



***Spurring Economic Development, Job Creation and Tax Revenues on Underutilized Former Bethlehem Steel Lands***

*via*

**Local Economic Revitalization Tax Assistance Act (LERTA)**

*Submitted to Council*

*As required by City of Bethlehem Ordinance # 342 Paragraph 342.06.*

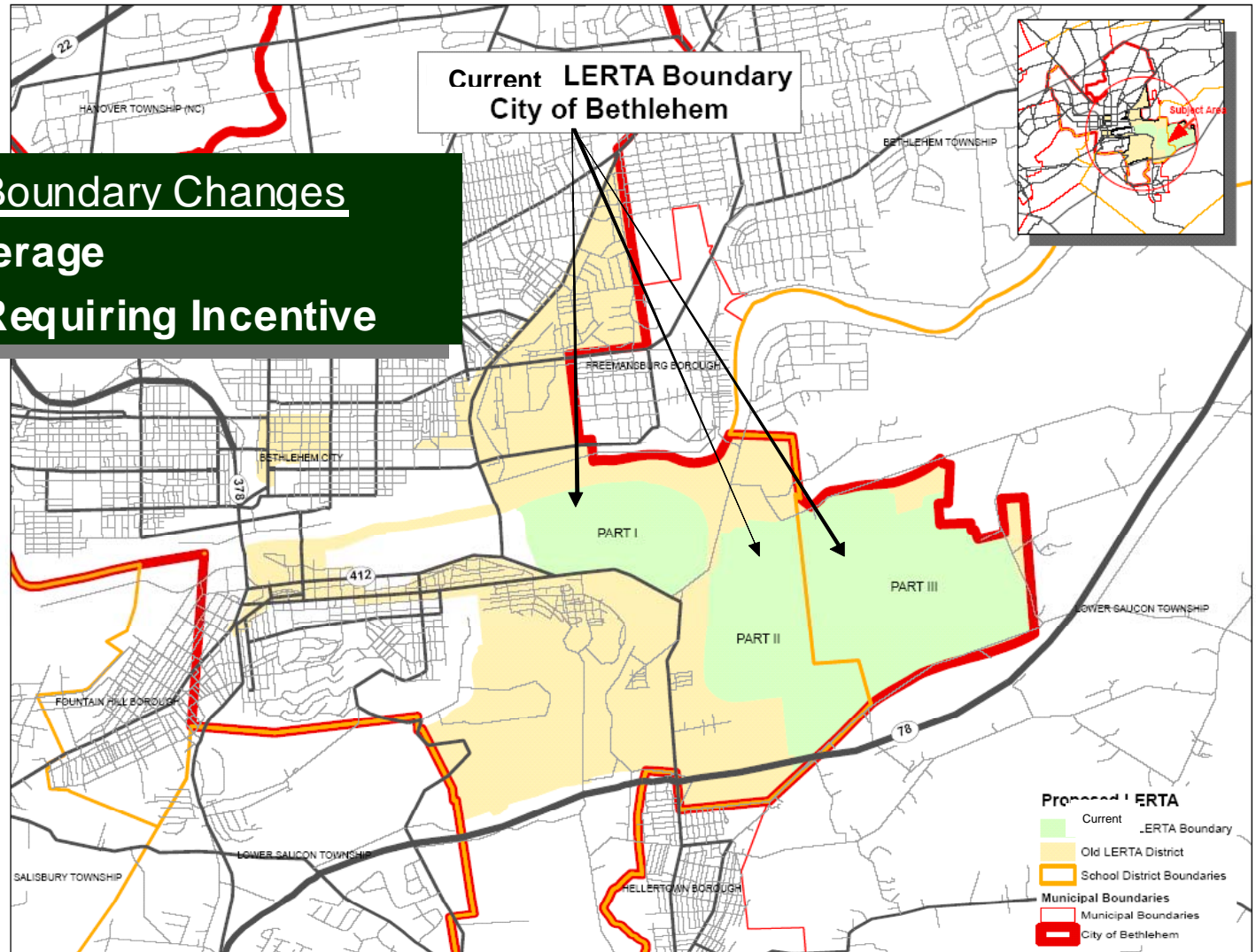
*This report serves as the official report to the City Council of the City of Bethlehem on the administration of the Local Economic Revitalization Tax Abatement (LERTA) ordinance, its effects, and recommendations for its reenactment.*

