

## **A New Day for Pennsylvania**

**“Collectively, the combined programmatic impact of the newly-enacted Stimulus Package gives Pennsylvania the most comprehensive and flexible package of financing programs of any states.”**

### **Stadtmauer Bailkin Biggins LLC 2004 Analysis of Pennsylvania’s Economic Development Stimulus Package**

Pennsylvania’s Governor Edward G. Rendell has made economic revival a top priority, and has moved on many fronts since taking office in January 2003. He's done more than just trim government waste or offer tax incentives -- Rendell has put forth a broad program for making the state more attractive to new businesses and keeping the jobs it already has.

The governor summed up that approach in a budget message early in his term:

"If we can make our cities and towns more livable, offer sportsmen clean streams and healthy game lands, respond to growing needs to preserve farmland and open space and repair the environmental damage of our industrial past, Pennsylvania will be a more attractive place for families and employers to come and to stay."

In April 2004, Pennsylvania’s Legislature passed and Rendell signed into law an Economic Stimulus Program that contains key elements to “jumpstart” the state’s economy plus incentives to support the private sector and improve the number of projects being undertaken in the Commonwealth. The Package invests over \$2.8 billion as a magnet to attract at least \$5 billion in private investment in the following target areas: Business Investment, Community Revitalization, and Site Preparation, Infrastructure Improvement and Construction. To fuel the Commonwealth’s community and business growth, the Economic Stimulus focuses investment in new high-growth companies. It channels new resources to aging communities in need of new and improved infrastructure, and provides the resources that will allow Pennsylvania’s traditional industries, especially manufacturing, to access new technology to enhance their productivity. Most of all, it brings a new vision for creating jobs, retaining talent, growing the economy and positioning Pennsylvania for success in the 21<sup>st</sup> century.

Within this overall package is one innovative program designed to add brain power to the mix of attractions for businesses. The Keystone Innovation Zone, or KIZ, is one example of an effort to get the state's colleges, community colleges, and universities involved in economic development. The program grants funds to community/university partnerships to generate economic and job growth in the areas around the campuses. Currently, there are 15 KIZs.

"These institutions represent one of the Commonwealth's greatest strengths in the form of well educated, motivated graduates," said Dennis Yablonsky, Pennsylvania's Secretary of Community and Economic Development. Our many campuses, he added, are "a source of intellectual capital that can be used to strengthen the existing manufacturing base and serve as the basis for the formation of new growth companies.

The Business in Our Sites Program is another unique feature of the Stimulus Package, and has been labeled the "most targeted, aggressive and proactive approach to solving the problem of site preparedness." As companies are frequently conducting site searches with a shortened decision-to-operation schedule, Pennsylvania's approach is a bold step in confronting the market risks of speculative development and site preparation. Funded at \$300 million, the program shows a great level of public commitment to site preparation.

Recognizing too that Pennsylvania's small towns and communities need all the help they can get to encourage growth and build local assets, the Stimulus Package has a program known as the Tax Increment Financing (TIF) to meet their special concerns. Using TIF, a community can borrow money via bonds to improve a distressed property, and repay the bonds with future tax revenue generated by the improved property.

The TIF Program is nothing new – but making it easier for smaller communities to take advantage of it is. Pennsylvania's large cities have been using the program for years with outstanding results. However, because small cities and communities have a narrower base of resources to handle the details of a TIF application, many have hesitated to use this valuable financing option. As a result, hundreds of deteriorating properties across Pennsylvania have continued to be a burden rather than a benefit.

The \$100 million TIF Guarantee Program takes the worry and much of the risk out of the process. It guarantees all or part of a TIF bond issue, as well as offering intensive technical assistance on completing the application.

### **Pennsylvania as Policy Innovator**

Many of the programs of the Economic Stimulus Package build on other successful initiatives designed to enhance Pennsylvania's economic health.

One of the largest weapons in the state's economic development arsenal is the Keystone Opportunity Zone, or KOZ. Essentially, this idea has taken some 49,000 acres of underutilized and underdeveloped land and made them available to businesses -- with virtual freedom from state and local taxes.

Currently, there are 12 Keystone Opportunity Zones. These areas all have been deemed to have undergone adverse economic and socioeconomic conditions—and noted as locations not generating much tax revenue. Since the program began in 1999, it has been a huge success, creating more than 23,418 new jobs and retaining some 21,136 more. It has, so far, resulted in total investment of more than \$5.2 billion.

Pennsylvania has a long history of trying the new and different when it comes to public policy. For example, using \$100 million from a settlement with tobacco companies, the Commonwealth created the PA Life Sciences Greenhouse Initiative. It's designed to work just like a real greenhouse -- by providing the nurturing environment that companies need to grow and thrive. There are three Life Sciences Greenhouses: in Pittsburgh, in Central Pennsylvania, and in the southeastern part of the state.

### **Pennsylvania as Deal Maker**

Overall, Pennsylvania has taken a very sophisticated approach to economic development. It all begins with The Governor's Action Team (GAT), a group of professionals chosen to help businesses with every aspect of expansion or relocation projects. GAT works with individual companies to provide "one-stop shopping" for any relocation or expansion needs. "Creating jobs is pivotal to Pennsylvania's economic success," said Secretary Yablonsky, and the Governor's Action Team is often the first stop for companies interested in doing so. The team members provide liaison with local governments, subcontractors, and utility companies. They identify available grants, loans, and other financial incentives. And they help find the best place to locate the business." There are several outstanding examples of the success of this approach.

