



**Testimony of John Persinger  
CEO, Erie Downtown Development Corporation  
House Ways & Means Committee  
Oversight Subcommittee Hearing on  
“The Opportunity Zone Program and Who It Left Behind”  
November 16, 2021**

Thank you, Chairman Pascrell.

Thank you, Ranking Member Kelly.

And thank you to all of the distinguished members of the House Ways and Means Oversight Subcommittee for giving me this opportunity to discuss how Opportunity Zones have been the single most impactful Federal policy for my hometown, Erie, Pennsylvania.

**Background on the Erie Downtown Development Corporation**

I am the CEO of the Erie Downtown Development Corporation, a non-profit corporation formed in 2017 by private sector community leaders to revitalize downtown Erie, Pennsylvania, through property development.

We were formed based on the recommendations of *Erie Refocused*, the City’s comprehensive plan, which itself was compiled after months of community engagement with dozens of local stakeholders.

The EDDC and our partners are investing over \$100 million to develop twelve projects across three blocks in the heart of downtown Erie.

Our efforts over the next three years will result in the following:

- 478,000 square feet of new and revitalized space;
- Eight historic properties restored;
- 140 new residential units;
- 25 new businesses and more than 250 new jobs;
- Over 150 construction jobs; and a
- Grocery store in a USDA-designated “food desert.”

Out of the \$100 million of investment, \$40 million is coming from Opportunity Zone funds.

## **Background on Erie**

The story of Erie is similar to many post-industrial communities that each of you represent.

In the early 20<sup>th</sup> century, Erie developed a proud manufacturing industry that attracted waves of immigrants to this northwest corner of Pennsylvania.

Our population peaked in 1960 with approximately 140,000 residents.

Over the last several decades, as manufacturing jobs moved away or became automated, the City's population dwindled.

Today, the City's population has shrunk to approximately 95,000.

We bear the unfortunate title of being home to one of America's poorest zip codes—the median income in 16501 is approximately \$10,800.

This decline in jobs and population has left a number of vacant, abandoned, blighted, and underutilized properties, throughout the region, including in the heart of our downtown.

These blighted properties deter investment, lower neighboring property values, decrease tax revenue, attract crime, create safety and environmental hazards, and send a psychological message of hopelessness to our community.

That was yesterday, though.

Today, thanks to Opportunity Zone investments, these properties and the City's spirit are being transformed.

## **Opportunity Zones Transform Erie Where Previous Federal Policies Have Failed**

Opportunity Zones are giving Erie a chance to succeed where other Federal policies have failed, and here is why:

- (1) There are no Gatekeepers holding Erie back.

Unlike New Markets Tax Credits or Low Income Housing Tax Credits, Opportunity Zones don't require us to chase scarce resources from the Federal government or to convince a Community Development Entity with no ties to our community that Erie is worthy of investment.

In the 20 years of the New Market Tax Credit program and with more than \$66 billion allocated, there has only been one New Market deal in the City of Erie—an \$8 million allocation in 2020. And despite all of our matching investment, that New Market deal was not one of our projects. We have been unsuccessful in attracting a New Markets Tax Credit investment.

It is not for a lack of trying, either. The EDDC hired a consultant to help us obtain an allocation of New Markets. To date, we have struck out with 35 different Community

Development Entities for various reasons, but our geographic location is often cited as a reason why CDEs do not want to invest in our projects.

Erie is not alone in voicing these complaints. I've spoken with individuals from communities as diverse as Batavia, New York, Butler, Pennsylvania, Akron, Ohio, Moline, Illinois, Evansville, Indiana, and Olathe, Kansas. All of these communities shared their frustration with being at the mercy of the gatekeepers.

(2) There are no extended application and funding cycles.

One of the lessons that I have learned in this job is that a lack of momentum and uncertainty kills projects. Contractors won't bid on projects that are not certain to be happening. Tenants won't sign leases until they know projects are certain to happen. Investors on projects with financial gaps won't commit until there is certainty that all gaps will be filled.

With many government grant or loan programs, you wait in limbo for months after submitting an application. And even if you are fortunate to be awarded a government grant or loan, it takes additional time to receive the award. Often, you must obtain a bridge loan, until that government grant or loan is received. This adds additional costs to projects that are already financially challenging.

