

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS PENNSYLVANIA

A Cushman & Wakefield Global Business Consulting Publication



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The Business Incentives Practice (“BIP”) strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project’s unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives (“Incentives”) opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP’s mission is to develop a strategy that enhances business performance, while reducing a project’s up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W’s Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

PENNSYLVANIA’S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOBS	INCENTIVES
Target Corporation	\$52.0	250	0.6
New Hudson Facades	\$16.0	168	3.1
thredUp.com	\$1.1	300	0.9
Reeb Millwork	\$38.0	147	0.9
Adminovate	\$0.4	81	0.6
Fayette Regional Health System	\$50.0	150	2.7
Hospital Central Services	\$10.0	38	2.3
Quality Pasta Company	\$3.8	33	0.9
Edward Marc Brands	\$2.5	51	0.7
Walmart	\$96.0	300	0.9
Alcoil	\$1.1	52	0.5
Hill International	\$8.0	222	1.7

OVERVIEW OF MAJOR PENNSYLVANIA INCENTIVE PROGRAMS

PENNSYLVANIA FIRST

The Pennsylvania First Program was established as a competitive funding tool to facilitate increased investment and job creation in Pennsylvania and to enable the state to compete more effectively in the global economy. The Pennsylvania First Program may provide grants, loans, and loan guarantees. Determination of the type of assistance shall be at the discretion of the Department based upon the financial needs of the individual projects.

All costs financed through the Pennsylvania First Program must be necessary for the operation of an eligible business or businesses at a project site(s) in the commonwealth. Specifically, funds may be used for:

- Job training for direct, full-time, Commonwealth resident employees of the applicant/business.
- Acquisition of land, buildings or rights-of-way.
- Construction or rehabilitation of buildings.
- Construction or rehabilitation of infrastructure necessary for the operation of an eligible business or businesses at a project site not to include tap-in fees.
- Purchase or upgrade of machinery and equipment.
- Working capital.
- Project site preparation, including demolition and clearance.
- Environmental assessments.
- Remediation of hazardous material.
- Architectural and engineering fees not to exceed 10% of the total Pennsylvania First Program award.

The maximum assistance amount shall not exceed \$5,000 for each job projected to be created or retained. The Department has discretion to modify this amount for special circumstances. Applicants may not receive Pennsylvania First Program assistance for more than two consecutive fiscal years for the same business expansion or location project.

Except for businesses receiving assistance through the Guaranteed Free Training (GFT) Program, all businesses benefiting from Pennsylvania First Program assistance must meet the following requirements:

- Each annual Pennsylvania First Program appropriation must leverage at least \$10 in private investment for every \$1 of program assistance awarded.
- Businesses must achieve one of the following standards within three years of receiving Pennsylvania First Program funding: (1) create or retain a minimum of 100 full-time jobs at the project site; (2) increase their full-time employment within the commonwealth by at least 20%; (3) provide a substantial number of new, full-time employment opportunities within a high-growth industry; or (4) create or retain

Pennsylvania shows an average deal value of \$6.32 million with 112 new jobs created per deal

- fewer than 100 full-time jobs at project sites that are located in counties or communities suffering from high unemployment.
- The base pay of an employee hired or retained by the business must be at least 150% of federal minimum wage in order for the employee to be counted toward meeting the employment requirement.
- Businesses receiving Pennsylvania First Program assistance must commit to operating at the approved project site for a minimum period of seven (7) years.

JOB CREATION TAX CREDIT (JCTC)

The Job Creation Tax Credit Program (JCTC) is meant to secure job-creating economic development opportunities through the expansion of existing businesses and the attraction of economic development prospects to the Commonwealth of Pennsylvania. The amount of the award varies based on number of jobs created, amount of private investment, financial stability of the business, average hourly wage to employees, the extent to which the business develops or deploys leading technologies, the extent to which the project addresses Pennsylvania Keystone Principles, and additional factors that may pertain to an application, such as synergies with other DCED initiatives. A maximum credit of up to \$1,000 per every new full-time job is available.

Eligibility in the Job Creation Tax Credit Program includes:

- Business must agree to create at least 25 new full-time jobs, or increase its number of full-time employees at the project sites(s) by at least 20% within three years of start date.
- Each new employee must earn an hourly wage rate of at least 150% of the federal minimum wage, excluding benefits, at the time the certificate is issued.

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- The business must agree to maintain its operation in Pennsylvania for a period of five years from the start date.

The business may claim these credits only after the jobs are created. The credit must be claimed within five years of receiving the tax credit certificate, but in no case can it be longer than six years from the start date. Credits not claimed within this period will be forfeited. Additionally, a minimum of 25% all tax credits available to be awarded each fiscal year will be allocated to businesses that employ 100 or fewer employees.

KEYSTONE OPPORTUNITY ZONE

The Keystone Opportunity Zone program develops a community's abandoned, unused, underutilized land and buildings into business districts and residential areas that present a well-rounded and well-balanced approach to community revitalization. Zones are designated by the local communities and approved by the Department of Community and Economic Development (the "Department"). Locating in a KOZ entitles businesses to certain tax benefits. Through credits, waivers and broad-based tax abatements, total taxes on economic activity in Keystone Opportunity Zones are significantly reduced.

