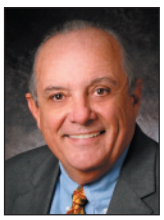
HOW COULD TAX INCREMENT FINANCING WORK FOR THE READING TO PHILADELPHIA TRAIN PROJECT?



Downtown Marketing & Development

By Barry Cassidy

There are many ways to do things in the public sector, and sometimes proposed programs work, and sometimes they do not. I have made my living using programs that do not necessarily work for everyone. There is usually a substantial discussion on why things work or do not work. Many of these issues are dealt with in planning documents.

Researching on how to get through the morass of issues associated with a program, there are a few steps I always like to take. First, I read the program description, and then I read the law enabling the funding stream. I try to make a list of my questions and concerns. Then I look at the planning documents others have created and see what others deem as problematic.

Train funding is a little different from other funding as a great amount depends on Federal funding, so you have to look at that funding because the state funding is the local match. The Feds have a lot of programs, and they all have their rules and funding levels. In addition to the funding levels, there is always the politics.

There are times that politics and political influence are the way to go. I am not big on the influence part of the process, and most times, I move directly to engineering. I need to talk when I am "ready to go." I have a hard time with politics … and do not play that game very well. But it is a way to move your project ahead, and I always like to look at it as providing lubrication to the moving parts.

So, you have moving parts, and what might have been funded one year may not work the following year, even if the program still exists but has no money in the line item. There are a couple of moving parts that may or may not work within certain time frames.

Things on the state level are changing with *Act 44* requiring the Pennsylvania Turnpike Commission to provide PennDOT with $450 million annually for highways, bridges, and public transit, with *Act 89* of 2013 modifying the payments to dedicate the full amount to public transit. In 2022, Pennsylvania Turnpike Commission payments to Penn DOT for transit will be reduced to $50 million, and then $450 million will be provided from the state's General Fund.

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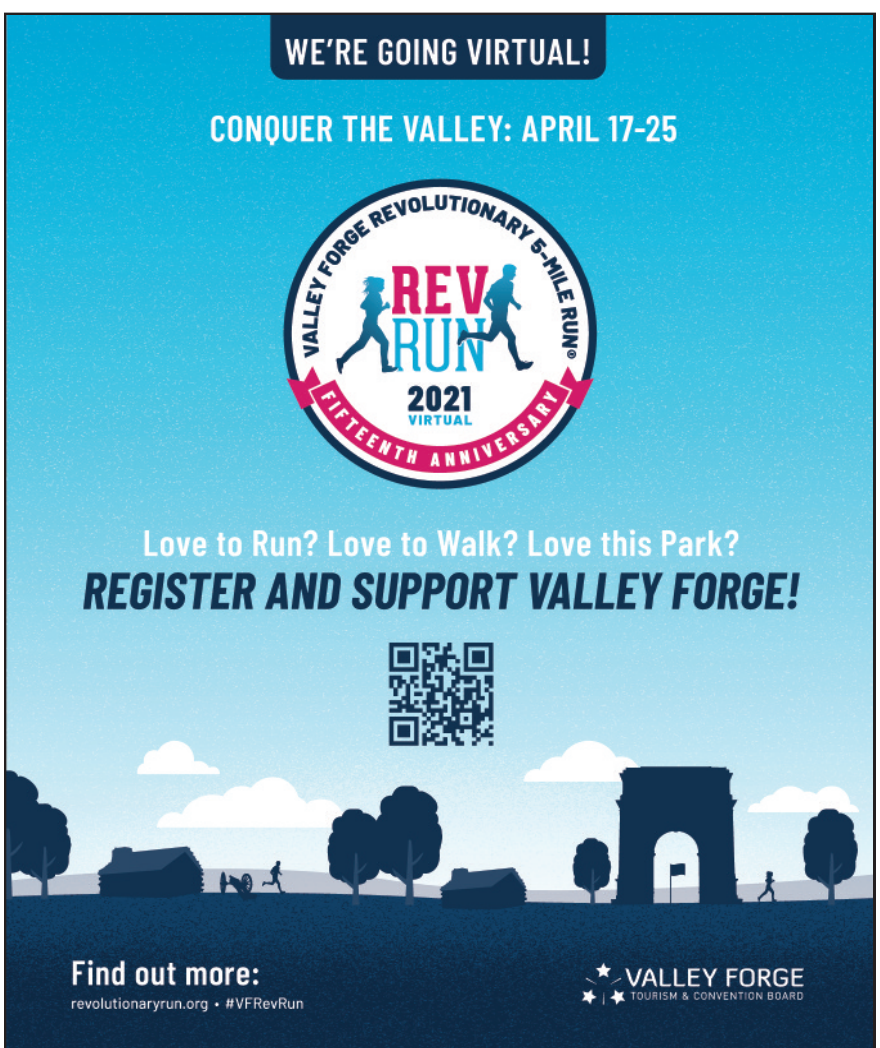

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To address this impending funding crisis, the Pennsylvania Turnpike Commission joined with SEPTA, the transit agency that serves the state's five-county southeast region, to launch the Southeast Partnership for Mobility. There will be an effort to pass enabling legislation to allow the new local revenue sources to be invested in projects to accommodate and accelerate regional growth.

This effort to have the local people control their destiny has long been a part of the Phoenixville Plan. Last month I reviewed the potential Super Tax Increment Financing, known as a Neighborhood Improvement Zone (NIZ). The following were identified in the Penn DOT report as potential sources: Property Taxes. Income Taxes, Sales Taxes, Parking, Fuel Taxes, Utility Taxes, Toll Revenue Reallocation, Business Activity Taxes, other taxes, and fees.

When thinking about these taxes for the Borough of Phoenixville's project, I would think that the sales tax increment would be large with the introduction of train service. Remember, we are discussing the "increment" in the sales taxes in this particular case. It occurred to me that if I were going to measure an increment on the sales tax, I would like to use the year 2020 as my base year. 2020 is a year that we all remember as a year that most of the stores were closed based upon state order.

I seek not to object to the closedown but look to the action as a state-imposed mandate that perhaps should be compensated somehow. I would think that the capture of the increment based on 2020 revenue should be a valid proposal. After all, those taxes would have been there if the state mandate would not have taken place. And remember that the state share of this is only six percent of the total that the business owner would have realized. We are then taking a six percent share and splitting that somehow to encompass the increment, representing a fraction of what was lost by the business owner during the state-imposed shutdown mandate.

This interpretation may sound like a small thing in the overall economic climate. Still, when you are talking 35 years of almost 0 percent interest financing on the federal level through the Railroad Rehabilitation and Improvement Financing (RRIF), you are talking about a big deal.

These are unprecedented times and there is a need to be very reactive and very innovative to survive. I'm not sure Bureaucracy is equipped to deal with this in a timely manner with any sense of urgency. I believe if it is the local entity steering the process, all would be better off having people with careers run the process versus people that have a job.

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