

DRAFT
COMMUNITY DEVELOPMENT COMMITTEE MEETING
October 29, 2018 - 6:00 PM - Town Hall

SUBJECT: 1. F.A.I.R. Hearing - Financial Accountability Incentive Reporting

Chairman Shawn Martell called the meeting to order. Present were: Mr. Colón, Mr. Reynolds and Mr. Martell, 3. Chairman Martell noted that the agenda item is a review of the Economic Development incentive program reports. He stated that Committee Members are Councilman J. William Reynolds and Councilman Michael Colón. Other Council Members in attendance at this meeting are Dr. Paige Van Wirt and Olga Negrón. He added that City Council Solicitor John J. Spirk is also in present this evening. This meeting is for information and education only.

Chairman Martell commented that this has been a work in process that began with the announcement of Mr. Reynolds' Bethlehem 2017 Initiative. The Community Development Committee was charged with coming up with the program, along with the Administration. Chairman Martell noted this is our first meeting about economic development incentive reporting and the Committee recognizes to the Administration that this is an addition to the role and duties of what the Administration was doing. We are at a time where many people are asked to do more with less and we are asking even more of the Administration with this program. It is a rather extensive program with many different nooks and crannies so this is an educational process in this first year to get this up and running. Chairman Martell wanted to recognize that the Administration was exceedingly helpful with that and willing at all times to be on board with the philosophy of what this program is trying to do. It was a collaborative effort and the Committee appreciates that. Chairman Martell mentioned from the Council and Committee perspective in this first meeting, it is really an educational piece. The hope tonight is to help us all understand what we have here, what the numbers mean and where they come from, and also to learn how to go forward with this program. It is difficult to come up with a lot of strong guiding principles and to come up, after one year to look at the numbers would not be appropriate or possible. The gift of this program is going to be over time as we get some of the points ironed out and some of the data starts to build. Chairman Martell mentioned that we are going to try to continue this conversation and keep it educational and move this forward so that in time it will be even more useful to Council and the Administration.

Alicia Karner, Director of Community and Economic Development stated that initially we were tasked with putting together the inventory of economic development incentives. She noted in the handout on page 2 we have three economic development tax incentive programs. They are in the order of oldest to newest. We have the Local Economic Revitalization Tax Assistance (LERTA) which has long been in the City. We

have the Bethlehem Works Tax Increment Financing District (TIF) and then the City Revitalization and Improvement Zone (CRIZ). Ms. Karner noted that the non-tax incentives are on page 4 and include the Enterprise Zone Loan Program, CDBG Loan Program, HOME Loan Program, the Bethlehem Infrastructure Development Loan Fund (BID) which was something that was originated with State dollars and finally, the Best Front Forward, which was part of the former Elm Street Program.

Ms. Karner continued with page 7 and explained this includes the Evaluation Reports. She began with LERTA and remarked we were in the midst of a renewal around two years ago for the south side LERTA, and created the north side LERTA the following year. You will see that we have a very robust south side LERTA. There are currently 27 active applications in both what we consider the south side, but it had a north side component to it long before we created the Northside 2027 district. She noted that some of those applications are attributable to the oldest LERTA district which was part of the north side downtown. For instance, those areas include the Liberty Property Trust building at Main and Broad Streets, and the building at Broad and New Streets. Some of those properties are in the end years of the 10 year LERTA program. You can see that looking at whatever the tax bill will be on page 8, the total value was \$1,476,331 of value realized through that LERTA program. But, if you turn to page 9, you will see the true benefit to the program to the City. Under Section 3 (b), we have determined through the reporting that we have asked these applicants to provide to us that over \$430,000,000 million dollars of project investment has gone into our LERTA projects that were active in 2017. For the assessments attributed to those today with abatements it is \$129,000,000 million dollars of assessments. This is a significant value to the City of Bethlehem that we think is directly attributable to the LERTA program. You will see under (f) and (g) it asks for impact statements and that is what was included in more towards the end. They had so much to provide to you from the applicants or the users of the LERTA program. You will see some of it is redacted for privacy reasons. Ms. Karner explained that they are very much are trying to get these companies to trust us with this information. You can read through the statements that they made on the LERTA program specifically with the value of developing their businesses. There are over 6,100 current employees, and 5,800 employees are full time. There were a few that did not report or ones that reported closer to the end and so the number is a little greater than that. We should see that number go up slightly into next year. We do not have any recommendations as it relates to this program. Ms. Karner advised that they love this program in Bethlehem. She thinks that the residents understand the value of this program and that many City Councils have understood the value of the LERTA program and we hope to continue to use that for development.

Ms. Karner continued with the Beth Works TIF district on page 11. This is something that was created in March of 2000 and expires in 2020. There have been a number of projects. Certainly everyone is familiar with the Casino development and the non-profit development in that area. The Redevelopment Authority in 2017 gave

one grant out which was a \$300,000 dollar grant for the Five 10 Flats project known as the Greenway Commons of 510 East Third Street and that is about a \$22 million dollar project for the City of Bethlehem. Ms. Karner stated that project started construction in 2017 and is completed for the most part and is not fully occupied yet. We do not have the assessments associated with that building yet. That is up to the County to come in and do the reassessment for us.

