

# ***The Future of Pennsylvania's Cities -- Large and Small***

**A Joint Session of the Senate Committee on Urban  
Affairs and Housing and**

**the House Committee on Urban Affairs Committee**

**Testimonies of Mayor C. Kim Bracey**

**And**

**Mr. David Cross, Chairman**

**City of York Redevelopment Authority**

York College of Pennsylvania,  
Alumni Hall-West Campus Community Center  
441 Country Club Road

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Good Morning. My name is Kim Bracey, Mayor of the City of York and the Legislative Committee Co-chair of the Pennsylvania League of Municipalities.

Welcome to York, home of our nation's first working Constitution and York College, York County's cathedral of learning and one of the great emerging colleges of the northeast.

Thank you Chairman Argall and Minority Chair Brewster, Chairman Gillespie, Minority Chair Harhai, Members of the Senate Committee on Urban Affairs & Housing, and Members of the House Committee on Urban Affairs.

I also want to give a shout out to the house committee's newest member, my friend and former colleague, Kevin Schreiber. My friend, with state budget amendments flying all over the place, you certainly are hitting the ground running. We're proud of you.

Thank you, York County's own Senator Mike Waugh and Chairman Keith Gillespie for hosting this joint hearing here in York.

And thanks also to all of you and your staffs for your service to our Commonwealth and our people and for being here today.

I also want to thank all of the participants and supporters of the Coalition for Sustainable Communities, the Pennsylvania League of Municipalities, and our York's own grassroots ***Fiscal Freedom and Stability Campaign***. Combined, these efforts show that, together, we can build broad, bi-partisan support – from chambers of commerce to middle class homeowner and taxpayers, to elected officials to local government associations, to CEO roundtables to citizen activists -- to save and restore our core communities like York.

To learn more about York's own ***Fiscal Freedom Campaign***, I invite you to log onto [yorkcity.org](http://yorkcity.org).

My testimony this morning focuses on our city's ***fiscal challenges*** and how we can, only through commonsense reforms authored by the General Assembly, build a brighter fiscal future for our core communities.

## **Introduction**

Friends, the topic of the joint session hearings is ***“The Future of Pennsylvania's Cities Large and Small.”***

As the Mayor of one of Pennsylvania's 53 Third Class Cities, I will focus this morning on the so-called ***“small”*** part of that equation.

But the word “small” is deceiving, for our 53 third class cities are hurting even though they represent metropolitan statistical areas of over five million people. In many ways, our so-called ***small*** cities and their metro areas represent most of Pennsylvania.

I am a firm believer that one must have one’s own house in order and be responsible before one asks for help.

So, it first must be said that our City of York government’s professional ethics, management, and internal controls are as strong as they can be.

The Pennsylvania Economy League, Public Financial Management, the state Department of Community and Economic Development, and third party auditors confirm that York's budget process and practices are as open, deliberative, and sound as they can be.

Consultants, experts, and state officials have repeated over and over again that our city government has competent, capable, and committed fiscal management.

They all have reached the same conclusion: we run as tight of a ship as we can.

Regardless, systemic constraints and structural deficits batter us every year, and unreasonable, unfair mandates and legacy costs threaten our future.

The City of York and core communities like it confront the combined dilemmas of costs that rise faster than the rate of inflation and a scant few revenue sources that are relatively static.

These systematic financial burdens and constraints to our small cities and other core communities, such as boroughs, lead to an over-reliance on property taxes.

These burdens and constraints, in a climate of increasing mandated costs, such as spikes in our Minimum Municipal Obligation or “MMO,” lead to upward arcs in property taxes and other fees that are not conducive to economic development retention and attraction.

Now, we have worked hard to manufacture help and hope at home, and we are proud of our innovative partnerships, programs, and projects that are

yielding real results. That is the positive tale of the ***physical and economic city***, which is building new housing, recruiting new artist homesteaders, creating new fresh foods opportunities, and growing businesses.

But the current picture of the ***financial city***, like many of our sibling third class cities, is dire. Consider the following ten crucial points that summarize the present crisis.

**First, 21 Pennsylvania municipalities, most recently the Cities of Altoona, Harrisburg, and Reading, now are in Act 47 distressed status.** Eleven municipalities have been in Act 47 for more than ten years, and six have been in Act 47 for more than 20 years. No Pennsylvania City has ever emerged from Act 47. Like the Hotel California, you can check in anytime you want, but you can never leave. Clearly, Act 47, as I have testified before, is not the solution that we need for distressed municipalities, and it should be revamped.