*September 2008*

# LERTA Boundary

## 2007 -2008 LERTA Boundary Changes

- Reduction in Coverage
- Focus on Lands Requiring Incentive



City Bethlehem, Pennsylvania

# 2007 – 2008 LERTA Projects

## 2007 – 2008 LERTA Projects:

### United States Cold Storage

- 32 Total Acres
- Total Investment \$10M
- Total Ant. New Jobs 12

### RMS

- 22 Total Acres
- Total Investment \$12M
- Total Ant. Jobs 800

### Eastern Engineered

- 30 Acres
- Total Investment \$13M
- Total Ant. Jobs 60

### Foulk – Under Construction

- 14 Total Acres
- Total Investment \$4M
- Total Jobs 12

### Synchronos – Under Construction

- 10 Total Acres
- Total Investment \$12M
- Total Jobs 600

### LVIP Offices – Under Construction

- 14 Total Acres
- Total Investment \$8M
- Total Jobs 120



City Bethlehem, Pennsylvania

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## SUMMARY & PURPOSE OF LERTA

- LERTA is renewed every two-years, providing an opportunity to assess its success, and/or need to re-delineate boundaries.
- LERTA has been accomplishing exactly what it was intended to do---generate revenues and create jobs in the targeted former Bethlehem Steel lands; therefore, we recommend the renewal LERTA for the upcoming 2 years.
- The administration recommends on renewing the LERTA Ordinance in its current form.
- Renewal period will be for January 1, 2009 thru December 31, 2010.
- LERTA renewal will continue the momentum in transforming underutilized former Bethlehem Steel lands located in the City of Bethlehem, into higher tax revenue generating properties.
- During the last LERTA renewal, we shrank the boundaries by 62% to target **only** those properties that would otherwise not remain competitive enough for development within the next 10 years (from 3,651 Acres to 1,381 Acres).
- The City's LERTA District does not include incentives for residential uses, but rather targets industrial, warehousing, and office uses which will help to also realize additional revenues, including but not limited to, EMS taxes, Business License fees and real estate transfer taxes.
- The City's LERTA program is geared towards new construction and expansion projects for warehouse, industrial and office uses located in the District.
- Unlike KOZ's, LERTA does not abate 100% of property taxes, rather it reduces the tax burden to a potential developer just enough to entice them to develop targeted properties that would otherwise remain vacant or underutilized.
- The land development costs of properties located in the current LERTA District are too costly to attract developers, hence the City's need to offer an interim reduction in taxes. Without this financial incentive, the competitive advantage for the development of these parcels, especially in comparison to industrial parks located outside of urbanized areas becomes lost.
- Within the next few months, we will work with BASD, SVSD and Northampton County to renew the LERTA to ensure that we continue to spur economic development, create jobs and increase tax revenues on these lands that would otherwise remain underutilized.
- Parcels located within the current LERTA district have environmental issues and constraints that would significantly increase overall development costs, therefore reducing the competitive advantage for a potential developer.

- LERTA offers the needed competitive advantage to keep the industrial brownfield as a competitive alternative to building in Greenfields both locally and nationally.
- It is critical for our taxing authorities to realize that projects like the \$500M Multi-Phase Majestic project will likely advance at a very slow pace, if at all, without the renewal of LERTA.

### **CHANGES MADE TO LERTA DURING RENEWAL FOR 2007 THRU 2008**

In late 2007, the City renewed the LERTA Ordinance with the changes as highlighted below:

- The addition of Saucon Valley School District as a participating partner(Majestic is in SVSD);
- The reduction in the LERTA boundary to eliminate areas no longer requiring the redevelopment incentive;
- The addition of a delinquency clause in cases of default on tax payment; and
- The modification to Appeal Board composition to replace Lehigh County representative with a SVSD representative.

### **ABOUT THE LERTA AREA:**

A portion of these identified properties, while located in the City of Bethlehem, are served by the Saucon Valley School District.