Ms. Karner continued with the next program, which is the City Revitalization Improvement Zone that was awarded to the City in 2013. It is a State designation. In 2017 there were only two users of the program. She asserted the total value, and this is probably an error on her part on page 16, was \$93,569 dollars in tax dollars used. That includes both State and Local taxes. We will probably pull that State number out in future years but just note that we included the full amount awarded to those entities in the reported document. The project exceeded \$25 million and they were in various stages of development. The 2018 reporting will have a more complete look at both the assessments and value of those projects.

Ms. Karner continued with the non-tax incentives. We have the Enterprise Zone Loan Program and this was created many years ago. We are actually in our waning years of the Enterprise Zone and we are hoping to reapply and receive designation from the State again. This is an underutilized program right now. There is not a lot of money. There is a grant to loan program that is very competitive Statewide where the State would grant us funds and we would loan it to an applicant within the City. It can be used for equipment and building purposes. We did not have any loans approved in 2017.

Ms. Karner stated on page 21 we have the CDBG Loan Program that has taken on a number of forms and shapes over many years. It is currently included in our portfolio as the Bethlehem Small Business Loan Fund (BSBLF) and the Exterior Building Loan Fund (EBLF). These are programs that we make available to businesses and property owners in the City. We had to take advantage of it in 2017 for a total of \$180,000 dollars. We administer the Exterior Building Loan Fund and Rising Tide administers the Small Business Loan Program for the City. Ms. Karner explained the total value from the investment was \$405,540 for these two applicants and it created 22 part-time jobs. The CDBG funds obligate for every \$35,000 dollars used one full time equivalent so it is very much tied to job creation.

Ms. Karner noted that the HOME Loan Program is not something we used in 2017. We included it but it will probably come out as more of a community development initiative than an economic development initiative so we may or may not see it on our list of programs for our 2018 document. She stated that they usually loan or grant these funds to affordable housing developers. We have been trying

desperately to find more affordable housing developers. We have a couple of projects on the horizon but nothing for the 2017 reporting year.

Ms. Karner continued with the Business Infrastructure Development Fund and pointed out, this is the former BID program. There were no initiatives for this program. We have a little bit of money remaining in the City but no business took advantage of the program. It is one of these that we are constantly trying to piece together actual information as it relates to the program. It has not been easy for us from a record keeping and a lack of use perspective but we are hoping to be able to put that out into the community in 2019.

Ms. Karner explained the last program is the Best Front Forward/Elm Street Loan Fund. This is predominately a façade program. We did not have any uses. When she first started we tried to get the community to take advantage of it. With the Northside 2027 area overlap we are hoping as we go through the uses we will be able to use those funds for that neighborhood.

Ms. Karner noted on page 34 are the impact statements. She remarked that 17 entities found these programs very critical, 4 found them somewhat critical and one not very critical. You will see a number of quotes that we had from those who responded to our list of questions. Ms. Karner does not think there is any doubt that the LERTA program is the significant attractive program to the users in the City of Bethlehem.

Mark W. Sivak, Director of Budget and Finance mentioned page 41 shows the Tax Expenditure Spreadsheet. You can see basically that we broke the financial information out and on the top we have LERTA. If you go from left to right, that shows what we have for each year. Mr. Sivak pointed out that all the way to the left shows what the real estate tax they would have paid if those parcels had not been in LERTA, and then the next column shows what they actually did pay that year. He noted the Business Privilege Tax is now outsourced to Tri-State and we get that information from them and then Keystone Collections does our EIT and LST collection and we get that information from them. We maintain in our parcel data base all of the entities and whether they are in any of these tax incentivized zones. So we provide them with an updated list every year to get that information. As for the TIF, as Ms. Karner said, that will end in June of 2020. Those entities pay their total tax bill, but just a portion of it goes to the RDA and then the City retains the other portion as you can see in the numbers. Beginning in 2021 the City will keep the full amount. There are only two tenants with the CRIZ that just got underway and so the numbers are a little small. Mr. Sivak noted that the 2017 numbers that he sent to the State two weeks ago are due October 15th of every year. He noted that some of the numbers are stale, but will be updated in the reporting to Council next year. Mr. Sivak explained pages 42 through 44 show the same numbers, they also have some other additional information underneath them such as when that incentive came into place.

Ms. Karner mentioned page 46 is the program summaries and that provides more detail on each of the programs. Some is duplicative but there is a little more bit of a narrative associated with the program summaries.

Mr. Colón thanked Ms. Karner and Mr. Sivak for their presentation. He queried about the reporting period and if the numbers in the reports are from January 1 to December 31 of 2017.

Ms. Karner stated that is what they did. We took the calendar year on the LERTA. The CRIZ has had significant lag so the State just released those reporting figures for the 2017 year. We will probably see a two year lag on those numbers because these are going to be due earlier in the year, even more so than this year.

