

### Implementation

Applicable public funding mechanisms for the VFCC will be predominantly from the Commonwealth of PA, as the state has many programs to assist communities, districts, and even specific properties. In some instances, locally initiated funding sources will be applicable. Less likely would the federal government provide applicable assistance unless a special designation or earmark has been granted, however, some programs do exist.

#### Local

##### Business Improvement District

A Business Improvement District (BID) is a designated area of a municipality (typically a city) defined by local legislation in which the business community provides services for the maintenance of the designated area beyond what the local government is able to provide. The businesses within the district pay a special tax to cover the expenses of providing the services throughout the district. The BID organization controls all finances of the operation, often with some municipal oversight. BIDs are usually created by the property owners within the district themselves, and require a majority approval of the owners. BIDs can be completely independent of local government, resulting in the autonomy to finance, manage, and even construct projects they choose to pursue. On the other hand, BIDs can just raise revenue while depending on local government to administer and implement a project. There are many advantages to a BID including the ability to provide security and maintenance of public spaces, advocate for and coordinate on behalf of member businesses, and raise needed funding independently.

Local examples: <http://www.centercityphila.org/home/default.aspx>  
<http://www.ucityphila.org/>  
<http://www.cityave.org/>

##### Tax Increment Financing

Tax Increment Financing (TIF) is a financing tool used by municipalities throughout the country to fund redevelopment and community improvement projects. TIF allows future tax income from development to finance the current improvements that will eventually create those tax gains. More specifically, development or redevelopment increases the value of a site or district, creating more taxable property and tax revenues, or the tax increment. TIF then dedicates the increased revenue to the specific project to finance the debt issued to pay for the project. TIF is often geared toward distressed or underdeveloped areas where development is not otherwise occurring, and also creates funding for public projects that may not otherwise be affordable to municipalities. State enabling legislation provides local governments the authority to designate TIF districts. This arrangement usually lasts a finite number of years, but at least

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enough time to pay back the bonds issued to finance the development. Often the TIF is administered by the municipality.

### **State**

#### **DCED Community Revitalization Funds:**

The Department of Community and Economic Development (DCED) Community Revitalization Fund is a state program that supports local initiatives to improve the stability of communities and enhance local economies. This agency has four application periods throughout the year. Applications are submitted online. The grant program covers a wide range of eligible uses including: acquisition of land, buildings, and right-of-ways; recreation projects; programs and developments that build capacity of the local community and relevant local organizations to better serve the needs of the community, and other reasonable and necessary expenses related to community-based activities. Active support of the district's state senator and / or state representative is critical in a successful grant application.

More information: <http://www.newpa.com/programDetail.aspx?id=72>

#### **PA Department of Recreation and Natural Resources (DCNR) Community Conservation Partnership Program (C2P2):**

A bond issue approved in a statewide referendum initially funded this program. Perennial funding is through a dedicated percentage of the statewide real estate transfer tax.

Funding from the program is dedicated toward recreation, environmental and cultural heritage resources throughout the state. Trails are eligible. Roadway projects are generally not eligible. Several agencies distribute funds through competitive grants, including: the PA Fish and Boat Commission, PA Historic and Museum Commission, and the PA Department of Conservation and Natural Resources (DCNR). DCNR funding application rounds were revised in 2007, so that most development grant applications are due in April. Consult with the DCNR Regional Advisor. State funds can be used for discrete projects or as a match to federal funds. DCNR requires a 50-50 match (cash or in kind) to its grant awards for trails.

More information <http://www.dcnr.state.pa.us/brc/grants/>

#### **PA Business in Our Sites Program**

The Business in Our Sites program is a \$300 million grant and loan pool that enables municipalities, public authorities, and private developers to prepare sites for speculative development. \$10 million in funding is reserved for predevelopment grants of up to \$250,000 that are intended to assist communities

determine the feasibility of a project and to obtain technical information necessary for a project's completion. \$100 million in grant funds and \$190 million in loan funds are available to acquire land, conduct environmental assessments and remediation, and perform demolition. Funds may also be used for site preparation activities and installation of infrastructure (sewer, water, storm water, utilities, telecommunications, etc.) both on site and as needed to bring service to the site. They may also be used for access roads or other necessary on-site and off-site transportation improvements. Grant funds are only available to publicly-sponsored projects that cannot support repayment of a loan in the full amount of the project and will be provided only in combination with a loan and to support certain activities, such as environmental remediation. Loan repayment terms vary based on the end use/ownership structure. Projects that can demonstrate a substantial likelihood of reuse if made ready and that focus on generating economic growth and reusing underutilized sites will be given priority.

