

**MEETING OF THE ACT 47 MUNICIPAL FISCAL DISTRESS TASK FORCE-
SUBCOMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT/TAX-
EXEMPT PROPERTY**

Thursday, June 13, 2013

The meeting of the Act 47 Municipal Fiscal Distress Task Force Subcommittee on Community and Economic Development/Tax-Exempt Property was called to order by Representative Robert Freeman at 10:30 a.m. in the Local Government Commission Conference Room located at 555 Walnut Street, Harrisburg, with the following individuals present:

Members

**Representative Robert Freeman, Chair
Gerald Cross, PA Economy League
Bruce Kelley, PA Municipal League**

Staff

**Tyrone Powell, Senate Local Government Committee (D)
Brianna Medevich, House Local Government Committee (D)
Mike Gasbarre, Local Government Commission
Kris Gazsi, Local Government Commission
Karen Bear, Local Government Commission**

Other Attendees

**Jonathan Hendrickson, Department of Community and Economic Development
Bob Frymoyer, PA Economy League
Lynne Shedlock, PA Economy League
Joanne Throwe, Environmental Finance Center at the University of Maryland (via telephone)
Rick Schuettler, PA Municipal League
Christian Muniz, Coalition for Sustainable Communities**

As the first order of business, Chairman Freeman called the meeting to order and began with introductions of those in attendance. He then called for the approval of the minutes from the May 20, 2013, Subcommittee on Community and Economic Development/Tax-Exempt Property, which were unanimously approved on a motion by Gerald Cross and a second by Tyrone Powell.

Joanne Throwe, Director for the Environmental Finance Center (EFC) located at the University of Maryland participated in the meeting via telephone at the invitation of the Subcommittee to discuss her work with EFC. Ms. Throwe explained that her work focuses on providing technical assistance on financial issues related to environmental protection activities that help communities better manage their limited resources. Ms. Throwe's particular areas of expertise are related to sustainable water infrastructure, agriculture and transportation issues. EFC endeavors to employ sound strategies in the most cost efficient manner.

Ms. Throwe stated that the lack of communication among departments has existed with all communities in which she has done business. Often the departments replicate services that waste valuable monies. The EFC emphasizes that they are there to help and requests absolute participation of all involved parties, including citizens. Recommendations are made to the community which has the option of adopting the suggestions. Ms. Throwe further explained that her office deals with communities with varying populations and issues, such as infrastructure, environmental, etc. It was emphasized that solid infrastructure attracts prospective businesses and provides for a great marketing approach. For example, the Stormwater Alternatives through Green Enhancement (SAGE) program has met with great success in many municipalities. The SAGE program is a donation-funded, municipality-managed program that represents a unique connected network of green spaces and ecological features that work together to create an attractive, highly effective clean water solution. SAGE gardens promote economic development, tourism, and litter control. Municipalities embrace the program because the garden design and installation with low-impact design reduces Department of

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Transportation maintenance, puts small contractors back to work, and instills community pride.

Mike Gasbarre asked if her organization has aided older industrial towns that have brownfields. Ms. Throwe replied that the EFC partners with other institutions of higher learning that are able to provide expertise in areas where the EFC has limited knowledge. Ms. Throwe cited the examples of Cleveland State University and the University of Louisville as two institutions that have aided her agency in various ways, including the EPA's Brownfields Program.

Representative Freeman queried as to the EFC's work with investigating a community's ordinances and zoning. Ms. Throwe responded that the EFC regularly makes recommendations without the need for additional ordinances. However, a community's ordinances are thoroughly reviewed in conjunction with EFC's investigation of the municipality's records. Ms. Throwe also explained that her Agency's main focus is on environmental issues, which encompasses a myriad of concerns.

Mr. Gasbarre and Representative Freeman thanked Ms. Throwe for her participation and extended to her an invitation to attend the July 2, 2013, meeting of the full Act 47 Task Force. The invitation was accepted by Ms. Throwe, who stated that she would cheerfully pass on her knowledge to the Act 47 Task Force.

Representative Freeman distributed two handouts to the Subcommittee Members. The first handout was a list of potential recommendations as discussed at the May 20, 2013, meeting of the Subcommittee on Community and Economic Development/Tax-Exempt Property. Recommendations are to be submitted to the Act 47 Task Force prior to its July 2, 2013, meeting. The second handout illustrated the percentage of tax-exempt property that exists in Act 47 Communities and Act 47 Early Intervention Communities.

