

**Financial Accountability Incentive Reporting (F.A.I.R.)
Documents**

2018

2018
Incentive Inventories

ARTICLE 349 FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)

**INVENTORY OF
ECONOMIC DEVELOPMENT TAX INCENTIVES**

This FAIR Program document is submitted to the City Council Community and Economic Development Committee pursuant to Article 349, Section 349.05(B)(1). “*Economic Development Tax Incentive*” is defined in Section 349.02 (14).

ECONOMIC DEVELOPMENT TAX INCENTIVES

The following Economic Development Tax Incentives were in effect on January 1, 2018.

1. Local Economic Revitalization Tax Assistance (LERTA)

- *Authorizing Legislation:* Local Economic Revitalization Tax Assistance Act - See 72 P.S. §4722 et seq.; Article 342 of the Codified Ordinances of the City of Bethlehem
- *Administered by:* City of Bethlehem, PA
- *Term of incentive:* NS: October 1, 2017 thru September 30, 2022; SS: January 1, 2018 thru December 31, 2022

2. Bethlehem Works Tax Increment Financing District (TIF)

- *Authorizing Legislation:* Tax Increment Financing Act of July 11, 1990, as amended, 53 P.S. 6930.1 et seq.; City of Bethlehem Article 345.
- *Administered by:* Bethlehem Redevelopment Authority (RDA).
- *Term of incentive:* The TIF became effective March 2000 and was created for a 20-year duration, with its expiration scheduled for June 2020.

3. City Revitalization and Improvement Zone (CRIZ)

- *Authorizing Legislation:* Act 52 of 2013 and amended by Act 84 of 2016.
- *Administered by:* Authorized and administered by Pennsylvania and managed locally by the Bethlehem Revitalization and Improvement Zone Authority (BRIZ)
- *Term of incentive:* August 15, 2017 through August 14, 2047

DOCUMENT NOTES

Defined Term References. Capitalized terms not defined in this document have the meanings set forth in Article 349 of the Codified Ordinances of the City of Bethlehem, PA.

ARTICLE 349 FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)

**INVENTORY OF
NON-TAX INCENTIVES**

This FAIR Program document is submitted to the City Council Community and Economic Development Committee pursuant to Article 349, Section 349.05(B)(1)(a). “*Non- Tax Incentive*” is defined in Section 349.02 (24).

NON-TAX INCENTIVES

The following Non-Tax Incentives were each in effect as of Inventory Date.

GRANTS/LOANS

1. Enterprise Zone Loan Program

- *Authorizing Legislation:* Neighborhood Assistance Program (NAP) under Article XIX-A of the Tax Reform Code of 1971, known as the Neighborhood Assistance Act (Act 48-1994) (72 P.S. §8901-A, et seq.), as amended.
- *Administered by:* City of Bethlehem Department of Community & Economic Development
- *Term of incentive:* Original award date: unknown. Ongoing loan program.

2. CDBG Loan Programs

- *Authorizing Legislation:* Annual Action Plan
- *Administered by:* City of Bethlehem, Department of Community & Economic Development; Rising Tide Community Loan Fund
- *Term of incentive:* Annual Program approved by City Council under the Annual Action Plan

3. HOME Loan Programs

- *Authorizing Legislation:* Annual Action Plan
- *Administered by:* City of Bethlehem, Department of Community & Economic Development
- *Term of incentive:* Annual Program approved by City Council under the Annual Action Plan

4. Business Infrastructure Development Loan Fund

- *Authorizing Legislation:* Act of July 2, 1984 (P.L. 520, No. 105), as amended, known as the Business Infrastructure Development Act
- *Administered by:* City of Bethlehem, Department of Community & Economic Development
- *Term of incentive:* Rates and term of the loans are flexible

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**INVENTORY OF
NON-TAX INCENTIVES**

5. Best Front Forward/Elm Street Loan Fund

- *Authorizing Legislation:* Pennsylvania Statutes Title 73 P.S. Trade and Commerce 392.2001, the Elm Street Program Act
- *Administered by:* City of Bethlehem, Department of Community & Economic Development
- *Term of incentive:* Ongoing until such time that available funds are exhausted

DOCUMENT NOTES

Defined Term References. Capitalized terms not defined in this document have the meanings set forth in Article 349 of the Codified Ordinances of the City of Bethlehem, PA.

2018 Evaluation Reports

ARTICLE 349 - FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
EVALUATION REPORT

FAIR PROGRAM - EVALUATION REPORT

FAIR Program Year: 2018 (“Program Year”)

Report Submission Requirement. Pursuant to Article 349 of the Codified Ordinances of the City of Bethlehem, PA (“City”), titled Economic Development Incentive Reporting and Evaluation, Section 349.05 (B)(3)(d), the City Administration is required to submit this Evaluation Report covering the Economic Development Incentive described below. For purposes of this report, the subject Economic Development Incentive shall be referred to sometimes as the “incentive.”