**Second, our core communities are stretched too wide.** Our City's population is 43,718, but employees commuting into our City swell our population to about 80,000 on most days, but the commuters who work in our city pay their entire earned income taxes to the suburban municipalities in which they live. Further, many of our cores increasingly have become warehouses for our counties' poorest citizens, distressed schools, blighted properties, brownfields, governmental agencies, non-profits. Despite being stretched too much financially, we are ethically and legally committed to serve and manage all of the above. Our 53 third class cities represent metropolitan statistical areas of over five million people, and our cores are the epicenter for governmental services, social services, and cultural events for much of our county population. Again, we serve all of them and are expected to pay for quality infrastructure and public safety services to accommodate all.

**Third, we are landlocked, stretched too thin, starved for resources, and trapped in horse-and-buggy eras of government.** Unlike model thriving small cities, such as Greenville, South Carolina, small Pennsylvania cities cannot annex adjacent

lands. Further, double-referendum mergers with adjacent municipalities are almost unheard of in Pennsylvania. Therefore, we virtually have nowhere to grow except up.

To give you an idea of how landlocked our small cities are, I would venture to guess that most of you think that we are convening this morning in the City of York. That is not the case. Although York College is a great partner and is evolving into our City, from which it began when this nation was founded, this building sits in Spring Garden Township.

The Pennsylvania League of Municipalities has discussed urban boundary commissions for decades, but nothing meaningful has been done at the state level. In the long term, to reengineer our small cities, new urban boundaries are needed. We duplicate way too many costs and services.

**Fourth, combined with pension crises, the creeping expansion of tax exempt properties poses unreasonable unfunded mandates and systemic deficits.** In our city, 37% of the value of real estate is tax exempt. In the City of Harrisburg, it is a staggering 49%. Such mandates and deficits cause unpredictable property tax hikes, unpleasant business climates, regional bickering and distrust, inherent inequalities based on one's zip code, and a regional cannibalization of business and homeownership opportunities.

Tax-exempt properties include those owned by all governments, school districts, utilities, churches, social service agencies, hospitals and post secondary schools. The large percentage of our tax-exempt real estate means that about half of each taxpayer's tax bill is due to a tax-exempt property not paying any taxes.

We serve all people who work in or visit our city. That is our legal mandate and ethical obligation. The practical result is that the real estate tax payers of our cities – the poorest in all of our counties -- subsidize non city residents who use county government services,

medical facilities, religious services, higher education facilities, and social services in our cities.

**Fifth, in Easton, Lancaster, Reading, and York, annual property tax revenues are not enough to pay just for police and fire services.** They just barely cover the public safety costs in Bethlehem. To mitigate spikes in property taxes, such cities borrow from other funds, raise parking, trash and other fees, or incur further or refinance debt just to maintain minimum safety. This absurd reality was a key finding in the Pennsylvania Economy Leagues' *Structuring Healthy Communities* case study.

**Sixth, our City of York faces a \$50 million deficit by 2016 because of skyrocketing pension costs, our minimum municipal obligations or MMOS, and millions of dollars in unfunded mandates.**

**Seventh, the present fiscal crisis threatens to rob the momentum and promise of core communities throughout the Commonwealth and the promise of their metropolitan statistical areas and counties.**

**Eighth, simply put, Pennsylvania's local tax, pension, and arbitration system is outdated, broken, and unfair.**

**Ninth, small cities cannot simply build their way out of financial distress.** Economic and community development are crucial to our quality of life and futures, and you will hear more later about sound proposals and programs that we desperately need.

But let there be no illusions. Economic development, by itself, is not the answer to fiscal solvency and sustainability.

**Tenth, the irony is that struggling core communities represent lost business opportunities, regions with struggling character and brand appeal, and a state not living up to its potential.** If Pennsylvania is to recapture its historic greatness and win the future, core communities must thrive through safe neighborhoods, ticking economies, quality educations,

strong infrastructures, innovative cultures, historic preservation, and curb appeal. Our ***third class*** cities represent what could be Pennsylvania's ***first class*** -- ***its blue ribbon class*** -- if we had the tools and reforms to thrive.

Friends, in counties throughout Pennsylvania, all roads lead to our little Romes.

But as I stated before, our little Romes are burning. The challenges besetting cores like York constitute a human and moral rights crisis that has been brewing for years.

You know that we need novel partnerships, innovative policy, and comprehensive reform so that our cores can be saved and restored.

You also know that our state government has the ability to do that.

### **Pension Reform**

First, I would suggest we need meaningful pension reform.

As you know, Pennsylvania has over 3,200 separate local government pension plans, 25 percent of all such plans in the nation.

