

Pennsylvania Opportunities for Offshore Wind Businesses

A. The Advantages of Pennsylvania

Pennsylvania has a pro-business environment. It has been recognized for its business friendly tax code and has been ranked as having one of the lowest business taxes.

In 2011, the state had 453 new or expanded corporate facilities.¹ Much of this growth can be attributed to the state's Keystone Opportunity Zone program, which eliminates specific state and local taxes within designated underdeveloped areas. In these 12 zones, the tax burden may be reduced to zero through exemptions, deductions, credits, or abatements.

Pennsylvania has strong market access, including access to global markets, and a well-developed transportation system. The state's infrastructure consists of a 5,100 miles of rail, 120,000 miles of highway, 100-plus public airports, and 3 ports. Pennsylvania's ports provide deep water, inland, and Great Lakes access. The Port of Philadelphia is one of the busiest on the Atlantic coast and is strategically located at the center of the Northeast corridor. The Port of Pittsburgh is the second largest inland port in the U.S. Pennsylvania's Great Lakes port is served by ocean vessels via the St. Lawrence Seaway.

The Department of Community and Economic Development and the Commonwealth of Pennsylvania offer business assistance to help expand, relocate, or move to Pennsylvania. The Governor's Action Team, a group of economic development professionals, provides assistance to relocating business helping to find the best site for a facility, evaluating site-specific data such as workforce characteristics, permit and regulatory environments, infrastructure and utility data, and state and local tax information.

Advanced manufacturing and high technology are among the top industries. Manufacturing contributes \$64 billion to the gross state product annually. Industry is aided by top universities with R&D funding, several industrial resource centers, a manufacturing ombudsman, a qualified workforce, and government assistance.

B. Government Policies Pertaining to Offshore Wind Power

Alternative Energy Portfolio Standard

Pennsylvania's Alternative Energy Portfolio Standard was adopted in 2004 and requires electricity providers to supply 18% of their total retail electric sales from alternative energy by 2021. There are two tiers under the standard. Utilities must generate 8% of their electricity from Tier I energy sources and 10% from Tier II sources by May 31, 2021. Tier I applies to existing

¹ Pennsylvania Department of Community and Economic Development press release, <http://www.newpa.com/node/7300>

renewable energy sources, and Tier II includes both new and existing systems. The compliance schedule includes an increasing yearly percentage for both tiers.

Offshore Wind Planning

Pennsylvania is at the forefront of wind energy development. The state is home to big wind companies such as Gamesa and Iberdola, and supports a robust supply chain. The state is investing to increase supply chain capacity in preparation for future wind development opportunities. In addition, Pennsylvania has joined four other states in signing an MOU to streamline approval for offshore wind projects in the Great Lakes. Under the MOU, the states will jointly create an action plan for efficiently and responsibly evaluating offshore wind energy projects. It is also intended to provide a predictable and consistent regulatory environment for developers.

C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind

The Department of Community and Economic Development (DCED) and the Commonwealth Financing Authority (CFA) administer a variety of loan programs to provide working capital and to finance building, machinery, and equipment acquisition.

In addition, DCED and CFA administer a \$650 million fund dedicated to accelerating Pennsylvania's clean energy sector. The DCED funds are aimed at investment in infrastructure, economic development projects, and early-stage development. The CFA funds are used for loans and grants to clean energy projects. In addition, the state's long-standing Ben Franklin Technology Partners program provides financial assistance for energy-related investments in early-stage activities.

Business Incentive Loans and Bonds

The **Alternative Energy and Clean Energy Program** provides loans and grants to manufacturers of clean energy equipment or components. Loans up to \$35,000 for every new job created are available. Loans for clean energy projects up to \$5 million are available. Grants for manufacturers cannot exceed \$10,000 and for clean energy projects cannot exceed \$2 million.

The **Community Economic Development Loan Program** provides loans up to \$100,000 for small businesses to acquire real estate, construction materials, machinery and equipment, or working capital. Businesses must be located in designated Keystone Opportunity Zones.

The **Export Financing Program** provides loans up to \$350,000 as working capital to acquire inventory, manufacture or purchase goods, or support standby letters of credit used as bid bonds, performance bonds or performance guarantees. The financing is available to businesses with fewer than 250 employees that manufacture or assemble products in Pennsylvania or for services that originate from facilities located in the state.

The **Global Access Program** is also designed to enhance export activity. The program provides matching grants to small and mid-sized companies to increase export sales. The program helps businesses increase their export sales by providing flexible grant funding for specific international marketing needs. A maximum award of \$5,000 is available per company.

The **Machinery and Equipment Loan Fund** provides low-interest loans to acquire and install machinery or to upgrade existing equipment. Engineering and installation costs are also eligible. Manufacturers are eligible for a ten-year term loan with a fixed interest rate.

The DCED provides loan guarantees through participating banks for all businesses with capital needs. The **Pennsylvania Capital Access Program** guarantees loans up to \$500,000. The conditions vary with each bank.

The **Pennsylvania Economic Development Financing Authority Tax Exempt Bond Program** provides loans between \$400,000 and \$10 million to manufacturers through the sale of tax-exempt and taxable bonds in pooled and stand-alone transactions. The funds can be used to finance land, building, equipment, working capital, and refinancing.

An exhaustive list of all the financing programs available in Pennsylvania can be found in the state's Funding and Program Finder web-based tool: <http://www.newpa.com/find-and-apply-for-funding/funding-and-program-finder>

Tax Credits

The **Job Creation Tax Credits Program** can be used to offset business tax liabilities and is available to businesses that create 25 or more jobs or increase employment by 20% within three years of a negotiated start date. Every new full-time job results in a \$1,000 tax credit.

The **Keystone Innovation Zone Tax Credit Program** provides tax credits to companies less than eight years old who operate within designated innovation zones. A total pool of \$25 million in tax credits is available each year to businesses within these zones. A business can claim a tax credit up to 50% of the increase in gross revenues attributable to activities within innovation zones. The tax credit limit is \$100,000 per business per year. Similarly, business located within designated **Keystone Opportunity Zones** may qualify for a tax exemption, deduction, credit, or abatement of state and local taxes such as sales and use tax, corporate net income tax, and property tax. Furthermore, the **Keystone Special Development Zone Program** provides incentives to businesses that locate and operate in designated zones in efforts to revitalize deteriorated commercial and industrial sites. The program is an incentive-based tax credit program that offers up to \$2,100 per-job tax credit. Tax credits can be claimed for up to ten years.

D. Other Applicable Incentives

The **Innovation Partnership** is a consortium of economic development and business assistance organizations throughout the state that help early-stage technology companies secure federal funding opportunities such as SBIR/STTR. Up to \$3,000 is available for Phase I

applicants, and up to \$10,000 for Phase II applicants. The funds can be used for consulting fees and professional services, such as market studies or services that help companies navigate the maze of federal application requirements.

The **Ben Franklin Partners Challenge Grant Program** provides grant funds to businesses through four Ben Franklin Technology Partners for access to capital, business expertise, technology commercialization services, and for the generation of clean energy. Funds are available both to early-stage companies and established companies.