Riverlife

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Senate Majority Policy Committee Testimony
Hearing on Waterfront Development Tax Credit
Presented by:
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Chairman Argall, members of the Committee, thank you for inviting me to testify today. My name is Jay Sukernek and I am the Executive Vice President and Chief Financial Officer of Riverlife and as you know, I have been working for the past 4 years on the Waterfront Development Tax Credit.

I want to thank you, your colleagues, especially Senator Randy Vulakovich, and your leadership for including this as part of last year's budget package. I also want to especially thank our host today, Senator Killion who was the original prime sponsor of this legislation in the House for his vision and leadership. Senator Killion, we really appreciate your continued commitment to using the waterfront as a tool for community redevelopment and reinvestment.

The Waterfront Development Tax Credit will make it possible for towns and cities all over Pennsylvania to replicate the type of job creation, improved quality of life and increased economic development that we have seen in Pittsburgh over the past decade and a half.

Pennsylvania is uniquely advantaged as a water rich region comprised of six major river basins; the Delaware, the Susquehanna, the Genesee, the Potomac, the Ohio, and Lake Erie; with an estimated 86,000 streams and river miles and 161,455 lake acres. In the East there are seventeen square miles of Delaware Estuary and 512 acres of tidal wetlands. In the northwest, there are 63 miles of Lake Erie shoreline. And scattered throughout the state are 403,924 freshwater wetlands.

In fact, of the 67 counties in Pennsylvania, 64 have significant creeks, rivers or lakes.

The Waterfront Development Tax Credit will provide a vehicle for corporations to invest in waterfront projects that will provide benefits for citizens, for the economy and for investors.

Non-profit organizations, like Riverlife, with experience in catalyzing waterfront development will be eligible to assist in the implementation of projects that will have a substantial impact throughout the Commonwealth.

The funds that will be made available through this credit can be used on amenities that benefit the public; amenities that have been shown to attract residents and visitors to waterfront cities and towns but too often are left out of projects because there is no room for them in the development budget.

Consider the following examples of items that these funds could be used for:

- Accessible bicycle and pedestrian pathway connections with public trails and rights of way that increase public access and connect neighborhoods to the water and assist in the implementation of continuous trail systems along waterfronts;

- Green and energy efficient streets, ecologically landscaped waterfront parks and gardens and open space extensions from the neighborhoods that capture rainwater, restore tree canopy and/or create native habitat to serve as a setting and benefit for new buildings;

- Bank stabilization to promote erosion control, storm water management and aquatic habitat;

- Or, for amenities that draw people and companies to the water and provide improved safety conditions for people who are already there; items such as boardwalks, seating, drinking fountains, emergency call boxes, mileage markers, bicycle storage, water landings and marinas, maps and signage, and energy efficient lighting.

Today, Pittsburgh stands as a model for the benefits of investing in waterfront development projects and we believe that the lessons we have learned over the past 15 years can be used to help other communities across Pennsylvania. Well-planned waterfronts benefit local economies, catalyze development and create jobs.

We know that the approximately $130 million invested in Three Rivers Park over the past 15 years has helped to catalyze nearly $2.6 billion in riverfront development activity and nearly $4.1 billion in total riverfront and adjacent development in the form of corporate headquarters and office buildings, hotels, sports and entertainment complexes and residences.

We know that since 2001, the data shows a 60% property value increase within the vicinity of riverfront investment projects compared with a 32% property value increase citywide outside the riverfront zone of influence (ZOI) and the area with the highest property value increase is in the area around the South Side Works. From the Birmingham Bridge to the Hot Metal Bridge and back past Carson Street, a new riverfront neighborhood has developed over the past 15 years and property values have increased on average by 117%.

Let me tell you a little bit about the South Side Works and how this shows the potential return on investment that we may see throughout the Commonwealth.

The revitalization of the former J&L Steel Mill site, which needed a total public investment of approximately $10 million of public investment and approximately $5 million of private and philanthropic investment in the public amenities, has been home to enough construction jobs to build almost 40 new buildings and is home to almost 5,000 full time jobs and almost 1,000 new residences.

Now, let's compare what that could potentially mean to Pennsylvania from the $1.5 million allocated for the Waterfront Development Tax Credit.

- Instead of 40 buildings, let's project 6 buildings
- Instead of 5,000 jobs, lets project 750 jobs

Now, these seem like significant differences, and they are, but what you will see here is that even at this scale, this tax credit is a positive for the Commonwealth and its citizens.

Potential Impact to PA of 6 new buildings:
Estimated 150 jobs per building and 2 Years per Building
Average Construction Salary: $40,000
150 jobs x $40,000 x 0.0307 = $184,200 annually x 2 years per building = $368,400 x 6 buildings = **$2,210,400 PIT from construction**

Estimated $10,000,000 cost per building for materials x PA Sales Tax 6% x 6 buildings = **$3,600,000 Sales Tax from Construction**

$5,810,400 of potential direct return from construction

Potential Impact of 750 full time jobs:
750 jobs x $50,000 (estimated average salary) x 0.0307 (PA PIT) = **$1,151,250 annually**

Over 5 years, this could mean a potential return of $23.8 million to the Commonwealth in exchange for $7.5 million of tax credits (This is $1.5 million per year for 5 years).

Even if these projections were cut in half, the return would be $11.9 million in exchange for $7.5 million of tax credits.

And this doesn't even consider any tourism, recreation, or hospitality spending that may result from these investments.

The benefits of these kinds of investment, however, go far beyond the economy. They enhance a region's cultural trust, perception, public health, physical environment, and mobility options, among other benefits. A holistic consideration of all of these factors is essential for an accurate cost-benefit analysis of public realm investment options.

The pattern in Pittsburgh and in other cities across the country is clear: properties with close proximity to high quality park infrastructure increase in value more than properties that do not and all of the metrics indicate that the value created by each of these projects far exceeds their costs, suggesting significant opportunity for comparable returns throughout Pennsylvania.

The Waterfront Development Tax Credit will be the catalyst to replicate this type of return state-wide. This legislation, which we believe to be the first of its kind in the nation, provides the opportunity for Pennsylvania to set a nation-wide standard of how to capitalize on the potential of waterfront sites to attract investment into the state to generate long term value through public private partnerships and we look forward to being a part of it.

Again, thank you Chairman Argall and the members of the Committee for this opportunity.