More information: <http://www.newpa.com/programDetail.aspx?id=39>

### PA Community Revitalization Program

The Community Revitalization Program (CRP) grant funds may be used for projects that aid in revitalization of Pennsylvania communities. Eligible applicants include municipal governments and authorities and non-profit corporations. Eligible projects must demonstrate that they will improve the stability of their community, promote economic development, improve existing or develop new civic, cultural, recreational, industrial or other facilities, promote the creation of jobs or enhance the health and welfare of Pennsylvania citizens. CRP grant awards are made in three funding cycles each fiscal year, with FY 2005 appropriations for this program totaling \$48.3 million.

More information: <http://www.newpa.com/programDetail.aspx?id=72>

### DEP PA Growing Greener:

The Growing Greener Program signed into law in 1999 invested millions to preserve farmland and protect open space; eliminate the maintenance backlog in State Parks; clean up abandoned mines; restore watersheds; and provide new and upgraded water and sewer systems.

In 2002, the state legislature added additional monies to the program due to its great popularity. Four different agencies are involved in helping communities "grow greener" under the Environmental Stewardship & Watershed Protection Act: Departments of Environmental Protection, Agriculture, Conservation and Natural Resources and PENNVEST. Of these four agencies, projects that may be applicable to the redevelopment master plan will most likely be funded by the Department of Conservation and Natural Resources or Department of

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Environmental Protection. In 2007, the PA Department of Environmental Protection (DEP) administered a large portion of the Growing Greener funds – with target programs for stormwater treatment and clean water demonstration projects.

The Act authorizes grants through DEP for acid mine drainage abatement, mine cleanup efforts, abandoned oil and gas well plugging and local watershed-based conservation projects. These projects can include: watershed assessments and development of watershed restoration or protection plans, implementation of watershed restoration or protection projects, storm water management wetlands, riparian buffer fencing and planting, stream bank restoration and agricultural best management practices (BMPs). Grants are available to a variety of eligible applicants, including: counties, authorities and other municipalities; county conservation districts; watershed organizations; and other organizations involved in the restoration and protection of Pennsylvania's environment. These grants support local projects to clean up “non-point” sources of pollution throughout Pennsylvania. It may be possible to blend Growing Greener grants with other grants for trail construction along riparian corridors.

More information: <http://www.depweb.state.pa.us/growinggreener/site/default.asp>

### PA Infrastructure and Facilities Improvement Program

The Infrastructure and Facilities Improvement Program provides grant funds to issuers of debt, such as municipalities or municipal authorities, to help them finance the infrastructure component of a project. Applicable types of projects covered by the grant include infrastructure and/or environmental remediation for the construction of retail establishments (totaling more than 200 jobs and 200,000 SF of retail space); and infrastructure, land and building, and environmental remediation for the construction of hospitals, convention centers (perhaps in this case the expo center), and hotels associated with convention centers. The amount of grant funding is calculated on the basis of the amount of taxes generated by the project, including state sales tax, hotel occupancy tax, and employer withholding of personal income tax. Therefore, awards will be made in varying amounts.

More information: <http://www.newpa.com/programDetail.aspx?id=40>

### PA Infrastructure Development Program

The Infrastructure Development Program provides grants and low-interest loan funds for various types of projects. Eligible entities include municipalities, municipal authorities, and real estate developers. Applicable types of projects covered by the grant include clearing and preparation of land and environmental

remediation; water and sewer systems; storm sewers; parking facilities; and at former industrial sites, land and building acquisition, construction and renovation by private developers, and telecommunications infrastructure. Loans and grants are provided for up to \$1.25 million, however, no more than 20% of the annual appropriation can go to a single municipality.