Two-thirds of the plans have ten or fewer active members, and many are grossly underfunded.

Pennsylvania has a total of at least \$6.6 billion in unfunded accrued liabilities.

The pension problem is not just a city problem. Pension stress can be found in boroughs and townships in rural, suburban and urban areas. Sixty-six of Pennsylvania's 67 counties have at least one municipality with a pension plan that is under a high level of financial stress.

Nearly one-third of Pennsylvanians live in a municipality with a distressed pension plan.

I want to commend the Coalition for Sustainable Communities and Representative Seth Grove for proposing meaningful pension reform, which would bring commonsense to our pension practices.

## **Act 111 Reform**

Second, we desperately needed reform of Act 111.

As you know, enacted in 1968, Act 111 is a state law that provides binding arbitration to police and fire fighters in exchange for a prohibition against strikes. The intent of Act 111 is good, and binding arbitration definitely should remain part of the municipal/labor toolkit.

But after 45 years, Act 111 needs to be modernized.

What began as a fair and neutral process, however, has become one of frequent adverse arbitration awards depleting municipal financial health.

Today, 41% of Pennsylvanians live in financially stressed municipalities.

Binding arbitration is one of the primary causes for escalating costs. Even the best managed municipalities like our City are not immune from adverse arbitration awards.

Municipalities have seen binding arbitration decisions go against them for many years. An arbitration ruling in a given municipality sets the bar for successive arbitration awards in other municipalities, and the bar has been steadily raised to fiscally unsustainable heights.

Without cost control reforms to Act 111, everyone can expect to see their labor costs continue to soar and more communities will be forced into distressed status.

Pennsylvania badly needs to reform and modernize Act 111, something that has not been done since it was first enacted in 1968. I commend Senator Eichelberger's proposal and I commend Senator Eichelberger and all co-sponsors of his bill and the companion bill in the house.

This proposal will level the playing field for employers and employees, making the process fairer for municipalities, less costly to taxpayers and ensure arbitration rights are retained for future generations of police and fire fighters.



I endorse Senator Eichelberger's bill and urge you to pass it as soon as possible.

### **Revenue Tools**

Sadly, although pension and arbitration reforms are necessary and essential, pension reform will not really help third class cities out in the short term. For example, pension reform, though sorely needed, applies to new hires, so pension commitments to existing and soon-to-be retirees are still on our ledgers.

So, all things equal, third class cities still are going to be mired in debt and with unwieldy MMOs for at least another decade or so.

And, in turn, public safety and infrastructure continue to hold on by a thread and our little Romes still will not be thriving because they do not have the revenues to balance their books.

Therefore, as we have done for nearly four years, we continue to respectfully urge our state legislature to enable cities like York to become more self-reliant and stable by giving us a menu of revenue options, such as a modest local option sales tax and a modest local option alcohol tax.

Please give us the option to utilize tools to make tough choices based on our distinctive local needs and aspirations, and we will get the job done.

In sum, if our smaller cities had, in their tool boxes, a reasonable range of modest, local enabling revenue options, cities could stabilize their real estate tax rates while being able to fund and to justify seed funding for much needed economic and community development projects and to provide the quality infrastructure and amenities that companies need to stay and grow.

### **Tax Reform**

My friends, we desperately need pension and arbitration reform, which are essential. And we desperately need local enabling revenue tools.

We also must recognize, however, the proverbial elephant in the room: school property taxes, which represent about 58% of a city taxpayer's total tax bill.

Regressive, antiquated, unpredictable, and onerous, school property taxes are the greatest inhibitor to economic and community development in our City of York and many core communities.

Unchecked spikes in property taxes threaten our city's momentum and progress. Without dramatic lures, most rational, patient investors and would-be homeowners will pass on an environment of unwieldy and unpredictable property taxes.

**Statewide** property tax reform – and I emphasize the word **statewide** -- that relies on progressive or equitable revenue sources, such as moderate increases in the personal income tax and sales and use tax, to pay for public education costs is needed.

Only **statewide** property tax reform would level the playing field and be a real game-changer for third class cities. In our view, anything else would be like rearranging chairs on the Titanic.

In conclusion, thank you again for your service to our Commonwealth and for listening to my pleas and recommendations this morning. The problems that we face as core communities are daunting.

But they are not insurmountable. With conviction and commonsense, we can pass the right and smart measures so to save and restore our 53 third class cities so they become **first class** communities that build a better, stronger Pennsylvania.

Our little Romes are burning, but, together, we can save the day. I now will yield the balance of our time – if such a balance remains – to my friend, David Cross, Chairman of the City of York Redevelopment Authority, who will give testimony regarding economic and community development.

