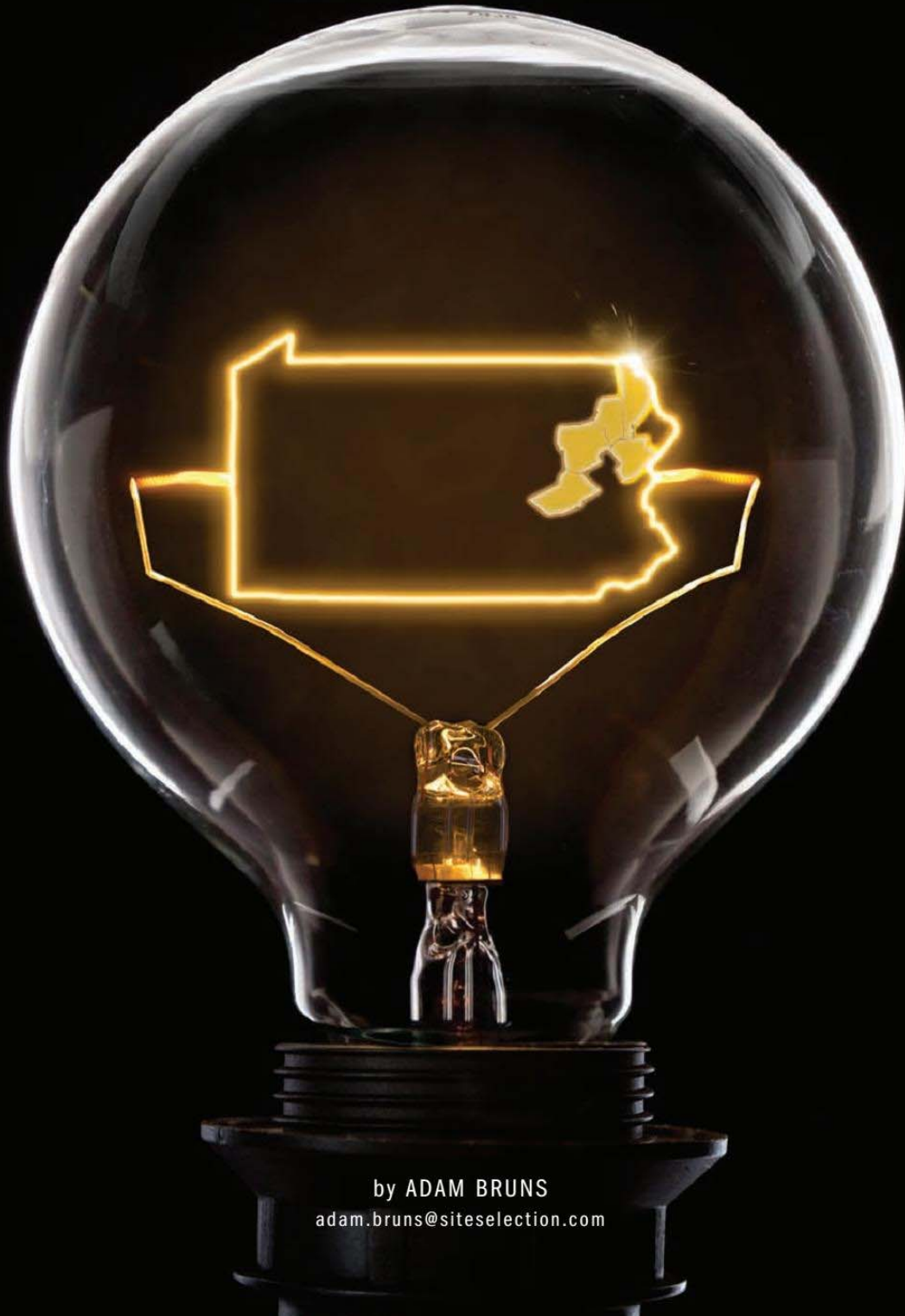
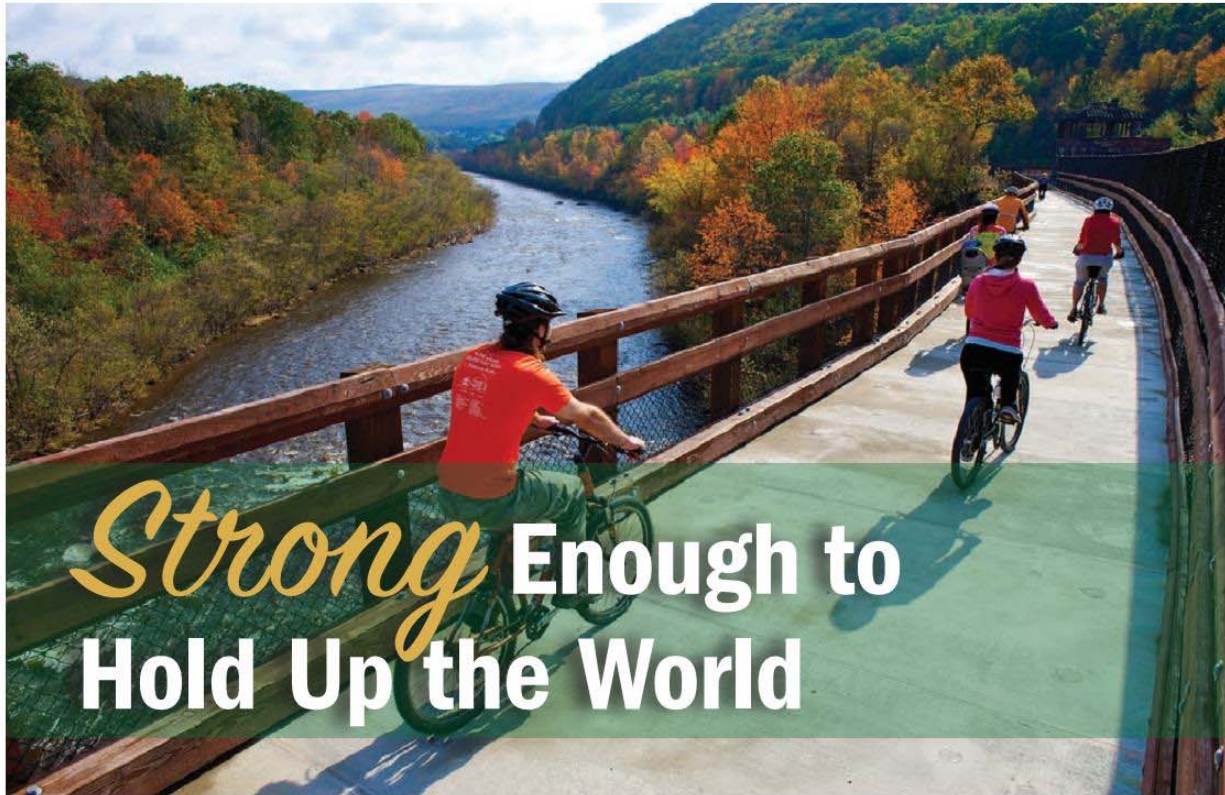


