages. Robert McCormick, an economics professor at Clemson University who has studied sports, says that the conference's intense rivalries energize the ACC's die-hard fan base in the Southeast, which drives ticket sales and alumni donations for member schools.

Also, ACC members divvy up net earnings from the sale of broadcast rights to conference games and branded merchandise. This additional money helps fund less visible college teams, from men's soccer to women's lacrosse.

By expanding to 11 members, the ACC hopes to boost its revenue. For one thing, bringing Miami's powerhouse football team into the conference could translate into more money from broadcasters. Second, the conference would need only one more team to obtain permission from the NCAA to hold a year-end football championship game, which can be enormously profitable according to McCormick.

ACC newcomers Miami and Virginia Tech may also benefit. Their travel expenses could be reduced since their teams won't have to travel up north to play Big East schools like Boston College or Syracuse University. Switching from the Big East could also increase their revenue, since the ACC divides its proceeds evenly versus providing a base amount plus bonuses for being in national championships. ACC members will have to split revenue 11 ways instead of nine, but they hope that increased earnings will offset this dilution.

There also is a concern that the quality of conference play could be diluted since Miami and Virginia Tech's basketball teams aren't as strong as their football teams. Furthermore, a bigger conference means that some teams like Wake Forest will lose home games with in-state rivals. Both factors could dampen ticket sales.

Such short-term sacrifices may be necessary to ensure the ACC's long-term survival. Sports commentators say that athletic conferences will only get bigger in the future, pressuring smaller ones to either enlarge or be engulfed.

—Charles Gerena

WINE DISTRIBUTION

Virginia Uncorks Out-of-State Shipments

In July, Virginia became the 23rd state to allow direct-to-consumer wine shipments from out-of-state sources. Previously, Virginians could have their favorite vintage delivered to their doorsteps from in-state wineries, but it was illegal to receive wine from beyond the state's borders.

Virginia consumers and out-of-state wineries filed a grievance in November 1999 asserting that the Old Dominion's restrictions on wine shipments were unconstitutional, because they violated the Commerce Clause of the U.S. Constitution.

The courts agreed in

March 2002. Federal Judge Richard Williams ruled that allowing only in-state producers to deliver wine directly to Virginia residents discriminated against out-of-state wineries. The ruling was immediately appealed by the Commonwealth's Attorney General and the Virginia Wine Wholesalers Association, and Judge Williams issued a stay of execution.

But on April 9th, the pending legal battle was rendered moot when Gov. Mark Warner signed Senate Bill 1117. Under the new law, an out-of-state winery can ship up to two cases a month to Virginia consumers after purchasing a $50 license.

Opponents of the law point to an increase in the risk of underage drinking and loss of state revenue as a result of direct shipments to customers. The Wine & Spirits Wholesalers of America, Inc. asserts that the existing "system of distribution has served consumers and states well for 70 years." Direct shipping "could severely damage the ability of a state to regulate the distribution of alcohol as it deems appropriate for the protection of its citizenry — especially minors — and to efficiently collect excise and sales tax revenue."

Supporters of the looser regulation argue that consumers will benefit from greater choice and lower prices. The new law also may benefit Virginia's winemakers. Around 60 percent of the 500,000 visitors to Virginia wineries each year aren't state residents. In the past, wineries couldn't export directly to many of these out-of-state customers because it violated the receiving state's beverage control laws.

Stemming from the new law, Virginia has embarked on the process of gaining status as a "reciprocity state." This means that Virginia will allow direct shipments from other states with similar wine distribution regulations, such as neighboring West Virginia. In return, reciprocity states like California will welcome wine imported from Virginia.

"Vintners are now one step closer to gaining access to a number of new markets," says Chad Zakaib, director of sales and marketing for Jefferson Vineyards in Charlottesville. Pending the finalization of reciprocity agreements, Virginia wineries will be able to ship to 22 states, more than doubling the size of their export market.

— Andrea Holland

SHORE BREEZES

Wind Farms May Harvest Energy From Coastal Communities

Along the Eastern Shores of Maryland and Virginia, residents have been struggling to find new industry beyond fishing and farming. Wind power may offer a way to both spur economic growth and safeguard the region's natural resources.

The Eastern Shore gets plenty of ocean breezes. Most of its Atlantic coastline gets air currents measuring 16-17 miles per hour at an altitude of 164 feet, according to the U.S. Department of Energy. This level of wind power is considered useful for generating energy.

Entrepreneurs have proposed building "wind farms" on the Eastern Shores of Maryland and Virginia.

In addition, the region's relative isolation is finally an asset. "You try to be in an area where there isn't a lot going on," says Dennis Quaranta, president of Winergy LLC. Quaranta's company has proposed a "wind farm" of 150 giant, propeller-driven turbines off the coast of Fisherman Island, Va., and 350 turbines a few miles west of Ocean City, Md. Although the Fisherman Island turbines may interfere with the routes of migratory birds, company literature notes that both offshore locations aren't near shipping lanes and don't have a lot of marine mammal activity.