Thank you very much.

## **Economic and Community Development**

Good Morning. My name is David Cross, Chair of the City of York Redevelopment Authority.

You will hear later today from our friends at the York County Economic Alliance on specific projects and on how the state can bolster economic development in our downtowns to create thriving urban communities.

Without stealing their thunder, I'd like to give an overview on how difficult it is to spur private development in any neighborhood of cities like ours without state incentives and innovative programs and policies.

I then will offer five ten key recommendations for renewal.

### **Introduction**

I have served on the Redevelopment Authority, or, as we call it, the "RDA," for 15 years, the last five years as chairman.

The **Vision** of the City of York Redevelopment Authority, complementing the City's Department of Community and Economic Development, is:

To become a community where:

1. Diverse businesses prosper
2. Development and niche districts grow
3. Talent is encouraged, retained and recruited
4. Neighborhoods revitalize

The **Mission** of the Redevelopment Authority is:

To create conditions encouraging city-wide development through:

1. Project management and public-private partnerships;
2. Property planning, acquisitions, marketing and agreements;
3. Performance-based incentives and loans; and
4. Small business counseling and training.

The staff of the City of York Economic and Community Development Department oversees and administers the RDA. The RDA's board consists

of five highly experienced professionals, all city residents and all volunteers, representing the construction, legal, and finance industries, as well as the faith based community.

The role of the RDA is to responsibly maintain and market its residential, commercial and mixed-use development parcels and properties in the City. We aim for responsible redevelopments to not only increase the City tax base, but to support community and economic development in all city neighborhoods.

The RDA acquires property through donation, tax sale, purchase and condemnation. The majority of the RDA's holdings consist of vacant grass lots, many of which are clustered together.

Occasionally, as circumstances present, the RDA acquires vacant structures for which it seeks redevelopment proposals.

Under state law, the RDA has express authority and power to investigate, plan, purchase property, make contracts for demolition and rebuilding, and provide parks and recreation areas.

The Authority also has properties for sale for the purpose of homeownership and private development.

Redevelopment Authorities are one of the most effective, but underutilized tools for transitioning blighted properties into assets, for improving quality of life in neighborhoods, and for stabilizing and strengthening the city tax base.

## **History**

Founded in 1954, the City RDA has a long, responsible, and proud history. It has been responsible for spearheading, land-banking for, or collaborating on the biggest development projects in our city's history.

- **Cable House.** In the late 1960s, the RDA was instrumental for acquiring land and for building York's first high-rise housing for low-income families on Broad Street. Today, hundreds of these units are successfully managed by the York Housing Authority.

- **Newton Square.** After flooding caused by Hurricane Agnes in 1972, the RDA was responsible for acquiring flooded buildings and abandoned parcels near the banks of the Codorus. After years of planning, urban pioneers bought new Colonial revival homes for nominal fees in Newton Square as part of the city's "Back to the City" movement. Today, Newton Square is one of our city's most attractive and stable neighborhoods.
- **Colonial Complex.** In the late 1960s and into the 1970s, the RDA acquired land around the historic Gates House and Plough Tavern, where the Marquis de Lafayette gave a "toast" of loyalty to General George Washington, when Washington was enduring a brutal winter in Valley Forge. Reputable historians think that Lafayette, by doing so, thwarted the "Conway Cabal," which aimed to oust Washington, thereby preserving a fragile, fledgling nation. The RDA's land acquisition and other efforts helped create what today the York County Heritage Trust calls the "Colonial Complex." The Complex features a replica of the Colonial Courthouse that stood on Continental Square in 1777 and the **Barnett Bobb House**, also known as the Old Log House. Built in 1811 and originally located at the intersection of Pershing and College Avenues, the RDA moved the house to its present location in 1968. By land banking and clustering colonial era properties, the RDA was instrumental in creating the Heritage Trust's cultural tourism epicenter for downtown York, which now also features a Downtown Visitors Center.
- **Susquehanna Commerce Center.** For approximately 25 years, the RDA patiently land banked parcels where a former 20,000 square foot gas manufacturing facility once sat on West Philadelphia Street. After years of careful planning and successful environmental remediation, the twin towered Susquehanna Commerce Center opened its doors in. Construction began in 2001 and 95% of the units were sold within a year of opening in the fall of 2012. The Commerce Center features:
  - 7-acre urban business campus on a former brownfield site;
  - Two newly constructed 6 story office buildings;
  - 205,000 total square feet of office space; and
  - Surface parking plus 4-level parking garage.

