

Testimony of

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before

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Committee

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Mr. Chairman:

Thank you for the opportunity to testify today before the Senate Majority Policy Committee on our older urban communities commonly referred to as “inner ring, or first suburbs.”

It has always been my personal belief that these communities afford the best opportunity for economic development in 21st century Pennsylvania.

They represent many unrecognized and often unexploited assets:

Simple geography and their proximity to an urban core make them attractive places to live.

Nearly all possess sophisticated and mature mass transit systems.

The mere size of these communities often lends itself to manageable and creative solutions to problems.

Solid housing stock is still both available and affordable in most of these communities.

In recent years, we have seen the construction of town centers consisting of mixed use housing, retail amenities such as restaurants, markets, and shops in suburban areas by developers who monitor market trends and know what they are doing. A marketing highlight more often than not is that these town centers are walkable communities.

The inner ring's are truly the first walkable communities. At one point in our history you could live, work and relax in your home community. You didn't need to get on a plane to visit your grandchildren. It can be that way again.

Please recognize that I'm paid to be positive. You can not market a community without feeling positive. You may remember the advertising campaign of about 15 years ago whose tag line was "Philadelphia isn't as bad as Philadelphians say it is." I'm not sure that it will ever be displaced as the world's worst slogan. That said, I am a realist and recognize that our first suburbs suffer from many of the problems of our urban core without the mass of people and assets to readily correct problems. Problems which were not created overnight and will not be solved overnight. Problems to which there is not a one size fits all solution.

The tax base is often eroded resulting in increasingly high rates of taxation to fund schools and essential services.

Public infrastructure is decaying.

Redevelopment restrictions have been put in place.

Many state programs have been so limited in either scope or qualifications that both communities and businesses are deemed ineligible to participate.

These communities are often publicly mis-characterized as decaying and out-moded when in fact they can be models of stability and future growth.

Existing problems can be addressed either by solutions currently at hand, or program changes contemplated or underway by the Commonwealth, or examination of public policy.

The economic growth in these communities won't come from large employers of hundreds of employees locating in an area but from a strong, vibrant small business base.

Smaller businesses are where the growth has always been in Pennsylvania and nationally. It is a decades long trend even more pronounced in the 21st century. According to Thomas Friedman, New York Times columnist, the social networking sites based in the Silicon Valley are valued as follows:

Facebook	100 Billion
Twitter	8 Billion
Groupon	30 Billion
Zynga	20 Billion
Linkeds	8 Billion

All are successful, multi-national corporations but grouped together they employ considerably less than 20,000 people.

Smaller businesses, yes, even cutting edge industries can prosper in our fist suburbs.

First, however, they need access to capital. Too often in the past state programs were not available to these entrepreneurs. If you weren't a manufacturing entity or a large employer with the exception of a limited number of programs such as Small Business First (SBF) you didn't qualify.

I am pleased that Governor Corbett's administration has taken steps to address these inequities by proposing the creation of the Liberty Financing Authority which will be a new economic development financing partnership, serving as a one stop shop for job creators and most importantly provide flexibility in financing tools.

The Administration has also proposed a Keystone Communities program to assist the Commonwealth's core communities by consolidating and improving existing Main

Street and Elm Street programs; accessible housing programs and funding for the rehabilitation of blighted properties.

I referenced earlier restrictions placed on the use of eminent domain for private development as a result of the U.S. Supreme Court Kelo ruling in 2005. Eminent domain could be misused for private development as a result of the Kelo case but so many states including Pennsylvania moved so rapidly to place restriction on the use of these powers that any use of eminent domain for development is rendered moot except in the most extreme circumstances of blight. The only analogy that I can think of, is a medical one. I liken it to telling an oncologist that they can not excise a small tumor that they discovered but need to wait for it to grow and increase in malignance before they can take action. In light of Kelo, restrictions should be placed but I would urge the caucus to reexamine the strictness of controls and strike a balance between the property owner's rights and the right of citizens to a blight free commercial district. Please note I am speaking of commercial properties only not residences.

I spoke of required infrastructure improvements in earlier testimony. Governor Corbett's administration is moving to address these concerns by the proposed PA First program by utilizing its infrastructure development component to fund infrastructure improvements necessary to complement planned industrial investment by private companies and to restore blighted land to productive use and develop it. It will also focus on development of local infrastructure at business sites; land and building acquisitions and/or improvement costs; machinery and equipment purchase; working capital; and environmental assessment and remediation. I applaud these efforts and look forward to the promulgation of regulations.

As we look forward to increased private development in these communities and the leveraging of public dollars to stimulate that development simply throwing cash grants or loans is not necessarily the best solution. I have found both Local Economic Revitalization Tax abatement (LERTA) and Tax Increment Financing to be effective but underused tools in the past. A government is not giving away funds but deferring income in order to stimulate development. Federal tax programs such as New Market tax credits have been very effective and I would recommend that the Policy committee investigate the need of replicating such a program at a state level.

No development is ever 100% assisted by public bodies. If it is, you probably don't want it. These should always be a requirement for private equity. The capital markets remain restricted in lending and while banks as federally chartered institutions do have Community Reinvestment Act requirements, nothing that I am aware of in state law exists to stimulate business lending. The Commonwealth does, however, deposit large amounts of funds in banks throughout Pennsylvania. Could not a future criteria for being a depository be a demonstrated willingness and capability to invest in Pennsylvania's business community. I admit to the fact that constitutional implications do exist but I think that it is something that should be explored.

Mr. Chairman, I thank you again for the opportunity to appear today and hope that my remarks have been helpful.