More information: <http://www.newpa.com/programDetail.aspx?id=26>

### Opportunity Grant Program

The Opportunity Grant Program provides grants to firms or municipalities representing firms to create significant jobs in the applicable fields of research and development, and export services, as well as firms establishing a regional or national headquarters. Applicable types of projects covered by the grant include machinery and equipment; working capital; job training; infrastructure; land and building improvements; environmental assessment and remediation; acquisition of land, buildings, and right-of-ways; and site preparation, demolition, and clearance. While the state has not indicated any grant maximum or minimum amounts, eligible projects must create a significant economic impact to the state, region, or municipality in which the company will locate or expand. In addition, there is a 4:1 match required from private sources.

More information: <http://www.newpa.com/programDetail.aspx?id=41>

### TIF Guarantee Program

The TIF Guarantee Program promotes economic development throughout PA by improving credit for TIF projects through guarantees to lower capital costs and improve market access. Municipalities that issue TIF bonds to fund economic development projects are eligible. The program covers environmental and infrastructure projects for retail establishments; infrastructure, environmental, and building projects for hospitals, convention centers and associated hotels; utilization of abandoned or underutilized industrial or commercial buildings; and undeveloped sites planned and zoned for development in accordance with the municipality's comprehensive plan. The program will fund a total of \$100 million in loan guarantees for TIF projects, providing up to \$5 million per individual project. Any interest earned on fund investments will be kept in the fund for future guarantees and costs.

More information: <http://www.newpa.com/programDetail.aspx?id=45>

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## **Federal**

### **Public Works and Economic Development Program**

The objective of this grant, administered by the U.S. Department of Commerce, Economic Development Administration, is to promote economic development and job growth. Investments through this grant are meant to help improve and expand infrastructure to attract new industry, encourage expansion, and generate long-term private sector employment. Applicable eligible uses include industrial access roads, industrial and business parks, business incubator facilities, redevelopment of brownfields, and telecommunication infrastructure improvements necessary for business retention and expansion. Eligible activities to support these uses include the development of publicly-owned land and facilities (including engineering, construction, and rehabilitation.

More information: <http://www.eda.gov/AboutEDA/Programs.xml>

### **Brownfield Tax Incentive Program**

Former industrial or commercial properties that have been environmentally contaminated, such as the Commodore property, are eligible for this tax incentive, overseen by the Environmental Protection Agency. Under this program, certain environmental cleanup costs may be fully deducted by eligible taxpayers in the year in which they are incurred, rather than having to be capitalized over time. Properties that have released or have the threat of releasing hazardous substances (lead-based paint, asbestos, fuel from leaking tanks, etc.) may be eligible. The program will expire on December 31, 2007; however, Congress may extend this provision.

More information: <http://www.epa.gov/brownfields/bftaxinc.htm>

### **Surface Transportation Program (STP):**

Eligible projects include the construction of bicycle transportation facilities; construction of pedestrian walkways; bicycle safety brochures, maps and public service announcements. Any bicycle project must be primarily a transportation project and STP projects should encourage desirable traffic patterns. Additionally, STP projects should sensitize people to environmental and social concerns. The Federal Highway Administration (FHWA) administers this program.

Ten percent of STP funds are set aside for Transportation Enhancements (TE). STP projects are not required to demonstrate impacts on traffic or transit.

### TEA-21 Enhancements (SAFETEA-LU):

The Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) is a federal program that funds transportation related projects and is a direct successor to the 1991 Intermodal Surface Transportation Efficiency Act (ISTEA). The bill allocated approximately \$217 billion nationwide over six years and includes funding for recreational trails and parks. In Pennsylvania, the Department of Transportation (PennDOT) administers several TEA-21 bicycle and pedestrian related programs. Grant awards in excess of \$1 million are not unreasonable for trail projects.

Typically, a non-federal match is required to be 20% of the grant award. A strategy preferred by PennDOT is to require the local partner to prepare construction documents and obtain necessary environmental clearances, property control documents and utility relocations plans as the local match for these “pre-construction” tasks - so that the project is ready for construction using the TE funding. The costs to prepare these documents can be the non-federal match to the TEA-21 funds, and does not necessarily need to be exactly 20% if all needed documentation can be completed for less.

