CREDA PITTSBURGH

PA Funding Sources for Commercial Real Estate Projects

Position Paper | Commercial Real Estate Development Association
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Our Position

Pennsylvania has built a meaningful set of tools to support commercial real estate development, job creation, and site readiness. The problem is not the existence of these tools. It is their scale, their structure, and in some cases, the regulatory conditions attached to them, which together limit their ability to compete with the programs available to developers in neighboring states, most notably Ohio.

CREDA Pittsburgh advances two primary asks:

- **PA SITES Program:** Fund a new cycle and commit to a 10-year program extension. Site development is a long game. Developers and site selectors need to know Pennsylvania is in it for the long term.
- **RACP Reform:** Oppose HB 1896's prevailing wage and steel mandates. Replace them with structural reforms that reduce administrative burden, fix the grant disbursement timing problem, and focus the program on demonstrable job creation outcomes.

>2:1
PA SITES Round 1 demand exceeded available funding

13-19.5%
RACP grant funds absorbed by bridge loan interest (2022)

$20M vs $75M
PA Historic Tax Credit cap vs. Ohio annually

Sources: PA Office of the Budget RACP Award Lists 2022; CREDA Pittsburgh analysis (bridge loan interest); PA and Ohio Historic Tax Credit program records.

PA SITES: New Funding Cycle and 10-Year Commitment

CREDA Pittsburgh calls on the General Assembly and Governor Shapiro to:

- Fund a new PA SITES cycle in the FY 2026-27 budget at no less than $200 million in grants and loans, with a 12-month application window and a 90-day target for award decisions. Demand from Round 1 exceeded available funding by more than two to one. The pipeline is there.
- Commit to a 10-year program extension by statute. Ohio's OSIP has worked because it has been sustained. Site selectors advise companies based on what a state will reliably have available, not what it had available last year. A one-time cycle is a gesture. A 10-year statutory commitment changes the calculus for companies evaluating Pennsylvania against Ohio and Virginia.

RACP: The Cost Problem That Already Exists

The current grant disbursement structure of RACP is already the program's most significant financial inefficiency. Developers must take out long-term bridge loans to pay their contractors and consultants while awaiting grant reimbursement. A substantial portion of each grant effectively reimburses the lender for interest rather than funding the project itself. In 2022 under the Wolf Administration, $109,620,000 in RACP grant funds were disbursed. Using a baseline of 24- to 30-month bridge loans at a 6.5% interest rate, banks may have received between $14.25 million and $21.38 million — 13% to 19.5% of total grant funds as interest payments on loans that existed solely because of the program's reimbursement structure. That is taxpayer money that never reached a single project.

Scheduled Distribution or Zero-Interest Loans

- **Option A — Phased Distribution:** Distribute grant funding in phases tied to project milestones: 30% upon approval and project mobilization, 40% at defined construction midpoint benchmarks, and 30% at substantial completion.
- **Option B — Zero-Interest Forgivable Loans:** Modeled on the USDA Rural Economic Development Loan and Grant Program used in Texas and other states, replace the pure grant structure with zero-interest forgivable loans disbursed upfront. Borrowers repay only if projects underperform against defined benchmarks such as job creation targets or completion timelines.