NORTHEAST PENNSYLVANIA INTELLIGENCE REPORT



by ADAM BRUNS
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Introduction



Strong Enough to Hold Up the World

When I first landed at Wilkes-Barre/Scranton International Airport for a press trip a few years ago, one question weighed heavily on my mind: How do you pronounce Wilkes-Barre?

It turns out “Wilkes-BEAR” is the most widely accepted method. But then I got to thinking about all those hyphens and slash marks. (Officially Scranton-Wilkes-Barre welcomed Hazleton to its official name in 1990.)

In Northeastern Pennsylvania, the partnerships go way beyond these three municipalities. The public-private Penn’s Northeast organization serves Lackawanna, Luzerne, Monroe, Wayne and Schuylkill Counties as well as the community of Berwick. The NEPA Alliance carries out its mission within a slightly larger territory with a total population of just over 1 million.

Whichever way you slice it, the area has been a quietly surging location for some time. More than six years ago in these pages, respected location consultant John Boyd, principal of New Jersey–based The Boyd Company, told us that administrative functions were decentralizing away from traditional corporate HQ sites. For firms headquartered

in the Big Apple, he said, that meant looking to places such as Princeton, New Jersey; the Lehigh Valley and Scranton/Wilkes-Barre.

He’s even more sanguine today.

“Looking ahead, the region’s proximity to New York City puts it in good stead to attract new white-collar corporate investment, as back-office operations in sectors like banking and financial services continue to decentralize from costly Manhattan to lower-cost options in the proximate New Jersey and Pennsylvania area,” he says.

