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March 10, 2016

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HARRISBURG OFFICE

Senator Kim L. Ward
Chair, Community, Economic, and Recreational Development Committee
Senate Box 203039
Harrisburg, PA 17120-3039
Room: 168 Main Capitol

Senator Lawrence Farnese Jr.
Minority Chair, Community, Economic, and Recreational Development Committee
Senate Box 203001
Harrisburg, PA 17120-3001
Room: 543 Main Capitol

RE: House Bill 1788, Session of 2015

Dear Senators Ward and Farnese:

I am writing to you in support of House Bill 1788, and to provide additional background for informational purposes.

PIDC has been Philadelphia's economic development corporation since 1958, and takes the lead in coordinating economic development services throughout the city. In this capacity, we act as the conduit in Philadelphia County for tax exempt financing, tax increment financing, and several of the Commonwealth's economic development programs that support small business growth and community investment.

House Bill 1788 amends the Commonwealth's statute governing Neighborhood Improvement Districts (NID's) in Philadelphia, known as the Community and Economic Improvement, or "CEI" Act. The changes are limited to circumstances where all or a portion of a specially-formed NID overlaps with and provides added security for a Tax Increment Financing (TIF) District. The changes are administrative in nature and harmonize inconsistent definitions and procedures between the two Acts. Specific amendments to the CEI Act include:

1. Coordinate definitions of the District boundaries between the TIF and CEI Acts;

2. Enable the same Authority to issue debt under both Acts and use NID revenues to service TIF debt;
3. Enable the same Authority to administer the District under both Acts;
4. Eliminate the requirement for separate plans when the Acts are used in conjunction;
5. Rationalize provisions of the CEI Act with debt-service requirements of TIF lenders; and,
6. Provide consistency in eligible uses of funds between the Acts.

The purpose of the Bill is to facilitate TIF financing for larger projects typically funded by institutional lenders. These lenders require a backstop in the unforeseen event that TIF revenues are insufficient to pay debt service. If, for example, TIF revenues fall short of the loan repayments, then the issuing authority would generate an invoice to the project owner in the amount of the shortfall pursuant to the specially-formed NID district.

The NID creates the mechanism for the TIF lender to get repaid the amounts due to them. Please note that the NID, in this instance, is formed to provide security for the TIF loan on a single project, and would not be utilized in the typical fashion where multiple property owners in a neighborhood are assessed to provide additional services. If the TIF revenues are sufficient to repay the loan, as expected, then no NID fees will ever be assessed.

Approval will facilitate financing of TIFs and put Pennsylvania on even footing with other states where the TIF and NID laws are written to work together and support much needed investment. We appreciate your time and effort very much, and respectfully request your support of House Bill 1788.

Sincerely,



John Grady
President

cc: Rob Dubow, City of Philadelphia Finance Director