Mr. Colón mentioned that the proof is in the pudding in what we have in front of us. Earlier this year this Committee got together to talk about this program. He remembers when we spoke about other municipalities and that we are not unique in trying to attract business or unique in trying to come up with ways to attract business. He queried if the 27 active applicants are all for the south side LERTA.

Ms. Karner stated she categorizes it for the south side because that is predominately where the geography of that original LERTA is today. But it did at one point include some north side areas. She talked about the Liberty Property Trust Building and the building that is located at Broad and New Streets. There are a few other stragglers that in year 10 are included in this report. Ms. Karner noted next year we will see everything. That was only just the industrial areas of the south side and then the south side business district.

Mr. Colón mentioned in terms of reporting Ms. Karner had said that some are late with that, which is to be expected. He queried if her staff got any push back or hesitation from anyone when looking for some data or statistics.

Ms. Karner stated, we did and it was more out of concern over where the information would go and how it would be released. We tried to reassure them by telling them we were not going to specifically release their data or information and that we were compiling this in a master report. Also that it would be released in that manner and it would be put up on the web. Once we reassured them, they were a little more comfortable. It is interesting because some businesses do not want a ribbon cutting and publicity. They were at times the better ones who were faster to report and others who we worked with a lot were skeptical on what was going on, so we did our best to communicate to them. Ms. Karner explained they were pleased with the responses, especially with this being our first year. This will just take time for people to get used to having to provide us with information and data. We also have found some

other ways to maybe get the same information using City sources. We may not have to rely on them the same way that we did this year.

Mr. Colón mentioned the TIF and that we have been talking about that for a while and he has heard people speaking of this during public comment at previous Council Meetings. He knows that Mr. Sivak and Mr. Evans are looking forward to that money going into the General Fund. He wondered if there has been any conversation about extending the TIF for any reason.

Ms. Karner stated you cannot extend the TIF. The State legislated a 20 year maximum timeframe. You could create a new one. It is her impression that the School District and others have been pretty clear including our own Administration, they are looking forward to see what life is like when this is done. Anytime you create a TIF you create a baseline and that baseline does not ever become a part of the TIF. So that would immediately exclude all of the existing buildings and Casino, the things that are very lucrative for the City or the RDA currently.

Mr. Colón mentioned the money that went out to the 510 Flats building and asked if that was to help remediate the land.

Tony Hanna, Executive Director of the RDA stated yes, we used it for remediation. It was a challenging site in terms of development. It was part of the Bethlehem Steel brownfield. The developer did not anticipate finding the kind of subsurface conditions that they found. There were some old tanks and some additional materials that had to be remediated. So initially we put in \$300,000 dollars in 2017 and there will be a couple more payments coming in over the next several years. The dollars leveraged the very significant investment. This is just Phase One of the entire development. It is a \$22 million dollar construction total for just building A. There will be two other buildings that will be built on those parking lots but they are not looking for TIF dollars for those. By the time they are ready for those two buildings there will be will not be any TIF dollars. Mr. Hanna added that this was a small investment but a significant investment for us because it was an investment into a tax ratable project whereas some of our more significant investments made at Steel Stacks, most of those properties were tax exempt. So there were a few properties that received TIF benefits early on but the Orasure project and others that are taxable, most of our significant investment lately were in tax exempt properties.

Mr. Reynolds explained when he first brought the reporting concept forward it was a situation where he thought that just from being on Council for eight years, there is often a lot of confusion in understanding the various incentive programs and benefits. He noted that Mr. Martell had used the term education and with all of this data it would be good to put this all in one spot. When we heard about economic development incentives in the past, even for someone on Council, he thought it is

difficult to track where all of these different things are and how they work, what is involved, and if it is a State benefit or a local benefit, or are we just instituting legislation. When he looked at the City of Philadelphia and learned that a Councilwoman had suggested this a few years ago, he noted that education is the key. A lot of these programs are used by every municipality in the State and if they do not use them it is because they do not have the ability to do so. The environment that we live in is that private investment and public assistance or some type of public help generally is going to occur and that is the environment that we live in. It is a situation where if we are going to use our resources as an Administration, Council and as a City most effectively we need to understand how these programs work and we need to understand if they are working. Mr. Reynolds continued to say that moving on to asking the question of how easy it is to track these individual benefits, he has learned a lot about what we are able to ask for, what we are not able to ask for, and what can be shared. That is a good transition and he wanted to thank the Administration and Ms. Karner. He also wanted to thank Mr. Sivak and Mr. Evans who have been more than willing to work in this initiative. He added that Mr. Evans predecessor, David Brong, was a supporter of this as well. Often times the Administration are asked to weigh in on different aspects of projects and having this information helps to make those decisions easier. Mr. Reynolds also thanked Ms. Karner's staff for their work on this and also Mr. Spirk, Ms. Kelchner and Mr. Vidoni who have all worked extensively putting together these things. Mr. Reynolds explained he had introduced this about a year and a half ago and what we have in front of us is something that the Administration, Council and the citizens of Bethlehem should be proud of. This is something that he does not believe is available anywhere else in the Lehigh Valley. He does not believe any other municipality or any other City has something with all of this data in one particular spot like this that tracks this information. Mr. Reynolds continued with one of Mr. Colón's questions about the reporting from different entities. When you look at the impact statements there were some people with LERTA that did not fill that part out.

