

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

via

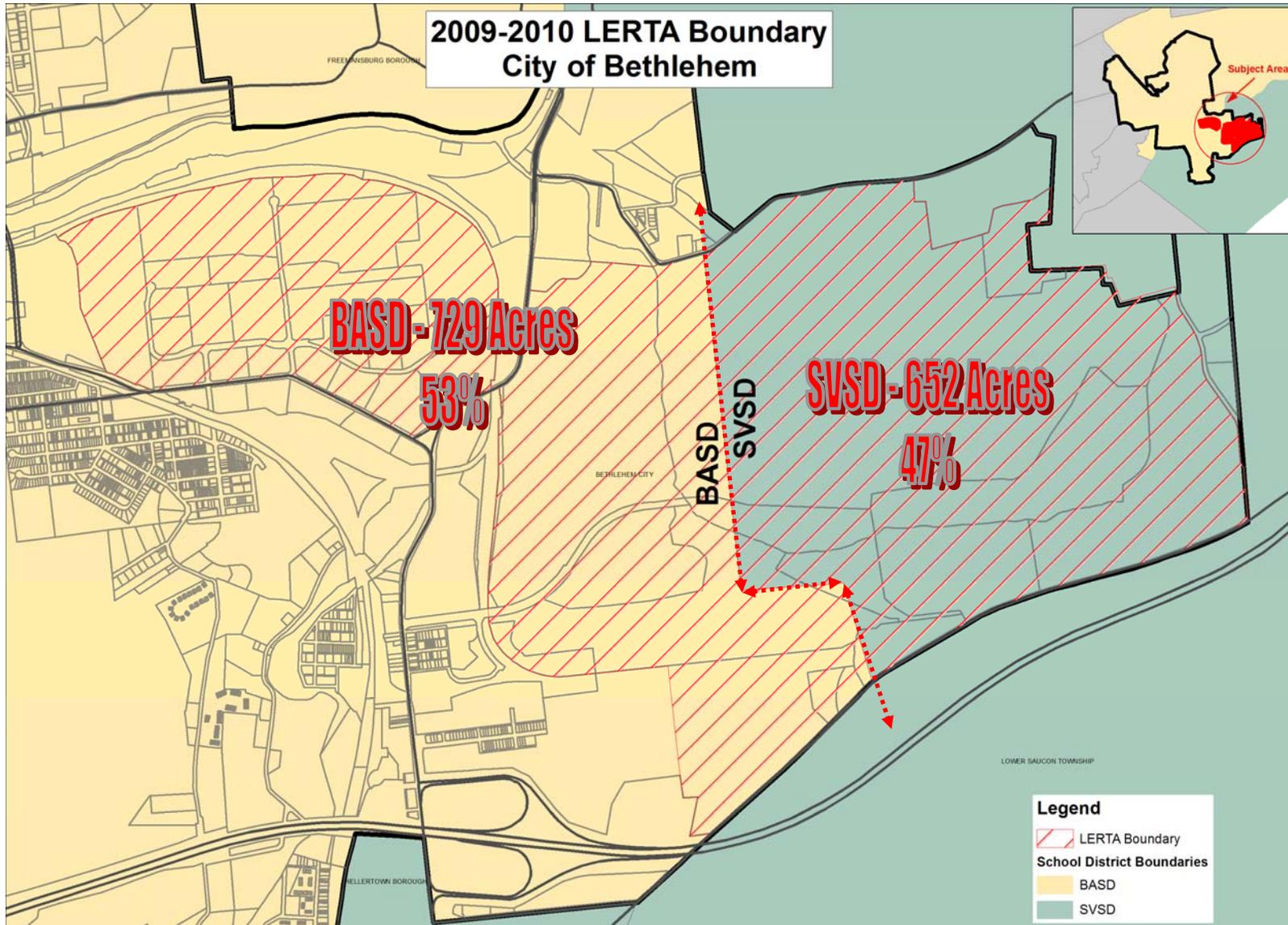
Local Economic Revitalization Tax Assistance Act (LERTA)