When air currents are at their peak, Winergy expects to generate 540 megawatts (MW) of electricity at its Virginia wind farm and 1,200 MW in Maryland. Another company, Provento America Inc., estimates that its six land-based turbines proposed for Cape Charles will generate almost 8 MW of power at peak capacity. (One MW of electricity can power approximately 1,000 homes.)

These companies see a nascent demand for wind-generated power. Quaranta believes that residential customers will appreciate the health benefits of buying electricity from non-polluting wind turbines instead of from coal-fired plants. They may also want to help reduce America's dependence on imported fuel. As for businesses, he thinks that using wind power will improve their environmental image.

Marketers have successfully sold electricity generated by the Mountaineer Wind Energy Center in northern West Virginia. The center's 44 turbines help power about 10,000 small businesses and residences in the Washington, D.C., area, according to a report published in the *Charleston Gazette* in July 2003.

However, Provento hasn't been successful in Cape Charles. Greg Manter, director of the Eastern Shore of Virginia Economic Development Commission, says that the German firm hasn't secured contracts for the power that its turbines will generate. In his view, the problem is that wind power is priced higher than the market rate for electricity. "You need to find a buyer who is willing to do it for environmental reasons."

And, according to a Cato Institute report published in January 2002, that buyer isn't prevalent yet. "Because of higher costs, no more than 1.5 percent of the retail customers in any state have signed up for [special packages of renewable energy], and participation in utility-sponsored programs is generally around 1 percent or less."

Over the years, wind-powered turbines have been improved to lower production costs — a single turbine can produce several megawatts of power today versus only a few hundred kilowatts 20 years ago. As a result, the cost for wind power has fallen from as much as 50 cents per kilowatt-hour (kWh) to less than 5 cents per kWh. This makes wind power close to being competitive with electricity generated from coal-fired plants.

Still, the start-up costs of a wind-powered plant are quite high. For example, building transmission lines to carry wind-generated electricity to a regional power grid can be prohibitively expensive.

Given these challenges, it may take a while longer for wind-based power generation to become economically viable. That won't stop people like Dennis Quaranta from trying to harvest energy from windy spots like the Eastern Shore. "It's not that [wind power] is an unknown technology — there are 13 wind farms in Europe. It [just] hasn't been done in the United States."

— Charles Gerena

UNHEALTHY SITUATION

Nursing Shortage Threatens Health Care

Many states in the Fifth District and the nation face a shortage of nurses, a problem that experts project to increase as the baby-boomer generation ages.

Insufficient staffing can sometimes cause critical problems. A study published by the *Journal of the American Medical Association* suggests that patients in hospitals with severe shortages have up to a 31 percent higher chance of death than they otherwise would.

Economic theory suggests that a shortage of specialized employees should lead to higher wages, but nurses' real wages have remained relatively unchanged in recent years. The Bureau of Health Professions reports that for the past decade, nurses' wages have risen at the level of inflation, while alternative occupations for potential nurses, such as elementary school teachers, have risen faster than the inflation rate.

Barbara Brown, vice president of the Virginia Hospital and Healthcare Association, points to the fact that many hospitals negotiate long-term contracts with insurance companies, so they cannot react easily to fluctuations in the market. "The insurance company barters with the health-care facilities and physicians as to what they will pay for certain conditions," she says. "So the ability of any facility to respond to a tightened work force by increasing wages is really limited."

To deal with the problem in the short-term, healthcare facilities, including hospitals, are trying to delegate some nursing responsibilities to lesser-skilled workers. "[The goal is] to find an individual who could assist the nurse in caring for the patient, and could free the nurse up to do the planning and to do the administrative tasks, and the care on more difficult patients," Brown says.

The U.S. General Accounting Office reports that facilities have attempted to improve the situation in the long run by looking to state governments for wage supplements. They also are changing the structure of nurse training and specialization to create a career path, thus rewarding the more experienced nurses with greater responsibility and pay.

Also, according to Cheryl Peterson, senior policy fellow at the American Nurses Association, collaborative efforts have led to media campaigns to cast a positive image on the nursing profession. She notes that general media attention will probably attract potential nurses "because people see that jobs are available [and] they'll look at nursing because they see that there's a shortage."

While these changes may have some immediate benefits, the health-care industry may need to make some structural changes to remove the constraints on wages to solve the long-term problem.

— Andrew Foerster

Projected Shortages in Registered Nurses: 2000-2020

State	2000	2005	2010	2015	2020
D.C.	-219	-1,305	-2,085	-2,904	-3,851
Maryland	-545	-3,299	-7,772	-13,044	-18,954
N. Carolina	629	931	-2,046	-8,868	-17,924
S. Carolina	-104	-649	-1,555	-3,571	-6,741
Virginia	-4,736	-7,698	-11,927	-18,446	-25,111
W. Virginia	1,296	738	183	-725	-1,876
Fifth District	**-3,679**	**-11,282**	**-25,202**	**-47,558**	**-74,557**
Total U.S.	**-110,707**	**-149,387**	**-275,215**	**-507,063**	**-808,416**

NOTE: Negative numbers indicate shortages

SOURCE: U.S. Department of Health and Human Services