Ms. Karner mentioned if he is asking about the 27 applicants she would say not all 27 did. We just took the excerpts from those that had filled it out. We felt strongly about the programs being critical to their location here, where in some instances, if you have a tenant in a building, they may not have a great handle on what the benefit has been to them. Some of our larger industrial properties are leased and are owned by the occupant. She does not know that when we are asking for job creation numbers that we are getting the same. Ms. Karner related we get them from the tenant, and we are always communicating with the entity that is most knowledgeable about the programs.

Mr. Reynolds queried if we get the information from the person who owns the building or the business tenant.

Ms. Karner stated we try to get as many as possible, but depending on the piece of information, one has one and the other does not. She will give an example of a company. Synchronoss is sold and she cannot say with certainty that the people that are operating in that building today understand the value of the LERTA at the time of locating there. That is particularly when you are looking at a year when there is only 10% abatement. It is certainly a benefit to them but, she does not know that they can fully understand of landing a company like that in that location in the waning years.

Mr. Reynolds then asked when the LERTA on the south side expires.

Ms. Karner informed that we renewed as of the first of 2018. We typically authorize on a 5-year basis for if you land in the program you get a 10-year benefit. Even if the LERTA is not renewed there will still be beneficiaries.

Mr. Reynolds mentioned that we do not have the LERTA anymore that was on Stefko Boulevard.

Mr. Hanna stated that was a long time ago.

Mr. Reynolds noted that was an example of one that the City utilized and there was the LERTA on Stefko Boulevard that existed. As that started to wind down, it was the decision made by the Administration around 2007 to say the development is maxed out, and not a program that we need to improve.

Mr. Reynolds asked Ms. Karner if there was anything that came back here that she was surprised by as far as the whole reporting process. That includes the data or was she surprised by the people sharing or not sharing data. This is year one for the F.A.I.R. report and he is asking for a reflection of what she was surprised about.

Ms. Karner informed that we report every 5 years on the LERTA so there is value in seeing those numbers on an annual basis even if we are collecting and we are not necessarily putting them in a format that looks like this. For a powerful program like that she thinks there is value for us to annually evaluate it. We have not to her knowledge, renewed the LERTA without modifying the district boundaries in some way, shape or form. Even when she was working with Northampton County and Bethlehem renewed its LERTA in 2012, there was a modification of the boundaries. Ms. Karner noted to be tracking that on an annual basis as opposed to looking at it 5 years later is probably the better approach. The reality comes down to staffing and as the numbers come in she does not spend enough time as she wants to on the information, but she does think having them all in one place and seeing how those numbers change and being able to chart them for internal purposes will be helpful to us. Ms. Karner also thinks that we know that some of these programs like BID and the Elm Street Program exist and whether it is a lack of staffing, capacity, or holding off to kick a program out

because with a new program like Northside 2027 it is helpful to go back and say how much is left and what projects qualify. Putting this in front of us every year is going to help us to evaluate those and how we can use them today.

Mr. Reynolds mentioned our revolving loan fund, the one that we operated ourselves.

Ms. Karner noted there have been many and if he is talking about the program that LVDC took over from BEDCO under Mr. Hanna's early years, that is a much different program than what we operate today.

Mr. Reynolds queried what does the one that is operated by LVDC cover.

Ms. Karner stated she has not worked with that program for years. The lower the rates, the more difficult it is to see programs like that used. We are in a good rate climate right now and access to capital is easier than it has been and so you will see fewer applicants and fewer opportunities to take advantage of State or City or government funded loan programs.

Mr. Reynolds asked who now operates the façade program.

Ms. Karner explained we have the Exterior Building Loan Fund, which we are operating. You can use the Bethlehem Small Business Loan Fund for façade improvements as well. We also have a grant program where we secured funds from Northampton County and we are granting those out. Of course, there is the Elm Street Program, which can be used for facades as well and that is a targeted geographic district.

Mr. Reynolds continued with the CRIZ and asked which projects made it into this particular list.

Ms. Karner mentioned in 2017 we had only the agreement with what is commonly referred to as the Social Still under CRIZ agreement. Towards August of 2017 we put the Third and New Street project under agreement. So the numbers you see here are largely construction and the operations of that Social Still project.

Mr. Reynolds queried what other projects are anticipated to be included in the reports next year.

Ms. Karner explained we will see more than a little bit of construction that occurred at Third and New Streets. We will see the bulk of the construction.

Mr. Reynolds denoted that the number here is just the number that was basically built by 2017 when those numbers were due.

Ms. Karner stated yes, and the interesting thing in 2017 was the SGO (Steel General Office Building) building window project which we did not have under agreement and was included in the funding we got. We got some of those funds back but it did not go into a project. So when you look at the numbers that the State released for 2017, it included that.

Mr. Reynolds expressed it included the windows at the SGO building.