In contrast, Opportunity Zones allow communities to move at their own pace. We don't have to align projects with an uncertain funding cycle from Washington or Harrisburg. This is why we are able to transform 478,000 square feet of space and attract \$100 million of investment in just three years.

If Erie had to wait on approvals from the Federal government, these vital projects would not happen.

(3) Opportunity Zones provide flexibility for communities.

If there is one thing that we can all agree on, it is that we live in a diverse country.

The community needs in Erie, Pennsylvania, are different from those in Patterson, New Jersey, which are different from those in Southern California.

Some communities need affordable housing. Some communities need manufacturing jobs. Some communities, like Erie, need a grocery store in a USDA-designated "food desert."

The people who live in these communities know what they need.

Federal programs that mandate one-size fits all policies end up having no impact on entire swaths of the country. This is another reason why Opportunity Zones are so impactful. The flexibility of the legislation allows us to attract investment to projects that the community here in Erie needs.

(4) Opportunity Zones require far less dependence on expensive consultants, lawyers, or accountants.

To compete for and comply with the typical tax credit program, you must hire specialized lawyers, accountants, consultants, and other professionals, who often require payment, regardless of whether you are successful on receiving the tax credits.

To give you an example, we spent over \$300,000 on lawyers, accountants, and consultants to monetize \$600,000 of Federal Historic Preservation Tax Credits.

In other words, half of the tax credits intended to support work in Erie went to professionals, who live in cities other than Erie.

Many community organizations, let alone middle-class families from Erie, Pennsylvania, cannot afford these fees.

In a way, these tax credit programs have been more successful at creating legal, accounting, and consulting jobs in big cities than in helping communities like Erie.

In contrast, the structure of the Opportunity Zones incentive does not require anything close to the same dependence on costly third-party service providers.

Furthermore, Opportunity Zone investors have a financial investment at stake. Because of the ten-year hold period, this means that they have a vested interest in the long-term success of these communities.

### **The Economic Impact of Opportunity Zones in One of America's Poorest Zip Codes**

In addition to the flexibility that Opportunity Zones provide to people who know their communities best, Opportunity Zones are having an underreported economic impact.

Here are a few of those ways:

(1) **The Opportunity Zone Construction Boom Creates Local Jobs.**

On any given day, you can walk in downtown Erie and find over 150 electricians, plumbers, carpenters, painters, roofers, brick masons, steelworkers, and other local tradesmen and tradeswomen working on our projects.

These are jobs that cannot be done by remote workers living in a more prosperous city.

These are jobs that cannot be outsourced to another country.

These are men and women who pay property taxes and coach their kids' sports teams and get lunch from the local deli.

Opportunity Zones are creating American jobs in American communities.

(2) **Opportunity Zone Investments Create New Workforce Housing Opportunities.**

Opportunity Zones are also helping to attract workers to downtown Erie.

When we acquired our initial twelve properties, there were only 14 available residential units.

When we are done with construction, there will be more than 140 new residential units.

These are housing units that will help attract the employees needed to fill jobs in our community.

- (3) Opportunity Zones Provide an Economic Boost for our School District, City & County.  
The most significant and underreported impact of Opportunity Zones is the economic boost that these investments provide for our School District, City, and County.

In Pennsylvania, municipalities generate the majority of their revenue from property taxes, so investments into Opportunity Zones are helping to generate greater revenue for local governing bodies.

To give you an example of the impact here in Erie, when we acquired our initial twelve properties, we were paying \$176,000 in property taxes.

When we are finished with these projects, we anticipate that we will pay somewhere between \$2.3 and \$2.5 million in property taxes.

This is increase of 14 times what the Erie School District, the City of Erie, and Erie County were receiving before the Opportunity Zone investments.

This will help buy more textbooks, pave more roads, and provide more social services to the most vulnerable members of our community.

### **Conclusion**

In conclusion, Congress should study why Opportunity Zones are working in Erie, Pennsylvania, when decades of other Federal policies have failed or underperformed, and assess how, going forward, more legislation can be crafted like Opportunity Zones, so that people who live in communities similar to Erie have the flexibility to attract investment to meet their community needs.

Thank you, and we look forward to hosting the Committee and my fellow witnesses in Erie, Pennsylvania.