

Senate Bill 65
Public Hearing Written Comments
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The intent of Senate Bill 65 to extend the term of a Keystone Opportunity Zones, Sub Zones and Expansion Zones from the current expiration dates of December 31, 2008 and December 31, 2013 until December 31, 2028 is a sound strategy and will provide the various Economic Development Agencies (EDA) throughout the Commonwealth a key tool to attracting and expanding business.

The Commonwealth of Pennsylvania provides the local EDA little or no front end programs or incentive packages that can be offered on a pre-approved basis without an application and review process. This means that when recruiting a new location or an off site expansion of a business, what can be offered in the form of incentives are a cafeteria list of programs that are subject to application and approval, and nothing to provide the incentive at the time of inquiry. When dealing with any tax abatement issues, such as a LERTA, the project would have to be presented to each of the taxing bodies and this at times puts the business at odds with the local leaders. This is not a competitive strategy to attract business to the Commonwealth. The Keystone Opportunity Zones (KOZ) offers a sound and attractive front end incentive to the prospective business client. Being able to offer the tax abatements afforded through the KOZ to a client at the initial stages provides a competitive advantage to the EDA as well as the Commonwealth to keeping the site active on the selection list.

When a client is considering a PA site and sites in other states, the structure of commonwealth provides a disadvantage due to the powers that are vested to the local taxing authorities and the lack of a central authority to offer a single incentive package. It is difficult for outsiders to understand that the counties, municipalities and school districts are separate political entities with independent taxing authority. In addition, when you introduce the various authorities to the negotiations, the table becomes crowded and more is not always better. For the EDA, the KOZ program is a vital tool because the political maneuvering has been done and the tax issues have been resolved prior to any project. Placing the tax abatements on the land and being able to market it exclusive of the specific project adds not only value to the project but efficiency by having it pre-approved.

Senate Bill 65 does not propose to add additional land to the KOZ program, but, extend the duration of the designation until 2028. The Bill also proposes to limit the maximum years of benefit to a business to fifteen (15). It is my opinion that taxing authorities are not being asked to give up additional revenue, just to maintain the status quo on the current sites. The overall goal of the time extension of the KOZ designation is to keep the sites attractive to development

and to locate business there. The benefit to the commonwealth and the taxing authorities would be by forgoing the taxes on the site, new business will locate, jobs will be created and the economic base of the community will be strengthened and the new employment will result in increased spending, therefore broadening the local economy. We must look at economic development and growth on a macro level to see the total benefit of new business in the locality, region and commonwealth.

The passage and adoption of Senate Bill 65 would be a benefit to Somerset County. Currently we have two KOZ areas that will expire in 2008, Boswell Area and Meyersdale Area and two that will expire in 2013, Windber Area and Somerset Area. The KOZ areas have been productive in creating jobs for our county. Currently KOZ companies employ nearly 200 people in Somerset County. We also have areas that are prime for development, but lack site development to make them attractive to site locators. That is not to say that with the extended time frame the sites could not be successfully marketed. The Somerset County Economic Development Council (SCEDC) viewed the KOZ program as an integral component to marketing our sites. The extended period of eligibility would only give us an advantage in recruiting firms and marketing our sites.

One key KOZ area for SCEDC is the North Star Industrial Park located along Route 30 in Jenner Township. This is a 60 acre park and currently is designated a KOZ through December 31, 2008. This park was open in 2006 and the final phase was completed in September of 2007. Currently there are two businesses in the park and they employ 20 people, with anticipated expansion over the next three years. There are currently six (6) lots which are shovel ready totaling approximately 35 acres of land. Being a new park, the marketing is just beginning. The KOZ designation loses its attractiveness as each month goes by bringing us nearer to the December 31, 2008 expiration. This would be an area that would benefit from being able to extend the KOZ designation through 2028. The KOZ program has benefited the county and we are now seeing a renewed interest in our sites by both local and out of area businesses, the KOZ program allows us to offer a real incentive at the beginning of the process to keep interest in our area.

The KOZ program in Pennsylvania is a sound program that offers a benefit of pre-approved tax exemption to designated land that is to be used for development. It is not to be underestimated how important this program is. When dealing with a site selector or a business prospect, the first question asked is always about incentives and especially tax abatements. Having the KOZ sites and being able to offer them right out of the box allows us to keep the interest of the prospect and then provides time to explain the other layers of programs that can be applied for to aid their projects. We must keep this program current.

The Economic Development climate is very competitive and the Commonwealth must provide the programs to allow the local EDA's to be competitive. While the

KOZ program is but one of the programs offered, it is key that it answers one of the first asked questions and the designation exists with the land. Yes, the business has to apply annually and meet the criterion, the initial KOZ has already been approved. The KOZ program is not a stand alone benefit or at times the deciding benefit to land a company, but it is one of the major programs. We cannot let the program sunset and then be left with one less program to offer, that diminishes our competitiveness. I strongly recommend that Senate Bill 65 be passed to provide continue the benefit and not to take away a tool the economic developer needs to be successful.

The KOZ program from the EDA prospective is effective in being a tool to offer to companies interested in expanding or locating to the commonwealth. However, as an economic developer, I would be remiss if I did not advocate for wider reform. We must keep up with our neighboring states in offering programs to attract new business and new jobs to Pennsylvania without placing additional economic burden on our municipal governments. I would urge the Senate to take a look at the various incentive programs and tax structures that our neighboring competitor states use to attract business and to allow for revenue collection not tied to real estate. By addressing both the economic incentives to companies and the tax options to taxing authorities Pennsylvania can be a win-win location for business.

In closing, Senate Bill 65 provides for the extension of KOZ designation through 2028 and should be supported. The KOZ program is a key economic development incentive that produces jobs and economic capital in the commonwealth and we should not allow it to sunset without another program in its place. We need to continue to add incentive programs and tools to help us remain competitive as a destination for economic development, extending the KOZ program allows us that program. I cannot stress how important a pre-approved benefit is that can be offered up front to the interested client. It keeps them at the table during the initial stages of site investigation. The KOZ program works and should be extended. I support Senate Bill 65 and will offer my assistance to you for helping in its passage.