Submitted to Council

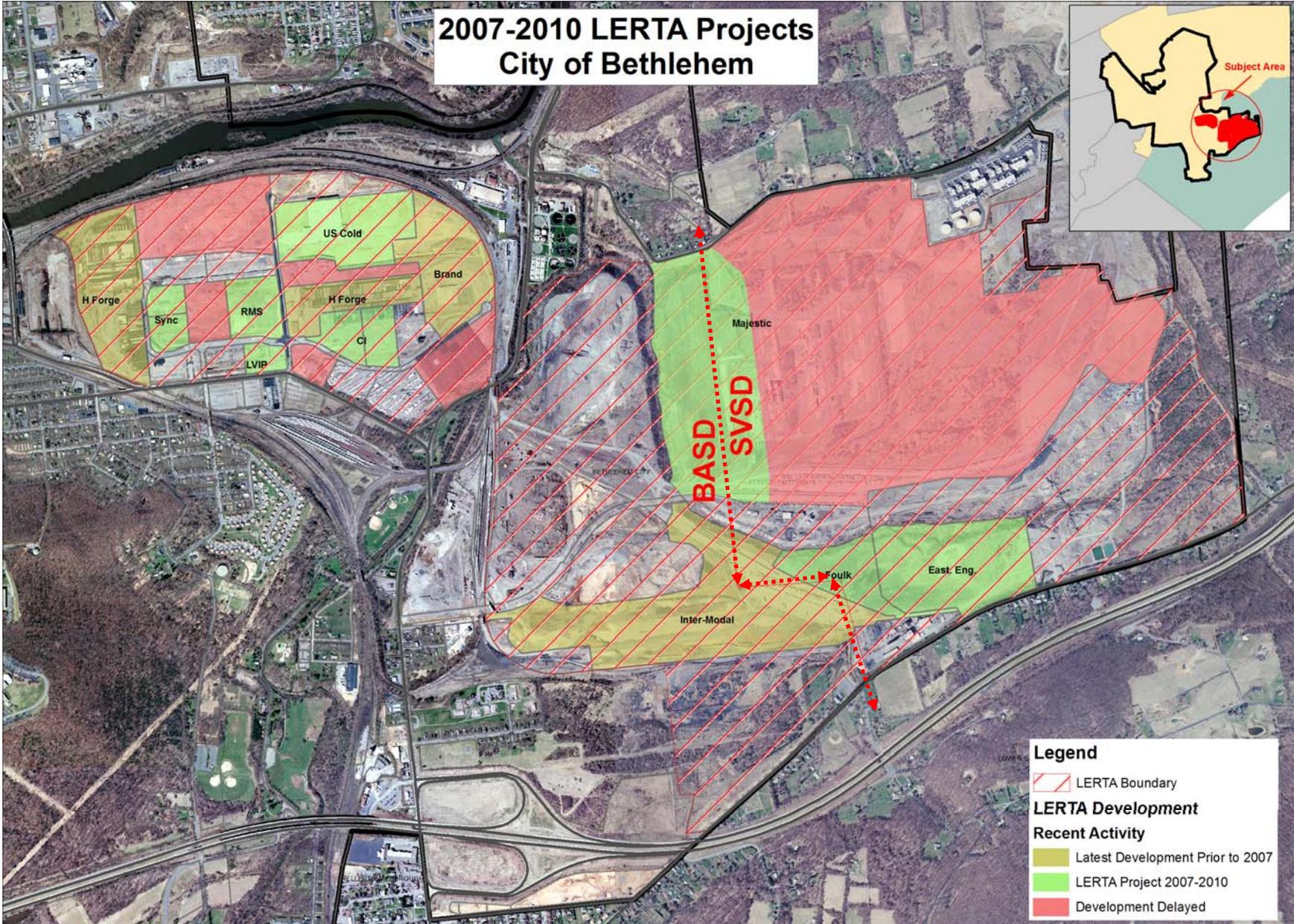
As required by City of Bethlehem Ordinance # 342 Paragraph 342.06.