Ms. Karner explained those were the window replacements and it included the construction which was unexpected. The Authority was able to use those funds to pay off a lot of the professional fees and things they had accumulated but not been able to pay for. The bulk of the funding that went out for this Section B is associated with the Third and New project and the Social Still project. It is complicated because there is such a lag time and it only goes to projects to which there are agreements.

Mr. Reynolds asked how much of the area around the Casino is in the CRIZ zone.

Ms. Karner stated it is the Machine Shop No. 2, the Annex and SGO, the Ruins east and west, there is a small parcel that is behind the main gate to the left. There are the four lots across Third Street which are referred to as the Greenway Commons and there is a triangular shaped lot that also goes down to the end of Founders Way where there is a park like area. Then there are the industrial areas and the downtown.

Mr. Reynolds asked if and when the Casino sale goes through does all of that land then go with the Casino sale to the new Casino owner.

Ms. Karner stated yes.

Mr. Reynolds asked if they need any reauthorizations of that or anything

Ms. Karner stated no.

Mr. Reynolds reiterated that he wanted to thank Ms. Karner for all of this information. From day one we realized this will be something that over time will provide more information and more education. The success of this also really comes down to the presentation of this information in the future. He has been around long enough to know that we have a lot of information, and wondered how we make it easy to understand, make it available, and how easy we can make it to find. Looking at the future of our Open Data portal and some of this information, there will be a lot of synergies. There will be different ways that the City will be able to present this information as an educational piece for people to understand how these programs

work, or how they do not work. Also what the benefits are and what we are getting out of these programs in the administration of these programs. Mr. Reynolds thanked Ms. Karner, her staff and the Administration for all of the hard work here and the fact that from day one they never said they did not want to do this or that this is more work.

Dr. Van Wirt thanked Ms. Karner for the knowledge that she shared. She wondered if LERTA and CRIZ maps available online.

Ms. Karner explained there are maps on our GIS which is www.maps.bethlehem-pa.gov. You can find all of our economic development incentives colored coded maps. Some are harder to tell than others but you can see on the legend which colors are associated with which program.

Dr. Van Wirt mentioned when she is trying to understand the CRIZ and how it works she is also trying to understand the NIZ in Allentown versus the CRIZ in Bethlehem. She really was trying to give our CRIZ a baseline to understand what it could be. There were three Cities that were granted the CRIZ and Lancaster was one of them and they have a population of 59,000 and we are around 78,000. She understands that they set up their CRIZ differently and about 12 hours ago there was an article in the Lancaster paper online about how their CRIZ just got another \$6.4 million dollars injected into their City budget. She wonders why there is such a discrepancy between Bethlehem and Lancaster. The second part of her question is if we are set up the same way because she understands that the CRIZ allows the developer to pay down construction loans based on certain tax revenues that are generated above and beyond what was previously there. We do not necessarily have the same financial setup so that Bethlehem, should we have 543 businesses in the CRIZ contributing, we might not get that same revenue back into our coffers, is that correct?

Ms. Karner noted when there was the opportunity to apply for the CRIZ the City of Bethlehem chose to designate or apply for properties that did not have active businesses on it, which is a totally different model from Lancaster. We picked largely unoccupied buildings or parcels of ground with the exception of a couple of businesses like the National Museum of Industrial History, when they located their offices in a building that is now the Social Still, but it was a small number. The goal was to provide an incentive on those parcels because sometimes it is much easier to develop those and sometimes it is not but it was very much about incentivizing new development and starting as close to zero as possible and building up from there. Ms. Karner added that Lancaster's model is about drawing a line around a significant portion of their existing business district. They were hoping to generate a lot of revenue from the existing businesses which is why you see 450 plus and you use that to put into a couple of projects including their hotel projects and former convention center and different things in Lancaster. So when you see the number of reports and the costs associated with actually most of the programs, it is a lot more than we are dealing with. Their numbers

look bigger because they have all of these active businesses. The other thing that happened was in 2015 or 2016 we changed the CRIZ a few times because as with the NIZ, there were things that just did not work or that were not as beneficial as they were intended to be. So the legislature made modifications and they clarified the collection of hotels and taxes associated with hotels. Now so much of the money that Lancaster is getting is associated with the hotel so they are currently within their CRIZ.

Dr. Van Wirt queried if Bethlehem is structured to get back money like Lancaster is getting back. They took in \$3.75 million last year and this year it will be \$6.4 million. If we do have these wonderfully successful projects in the current CRIZ, will we get back significant funds or are they all being used to pay down the construction loans.

Ms. Karner stated she is surprised and does not know which article she is talking about but she will look for it. She does not know if the City of Lancaster itself is getting \$6.4 million dollars. It is going into debt service and acquisition costs and things not dissimilar to what we do with the proceeds of our funds. Certainly, for any project that we have under agreement, we have a very specific percentage of increment that they get back and it is the Act that allocates or specifies what we can use those funds for. It is debt service, acquisition, some public improvements, parking, things that are very specific to the projects in the CRIZ.

Dr. Van Wirt noted we are set up to capture that already.

Ms. Karner mentioned we do not have the number of businesses and projects within the CRIZ.