- **Sovereign Bank Stadium.** The RDA was responsible for the early groundwork – figuratively and literally – leading to the construction of York County’s board walk, Sovereign Bank Stadium. From weathering the storm of withering public criticism by virulent opponents to the project; to organizing and commissioning a key site selection task force; to commissioning a key feasibility study by Economics Research Associates; to securing a First Industries Tourism grant to pay for the project’s initial soft costs; to commissioning a long-term stadium district Vision Plan; to writing and shepherding the legally required redevelopment plan and proposal through various entities; to organizing the crucial York Outdoor Recreation Complex Committee; to honorable efficient and successful acquisition of 25 buildings in 2005 and 2006, the RDA was proud to lay the groundwork for the stadium, which heard the home plate umpire yell “Play Ball” on June 15, 2007. The stadium has been a stunning success. In 2012, **280,085 folks**— a 5% increase in per-game attendance over 2011 -- attended York Revolution games at Sovereign Bank Stadium. Better than advertised, the Revolution has averaged **274,981** attendees during six great seasons.
- **Northwest Triangle.** The Northwest Triangle is one of the largest projects in the history of our city, and, as Mayor Bracey has insisted, the RDA will complete the Northwest Triangle, insisting that quality market-rate housing density infuses our downtown with more spending power while expanding residential choices. More City market-rate housing and homeownership help to transform a cycle of concentrated poverty into a cycle of progress and promise. To recap so far, over 9 acres have been acquired and environmentally remediated in the triangle. Four acres have been developed into **80,000 square feet** of commercial space. Two acres now are under contract for 100,000 square feet of new, market-rate housing. Transformative results require fidelity to a bold vision, strategic planning, teamwork, and relentless persistence.

### **Artist Homestead**

In addition to the RDAs history of high impact development projects, in recent years we have launched incentive programs that have yielded surprising results.

Launched in 2006, the RDA's **Citywide Artist Homestead Initiative** is the only citywide artist relocation and homeownership program in the United States and offers two tiers of financial and amenity incentives to artists who purchase homes in the City of York.

Priority is given to artists who establish live-above-work studios. These incentives include a \$5,000, zero interest forgivable loans and \$3,000 of professional architectural services by city architects to qualified live-above-work artists and artisans. York's program is the first and only city-wide Artist Homestead program in the nation. So, even if a zoning district does not support a live-above-work establishment, qualified applicants are eligible for a \$1,000 forgivable loan upon settling on his or her city home. The only consideration is that the recipient must sign an "artistic moral obligation agreement" pledging sustained artistic contributions to city's arts scene.

York is fortunate to have 12 official artist homesteaders who are key players in downtown's fledgling renaissance. They include, to name a few, two musicians and a painter at the popular *Sign of the Wagon* at 154 East Philadelphia Street; Industrial artisan Pat Sells of *Salvaging Creativity* at 475 East Philadelphia); Painter Jean Leaman of *Lady Linden* (505 Linden Avenue); fine artist and art teacher Bonita Sidlinger of *Blissful Bonita Art Studio & Gallery* (1047 East Market); and interior designer Joanne Ekeledo of *Grace Manor Bed-and-Breakfast* (258 W. Market Street).

For example, Artist Homesteaders Pat Sells and Casey Tyrrell are converting a long vacant, nearly 100-year-old, three story factory at 475 West Philadelphia into *Salvaging Creativity*, their home, a for-profit workshop and gallery, and a community center for the arts.

The funding is provided by the city redevelopment authority's general fund, which is made up of modest property transaction fees charged by the authority to those who purchases its revolving stable of empty buildings and lots. Funding does not come from city taxpayers or the City of York. York currently has 12 live-above-or-with-work artist homesteaders who are program beneficiaries. Imagine what our city could become if we could double our total number of artist homesteaders.

With just a little more seed money – even \$50,000 – we could double the program's impact, which, in itself has a double positive impact: It incents

homeownership and neighborhood stability while infusing our city with creative and social capital. This kind of program yields real results.

With York's inexpensive real estate, extensive raw and post-industrial space, artistic base, rich architecture, new zoning ordinance that is friendly to live-above-work galleries, and proximity to major markets, the return on investment would be great.

The Artist Relocation Program of a City similar to York in size, the City of Paducah, Kentucky, has enjoyed a stunning return on investment or ROI of over \$11 for every one public dollar expended. Source:

<http://www.philadelphiafed.org/community-development/events/2012/reinventing-older-communities/resources/renzulli-051012-1430.pdf>.

This quantitative ROI does not even account for the rich yields of creative and social capital – networking, mutual encouragement, potluck dinners, sharing ideas, spreading the word, cross-marketing, and inspiring each other.