Recently, when Fairchild Semiconductor looked to expand its facility in Mountaintop, in Luzerne County, state officials swung into action. GAT put together a financial package that included a \$1 million opportunity grant, \$575,000 in tax credits for job creation, \$250,000 for customized job training, and a host of other loans and grants. The company is headquartered in Portland, Maine and employs about 10,000 people around the world. Pennsylvania officials were determined to keep their share of those jobs and win even more.

Company officials say the effort paid off.

"Through our 43 years of operation in Pennsylvania, this site has enjoyed strong and supportive relationships with the community, state, county and township governments," said Kirk Pond, Fairchild's chairman, chief executive and president. "We appreciate the cooperative spirit."

Efforts like these have paid off in international as well as domestic arenas.

BTC Solutions recently chose a site in Erie, Pennsylvania, as the location for its North American Technology Center. The \$3 million project mirrors a similar center in Berlin-Schonefeld, Germany. The company will create 60 new jobs over the next three years. BTC makes world class tracking and monitoring devices that work with global position systems (GPS), and this expansion bolsters the state's reputation as a high-tech Mecca. DCED and local officials put together an incentives package that included \$60,000 in job-creation tax credits, a \$100,000 opportunity grant, and a \$200,000 small business loan. "We are truly excited about the opportunities available to a company such as ours

in Erie,” said Tom Lennox, BTC Solutions’ chief executive officer. “This marks a significant event in the company’s history as we plan and begin to execute our long-term growth and development in North America. We are truly thankful for the help provided by the Governor’s Action Team and other members of the Erie community.”

Other signs indicating that the economy of Pennsylvania is on the mend appeared throughout the past three years as well. In Hopewell, in Beaver County, Pennsylvania, one of the largest providers of mortgage settlement services announced an \$8.9 million expansion that will create 300 jobs over five years.

In March 2004, experts in nanotechnology gathered at the convention center in Philadelphia to explore business opportunities in the Commonwealth. Nanotechnology -- research and development at the atomic, molecular or macromolecular levels -- is one of the most advanced fields of scientific exploration and has already led to key developments in the biopharmaceutical, electronics, and energy industries. Sales of products developed from nanotech are expected to reach \$1 trillion in the U.S. by 2015, and the conference in Philadelphia staked out a claim in that emerging market.

Pennsylvania also is a leading biotech location. In 2004, the Commonwealth directly and through its partner organizations awarded approximately \$175 million to over 80 biosciences companies and 12 biosciences-related infrastructure projects in the form of loans, grants and tax credits. The capstone to all this activity came on June 19-22, 2005, when Pennsylvania hosted the largest gathering of life science professionals in the world. Located in Philadelphia, the BIO 2005 Annual International Convention set new records for attendance with over 18,000 participants from 56 countries and all 50 U.S. states.

### **Pennsylvania as the Ideal Business Location**

Pennsylvania’s great location—within a 500-mile radius of six of the ten major American market areas—offers access to vital markets that make for 40 percent of the country’s population and purchasing power; over 60 percent of Canada’s population; 45 percent of U.S. manufacturers; and 41 percent of the country’s domestic trade and service industries. Four of the Top 10 Logistics metros in the American northeast are located in Pennsylvania. To assist companies in accessing these markets, Pennsylvania offers 120,000 miles of highways and invests nearly \$3.5 billion annually for road and bridge construction and maintenance. Other modes of transportation include air, rail and ports. The Commonwealth has 6 international airports; 134 public-use airports and 16 scheduled service airports which serve 24 million passengers annually. Nearly 800,000 metric tons of air cargo is moved in Pennsylvania each year. The Commonwealth has 69 railroads that include more than 5,100 miles of railways—ranking it 5th in the country. Additionally, Pennsylvania has access to the Atlantic Ocean via the Port of Philadelphia and access to the Great Lakes via the Port of Erie.

More than six million people comprise Pennsylvania's workforce. More than 86 percent of Pennsylvania adults have earned at least a high school diploma and more than 24 percent have a Bachelor's Degree or higher. Pennsylvania is home to four of the nation's top 50 universities, the nation's top undergraduate business school and second ranked graduate school, and one of the country's top graduate computer engineering schools. And, the world's best Materials Science Program is located at Pennsylvania State University.

The Commonwealth's \$438.4 billion economy ranks 16<sup>th</sup> largest in the world, making it a major player in the global economy. Pennsylvania is also a technology leader, with more than a million miles of fiber optic cable crisscrossing its borders. The Commonwealth is home to more than 6,600 high-tech establishments, and has a growing biotech cluster, which has the nation's largest concentration of tissue engineering firms. Pennsylvania ranks in the top five nationally for life sciences and medical device firms; 1<sup>st</sup> for pharmaceutical and medicine production and 1<sup>st</sup> for health care industry employment. Pennsylvania is the 6th leading state for new and expanded business plants overall, as well as 4th for new manufacturing plants. It is a leader in Research and Development and ranks 9th in industry spending, investing \$9.8 billion annually for R&D.

Pennsylvania's quality of life is very desirable, as well, and includes a low crime rate, quality schools and healthcare. There are various cultural attractions that include theater, art, and music and many kinds of festivals. There is professional baseball, football, basketball and hockey, as well as college sports. Pennsylvania has many parks and forests in which to enjoy all kinds of outdoor recreation.