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 30, 2010



2007-2010 LERTA Projects City of Bethlehem



Legend

- LERTA Boundary
- LERTA Development**
- Recent Activity**
- Latest Development Prior to 2007
- LERTA Project 2007-2010
- Development Delayed

2009/2010 LERTA Projects:

- Majestic Phase I
- Cigars International

Spurring Economic Development, Job Creation and Tax Revenues on former Bethlehem Steel Lands

SUMMARY & PURPOSE OF LERTA

- LERTA is renewed every two-years, providing an opportunity to assess its success, and/or need to re-delineate boundaries.
- The City's LERTA program is geared toward new construction and expansion projects for warehouse, industrial and office uses located in the District. The City's LERTA District does not include incentives for residential uses. Warehousing, Industrial and office uses which will help realize additional revenues, including but not limited to, Earned Income Tax, Business Privilege and Mercantile Tax and Licensing Fees (BP), Local Service Tax (LST), real estate transfer taxes and the appropriate percentage of increased property tax that is collected throughout the LERTA program timeframe.
- During the last two years of difficult economic times, LERTA has offered the incentive needed to compete against "easier to develop parcels" outside of the City. Parcels located within the current LERTA district have environmental issues and constraints which have inherent and premium land development costs. These Brownfield properties have significantly higher overall development costs than Greenfield properties, therefore reducing the competitive advantage for a potential developer. Without the financial incentive of LERTA, the competitive advantage for the development of these parcels in comparison to Greenfield industrial parks and industrial areas in other cities with KOZ, LERTA or state or local other tax incentives becomes effectively insurmountable.
- 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.
- LERTA has been accomplishing exactly what it was intended to do--generate revenues and create jobs in the targeted former Bethlehem Steel lands. The administration recommends the renewal of the LERTA Ordinance for the upcoming 2 years in its current form which encompasses 1,381 acres of land in order to target **only** those properties that would otherwise not remain competitive enough for development within the next 10 years.
- Renewal period will be for January 1, 2011 through December 31, 2012.
- Within the next few months, we will work with City Council, 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.

PROPOSED CHANGES TO LERTA DURING RENEWAL FOR 2011 THROUGH 2012

There are no changes proposed for the LERTA District for the period 2011 through 2012.

OPEN LERTA PROJECTS FOR 2009 THROUGH 2010:

The LERTA District currently has one open project, Phase I of the \$500 million, multi-phase Majestic project.

- Majority of Majestic properties are within the SVSD. Only Phase I Impacts BASD as Phase I is split between the both school districts.
- Although the Majestic properties are progressing at a slower pace than expected due to the economic downturn, Majestic continues to work to remediate the property so as to be prepared to move forward as soon as the industrial market starts to improve.
- Plans for Phase I of the multi-phase project, have been submitted and have been approved. Without LERTA, future phases of this project will proceed at a significantly slower pace, if at all.

SUMMARY SHEETS OF OVERALL IMPACTS OF LERTA:

SUMMARY OF IMPACTS OF LERTA:

PROJECTS TO DATE	ACTIVE LERTA PROJECTS	NEW PROJECTS '09-'10	COMPLETED PROJECTS '09-'10
80	34	2	1

ACTIVE COMPLETED PROJECTS:

PROJECTS	33
EMPLOYMENT	3258
NET PAYROLL	\$ 141,820,252
AVERAGE SALARY	\$ 43,556.59

PENDING COMPLETION: MAJESTIC PHASE 1

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 and the current economic climate, we are recommending renewal of the LERTA ordinance for the period beginning January 1, 2011 through December 31, 2012 to ensure the continuation of development on these Brownfield sites.