- 53% of lands in BASD (729 Acres)
- 47% of lands in SVSD (652 Acres)
- LERTA offers both BASD & SVDC an infusion of non-residential tax base--- without LERTA, this infusion will either not take place, or take place at a significantly slower pace
- LERTA offers SVSD an industrial tax base into a mostly residential district
- Majority of Majestic properties are within the SVSD
  - Although working on plans for Phase 1 of the multi-phase project, without LERTA, this project will proceed at a significantly slow pace, if it were to take place at all
- Without LERTA, these lands will not generate tax revenues, create jobs, income tax etc.
- The \$500M Multi-Phase Majestic project will likely advance at a very slow , if at all, without LERTA

## ADMINISTRATION OF LERTA & OVERALL IMPACT TO DATE:

- LERTA has been accomplishing exactly what it was intended to do:
  - To date 78 projects have resulted from LERTA incentive generating significant number of jobs and tax revenues for the city
  - Today, there are a total of 34 companies (see page 8) that are in the LERTA program
  - To date, these 35 companies have generated 1,387 new jobs to the City:
    - 2008 Annual Payroll of \$82.5 Million
    - 2008 Average Salary of \$60,300
    - Total Project Assessments of \$75.1 Million (upon completion of abatement), and will be generating significant tax dollars
    - A total of 3,835 jobs have been created or retained by these 35 companies in the City because of the incentives offered thru the LERTA program
  - **In 2007 thru 2008, a Total of 6 companies took advantage of LERTA, with an anticipated number of jobs totaling 1,554 - some of these jobs have already been created, others which will be phased in 2009-2010:**

1. Foulk:	12 Jobs	Under Construction
2. US Cold Expansion:		Recent Expansion Phase Completed
3. RMS:	800 Jobs	Construction Completed
4. Eastern:	60 Jobs	Construction Completed
5. Synchronos:	650 Jobs	Under Construction
6. LVIP Offices	120 Jobs	Under Construction
  - **There are currently two projects within the LERTA district that are pending final planning/construction approvals:**

1. Primo -	Prelim Plans Approved
2. Majestic – Phase 1	Sketch Plans Submitted
  - **We are working with LVEDC, LVIP, and directly with Numerous Interested Prospects who are evaluating LERTA sites VS. non-Bethlehem or national sites**
  - Without the renewal of LERTA, we will be unable to remain competitive with non-Bethlehem or national sites, especially those located in Greenfields.

## SUMMARY SHEETS OF OVERALL IMPACTS OF LERTA:

	Inception to Date	Active LERTA Projects	Projects Realized / Under Construction during 2007 thru 2008
<b>Total Projects Resulting from LERTA</b>	78	34	6

	Active
<b>LERTA Projects Active (still in their 10-year abatement)</b>	34
<i>Net New Employment for 34 Active Projects (Jobs created to date)</i>	1,375
<i>Net New Annual Payroll for 34 Active Projects (for jobs created to date)</i>	\$82,503,340
<i>Average Annual Salary for 34 Active Projects (for jobs created to date)</i>	\$60,300
<i>Total Assessment of 34 Projects (post-abatement)</i>	\$75,123,900

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<b>Total LERTA Project Applications Since Inception</b>	<b>78</b>
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<b>2007 thru 2008 LERTA Project Pipeline</b> (Foulk, US Cold Storage Expansion, RMS, Eastern, Synchronoss, LVIP Headquarter.)	<b>6</b>
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<b>Highlights of Active LERTA Projects/Businesses:</b>	<b>35</b>
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1. Phoenix Tube
2. National Magnetics / TCI Ceramics
3. Keystone Fabricating
4. AAA East Penn
5. Just Born
6. Union Station / St. Lukes Physician Group
7. Orasure Technologies
8. Malozzi Tile and Marble
9. Young Plumbing & Heating
10. Liberty Property Trust
11. Broad & New Development
12. Main Street Commons
13. Portuguese American Club
14. Goosey Gander
15. Pattis Petals
16. CVS on 4th
17. East Penn Carrier and Wrecker
18. Brandenburg
19. United States Cold Storage
20. RMS
21. Dreamstone Granite & Marble
22. Eastern Engineered Wood Products
23. St Lukes Rehab at Cherry Lane
24. Holiday Inn Express at Cherry Lane
25. Starters Riverport
26. Riverport Steel Fitness
27. Engleman Associates /Bethlehem Pre-Cast
28. Conectiv
29. Waffle House on Cherry Lane
30. Penn Pizza
31. 574 Main
32. Action Rental
33. IQE
34. BOC Group
35. D & M Fashions

**RECOMMENDATION:**

Based on the positive gains realized by LERTA to date, including significant job creation, increase in income and property taxes generated in the target area known as the LERTA district, we are recommending renewal of the LERTA ordinance for the period beginning January 1, 2009 thru December 31, 2010.