

**Harristown Development Corporation**  
**Testimony—City of Harrisburg Act 47 Hearing**  
**House Finance, Local Government and Urban Affairs Committees**  
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On behalf of the Harristown Development Corporation (HDC), I appreciate the opportunity to present this testimony today before Chairs, Keller, Harper, and O'Neill and the distinguished Members of the General Assembly. My name is Brad Jones and I serve as the President/CEO of HDC, a private non-profit economic development corporation that was formed in 1974 to redevelop and revitalize a failing downtown Harrisburg following the Agnes flood of 1972. I have been with the organization since 2000 and have served as President/CEO for the last four years and prior to that was Vice President for Community Development.

During the last 44 years, HDC and its affiliate companies have had a tremendously positive impact on downtown Harrisburg providing over \$200 Million in tax revenues to the taxing jurisdictions, creating thousands of new jobs, creating dozens of new commercial retail businesses, and participating directly in over \$500 Million of redevelopment projects. HDC and its affiliates own and/or manage nearly 3 Million square feet of real estate within the City of Harrisburg. Major projects include Strawberry Square and 333 Market Street (both long term lease deals with the Commonwealth of Pennsylvania), multiple parking garages such as Chestnut Street, 5<sup>th</sup> Street and Walnut Street, the Hilton Harrisburg Hotel, the Whitaker Center for Science and the Arts, International House Harrisburg (student housing), and multiple office and market rate apartment development projects. The City of Harrisburg and its downtown have gained capacity and each year have gotten progressively better despite the City's more recent brush with financial calamity a few years ago. Just in the last four years and through 2019, HDC and its partners will have leveraged over \$60 Million of new investment in the downtown. HDC is also a major contributor and founder of the Harrisburg Downtown Improvement District which represents the major property owners and works to keep the downtown clean, safe, and beautiful.

**I am here to advocate for a legislative fix to allow Harrisburg to exit Act 47 but permanently keep its expanded Earned Income Tax (EIT) and Local Services Tax (LST) provided under the current Act 47 status. We strongly believe these two funding streams are critical to enabling the City of Harrisburg to balance its general fund budget providing almost \$12 Million in annual revenue.** Without a legislative fix to keep the expanded LST and EIT in place, the City will lose this funding revenue when it is forced to leave Act 47, which will require it to drastically cut services, spend down its surplus reserves, and raise property taxes by nearly 100%.

Needless to say, such dire fiscal circumstances will have a significantly adverse effect on businesses and residents within the City and the entire capital region. As one of the largest private property owners in the City our businesses in particular will experience direct substantial negative impacts. More specifically, with such large property tax increases we believe two severe consequences will follow. First, any further real estate development in the City will

simply become unfeasible and further economic development and population growth will cease, compounding the funding problem. Secondly, the extreme property taxes will further depress real estate values reducing the anticipated tax revenues from the increase. In summary, real estate tax increases as suggested, are not a viable alternative to raise the needed revenues for the City.

Harrisburg has made great strides over the last several years in attracting new residents and businesses and is finally beginning to recover from years of fiscal distress. Furthermore, Mayor Papenfuss and City Council have been fiscally prudent with their budgets and have done a good job of managing City finances. All residents, business owners, and political leaders throughout the region, and indeed the state, have a vested interest in maintaining a vibrant and fiscally strong capital city.

Thank you for the opportunity to present this testimony and I stand ready to answer any questions you all may have.

## Act 47

### Section 102. Purpose and legislative intent

(a) **POLICY.**-- It is hereby declared to be a public policy of the Commonwealth to foster fiscal integrity of municipalities so that they provide for the health, safety and welfare of their citizens; pay principal and interest on their debt obligations when due; meet financial obligations to their employees, vendors and suppliers; and provide for proper financial accounting procedures, budgeting and taxing practices. The failure of a municipality to do so is hereby determined to affect adversely the health, safety and welfare not only of the citizens of the municipality but also of other citizens in this Commonwealth.

