

April 24, 2014 PUBLIC AFFAIRS BULLETIN

Pennsylvania's City Revitalization and Improvement Zone ("CRIZ")

Purpose of the CRIZ Program

Act 52 of 2013 created the City Revitalization and Improvement Zone ("CRIZ") Program. The purpose of this program is stimulate economic development and job creation in Pennsylvania's smaller cities, such as Reading, Erie, and York, which over the years have struggled to remove blighted and vacant property and redevelop their communities after suffering losses in their manufacturing base.

Explanation of How This Program Works in Practice

- A contracting authority, which is another type of municipal authority, is created by a Third Class City of at least 30,000 that has not had a receiver appointed under Act 47 of 1987 (Municipalities Financial Recovery Act); a city with a population of at least 30,000 designated as distressed under Act 47 that is not located in a home rule county; or a home rule county where a city with a population of at least 30,000 is designated as distressed under Act 47.
- The contracting authority is permitted to designate up to 130 acres within a CRIZ.
- This designated zone may include construction, reconstruction, or renovation, of commercial, sports, exhibition, hospitality, conference, retail, community, office, recreational, or mixed-use facilities; construction could include related infrastructure and site preparation.
- The contracting authority may borrow money to provide development and construction within the designated zone.
- State and local taxes paid by qualified businesses and construction contractors operating within the zone would be used to repay the debt service on money borrowed (including bonds issued) by the contracting authority to develop or redevelop the area within the zone. Act 52 defines a qualified business as follows:
 - an entity located or partially located in a zone that meets the following requirements:
 - has conducted an active trade or business in the zone.
 - appears on the timely filed list of qualified businesses and contractors with the Department of Revenue.
 - a construction contractor engaged in construction, including infrastructure or site preparation, reconstruction, or renovation of a facility located in or partially in the zone.

This term does not include an agent, broker, or representative of a business.

- Eligible state taxes under this program include the corporate net income tax, capital stock and franchise tax, bank shares tax, personal income tax, sales and use tax, and the tax paid to state government on the sale of liquor, wine, or malt or brewed beverages in the zones. Eligible local taxes under this program include the business privilege tax, the amusement tax, the local services tax, and the earned income tax.

- The contracting authority develops the zone plan, which is the basis of the CRIZ application and details the zone designation. The zone plan is submitted to the Department of Community and Economic Development (“DCED”). CRIZ applications must be approved by the DCED, Department of Revenue, and the Office of Budget.

Restrictions to Participate in the CRIZ Program

- A financially distressed city under the Municipalities Financial Recovery Act (Act 47 of 1987) that is located in a home rule county may not participate in the CRIZ program unless the county creates a contracting authority that designates a zone.
- A Third Class City that has had a receiver appointed under the Municipalities Financial Recovery Act may not participate in the CRIZ program.

Duration of a CRIZ

- A CRIZ will have up to 30 years to repay the entire debt service on the money borrowed (including bonds issued) by the contracting authority for the zone.

The Number of CRIZs to be Established

- Prior to 2016 up to two CRIZs and one pilot zone may be established. The two CRIZs have been chosen in Bethlehem and Lancaster. The pilot zone, which would be an area not more than 130 acres within a township or borough with a population of at least 7,000, has not yet been designated.
- Beginning in 2016, up to two CRIZs within cities may be approved and granted each calendar year.

Specific use of CRIZ funds

- Payment of debt service on bonds issued for the construction within the designated zone.
- Construction, including related infrastructure and site preparation, reconstruction or renovation of all or part of a facility.
- Replenishment of amounts in debt service reserve funds established to pay debt service on the bonds.
- Employment of an independent auditing firm.
- Improvement or development of all or part of a zone.
- Improvement projects including fixtures and equipment for a facility owned by a public authority.

Funds may not be used for the maintenance or repair of a facility.