In order to qualify each year for a tax exemption, deduction, abatement or credit under the Act, a business shall own or lease real property in a KOZ Subzone from which the business actively conducts a trade, profession or business. The qualified business shall receive certification from the department that the business is located and is in the active conduct of a trade, profession or business, within the Subzone. The business shall obtain annual renewal of the certification from the Department to continue to qualify as a qualified business. Any existing qualified business relocating into a KOZ must demonstrate a significant economic impact that will result from relocation into a KOZ. Any qualified business currently operating at an underutilized site at the time a new KOEZ is designated must satisfy the relocation requirements to receive KOEZ benefits. Any qualified business that has received KOZ benefits and moves out of the zone within the first 5 years may be subject to penalties.

Any business that moves from a non-KOZ Pennsylvania location into a KOZ is not eligible to receive the exemptions, deductions, abatements, or credits set forth in the Act unless the business meets at least one of the following:

- Increases full-time employment by at least 20% in the first full year of operation within the Subzone, or;
- Makes a capital investment in the property located within the Subzone at least equivalent to 10% of the gross revenues of that business in the immediately preceding calendar or fiscal year attributable to the business location or locations that are being relocated to a subzone.
- Enters into a lease agreement for property located within the Subzone for a term at least equivalent to the duration of the Subzone and with the aggregate payment under the lease agreement at least equivalent to 5% of the gross revenues of that business in the

immediately preceding calendar or fiscal year.

GUARANTEED FREE TRAINING PROGRAM (GFT)

The Guaranteed Free Training (GFT) program provides grants to businesses to provide incumbent workers with basic skills and information technology training. It is administered by the Workforce and Economic Development Network of Pennsylvania (WEDnet) comprised of 20+ partners located across Pennsylvania that serve as the point of contact for businesses.

- Basic Skills Training Eligibility
 - Company
 - » Must be based in Pennsylvania or maintain a significant presence in the state.
 - » This Grant is limited to manufacturing or technology-based businesses to include Biotech and Environmental-Tech companies.
 - Employees
 - » Must earn at least 150% of the current federal minimum wage at start of training, excluding benefits. Trainees can earn no less than \$10.88/hour at the start of training.
 - » Must be a permanent full-time employee and eligible to receive fulltime benefits. Full-time benefits define full-time employment, not hours worked.
 - » Must be a verifiable resident of Pennsylvania and employed in Pennsylvania.
 - » Must be a front-line employee or a first level supervisor.
 - » Employees with decision making responsibilities (may include, but not limited to budgetary, policy making, etc.) are not eligible for basic skills funding.
 - » Employees who supervise other supervisors are excluded from this program except for small companies.

Eligible companies are limited to participation in the Guaranteed Free Training program to two consecutive years and three out of any five consecutive years. Companies are eligible to receive grant funds up to \$450 per eligible employee (\$75,000 maximum) for Basic Skills Training and up to \$850 per eligible employee (\$50,000 maximum) for Information Technology Training in one fiscal year.

OTHER PENNSYLVANIA INCENTIVE PROGRAMS

- Abandoned Mine Drainage Abatement and Treatment Program
- Alternative and Clean Energy Program (ACE)
- Baseline Water Quality Data Program
- Building PA
- Business in Our Sites (BOS) Loans
- Business Opportunities Fund
- Community Based Services Tax Credit
- Community Economic Development Loan Program
- Discovered and Developed in PA Program
- Educational Improvement Tax Credit Program
- Export Financing Program
- Film Tax Credit Program
- First Industries Fund
- Flood Mitigation Program
- Global Access Program
- Greenways, Trails, and Recreation Program
- High Performance Building Program
- Industrial Sites Reuse Program
- Joint Opportunity Business Partnership Fund
- Keystone Innovation Network
- Machinery and Equipment Loan Fund
- Market Access Grant
- Multimodal Transportation Fund
- Neighborhood Assistance Program
- Neighborhood Assistance, Enterprise Zone Tax Credit
- New PA Venture Capital Investment Program
- Opportunity Scholarship Tax Credit Program
- Orphan or Abandoned Well Plugging Program
- Partnerships for Regional Economic Performance
- Pennsylvania Capital Access Program
- Pennsylvania Community Development Bank Loan Program
- Pennsylvania Economic Development Financing Authority
- Pennsylvania Industrial Development Authority
- Pennsylvania Infrastructure Bank
- Pennsylvania Infrastructure Technology Alliance
- Pennsylvania Minority Business Development Authority
- Pennsylvania Small Business Credit Initiative
- Pollution Prevention Assistance Account Program
- Powdered Metals
- Rail Freight Assistance
- Regional Investment Marketing
- Renewable Energy Program
- Research and Development Tax Credit
- Second Stage Loan Program
- Sewage Facilities Program
- Small Business First
- Solar Energy Program
- The Next Generation Farmer Loan Program
- The Pennsylvania Regional Center
- Water Supply and Wastewater Infrastructure Program
- WEDnetPA

For more information, contact:

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