(b) **LEGISLATIVE INTENT.**-- The General Assembly finds and declares as follows:

(1) It is the intent of the General Assembly to:

(i) Enact procedures and provide powers and guidelines to ensure fiscal integrity of municipalities while leaving principal responsibility for conducting the governmental affairs of a municipality, including choosing the priorities for and manner of expenditures based on available revenues, to the charge of its elected officials, consistent with the public policy set forth in this section.

(ii) Enact procedures for the adjustment of municipal debt by negotiated agreement with creditors.

(iii) Provide for the exercise of the Commonwealth's sovereign and plenary police power in emergency fiscal conditions to protect the health, safety and welfare of a municipality's citizens when local officials are unwilling or unable to accept a solvency plan developed for the benefit of the community.

\* \* \* \* \*

(3) Policies of certain municipalities are so ineffective and the financial conditions so severe that the provision of vital and necessary services is threatened.

(4) Sustained failure of a municipality to enact or implement a fiscal plan to adequately address or prevent insolvency after repeated opportunities to do so:

(i) constitutes a fiscal emergency; and

(ii) signifies:

(A) a breakdown in the function of municipal government;

(B) a dereliction of its elected officials' paramount public duty to safeguard the health, safety and welfare of its citizens; and

(C) a threat to the fiscal stability of neighboring communities.

(5) Pursuant to the Commonwealth's paramount right and duty to maintain law and order and protect and

preserve the health, safety and welfare of its citizens and ensure compliance with this act under Article IX of the Constitution of Pennsylvania, the **Governor is**

authorized to act in the face of a fiscal emergency under paragraph (4)(i) and dereliction of official duty under paragraph (4)(ii)(B).

**Chapter 7 deals with the recovery plan -**

**Section 701. Definitions**

**"VITAL AND NECESSARY SERVICES."** BASIC AND FUNDAMENTAL MUNICIPAL SERVICES, INCLUDING ANY OF THE FOLLOWING:

- (1) Police and fire services.
- (2) Ambulance and rescue services.
- (3) Water supply and distribution.
- (4) Wastewater services.
- (5) Refuse collection and disposal.
- (6) Snow removal.
- (7) Payroll and pension obligations.
- (8) Fulfillment of payment of debt obligations or any other financial obligations.

**Section 703. Recovery plan**

(b) **CONTENTS.**--The receiver shall consider the plan prepared by the coordinator under section 241 and any other existing alternate plans in the development of the recovery plan. The following shall apply:

- (1) The recovery plan shall provide for all of the following:
  - (i) Continued provision of vital and necessary services.

\* \* \* \* \*

With that background, certain principles apply:

- Unless the city is solvent and not facing an emergency, city services should **ONLY** include "vital and necessary services" in its budget and in its operations. That is the priority and baseline for any plan.
- The test is: whether the budget can be balanced and operations maintained to effectuate the paramount public duty of elected public officials to safeguard the health, safety and welfare of its citizens within current, permitted taxing power and without raising taxes ("available revenues" equate to what is permitted and sustainable; more taxation will kill this community).
- If that test cannot be met, then the recovery plan is fatally flawed and needs to be reworked to do so – and it is the responsibility of the Commonwealth to assure a proper plan and to use the power of the court to assure that the plan does meet these requirements.
- In fashioning a plan, it is also the responsibility of the Commonwealth to fashion that plan, within the context of that test, to maximize the ability of the municipal government to:

- o effectuate then provision of vital and necessary services, and
- o to exercise of the Commonwealth's sovereign and plenary police power.

That is to say, taken together, that there are two factors here:

- (1) not all vital and necessary services carry the force of being a police power – in effect, some vital necessary services carry more weight than others – police powers carry the most weight, and
- (2) sound policy, and efficient and effective management practices must be applied, in the context of containing costs.

You cannot tax and spend your way out of this. It will take the rebuilding of civic community and sound public policy administration.