Matching Funds

- The amount of CRIZ money made available for the construction, reconstruction, or renovation of facilities in a designated City Revitalization and Improvement Zone must be matched by private money at a ratio of five CRIZ dollars to one private dollar.

CRIZ Tax Reports

- CRIZ tax reports must be filed by CRIZ contractors and qualified businesses by June 15 to detail state and local taxes attributable to the CRIZ during the prior calendar year.
- State tax reports must be filed with the Department of Revenue, and local tax reports must be filed with the local taxing authority.

CRIZ Exclusions

- The acreage of a CRIZ cannot be increased after the zone is established.

- A CRIZ may not include neighborhood improvement zones.
- A CRIZ may not include any of the following unless and until they are decertified: Keystone Opportunity Zones, Keystone Opportunity Expansion Zones, Keystone Opportunity Improvement Zones, or Strategic Development Areas.
- A CRIZ may not include Keystone Special Development Zones or Keystone Innovation Zones unless and until modifications to the geographical boundaries are made to these zones.
- Projects located within a CRIZ are not eligible for new Redevelopment Assistance Capital Program (RACP) funding considerations. RACP grants approved prior to the approval of a zone, however, would not be restricted.

Legislative Proposals to Expand the CRIZ Program

The following legislative proposals have been or will be introduced to expand the CRIZ program:

- House Bill 2183 (Rep. Harhart of Northampton County) would expand the definition of pilot zone to allow for zones that span multiple municipalities, allow industrial and commercial development authorities to serve as contracting authorities for the purpose of applying for and administering a CRIZ, and provide for the actual calculation of the local baseline tax.
- Senator Argall of Schuylkill County is planning to introduce legislation that would authorize the approval of three new zones in 2014 and two additional zones in 2015. This legislation would also increase the number of potential pilot zones in boroughs and townships from one to four.
- House Bill 1962 (Rep. Saylor of York County) would authorize the approval of two additional zones during the 2014 calendar year.
- House Bill 2044 (Rep. Matzie of Beaver County) would allow the Department of Community and Economic Development (DCED) to select communities from a wide applicant pool and determine which ones would benefit the most from the CRIZ program.
- House Bill 2123 (Rep. Longietti of Mercer County) would authorize a CRIZ in a total of fifteen Third Class Cities and a Second Class A City (i.e., the city of Scranton) before 2016, divided among four categories of population: four in cities of 60,000 or more; four in cities between 20,000 and 60,000; four in cities up to 20,000; and in three additional cities regardless of population. After 2016, all population restrictions for entry into the program would be removed. Act 47 cities (financially distressed cities) would be given priority approval. The legislation also increases the number of authorized pilot zones to five and lowers the population requirement for the municipalities in those zones from 7,000 to 2,000, without restriction by the form of county government.
- Senate Bill 1227 (Sen. Schwank of Berks County) would also authorize a CRIZ in a total of fifteen cities, including the city of Scranton and Third Class Cities, before 2016. Four zones would be authorized in each of three population categories: cities of 60,000 or more; cities between 20,000 and 60,000; and cities up to 20,000. Three additional cities would be authorized a CRIZ without restrictions by population. The number of pilot zones would also be increased to five, without restriction by the form of county government. Priority would be given to cities that have been declared distressed or have had a receiver appointed under Act 47 of 1987 (Municipalities Financial Recovery Act).

Please contact Michelle Vezzani, Coordinator of the Cohen & Grigsby Public Affairs Group at 412.297.4983 if you have any questions regarding this information. To receive future bulletins by e-mail, please send an e-mail to publicaffairs@cohenlaw.com.

Copyright © 2014 by Cohen & Grigsby, P.C. (No claim to original U.S. Governmental material.)

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission of Cohen & Grigsby, P.C. and is intended to alert the recipients to new developments in the area of public affairs law. The hiring of a lawyer is an important decision that should not be based solely on advertisements. Before you decide, ask us to send you free written information about Cohen & Grigsby's qualifications and experience.