More information: <http://www.fhwa.dot.gov/safetealu/summary.htm>



### **Economic Impact of Valley Forge Corporate Center Proposed Redevelopment**

This section is an assessment of the fiscal impacts of the proposed redevelopment of the Valley Forge Corporate Center. This proposed development includes 400 units of new housing in various unit types and 1.2 million SF of new mixed-use commercial space, including new Class A office. The new development would be located on the new Jefferson Square and Eisenhower Circle, as well as along the Club at Shannondell golf course.

### **Development, Cost, Resident, and Employment Assumptions**

The development characteristics of the proposed development program are detailed in **Table 1**. The residential program includes 320 “for-sale” condominiums, 200 of which would be overlooking the Golf Course in exclusively residential buildings while 120 would be in exclusively residential buildings on Jefferson Square, and 80 rental apartments located above shops on Jefferson Square.

The proposed commercial development program at Jefferson Square includes 20,000 SF in freestanding retail pad sites on Audubon Road; 15,000 SF in restaurant pad sites on Audubon Road; 78,000 SF of Class A office space in a new building on Audubon Road; 50,000 SF of retail in shops on Jefferson Square with residential/office above; 100,000 SF of exclusively Class A office on Jefferson Square; 100,000 of Class A office above retail shops on Jefferson Square; a 75,000 SF hotel on Jefferson Square; a 350,000 SF expo center, and a 100,000 SF velodrome.

The proposed development program for Eisenhower Circle is all commercial space on or adjacent to the circle, including 20,000 SF of restaurants with residential/office above, a 40,000 SF health club, a 5,000 SF day care center; 20,000 SF of retail with office above; 190,000 of Class A office space above retail; approximately 180,000 SF of existing renovated office space to Class A, and the demolition of approximately 100,000 SF of vacant office and flex space.

Based on this program, we estimate the value of the residential component (at sales prices) to be \$106.8 million and the value of the commercial component to be \$284.2 million, for a total of \$391 million. To determine the potential impact of school-age children on the Methacton School District, we referred to the publication, “Who Lives in New Jersey Housing?” (November, 2006), a reliable source for housing-related calculations in Pennsylvania as well. Applying standard formulas to this development program, we arrive at an estimated population of 737 in these 400 new housing units, including 50 children of school age with 44 of these children anticipated to enroll in local public schools (see Table 1). Using standard employment density factors, we estimate the new employment in the commercial space to be 3,314 workers.



Table 1. Proposed Development Program - Valley Forge Corporate Center

Residential	Total Residential Development	Condominiums Overlooking Golf Course	Condominiums on Jefferson Square	Apartments above Retail on Jefferson Square	Retail Below Residential/ Office on Jefferson Sq.	Office Buildings on Jefferson Square	Office Above Retail on Jefferson Square	Hotel on Jefferson Square	Expo Center	Velodrome
Units	400	200	120	80						
Sales Price/Market Value Per Dwelling	\$760,000	\$275,000	\$325,000	\$160,000						
Total Estimated Residential Development Value	\$106,800,000	\$55,000,000	\$39,000,000	\$12,800,000						
Estimated Number of Residents (1)	737	375	212	150						
Estimated Number of School Age Children (1)	50	30	10	9						
Estimated Public School Enrollment (1)	44	28	9	7						
<b>Commercial - Jefferson Square Area</b>										
Square Footage	888,000	20,000	15,000	78,000						
Market Value Per SF		\$325	\$325	\$225						
Total Estimated Development Value	\$217,675,000	\$6,500,000	\$4,875,000	\$17,550,000						
Estimated Number of Employees (2)	1,542	50	150	312						
<b>Commercial - Eisenhower Circle Area</b>										
Square Footage	355,000									
Market Value Per SF										
Total Estimated Development Value	\$66,500,000									
Estimated Number of Employees (2)	1,772									
<b>Total Development</b>										
Housing Units	400									
Square Footage Commercial	1,243,000									
Total Estimated Development Value	\$390,975,000									
Estimated Number of Residents (1)	737									
Estimated Number of School Age Children (1)	50									
Estimated Public School Enrollment (1)	44									
Estimated Number of Employees (2)	3,314									
<b>Footnotes:</b>										
(1) From Factors in "Who Lives in New Jersey Housing," November, 2006										
(2) Employees estimated at 4 per 1,000 SF of office space, 2.5 per 1,000 SF of retail space, 10 per 1,000 SF of restaurant space, 0.33 for hotel space, 0.2 for expo center, and 0.1 for velodrome										

