

# Targeting Public Dollars for Sustainable Development

*By taking a hard look at their funding practices and supplementing them with a common strategic framework guided by a list of screening tools, state and local officials have taken the task of Pennsylvania's revival to a higher level of focus and coordination linked to sustainability and smart growth*

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Until recently, Norristown, once a bustling center of industry and commerce on the Schuylkill River in eastern Pennsylvania, was in steady decline. Municipal officials initiated a sweeping revitalization plan to re-energize the city's economy, but ran into trouble because, like many older urban communities, Norristown suffers from an aging and deteriorated sewer system. During heavy rains, some combined and sanitary sewers became overloaded, flooding downtown streets and causing roads to collapse. The affected area lay at the center of Norristown's business district, the epicenter of the municipality's revitalization effort. Left unaddressed, the problem threatened to endanger public health and diminish the area's business prospects. Addressing it required nearly \$5 million for sewer rehabilitation and construction, which Norristown sought to borrow from the state's water, sewer, and stormwater funding program, known as PENNVEST. However, "with 32 other communities experiencing similar needs and competing for the same pot of money," says PENNVEST Deputy Director Brion Johnson, Norristown's chances for securing the loan were uncertain at best.

PENNVEST assigns funding priority based on how well proposed projects satisfy state water and sewer criteria in dealing with public health, environment, and other issues. Subjected to these criteria alone, "Norristown's project was certainly eligible for funding," Johnson says, but without an edge to outshine other qualifying projects, "it was not high on the list." Norristown found that edge in Pennsylvania's new Keystone Principles.

Five years ago, when environmental and land use attorney Joanne Denworth joined Pennsylvania Governor Ed Rendell's Office of Policy, the commonwealth was in the midst of a 30-year-long stretch of economic stagnation. To stimulate growth, the governor unveiled his Plan for a New Pennsylvania, which, among other things, outlined a program to provide almost \$2 billion in bonds and loan guarantees aimed at generating \$5 billion more in private investment for economic development projects. Given the dollars the state had already invested through business subsidies in previous years, it was clear to Denworth that simply injecting more state capital into the economy was not enough to bring Pennsylvania to prosperity.

"When I first came to the Governor's Office, I thought one of the things that needed to hap-

pen was a great deal more coordination in how agency decisions were made, particularly funding decisions,” she says. She was not alone in her sentiments. Many of the agency officials who came to join her on the Interagency Land Use Team recognized that Pennsylvania’s multitude of investment efforts lacked strategic focus.

State funding decisions had been made in isolated agency programs — each bound by narrowly defined priorities and goals. Some of these investments had worked at cross purposes to diminish the state’s natural and social assets — subsidizing sprawl, hastening abandonment of older urban areas and, in the process, weakening Pennsylvania’s prospect for revitalization.

Facing these issues, officials from 23 agencies making up the team agreed that Pennsylvania needed a method to avoid uncoordinated and haphazard investments that would squander the assets key to its competitiveness. According to Paul Marchetti, executive director of PENNVEST, members of the team kept asking, “What can we do to encourage common sense revitalization and discourage sprawl?” A workable solution, they realized, would have to involve a unifying mechanism that can tie together all of the agencies’ diverse goals and coordinate their day-to-day spending decisions so that state money would be directed toward investments that accomplish those goals. After two years of negotiations, the agencies agreed to adopt the Keystone Principles for Growth, Investment & Resource Conservation, a set of principles and criteria intended to guide and coordinate state investments.

## The Keystone Principles

Publicly unveiled at an Environmental Law Institute conference on land use and sewage facilities in Harrisburg in late 2005, the Keystone Principles — named for the commonwealth’s slogan — position Pennsylvania among a handful of pioneering

states (also including Massachusetts and Maryland) that have adopted project-scoring measures to ensure that state investments build on existing assets while supporting state revitalization goals.

This new approach lays out the goals and objectives for state economic development and resource conservation in 10 cross-cutting principles (see box on page 33). Together, these principles aim to foster coordinated interagency funding decisions — decisions that will collectively drive Pennsylvania’s capital investments toward existing infrastructure, brownfields, and older urban areas.