Developments in neighboring states may cause even closer examination of this region first built around anthracite deposits, due to potential effects on bank deposits.

“New York City Mayor Bill de Blasio is proposing a new millionaires tax as part of his re-election platform to pay for improvements needed to address the crisis engulfing New York City’s aging subway system,” Boyd says. “In New Jersey, the odds-on next governor, Phil Murphy, is proposing similar tax hikes on the wealthy, hedge fund managers and large corporations. Job-hungry communities in neighboring Northeast Pennsylvania will no doubt be watching these developments closely.”

Easy-access recreation in the Poconos Mountains in all seasons is part of Northeast Pennsylvania’s appeal.

Photo by Anthony Sinagoga



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on what you are going to do.”***

- Henry Ford

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Dollars and Sense

There's more next door to Northeastern PA than big cities, however. For one thing, you're on the doorstep of the Marcellus Shale, now the world's second-largest natural gas resource. The effects of the shale play go beyond energy jobs. Because so much of that gas is moving out of the ground, it pays to be nearby if you're a heavy industrial user.

Also right next door are the Pocono Mountains. CBRE's Jake Terkanian knows the appeal of warehouse space in the region, but he also knows the appeal of ski mountains like Camelback and Elk when the snow falls. Visitors to the region in all seasons spent \$15 billion in 2014.

As for innovation, STEM jobs have increased, and the region averages nearly 50 patents issued per year.

But the ultimate thing that sticks with you about this unique region is the true root of the

word "industry." Small businesses dominate the business base, but they're not of the one-man-in-the-basement variety. They're tool-and-die and machine shops. They're brewers. They're forgers and welders, or wire rope makers twisting into being the cables found in bridges, cranes, offshore rigs and stadiums, holding up the world. As one of them put it to a small group of us touring his firm's facility on that press trip a few years ago, "We know how to take steel and form it and squash it and mush it."

If attracting industry requires being industrious to begin with, then the people of Northeastern Pennsylvania have already won. It's their nature to keep holding up the world with their work. And they're happy to keep on doing it. *



Adam Bruns

Managing Editor, Site Selection magazine

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HOME BREW

A no longer secret recipe blends low-cost energy with high-quality water and a uniquely qualified workforce and supply chain.

Joe Fernandes III, vice president of coffee manufacturer Socafe, remembers the first time he drove from his home in New Jersey into downtown Scranton, Pennsylvania.

“I’m a fast-paced kind of guy,” he says, meaning he was prepared for Snoozeville. But something woke him up. “The energy of the place, the undercurrent of new business and technology — it felt like a nice place. It was very interesting that our data had taken us there, and there was also, by the way, this positive energy.”

So his team made a bittersweet but positive move, announcing in August 2017 that the

company would relocate from its hometown of Newark, New Jersey, to Lackawanna County, where a new \$2.4-million headquarters and manufacturing site at the former Grove Textiles building in Dunmore Borough will be home to 130 jobs, nearly all of them expected to go to people in the area.

“Penn’s Northeast is actively recruiting companies in the food sector,” said John Augustine, president and CEO of Penn’s Northeast. “A recent study by the Boyd Company shows that Northeastern Pennsylvania has one of the lowest acquisition, operating and labor costs

on the East Coast and even lower than most regions in the country. The already high costs to operate in many regions of New Jersey and New York are increasing — making northeastern PA a viable and affordable alternative.”

John H. Boyd, principal of The Boyd Company, confirms his team’s findings, and reaffirms the rationale behind Socafe’s move.

“Bottom-line operating costs are pivotal site selection factors for a company like Socafe, whose business model focuses heavily on the highly cost-sensitive private-label food sector,” Boyd says. “Natural gas costs for Socafe’s coffee roasting operations, for example, will be reduced

at its new Dunmore plant — located just outside Scranton — by over 45 percent compared to Newark, owing to new low-cost gas supplies being made available from Pennsylvania’s booming shale gas production.”

Yes, a good rate on high-pressure natural gas was a factor, says Fernandes, but it wasn’t the only one. The company had grown in fits and starts over its 30 years in Newark,

resulting in a hodge-podge of buildings and lease terms. He wanted Socafe to have a home where it could accommodate fast growth more naturally, and with fewer leasing headaches. It couldn’t be too far from the port that brought in raw materials. And shipping lanes and workforce were crucial. The team examined sites throughout Pennsylvania.