## Municipal Revenue and Expenditure Impacts

In **Table 2**, we summarize the Lower Providence Township municipal budget for fiscal year 2006. While the Township's overall budget balances at approximately \$18 million, this budget details approximately \$10 million in local revenues and expenditures, excluding inter-fund transfers, balances forward, and state and federal funds. Non-local funds are excluded from our analysis because only the local portion of the Township budget will be impacted by the potential Valley Forge Corporate Center redevelopment concept.

**Table 2. Municipal Revenues and Expenditures - Lower Providence Township**

<b>Revenues</b>	
Real Estate Taxes	\$2,324,000
Local Enabling Taxes	\$4,586,000
License, Permits, & Inspection Fees	\$941,100
Fees, Interest, & Miscellaneous	\$1,509,125
Total Revenues	\$9,360,225
<b>Expenditures</b>	
Streets & Roads/Infrastructure	\$2,431,667
General Government	\$3,844,917
Public Safety	\$3,899,446
Total Expenditures	\$10,176,030

Source: Lower Providence Township FY 2006 Budget

In **Table 3**, we relate these revenues and expenditures to tax base and service demand factors for development in the Township, based on estimates for existing population and employment, as well as developed acreage (the most recent source being from 2000).

**Table 3. Municipal Expenditure Factors - Lower Providence Township**

<b>Demographic Factors</b>	
Estimated Population - 2006 (1)	25,572
Estimated Employment - 2005 (1)	11,019
Developed Acreage - 2000 (1)	5,776
<b>Estimated Municipal Expenditure Factors</b>	
Streets & Roads/Infrastructure - Residential	\$421 Per acre
General Government - Residential	\$138 Per Capita
General Government - Commercial	\$28 Per Employee
Public Safety - Residential	\$140 Per Capita
Public Safety - Commercial	\$28 Per Employee

Footnote:

(1) Source: DVRPC

In terms of expenditures, municipal government expenditures are largely influenced by three factors: (1) streets and roads/infrastructure, which is heavily influenced by the mass of developed acreage in the Township; and (2) general government and (3) public safety, both of which are mostly based on the number of residents in the community, but also to a lesser degree by number of employees. As shown in Table 3, we preliminarily estimate Lower Providence Township's current expenditures in streets and roads/infrastructure to include \$421 per acre of developed land in the Township. We also estimate that the Township expends \$138 per capita and \$28 per employee for general government, and \$140 per capita and \$28 per employee for public safety.

Revenues from development are based on current local tax rates, including real estate taxes, local per capita taxes, emergency and municipal services taxes, earned income taxes, real estate transfer taxes, and amusement taxes. Their impacts from the Valley Forge Corporate Center Development will be calculated on the next page.

### School District Tax Revenue and Expenditure Impacts

In **Table 4** we summarize key revenue and expenditure factors from the Methacton School District Budget for FY 2007-2008. This budget details approximately \$81 million for approximately 5,300 pupils. The total expenditure per pupil is \$15,367, with approximately \$4,000 of that being funded from non-local sources. The local real estate tax cost per pupil is \$10,593.

**Table 4. School District Revenue & Expenditure Factors - Methacton School District**

<b>Revenues</b>	
Local Real Estate Taxes	\$56,142,104
Per Capita Taxes	\$90,000
Local Per Capita Taxes	\$150,000
Emergency and Municipal Services Taxes	\$100,000
Earned Income Taxes	\$4,841,000
Real Estate Transfer Taxes	\$1,250,000
Amusement Taxes	\$45,500
Other Local Sources	\$2,044,000
Total Local Revenues	\$64,662,604
State/Federal Revenues	\$15,062,800
Other Financing Sources	\$1,418,500
Total Revenues	\$81,143,904
<b>Expenditures</b>	
Total Expenditures	\$81,443,904
Pupils	5,300
Total Expenditures Per Pupil	\$15,367
<b>Revenues Spent Per Pupil</b>	
Local Real Estate Taxes	\$10,593
Other Local Sources	\$386
State/Fed Revenues	\$2,842
Other Financing Sources	\$268

### Anticipated Local Fiscal Impact from VFCC Development

The net annual fiscal impact of the proposed development program (at full development) is shown in **Table 5**. Lower Providence Township will receive an estimated \$1,131,462 in additional revenues and incur just over \$390,000 in additional service and maintenance costs. This will result in a net annual gain for the Township of approximately \$741,000.