A sound, effective plan is one: (a) that is limited to permitted and sustainable “available revenues”, (b) that addresses the needs of government’s “sovereign and plenary police powers”, in the first instance, and “vital and necessary services” to assure the public’s health, safety and welfare, at a minimum, in the second instance, and, finally, (c) that addresses the “adjustment of municipal debt by negotiated agreement” with what is left of available revenues.

The “Strong Plan” is and has been the “Wrong Plan”. It is “arbitrary, capricious and wholly inadequate to alleviate the fiscal emergency”, which are the standards that the court must use to determine confirmation of a plan. It is “arbitrary” and “capricious” because the plan had inadequate “musts” consistent with the stated policy of Act 47, and too many “can do’s” that did not mandate required action. It was “wholly inadequate” on its face by sound public policy standards and the principles outlined in the act, and that has been proven by history and implementation.

So, let’s look at one example on how to apply the principles proffered that is clearly a police power (and I can think of two for distinction – public law and order, and code enforcement). Let’s look at policing in terms of public law and order to assure public health and safety, as that example.

- Sound policies, procedures and *relationships* make a huge difference in the cost and effectiveness of the methodologies/actions used to assure a safe community.
  - o For purposes of perspective, we have had several public meetings to discuss pedestrian street safety - 4 deaths on State Street in 20 months. (The concern is very well understood and appreciated).
  - o Harrisburg has a current violent homicide rate of 34 per 100,000 (17 deaths in a city of 50,000 in one year) [For context – Chicago’s violent homicide rate = 27.8 (2017)]
  - o Since the adoption of the recovery plan, we have never had purposeful public hearings on street violence, and we have no clear, publicly understood strategic plan to address it.
  - o One could say that there has been a serious dereliction of duty by both local and Commonwealth officials to address this problem, and that the cost effectiveness of our policing could be improved, if we did seriously address this problem. (A similar approach to other vital and necessary services could likewise impact their cost effectiveness, e.g., code enforcement.)

- Robert Peel (British pioneer in policing):
  - “The police are the public and the public are the police; the police being only members of the public who are paid to give full time attention to duties which are incumbent on every citizen in the interests of community welfare and existence.”
- In the interest of being constructive, and not merely critical, here is an example of an approach:
  - Create an official Citizen Public Safety Review Committee, made up primarily of neighborhood organization representation;
  - Hold open meetings and a series of public hearings on the issue of street violence (and others topics, including code enforcement) [David Kennedy’s violence intervention models, among other ideas can be considered];
  - Require a publicly adopted strategic plan that includes specific action plans and performance measurements to evaluate the outcomes.

Other budgetary and administrative changes that can be effectuated, consistent with the stated principles:

1. Shift the responsibility for parks, playgrounds, recreation, and public spaces and rights-of-way (non-roadway) – see Harrisburg Parks Foundation website for “City as a Park Report” under About, under Associated Organizations, <https://harrisburgparksfoundationdotorg.files.wordpress.com/2016/02/city-as-a-park-report.pdf>
2. Privatize garbage collection and recycling
3. Encourage and support the development of neighborhood organizations, perhaps through the planning office
4. Cease the housing and economic development programs
5. Revise the zoning code to minimal zoning, necessary for public health and safety
6. Revise city regulations (non-building code) to minimal regulation, and streamline processes

**NOTE:** Meeting affordable housing needs and encouraging economic development are best effectuated by encouraging private development by releasing private sector energy and resources, while assuring public health and safety. That is the underlying reasons for items 4, 5, and 6. (This is not done best by high regulation and programming by local government.)

7. Cease the funding of non-profit social programs
8. Redirect available federal funds to the eradication of blighted buildings (a health and safety problem)

This is not meant to be an exhaustive list. Rather it provides examples sufficient to provide a framework.

Adopting a plan based on the intent of the law and within sound public policy can be done. It requires adherence to the fundamental purpose of government, meeting the intent of the governing act, and placing sound policies, principles and practices above power politics. It will also mean that, at the baseline, the sovereign and plenary powers of the Commonwealth for which the city is responsible must take precedence over satisfying creditors within the limits of available revenues.

Thank you.