“Once we compiled everything and put it in a chart, Northeast PA shot to the top, by 30 percent over the next competitor,” he says, noting that the highway system and a future potential for more rail use played into the decision. “It was easy, actually. We looked at it in black and white, and it became apparent very quickly.”

The pro-business environment and support from Penn’s Northeast,

Lackawanna County Department of Planning and Economic Development, the Scranton Plan and the Governor’s Action Team only served to reinforce the good vibe Fernandes got from the area. Socafe received a funding proposal from the Department of Community and Economic Development that includes a \$130,000 Pennsylvania First grant, an \$18,000 WEDnet grant for employee training, and

Once we compiled everything and put it in a chart, Northeast PA shot to the top by 30 percent over the next competitor.”

— Joe Fernandes III, Vice President, Socafe

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\$130,000 in Job Creation Tax Credits to be issued after the new jobs are created.

“These are great people who overcame some hurdles for us,” says Fernandes. But honestly, there weren’t many to overcome. Food processing is high on the commonwealth’s and region’s target list. “So we said, ‘Great, we’re looking for you, and you’re looking for us,’” says Fernandes.

See For Yourself

The people Socafe is looking for to fill the new positions will likely know the meaning of work.

“One gentleman said to us, ‘The coal-mining mentality is in people’s DNA,’” Fernandes says, meaning they know how to show up and work hard for a fair wage. “It’s refreshing to see we’re going into an area where people will put their heads down and work hard. There are really nice people applying for positions.”

A handful of company leaders will, like Fernandes and his family, move from Newark to northeast Pennsylvania. A couple of them

were on the fence. So he drove them up there.

“We met with realtors, showed them houses A, B and C, compared the living situation, gross income, how taxes and health care would break down, schools and cost of living. When you quantify it, it makes all the sense in the world.”

But it was the area’s qualities as much as quantities that he had in mind.

“The reason I brought them was to see and feel the energy, the hustle and bustle,” he says. “People say, ‘Why are you moving to Scranton? Everyone’s trying to get out of there.’ That might have been the mentality 20 or 30 years ago, but now there’s all the reason in the world to move out there. My employees see it too.”

Asked if there were any concerns about permitting surrounding odor and emissions from coffee processing, Fernandes laughs, noting he’s been operating for 30 years in one of the most heavily policed states when it comes to emissions issues, and has never had a single citation. “We’re not permitted to



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Images above and on p. 193 courtesy of Susquehanna Brewing Co.

release any odors into the atmosphere — we take care of it with afterburners,” he says. Pennsylvania is no less strict, but isn’t as specific in its demands, meaning Socafe is good to go. Officials in Pennsylvania had told Fernandes they couldn’t wait to smell the coffee from their facility. “We told them you’re not going to smell anything,” he says. “Everyone had this disappointed look on their face.”

But he doesn’t think other food and beverage processors will be disappointed.

“For the people who are paying close attention to small details and trends, I think you’re going to see the area start shooting up in food and tech-based food manufacturing.”