Methacton School District, on the other hand, will receive over \$5 million in additional real estate and enabling tax revenue. The local cost to serve the anticipated enrollment of 44 new pupils will be approximately \$805,000, resulting in a net annual fiscal gain to the School District of more than \$4.2 million in 2007 dollars.

**Table 5. Local Fiscal Impacts of VFCC Development at Full Development - Preliminary Analysis**

<b>Proposed Development Factors</b>			
Housing Units	400		
Square Footage Commercial	1,243,000		
Total Estimated Development Value	\$390,975,000		
Estimated Number of Residents	737		
Estimated Number of School Age Children	50		
Estimated Public School Enrollment	44		
Estimated Number of Employees	3,314		
<b>Estimated Municipal Annual Revenues</b>		<b>Estimated School District Annual Revenues</b>	
Real Estate Taxes (1)	\$315,676	Local Real Estate Taxes (1)	\$4,440,764
Local Per Capita Taxes (3)	\$3,685	Per Capita Taxes (2)	\$3,685
Emergency and Municipal Services Taxes (4)	\$155,758	Local Per Capita Taxes (3)	\$7,370
Earned Income Taxes (5)	\$74,565	Emergency and Municipal Services Taxes (4)	\$16,570
Real Estate Transfer Taxes (6,7)	\$130,325	Earned Income Taxes (5)	\$74,565
Amusement Taxes (8,9)	\$380,840	Real Estate Transfer Taxes (6,7)	\$130,325
License, Permits, & Inspection Fees	\$27,122	Amusement Taxes (8,9)	\$380,840
Fees, Interest, & Miscellaneous	\$43,492	Other Local Sources	\$16,799
Total Revenues	\$1,131,462	Total Local Revenues	\$5,070,918
<b>Estimated Municipal Annual Expenditures</b>		<b>Estimated School District Annual Expenditures</b>	
Streets & Roads/Infrastructure	\$0	Total Expenditures	\$669,377
General Government	\$194,492	Expenditures Supported by Non-local Sources	\$135,458
Public Safety	\$195,966	Net Local Cost	\$804,834
Total Expenditures	\$390,459		
<b>Net Annual Municipal Fiscal Impact</b>	<b>\$741,003</b>	<b>Net Annual School District Fiscal Impact</b>	<b>\$4,266,084</b>
		<b>Net Annual Local Fiscal Impact at Full Development</b>	<b>\$5,007,087</b>

Footnotes:

(1) Real Estate Taxes assessed at the Montgomery County Assessment Ratio of 53.4% at rate of 1.52 mills for Township and 21.27 for School District

(2) Per Capita Taxes for School District assessed at \$5/resident

(3) Local Per Capita Taxes assessed on all residents; \$5/resident to Township and \$10/resident to School District

(4) Emergency and Municipal Services Taxes assessed on all employees in the Township; \$5/employee to Township and \$47/employee to School District

(5) Earned Income Taxes assessed on all taxpayers who live and work in the Township; 0.5% to Township and 0.5% to School District

(6) Real Estate Transfer Taxes assessed on total sale price of properties sold in the Township; 0.5% to Township and 0.5% to School District

(7) Assumes an average property ownership duration of 15 years

(8) Amusement Taxes equal to 10% of admission prices to certain amusements; 0.5% to Township and 0.5% to School District

(9) Assumes for Expo Center an average ticket price of \$10 for 407,300 attendees at 24 shows. For velodrome, assumes a total revenue of \$3,543,800 for events.

Calculating these revenues and service costs together, ***the net local fiscal impact of the proposed VFCC redevelopment is estimated to result in an annual revenue gain of over \$5 million***, measured in 2007 dollars.

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