### **Fresh Foods Revolving Loan Fund**

With seed funding from the United States Department of Agriculture, the City of York Redevelopment Authority established its innovative and successful **Fresh Food Revolving Loan Fund** ("FFRLF") for food and restaurant start-ups since 2006. Since then, we have loaned over \$150,000 to twelve new small businesses.

Because we partner with the Community First Fund, we oftentimes are able to leverage additional funding for FFRLF applicants, thereby sharing and minimizing the loan risk between several loaning entities.

This funding is actually used to enhance collateral for a borrower, which allows a business owner with less-than-perfect credit or inadequate collateral to secure a loan through People's Bank at a rate close to Prime. Although this is known as a low-interest, high-risk type of investment, on average, 80% of the loans has been repaid, and the revolving loan fund is, indeed, revolving.

### **Personal Experiences**



During my 15 years with the RDA, I have witnessed wild fluctuations in the market. I have been there through good times, when funding sources, such as Community Development Block Grant funds or CDBG, were adequate for the RDA to take a bite out of blight each year and fulfill its mission to the community. I have seen times when members of our own City Council tried to deny the RDA any funding at all.

I have seen times, such as in 2004-2006, when the market worked well and the RDA was able to receive competitive bids on blighted properties.

I have been a private developer, serving as President of Wagman Construction for years, so I am keenly aware of the power and efficiency of the private marketplace and entrepreneurialism.

At the same time, I also am keenly aware of the systemic constraints inflicting small cities like York and how private enterprise often cannot take root without a mélange of quality, innovative state programs that are adequately funded.

The following are our ten major recommendations for community and economic development to really take root in our city.

### **Tackling Blight**

Blighted properties are cancers that lead to the unpredictable expenditure of public dollars in terms of public safety, citations, legal fees, condemnations, and demolitions. They also are neighborhood cancers in that they create havens for drug dealers and squatters and devalue adjacent and nearby properties. In most cases, they also do not contribute to the city's tax base.

Cities have addressed blighted properties through condemnation and eminent domain.

Those efforts have improved in recent years with the adoption and implementation of Act 90, Conservatorship and Landbank Authorities. Those tools granted to municipalities and RDAs have been implemented to varying degree across the Commonwealth. York's RDA has taken advantage of them as well.

Beginning with a study performed by the Fels Institute of Government of the University of Pennsylvania in 2005, the RDA, with the imprimatur of the Brenner and Bracey Administrations, aggressively has fine tuned and perfected condemnation procedures through its Fight Blight Task Force, a collaborative, multi-department effort.

This has been an attack on neglect, dereliction, and abandonment. And it has worked well. However, a solution to a problem has created a new problem: a seemingly ceaseless queue of properties eligible for condemnation.

The new State tools were instituted without consideration for funding. The Landbank Bill recently enacted was modeled after a similar bill in Flint Michigan, except for one important difference. Flint, Michigan had a statewide funding source.

Times are tight, we know. But an RDA's role in urban areas, unfortunately for the most part, is inversely related to the market. When the economy is good, RDA's have less work. In a bad economy, the RDA has more work to do with less and less resources.

### **Recommendation #1: Seed Grants To Fight Blight**

Therefore, our first recommendation is for seed money for fighting blight. We need seed money to be pro-active to transition blights into assets, more than we need tools. As already illustrated, the ROI can be great, as high as \$11 private dollars for each dollar of public funds for smart programs that we already have launched but are starving for dollars to keep them chugging along.

The RDA is the custodian of blight and the patron saint of abandoned parcels and buildings. But it also is the transition agent between blight and assets. Through our quality, multi-department disposition strategy and our artist homestead program, we have proven pathways to transition renters to homeowners and to transition blights into performers.

We simply need sources to develop these homes in a sustainable way that is cost effective and marketable. As our ethical responsibility, we land-bank properties, but we need bankable resources to assist first time homeowners.

## **Recommendation #2: Real, Statewide Tax Reform**

First, I strongly reiterate Mayor Bracey's urging for **statewide** property tax reform – and I emphasize the word **statewide** -- that relies on progressive or equitable revenue sources, such as moderate increases in the personal income tax and sales and use tax, to pay for public education costs.

As Mayor Bracey said earlier, and it cannot be said enough, regressive, antiquated, unpredictable, and onerous, school property taxes are the greatest inhibitor to economic and community development in our City of York and many core communities.

I am a city homeowner, and school property taxes represent about 58% of a city taxpayer's total tax bill. Even if school property taxes are not eliminated, but if a large chunk of them are eliminated, that would go a long way to leveling the playing field with suburban municipalities and making our city a more desirable place to invest.