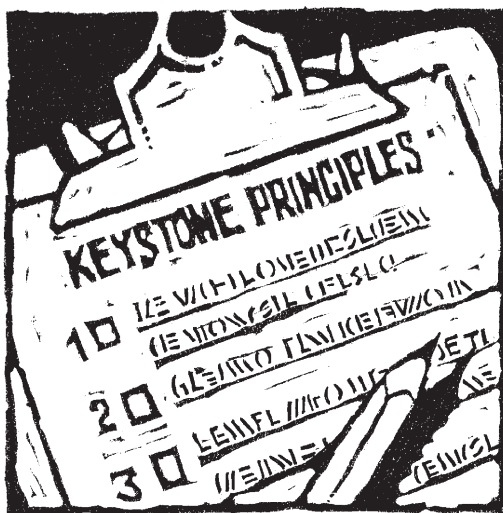
While the ten Principles set the goals and areas of emphasis for investments at the program level, they are implemented by more specific criteria of two types at the project level: Core Criteria and Preferential Criteria.

The five Core Criteria set out primary determinations for agency officials when they evaluate all

potential state investment projects. These are whether the project avoids or mitigates high hazard locations, whether it will cause or avoid adverse impacts to environmentally sensitive areas, whether it is consistent with well-supported planning in a suburban or rural area, whether it is consistent with well-supported planning in an urban “core community,” and, finally, whether the project supports other state investments and community partnerships. Essentially, these compose a set of make-or-break screening tools that agencies can use to decide whether they

should pursue a certain course of investments and whether a project is qualified for funding.

Augmenting the Core Criteria are nine Preferential Criteria designed to help evaluators tease out subtle but important differences among qualifying projects. For example, the Preferential Criterion for “Development/Site Location” has several concrete measures prompting evaluators to consider the location of a project and determine whether it is a brownfield or previously developed site, whether it involves rehabilitation or reuse of existing buildings, and whether it produces infill development for



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cities and boroughs. The idea is that when evaluators in any agency program apply these measures, the strongest and best projects consistent with state policies will emerge and stand above those projects that only meet their own program's specific requirements and priorities.

Officials across Pennsylvania affirm that in the two and a half years since their adoption, there is much enthusiasm about the Keystone Principles & Criteria's potential to shape Pennsylvania's funding practices. Indeed, in major agencies such as the Department of Community and Economic Development, PENNVEST, PennDOT, and the Department of Conservation and Natural Resources, they are viewed as instrumental in facilitating smart investment decisions.

"At this point, the idea of aligning investment priorities with the Keystone Principles is pretty well diffused throughout state government. It's a common point of reference in a wide variety of discussions about funding decisions," says DCED Deputy Secretary Ken Klothen, adding that "when agencies do multi-component projects, particularly those requiring mixing and matching of resources, it's common for them to use the Keystone Principles & Criteria as a frame of reference and rallying point." As a result, says Klothen, "It's easier for different programs to coordinate their activities and to corral financial support from sources that traditionally might not share exactly matched up priorities." This, he says, "Shows that there's a high level of commitment in many agencies to coordinate their efforts and focus on priorities like promoting reuse of existing infrastructure and revitalizing older core communities."

For Cindy Dunn, director of DCNR's Bureau of Recreation & Conservation, "There's been a paradigm shift in how the state views natural resources and economic growth." In the old days, she says, "Whenever DCNR attempted to promote conservation it was often told to do so outside of urban areas." But now "conservation is no longer pitted against economic interest; there's finally recognition that natural resource conservation goes hand in hand with economic growth." Likewise, officials in local government are "beginning to see that the Keystone Principles can be used to guide their comprehensive plans, and consequently, position their community for investment partnerships with state agencies," says April Showers, a planning consultant who has assisted the development of several local and joint comprehensive plans for boroughs

and townships in rapidly developing parts of York County, which lies between Harrisburg and Baltimore, Maryland.