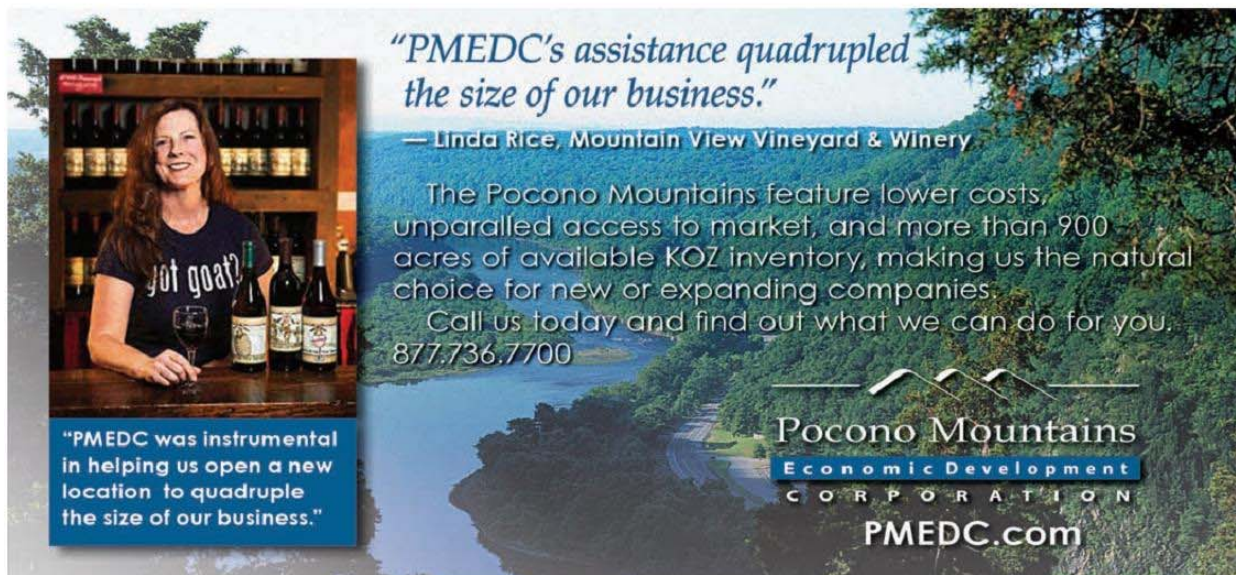
Family Affair

Among the things Fernandes likes about the people he’s meeting is how well he envisions them fitting into what he likes to think of as his extended family.

“We truly do work together as a family, because of how much specific training is used in our industry,” he says. “We need machine operators who say, ‘Okay, there’s too much acidity.’ You can’t quantify that and put it in a computer. You need human input. Beyond the employee/ employer relationship, they’re developing their own palate. You hear guys saying, ‘Here, try this coffee.’ There’s automation in coffee processing but it’s much like creating craft beer.”

Funny he should mention that. Fred Maier, co-founder and vice president of Susquehanna Brewing Company, is growing his company’s footprint in the area too, thanks to its own growing roster of beers as well as, like Socafe, a growing contract production business. But he didn’t just discover the region’s charms.

“My family has been doing business here since about 1851,” says the descendant of German immigrant Charles Stegmaier, who with his father-in-law George Baer, founded the Baer and Stegmaier Brewing Co. of Wilkes-Barre in 1857. “It’s really just a wonderful place,” and not just because 40 percent of the market is at his fingertips. “With the expertise in the area, there is really nothing you can’t get done



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around here,” he says, with high-end skilled manufacturing, machining and engineering that can make custom-made cannoli machines or materials for the Department of Defense.

His family’s operation is one of several breweries or brewpubs in the area including Wallenpaupack in Hawley and Here & Now in Honesdale, not to mention the granddaddy of them all, Yuengling in Schuylkill County.

“Pennsylvania has been a leader in brewing since the 1600s,” he says. “There are more breweries in Colorado, but we make more beer,” he says. “In 1896, Pennsylvania led the nation in beer production, and in 2017 we lead the nation in craft brewing.”

He applauds local governments and authorities such as Jenkins Township and the Wyoming Valley Sanitary Authority, as well as state and federal officials in the area, for their outlook: “They don’t come in and tell you what you can’t do. They say, ‘How can we get this done? We’ll figure this out.’”

Among his recent contract customers is a prominent Pennsylvania brewer who had been producing in Connecticut.

“We’re doing it better, cheaper and quicker for them, and more efficiently,” he says. “It’s closer to its home base than two years ago. Not a lot of facilities are set up like ours in the country, even down to the water profile — our municipal tap water is so clean and soft. It’s great process

water for anything, and you turn the tap on to get it. We take a lot of pride in our pizza in this region, and that’s why. It’s all surface water, and doesn’t absorb all those minerals.”


Maier is the sixth generation to work in the business, and works alongside his father. His wife from Philadelphia says she couldn’t imagine going back. Meanwhile, the seventh generation is on its way.

“They know what Dad does,” he says. “They think it’s great.”

Location consultant John Boyd says the food and beverage sector is among the most active this year, and expects more companies to think northeast PA is great.

“One of the drivers is the Food Safety and Modernization Act (FSMA) which is making upgrades to many older, existing processing facilities economically unfeasible,” he says. “Costs have always been a special concern to the low-margin food and beverage sector, a sector now faced with added compliance costs associated with FSMA — the most extensive update of federal food safety laws since 1938”

Enter the natural gas advantage.

“The shale gas factor has established a new site selection paradigm,” Boyd says, providing northeast Pennsylvania communities what he calls “an important leg up in attracting energy-sensitive manufacturers both in and out of the food processing sector.” 

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