Dr. Van Wirt advised that maybe these are permanent now, but if the City owns the land that the CRIZ is on you can move it around, but if the CRIZ has been given out to a private entity that is locked.

Ms. Karner noted it is. The property owner has to consent to remove all of the CRIZ unless it is 8 years from the 2015 changes, then the Authority can hold a couple of hearings and move for a decertification process without the permission of the property owner.

Dr. Van Wirt explained that is says that bonds may be issued by the BRIA but she queried if they have issued any bonds.

Ms. Karner stated we have issued kind of a debt, a private placement debt. We did that for the \$6 million dollar borrowing associated with the third new project and we authorized the similar borrowing for the Greenway Commons/510 Flats Project.

Dr. Van Wirt asked how much debt.

Ms. Karner stated we did a revolver in the 510 Flats Project and she thinks they are at maybe \$1.6 million, so it would be \$7.6 million dollars approximately.

Ms. Negrón mentioned a while back we had a few discussions about the possibility of Martin Tower owners taking some of the CRIZ and she wondered what happened with that.

Ms. Karner stated there has been no movement on the Martin Tower project as it leads to the CRIZ at all. The Authority decertified 25 acres of CRIZ just at our September meeting. We requested that to the State and the State approved it for the property in Majestic's Realty CRIZ. It was done with the intent of them changing some of the parcel boundaries and then reallocating it back to them. It was not decertified with the intent of moving it around the City, so we did that cooperatively with them. They have a couple of building projects going on over there and they wanted to be able to have that flexibility of not having to find an exact parcel the same size as what was being decertified which was something like 25.6 acres. So it was done for ease.

Ms. Negrón asked what about Martin Tower.

Ms. Karner stated there has not been any subdivision. She would not expect to see any movement of that until after a master plan is identified in the OMU rezoning from 2015 is submitted. We would certainly want to know what is going on there before we entertained the decertification.

Mr. Reynolds explained that with Majestic, there is not a lot of CRIZ benefit over having land that is not necessarily producing revenue. He asked if that is correct.

Ms. Karner advised certainly in the bulk of the CRIZ increment that is generated, the more you can generate the better off and the more you can collect for debt service.

Mr. Reynolds thinks one of the things that comes up is, at some point whatever goes on over at Martin Tower over there, we will have areas, parking lots, steep slopes, things that are not necessarily used for actual building. He wondered if that is believed to be the situation with Majestic. Obviously not 95% of it, but it does not take a lot of excess acreage there to really have the same idea with Martin Tower as far as Majestic is concerned.

Ms. Karner stated yes and earlier this year we amended the Zoning Ordinance and you folks entertained and supported it so that we could create parcels that were more contiguous with the building footprints and not use precious CRIZ acreage for things like parking lots or less productive areas of the property or parcel.

Mr. Reynolds asked what the rules are about at what point that people who own CRIZ projects need to get something done, they cannot hold onto that forever.

Ms. Karner stated it is 8 years from the date of the changes. She is not sure but it was maybe 2015 or 2016 for the changes to the legislation and so at that 8 year mark, the Authority after having holding a public hearing could apply for decertification of more inactive parcels.

Mr. Reynolds asked if that was included in the same changes that occurred with the whole thing if you have CRIZ acreage that it cannot be taken away from you unless you sign off on it.

Ms. Karner replied yes.

Mr. Reynolds mentioned he wanted to follow up on Dr. Van Wirt's question asked if BRIA owns that debt.

Ms. Karner explained it is a conduit debt, and it is guaranteed by a number of things. BRIA has no assets. We only have the increment we get on an annual basis.

Mr. Reynolds asked what would happen if they would not pay that debt.

Ms. Karner stated it ultimately falls to the contingent guarantors who are the beneficiaries after the CRIZ increment and there a number of things that the bank would try to use to collect the repayment prior to them falling, which are everything that is not BRIA's. So outside of the CRIZ increment, everything else is associated with the project so ultimately the developers would be responsible for repaying the debt.

Mr. Reynolds stated not the City.

Ms. Karner stated there is no City guarantee.

Mr. Reynolds believes that is an important point. He inquired if project A cannot pay that debt back, do they then take the increment back that is due to the Authority that was going to be spent on other things?.

Ms. Karner stated no, it is protected for that project alone. We have a deposit account control agreement associated with that increment that comes back in. It gets a little complicated, but you cannot come in and take someone else's increment. It is preserved for the individual projects. There was a time when the State could come in and take increments to make themselves whole on a baseline. We made modifications so that did not happen, which made this financeable. Nobody was going to finance a project if the State could come in and take increment that was due to debt on a private

development. Right now, what we are seeing is a much smaller piece of the overall project costs being borrowed using CRIZ increment until it becomes a little more stable and a little more proven. We are seeing not just a single bank but a group of banks go in on those borrowings so that they share the risk.

Mr. Reynolds then gave an example of if someone with CRIZ designated land cannot cover their debt and there is another CRIZ project next to that which is owned by another individual, and asked if he would have any liability for the other CRIZ property owner's particular debt.