Because of the perfect storm of state mandated and allowed factors that batter our cities each year, a vicious cycle occurs. Property taxes rise to pay for public safety and infrastructure subsidizing many who do not pay property taxes in the city, and then property values decline. As property values decline and property taxes spike, elderly and low-income homeowners either abandon their homes or have lending institutions foreclose on their mortgage.

Time and time again, the City Redevelopment Authority, as the patron saint of lost and abandoned parcels and buildings, has taken title to such parcels or buildings. At other times, we literally have had folks come into city offices and ask the authority to take title for nothing or a nominal sum. In such cases, the owner figures that it makes better financial sense to not have a city property than to have it. The main culprit, once again, is our state-mandated reliance antiquated, regressive, predatory property taxes.

Each year, our authority representatives attend what the County calls the "judicial free and clear sale." This sale is for properties that have not had municipal property taxes paid in two years. Year-in, year-out, the vast majority of these properties in York County are in the City of York.

Like putting fingers in the dikes of a dam ready to explode, city economic and community development employees go to such sales to buy city properties that have defaulted on their taxes just to keep such properties out of the hands unscrupulous, out-of-town speculators or slumlords. In other words, we are playing defense. Because of unfair, unjust rules, we always are playing defense.

Real statewide tax reform would significantly help even the playing field so we can play offense, so we can keep people in their homes, so city staff can concentrate on pro-active, high impact job creating projects, and so we win the future.

Only meaningful and **statewide** property tax reform would level the playing field and be a real game-changer for third class cities. In our view, anything else would be like robbing Peter to pay Paul. Anything else also would do nothing to help us break the vicious cycle of high property taxes leading to lower values, leading to foreclosure or abandonment, then leading to the RDA left to pick up the pieces.

### **Recommendation #3: Reinstitute and Provide Adequate Funding for BIOS and HRA**

The RDA worked with private developers and the York County Economic Development Corporation in building CODO241, a premiere mixed-use development with market-rate apartments across from Sovereign Bank Stadium. CODO241 has been a real game-changer for downtown York, and we can replicate its success elsewhere as market studies show a market demand for up to 800 market-rate rentals in downtown York.

For CODO241, the RDA received Housing and Redevelopment Assistance (“HRA”) funding, which we structured as a loan to the developer. As the developer pays back the interest and principal of this loan, the RDA will have funds that do not have federal, low-income housing strings attached. In other words, the RDA can work to break the city’s cycle of poverty by seeding new market-rate and mixed-income housing projects, of which there is a proven demand.

I strongly encourage the General Assembly to ensure that adequate House and Redevelopment Assistance funding exists, so we can structure innovative loan packages like CODO241. By doing so, the state is not

making a one-time investment, but an investment that functions as a “gift that keeps” on giving in cities’ fight against blight and our fight to break the cycle of poverty.

#### **Recommendation #4: Flexibility for Market-Rate and Mixed-Income Housing**

That leads directly to the fourth recommendation. To incent growth in our cities, DCED, Small Business Fund (“SBF”), Redevelopment Assistance Capital Program (“RACP”), Pennsylvania Housing Finance Agency (“PHFA”), and Building PA grant and loan programs must allow for market-rate or mixed-income housing.

If we want to transform our cycle of poverty and change our socio-economic mix and if we want to cultivate a critical mass of urban residents with spending power that revitalizes our downtowns, these programs must be flexible to local needs and desires. They must be flexible and astute enough to allow municipalities to insist upon market-rate or mixed-income housing projects.

#### **Recommendation #5: Amend and Adequately Fund the Redevelopment Assistance Capital Program so Small Cities get a Fair Shake**

Joining with our friends at the York County Economically Alliance, we strongly endorse amending the Redevelopment Assistance Capital Program or (“RACP”) requirements to make it easier for our core communities to revitalize. The newly enacted requirements, particularly the unrealistic and onerous job requirement, make it too difficult for small cities like York to benefit from RACP grants, which have been vital to our recent momentum.

After all, the RACP program is QUOTE “for the acquisition and construction of regional economic, cultural, civic and historical improvement projects.” Many of our metro areas’ best and ready-to-go candidates for economic, cultural, civic and historical improvements are in our core communities.

They certainly are in our City, and we have several submitted line items for projects that are ready to go, including an important city high-tech hub project.

Further, unfortunately, it is our understanding that RACP applications have stalled. In fact, there hasn't been a capital budget in several years, and DCED's budget is 60% of what it used to be. RACP has been critical to our recent momentum, and it is crucial to our future promise.