## Focusing on Reinvestment and Reuse of Pennsylvania's Assets

At DCED, the Keystone Principles & Criteria have helped the department to focus funding and staff activities on older urban areas and to prioritize projects which promote brownfield redevelopment. According to Klothen, the Principles "have been incorporated explicitly into program guidelines, served as tie-breakers to distinguish among qualifying [grant and loan] applications," and been used as a "gloss on or interpretive guide to published guidelines." In some programs, says Klothen, there has been a change in policy emphasis and staff activities "to focus more on 'core' communities or areas of communities more critical to revitalization." This might mean giving more funding preference to a close-in neighborhood than an outlying neighborhood, for example. In other programs, he says, DCED is "explicitly reserving a percentage of the total program appropriation for the needs of core communities." For example, in its Land Use Planning and Technical Assistance Program, which helps municipalities prepare and implement their comprehensive plans, the department is "setting aside funds for planning for downtown revitalization in individual core communities."

Scott Dunkelberger, director of DCED's Grants Office, reports that the Keystone Principles & Criteria "are becoming part of our business culture. Our scoring matrices for loan and grant applications in the Infrastructure Development Program and the Business in Our Sites Program are pretty much based on them." The former provides funding for public and private infrastructure work, while the latter supports activities that make sites "shovel ready" to attract and retain businesses. According to Dunkelberger, "Every project within these programs is assigned points based on whether it is brownfield or greenfield development, whether it is identified as a priority in a local or regional comprehensive plan, and whether it targets distressed communities." Of the 117 projects that the department has funded through the Business in Our Sites Program, 77 were brownfield redevelopments.

One particular project, the Bethlehem Com-

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merce Center in the Lehigh Valley, home to Bethlehem Steel Corporation until it ceased operation in 1998, “scored extremely well” relative to others primarily because it focuses redevelopment on a brownfield site. Known to residents as The Steel, it is the largest single industrial brownfield site in the United States. The city of Bethlehem decided to incorporate the site into its comprehensive revitalization effort. It transferred the plant to a non-profit economic development corporation and charged it with the task of cleaning up and transforming a large chunk of the site into an industrial and office park.

When they evaluated the Bethlehem Commerce Center project for a construction loan and development grant package, DCED officials recognized its “tremendous potential to promote the spirit and goals behind the Keystone Principles & Criteria,” says Dunkelberger. First, by focusing development on a brownfield site, it supports the goal to “redevelop first” through re-use and redevelopment. Second, it is supported by a local revitalization effort, achieving the goal of promoting core community projects supported by a local comprehensive vision and plan. Finally, evaluators found the project especially attractive because of its potential to increase employment opportunities that would significantly improve the local economy, another goal of the Keystone Principles. Because of these qualities, the Bethlehem Commerce Center project gained a substantial number of priority points in DCED’s scoring process, rising to the top of the department’s list of potential projects for funding.

Other projects boosted to the top of DCED’s selection pool include the reclamation of the Navy Shipyard in Philadelphia, redevelopment of a former strip mine for commercial and industrial use in central Pennsylvania, and conversion of the former Westinghouse Electric Corporation facility into an urban and industrial center in western Pennsylvania. Together, these projects advance goals for locating development on brownfield sites, targeting distressed areas, making efficient use of existing

infrastructure, and supporting local revitalization efforts.

Some of the most tangible changes on infrastructure funding are found at PENNVEST, where “substantially more credit is now given to infill development, brownfield redevelopment, and projects that support coordination among community partnership programs,” says Marchetti. By assigning additional priority points to projects with these qualities, PENNVEST has used the Keystone Principles & Criteria to identify and boost above its funding cut-off line sustainable projects that might be otherwise left without funding.

When evaluated for compliance with the Principles & Criteria, the Norristown sewer rehabilitation project mentioned earlier distinguished itself in two crucial ways. First, PENNVEST determined that it

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would advance the state’s goal of concentrating development in the urban core and that the project is geared toward improving existing infrastructure. PENNVEST gives funding preference to all projects that support development in or around cities, boroughs, and developed areas of townships. It does this by assigning a maximum of 10 additional Keystone Priority points to such projects. As an older low-income urban community trying to fix its existing infrastructure for revitalization, Norristown easily captured

these points. Second, Norristown was designated a Community Action Team area, meaning that it is carrying out a neighborhood-changing revitalization project that includes multiple components and uses funding from a variety of agencies. In response to the Keystone Principles’ call for agencies to coordinate their funding, PENNVEST gives preference to all qualified CAT communities. In the final selection pool, the extra Keystone Priority points that Norristown received allowed it to outrank its long list of competitors, ultimately gaining the municipality a spot among those chosen for funding.