Ms. Karner stated no.

Mr. Reynolds communicated that the Administration had fought the change that said that the land in the CRIZ could not be necessarily transferred without the okay of the owner. He thinks one of the real public policy issues here going forward is that the City and the public interest has, he believes, or should have, more influence in what to do with the excess CRIZ land that does not need to be used from steep slopes or parking lots or whatever. They have had conversations that using all of your leverage in coming up with the financing of these is a huge thing for a program even though people do not necessarily understand how it works. As far as the way private development works everywhere with the assistance of public entities, being able to find a way to leverage that either voluntarily or with you helping to make that happen, is a very important thing going forward. That is so people trust in the public benefit of all of these programs. Mr. Reynolds recognized that Ms. Karner knows this ten times better than he does but he does think it needs to be said publicly multiple times. There is a lot of potential benefit for the Administration to be able to have influence over where it is best to move excess CRIZ land that cannot be used by current projects.

Ms. Karner has said before, she knows of no other public incentive that is privately controlled as the CRIZ, maybe the NIZ in Allentown, but in Bethlehem.

Chairman Martell went to page 9 and he wonders how we interpret Section 3 (b) where it says total value of investment resulting from the incentive, and it says it is over \$430,580,559. He queried if that is over the life of the incentive.

Ms. Karner stated no and that when the 2017 reports went out, we asked them what was their total investment on their project. When we collect a LERTA application we ask for the building value but that does not always include the plumbing, mechanical and earth moving and everything else. We ask them for each project, each of the 27, what was the total dollar amount invested and that is the number we came up with. They are getting a benefit in 2017 whether it is 90% or 10% and they put \$40 million dollars back in 2016, we included that, the present value of what that investment is.

Chairman Martell then imagines the answers for all those questions going forward will be the same. You will try to use the same formula, the total value.

Ms. Karner stated it would be really hard to say to a business, what money did you spend only in 2017 for your properties. A total construction project that usually goes longer than 12 months, it could be 18 to 24 months.

Chairman Martell continued with Section 3 (c) where it says number of projects planned, started and completed, it shows 27 active applications, that is the same thing.

Ms. Karner stated 27 are receiving the benefit in 2017 in some form, whether it is in year one or year ten.

Chairman Martell mentioned on page 41 he has two questions in how to interpret the numbers. He asked what was the reason that 2017 was in here for the LERTA.

Mr. Sivak stated it was based on the timing when we did the report earlier in the year because for some things like EIT the fourth quarter of that is not technically due until April 30th, but then Keystone gives them a 30 day extension, so not even until May 30th.

Chairman Martell mentioned we had a little of a miscommunication on the date so technically speaking for the Ordinance these reports would be due March 31st. He wondered if that is too soon or is that appropriate. The thinking behind it was that we would not put it so far out that you are trying to focus on what you are doing the next year but at the same time knowing that there needs to be some lag time before numbers come in. So perhaps March 31st is fine, but know that from year to year more time might be needed.

Mr. Sivak stated for March of 2019 we might not have final EIT numbers for 2018. We can report what we have as of that point from Keystone but just know that it might not be the full value of that, or we could just show the 2017 year almost to what Ms. Karner said, that you are almost kind of behind a year and a half or two years but you would have accurate information that was finalized. He thinks that is a question for what Council would prefer to see.

Chairman Martell advised that would be a conversation for the group but for Ms. Karner there seems to be a lot more leg work for her department. He corrected himself that it is March 1st when the reports are due and asked if that is alright.

Ms. Karner stated with LERTA we will be chasing around our employment numbers and any additional investment that has occurred. We are planning to get it

out in early January and we will get you the information we get back. We certainly defer to Financial Services and the Tax Office on some of that information. Ms. Karner thinks there will always be lag time. They can try to get those numbers, but if they cannot they will ask for an extension and see if that is something Council can grant us.

Chairman Martell stated that makes sense. When we look at those LERTA numbers on page 41 and go back to 2012 and then look forward, it seems to him, that there was a flurry of investment around 2012 and then it tapers off. The real estate tax owed is not necessarily going up at the same level that the real estate tax paid is going up. That tells him that there are some earlier projects that are now tapering off.

Mr. Sivak stated that is correct.

Chairman Martell noted it seems like a lot of those projects are more weighted towards those years.

Mr. Sivak would say that is an accurate way to interpret that if it is based on that many of those parcels that were already in the LERTA 2012.

Chairman Martell thinks that these, when we look at the impact of jobs and so forth, that makes a strong case for the power of LERTA. If you look at the other three, like the Business Privilege tax paid, those are never exact; those are paid 100% up front. So regardless of what happens on the investment side if you are increasing investment in property values and so forth, and activity in those areas, you are increasing your tax revenue over what the baseline is; you never lose any of that. Additionally, you will be spurring a lot of investment that in time will come onto the rolls and you will get that benefit there. He related in a way many times we talk about the north side and in a certain way it is a win/win. You could not make that argument that you would not necessarily have that investment with the LERTA in which case the baseline would stay. If you do put the LERTA on, the hope is that the investment will go up increasing EIT, Business Privilege tax, and over time the Real Estate tax. He expressed that is his assessment from having these conversations. Chairman Martell asked Ms. Karner how what the process is for Northampton County assessments and whether they come out at their will when they want to reassess or are they notified by the City.