We urge you to amend the RACP standards so cities are not at a competitive disadvantage and to adequately fund RACP.

### **Recommendation #6: Pass CRIZ Now**

Nearly a year ago, Senator Smucker, Senator Waugh's staff, my former economic development director, Lancaster Mayor Gray, Randy Patterson of the City of Lancaster, and I met to discuss how the Cities of Lancaster and York could be part of the City Revitalization and Improvement Zones Act, known as CRIZ.

We are pleased that Senators Smucker, Waugh and Blake recently introduced Senate Bill 947, the CRIZ Act, which will reinvest state tax funds directly back into Cities like ours. Specifically, under the Act, all State taxes collected from businesses located in a CRIZ will be used for debt service on a bond to finance redevelopment activities in designated blighted areas in our cores.

Our city needs this important arrow in our quiver so we can aim high for a brighter future. I urge you to pass this innovative, flexible (i.e., it allows for mixed use projects, which we need), and cost-effective program as soon as possible.

### **Recommendation #7: Pass The Pending Transportation Bill**

I strongly encourage the passage of the pending transportation bill, which has provisions that bring \$250 million to York County. We also support a grading scale for funding allocation from simply a mileage perspective to a "vehicles per mile" criterion that reflects real need. For example, 75,000 vehicles pass through our Continental square per week, effecting major wear and tear, but our city is at a competitive disadvantage under the current funding formula.

### **Recommendation #8: New State Historic Tax Credits**

New state historic tax credits for historic commercial and residential properties would preserve our rich heritage, foster homeownership, create jobs, and to make downtowns walkable attractions.

Thirty-one states have adopted incentive programs to foster historic rehabilitation, and twenty-five states offer credits for rehabilitating owner-occupied residences, while the Keystone state, despite two tries to get such legislation passed, does not. Once again, despite their historic charm, remarkable architecture, and potential, our historic community cores are neglected.

Pennsylvania's program would have the following two features to preserve the heritage of commercial and residential sectors and offer true economic value through private investment reusing historic buildings. First, the residential program would provide grants, with a maximum of at least \$15,000 per project for homeowner-rehabbers who live there for at least five years. Second, the commercial component is a 25% tax credit for qualified commercial properties, with a maximum of \$500,000 per project per year.

Despite being supported by Preservation Pennsylvania, Penn Future and 10,000 Friends of Pennsylvania, two bills to accomplish as much never got out of committee for an up-or-down vote during recent sessions.

We urge you to pass historic tax credit legislation.

### **Recommendation #9: Economic Development Liquor Licenses**

Our friends, the Cities of Philadelphia and Pittsburgh, have more liquor licenses than they know what to do with them. But liquor licenses in York County routinely cost \$200,000 or more. At this price and because of challenges of clustering restaurants and entertainment venues in general, it is incredibly difficult to create restaurant districts in mid-to-small cities like York's throughout Pennsylvania.

Therefore, we support amending the liquor code of the provision that allows the Liquor Control Board's issuance of economic development liquor licenses at \$50,000 each when they are supported by municipalities. The current requirement is cumbersome, however, because it requires a 70/30 food-to-alcohol sale ratio. This license is euphemistically called by state staff as the "Pizza Hut license," because only national chains typically apply for these licenses.

I understand that Senator Smucker is leading the charge to lessen or eliminate the ratio so small city mom-and-pops, wine bars, and creative, authentic ventures can get a license and get up and running.

### **Recommendation # 10: Prominent “Historic Downtown York” Signage**

We certainly could use other assistance that costs the state a nominal amount, if any. The absence of prominent “Historic Downtown York” signage is a concern, for example. It is hard to know that York City even exists when one drives on Route 30 or I-83, and we have vigorously tried to post more and larger signs that market “Historic Downtown York” as a whole, but the state has strictly limited the size and scope of our highway signage. It’s embarrassing that fast food restaurants get more exposure than our core communities, themselves. Should not our community cores be favored in terms of the marketing attention?

If our state truly believes in the renaissance of small cities, all state agencies and departments must be on board. As Mayor Bracey suggested nearly four years ago, we continue our respectful request for chocolate brown “Historic Downtown York” signs on Route 30 and I-83 that are as large as the ones that former Senator Gib Armstrong successfully pushed for outside of Lancaster on Route 30.

### **Conclusion**

In conclusion, thank you again for your service to our Commonwealth and for listening to our pleas and recommendations this morning. As Mayor Bracey said, the problems that we face as core communities are daunting.

But they are not insurmountable. With conviction and commonsense, we can pass the right and smart measures so to save and restore our 53 third class cities so they become first class communities that build a better, stronger Pennsylvania.