The Subcommittee on Community and Economic Development/Tax-Exempt Property's potential eight recommendations to the Act 47 Task Force were as follows:

Tax-Exempt Property:

1. Enact legislation that would provide a dedicated state funding source to municipalities that have a high percentage of tax-exempt property within their municipal borders (e.g. Representative Freeman's House Bill 2018 of 2007).
2. Change the local Earned Income Tax law to permit municipalities with a high percentage of tax-exempt property to receive half of the amount that currently goes to the municipality of the individual employed in the Act 47 community who lives outside of that community.

The Subcommittee debated the recommendations related to tax exempt property at length. The members agreed that recommendation two should be amended to be available to municipalities other than Act 47 municipalities so it does not create an incentive to stay in Act 47 in perpetuity. They also modified the recommendation agreeing that they must define the threshold level of tax exempt property to determine what communities are eligible. Some members expressed concerns that these proposals might raise controversy where taxes that currently go to one municipality would go to another. Gerald Cross suggested that it might also make sense to implement this in the context of a shared service model so that surrounding municipalities would feel like they were getting something out of the change in taxation.

Early Intervention Program:

3. Modify the Early Intervention Program to provide additional and/or earlier warnings to DCED and the effected community of signs of distress, allowing such early intervention targeted communities to take advantage of recommendations #4, 5, 6, 7, and 8.

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Jonathan Hendrickson of DCED suggested giving DCED more leverage over municipalities which are deemed by DCED as potential candidates for the early intervention program (EIP). Mr. Hendrickson explained that his Department has experienced obstacles in obtaining necessary data/forms from municipalities. At this point, DCED can only withhold liquid fuels monies if the data from the Survey of Financial Condition is not collected. Mr. Gasbarre emphasized to the Subcommittee that Section 121(b) of Act 47 permits DCED to consult with municipalities that have exhibited indicators of distress without the invitation of the local government. This provision supersedes provisions of the state Administrative Code which limits intervention by the Department to incidences when assistance is requested by the municipality. Also, Mr. Hendrickson offered that exit strategies should be encouraged. Tyrone Powell agreed with Mr. Hendrickson's assessments and remarked that more "carrots" should be established that would entice distressed municipalities to exit Act 47 status. The Subcommittee agreed to modify recommendation three to authorize DCED to take direct actions upon assessment of data that shows a municipality may be experiencing distress. Current law gives the municipality the option of accepting recommendations. The Subcommittee also recommended that DCED should consider, administratively, shared services, intergovernmental cooperation agreements, and state funding resource opportunities during the early intervention program process.

Intergovernmental Cooperation and Shared Services:

4. Provide incentives at the state level for greater intergovernmental cooperation and shared services between Act 47 communities and their municipal neighbors.

State Funding and Programs:

5. Establish a system to better direct how Commonwealth funds are expended to prevent the funding efforts and activities of state agencies from working at "cross purposes" in terms of economic impacts and community stability impacts on Act 47 communities.

The members discussed the need for coordination between projects not directly related to a municipality's distress and their effect on Act 47 municipalities. Jonathan Hendrickson offered to seek guidance from Fred Reddig of DCED and report back to Mike Gasbarre. The members agreed to explore the Keystone Progress program.

6. Amend Section 282 of Act 47 to ensure state departments are aware and required to give priority to distressed municipalities to receive community and economic development money (e.g. Main Street, elm Street, housing funds, use of RCAP money, etc.).

The Subcommittee recommended that the Co-Chairs of the Act 47 Task Force directly correspond with the Governor to ascertain the method by which each state agency ensures that the provisions of Section 282 are satisfied.

7. Make it a requirement of the Act 47 plan to examine not only the fiscal aspects of an Act 47 community but also other policies that impact and/or can foster economic development potential in the community (e.g. changes in zoning to make the local zoning ordinance more urban oriented, establishment of farmers markets and other community venues to draw people into the urban core, incentives for the startup of new businesses, tourism opportunities, and restaurants, entertainment and the arts).

Redevelopment authorities:

8. Eliminate the population threshold on formulas on redevelopment authorities.

The members discussed whether the population threshold should be removed or reduced from the current requirement that a county, city or borough have at least 10,000

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people. Some members expressed concern that a smaller municipality might pursue the creation of a redevelopment authority without putting in the necessary resources. Brianna Medevich volunteered to “tweak” Recommendations #6 and #8 and submit her changes to Representative Freeman and Mr. Gasbarre. Mr. Gasbarre said that he would forward all of the changes to the Subcommittee Members for their review and remarks by June 20.

The meeting adjourned at 12:05 p.m.

**Attested: _____
June 25, 2013**