Ms. Karner explained, as far as LERTA is concerned, we submit the application within 60 days, as well as the building permit. Once the Certificate of Occupancy is issued she thinks they may get the temporary C.O. but then they schedule an assessor to go out. We did have a little bit of a situation where they thought one of the buildings was under construction, but it was complete and we had to get them come out and do the reassessment; generally they are prompt.

Chairman Martell stated it is not at the will of when they want to do it.

Ms. Karner mentioned that like anyone else it is a capacity issue, to schedule and get out there as soon as they can once they know the building is substantially complete.

Chairman Martell queried if were there any big things in any particular year related to LERTA, the TIF, and the CRIZ, that would have affected these numbers.

Ms. Karner stated when she started in 2014 it was a little slow on both the LERTA Program and the Enterprise Zone Tax Credit program. We had only one tax credit program in the previously 5 or 6 years. The LERTA certainly has increased and you can see that when you drive down Route 412 and LVIP VII there is a significant amount of construction activity. Ms. Karner stated their code inspectors are very busy with permits and inspections. She does think that we are going to run out of room and that will slow down. That is not necessarily a bad thing, it just means we may be at capacity and may not need to recommend a renewal of the program. We will evaluate that four years from now. Ms. Karner does think that the Enterprise Zone Tax Credit program, while we do not report on the State Tax Credit program to Council, it is a well-used program and that we have six or seven applications annually for that program but not all will be funded. Part of it is the climate, the investment, the access to capital and the development that is occurring. She advised that Bethlehem is a great place to develop; we have a lot of good buzz about Bethlehem so you will continue to see use of the programs that fit the projects.

Chairman Martell mentioned if we focus specifically on the CRIZ, he knows that there was a significant holdup because for a long time there was a legal limbo where it was not clearly defined. There were issues due to financing because it was not well defined by the State. That seems to be cleared up and if you look at the CRIZ we are in year 5 or 6.

Ms. Karner noted it was in December of 2013 and Chairman Martell is correct. We talked a little bit earlier about the fact that you could take increment from another project or that the banks were not going to lend if they did not know if they could be repaid. So once that was cleared up, we started to see projects. We have had a number go through land development, all three of the Greenway Commons Buildings have gone through land development, Third and New Streets, we have others in various planning stages that are little less obvious. She does expect that we will see more if the Casino does changes hands. Ms. Karner stated they are optimistic that the new owners of the Casino will be anxious to move forward with development of the rest of the site.

Chairman Martell related to him the perspective is that we will start seeing a lot more activity in that particular development incentive.

Ms. Karner informed it is a complicated program. It took her a couple of years to really understand it and when she thought she understood it we changed it to simplify

it. Of course it is complicated and it also has taken the developer some time to get comfortable with it too. We are lucky the banks are in close proximity to Allentown's NIZ and because of the similarities they have been a little more willing to jump in at a point where she is not sure if we were in another area of the State if they would be as willing to lend.

Chairman Martell mentioned with the totality of the reports if she has noticed any trends.

Ms. Karner noted as for the use, certainly some of these programs are a little more dormant. If we had a little more capacity we might be better at marketing and connecting with the community. If we had capacity as a community on some of the affordable housing developers, we would see a little more use of HOME. We have seen a significant decrease in affordable housing units based on individual organizations. We have a few big ones that are always looking at Bethlehem, but lend values are rising and that makes it more difficult.

Chairman Martell commented that the hope is that over time, and just from seeing this in year one, we see the picture becoming clearer. It is nice to hear that there was some benefit and use for the Administration as well in terms of having one resource for that. He is hoping that the ease of use going forward will lessen and many things can be reused and it will just be a matter of kind of updating the numbers. In year two and year three when we have these conversations and are more comfortable with it and we see those trends, then we can see the bigger picture and it will be useful. Chairman Martell informed that he voted for the Northside LERTA and he believes in the philosophy for why that will be useful. You are competing against other Cities and other States; there are challenges in terms of green field versus brownfield development. These programs are meant to try to ease some of those burdens and attract some of that economic activity. Chairman Martell noted that there will potentially be challenges, but there will be opportunity to maybe get others working in unison. He thanked the Administration and all involved with this. He also thanks the City Clerk's Office, Mr. Vidoni and Ms. Kelchner for the hours working on this as well as Mr. Spirk. There was a collaborate process all around and it will continue to be so. As this proceeds if there are things that do not make sense or not included, that is a conversation that needs to be continued. Chairman Martell noted at the end of the day it is about producing the document that is useful to the Administration, Council and useful to the public. It is telling the whole story about what is going on there with community and economic impacts.

Public Comment

None.

Chairman Martell informed that the reports will be posted on the Community and Economic Development webpage on the City's website in the near future.

Chairman Martell adjourned the meeting at 7:12 PM.