## The Keystone Principles

- Redevelop first
- Provide efficient infrastructure
- Concentrate development
- Increase job opportunities
- Foster sustainable businesses
- Restore and enhance the environment
- Enhance recreational and heritage resources
- Expand housing opportunities
- Plan regionally and implement locally
- Be fair



## Making the Principles a Part of Life in State and Local Government

**F**rom helping agencies to focus capital on revitalization of older urban communities to promoting brownfield redevelopment, the Keystone Principles & Criteria have achieved incremental successes in guiding strategic investment decisionmaking in Pennsylvania state agencies. Yet, these agencies recognize that there are many other areas of state funding activities to which they can be applied.

DECD's Klothen says, "It seems to me that the spirit behind the Keystone Principles also calls for greater coordination of resources at the regional level, and so we are increasing the amount of required coordination to identify and target communities that most embody them." To that end, DCED recently created several regional directorships in southwest and south central Pennsylvania. According to Klothen, all future project proposals will be filtered through these offices so that DCED can target its resources more strategically.

Efforts to institutionalize the Keystone Principles & Criteria are also happening at the Department of Environmental Protection, which

has applied them to its Growing Greener and Energy Harvest Grant programs. According to DEP Special Deputy Secretary Barbara Sexton, the agency is working on integrating certain Keystone Core Criteria into its soon-to-be updated sewage planning regulations. The goal, she said, is to foster coordinated local sewer and stormwater planning by requiring municipalities "to identify where they want to put in sanitary and storm sewers and to state how they are going to maintain their facilities in the long run."

The state's transportation agency, PennDOT, recently distributed the Keystone Principles and Criteria to Pennsylvania's metropolitan and regional planning organizations —MPOs and RPOs — which annually select proposals for the preliminary round of project selection in the Transportation Enhancements, Home Town Streets, and Safe Routes to School programs. In future funding cycles, the agency plans to include questions directly relevant to Keystone Criteria on the application forms used by these programs, allowing evaluators to screen for the most promising projects from the beginning. The "potential impact of this on the direction of the state's transportation investment is huge," says the Governor's Policy Office's Denworth, "because

ultimately, much of PennDOT's money goes to the MPOs and RPOs, and in Pennsylvania, MPOs and RPOs have significant control over what kind of transportation projects gets funded at the local level."

Indeed, while the Keystone Principles are primarily intended for state agencies, officials in local government are embracing them as a set of tools to guide local development decisions. Allegheny County incorporated them into its soon-to-be adopted county comprehensive plan for the Pittsburgh area. According to Lynn Heckman, assistant director of planning at the county's Department of Economic Development, Allegheny decided to adapt elements from the Keystone Principles in the process of developing its own equitable development principles because it shares many of the state's revitalization goals. What's more, county officials recognize the state's commitment to implementing the Principles and anticipate that these agencies will structure future grant and loan decisions according to them. By integrating them into its comprehensive plan, Heckman says, Allegheny wants to promote consistency between its future development efforts and those that state agencies will fund.

These sentiments are similar to those expressed in York County, where the Keystone Principles have been used to guide the development of the Dover Borough and Township Joint Comprehensive Plan. According to planning consultant Showers, officials from Dover Township and Dover Borough decided to package their joint comprehensive plan using the Principles because they wanted to "strategically spend their dollars as well as to position themselves for future investment partnerships with state agencies." The same is happening in rural Pike County, where Lackwaxen and Shohola townships are working together to prepare a multi-municipality comprehensive plan. After their local revitalization goals and visions were formulated, the planning committee related elements in the joint comprehensive plan to the Keystone Principles.

By taking a hard look at their funding practices and then supplementing them with a common strategic framework guided by a list of screening tools, state and local officials have taken the task of Pennsylvania's revival to a higher level of focus and coordination linked to sustainability and smart growth. This experiment in intelligent investment can point the way to a new era of sustainability for Pennsylvania and serve as a blueprint for other states. •

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