EVALUATION REPORT CONTENT

SECTION 1

DESCRIPTIVE INFORMATION

- (a) Name and description of the Economic Development Incentive:
Local Economic Revitalization Tax Assistance (LERTA)
- (b) Statutory reference(s) to any authorizing legislation
Local Economic Revitalization Tax Assistance Act - See 72 P.S. §4722 et seq.; Article 342 of the Codified Ordinances of the City of Bethlehem
- (c) Enactment date, term of the incentive, and any sunset or other critical dates:
NS: October 1, 2017 – December 31, 2023
SS: January 1, 2018 - December 31, 2022
- (d) Legislative purpose of the Economic Development Incentive, if stated:
LERTA is a tax abatement program that was created in 1977 to incentivize property investment and redevelopment of difficult and undesirable properties. LERTA creates a tax abatement on the increase on the real estate tax payments on new construction and property rehabilitation. Recipient owners are incentivized to improve their real property within the zone, thereby increasing assessed valuation and future City tax base, because the owner will not have to pay full property taxes on the improvements for the duration of the specific LERTA zone. Program status reports are delivered to City Council by the City Administration every five years.
- (e) Eligibility requirements:
Owners of commercial, industrial, residential and business properties located within designated zones in the City are eligible for this incentive.

349.05 (B)(3)

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- (f) Reference(s) to relevant policy or other City documents, if any:
Article 342 of the Codified Ordinances of the City of Bethlehem
Ordinance No. 2017-13
Ordinance No. 2017-23
Resolution No. 2017-103
Resolution No. 2017-136

SECTION 2

TAX EXPENDITURE DATA

Where the incentive is included in the current-year Inventory of Economic Development Tax Incentives, defined in section 349.05 (B)(1)(a), include the following information:

- (a) Number of taxpayers who received the incentive, itemized by taxpayer type, using North American Industry Classification System (NAICS) codes or similar codes, if available:
27
- (b) Total dollar value of such incentive received by taxpayers, including amounts eligible to be carried forward into future tax years, if any:
\$1,476,331

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SECTION 3

ECONOMIC AND COMMUNITY IMPACT

For the last reporting period and including reasonable projections, where possible, include the following to the extent applicable:

- (a) "Return on investment calculation" analyzing the costs of providing the incentive and the benefits realized by the City:

Value of incentive is demonstrated below.

- (b) Total value of investment resulting from the incentive:

Over \$430,580,559 of total project investment.

- (c) Number of projects planned, started, and completed:

27 active applications

- (d) Changes in property value assessments directly or indirectly related to the incentive:

Post-LERTA Project Assessments	\$129,028,320
Pre-LERTA Project Assessments	\$15,444,000
Increased LERTA Project Assessments	<u>\$113,584,320</u> increased assessment for active projects

- (e) Number of jobs and other direct economic benefits resulting directly from the incentive:

Over 6,109* current employees (5,861 FT).

***327 employees included are supplemental data from prior LERTA reports submitted in 2017**

- (f) Estimate/discussion of the indirect economic or other benefits or activity stimulated by the incentive, including without limitation, changes to social and real estate indicators:

See attached Impact Statements

- (g) Discussion of quantifiable and non-quantifiable community impact effects the Evaluator believes relevant:

See attached Impact Statements

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SECTION 4

RECOMMENDATIONS AND OTHER INFORMATION

- (a) Recommendations for improving future evaluations and Administration Documents:

None

- (b) Where data constraints significantly limited the Evaluator's ability to provide required information and/or measure incentive performance, include recommendations for changing City law and/or practices that could mitigate such constraints in future years:

None

- (c) Recommendations for potential legislative action, including continuing, amending, terminating, or otherwise modifying the incentive

Will evaluate program and revisit during next opportunity to renew.

- (d) An assessment of whether adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the City's expectations in future years:

The City continues to collect 100% of base property taxes owed prior to a change in assessment due to new construction, renovation, etc. City then collects 100% of base property tax and 50% of new property tax increment over a 10-year period, then 100% of all property taxes thereafter.

DOCUMENT NOTES

1. Defined Term References. Capitalized terms not defined in this document have the meanings set forth in Article 349 of the Codified Ordinances of the City of Bethlehem.

ARTICLE 349 - FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
EVALUATION REPORT

FAIR PROGRAM - EVALUATION REPORT

FAIR Program Year: 2018 ("Program Year")

Report Submission Requirement. Pursuant to Article 349 of the Codified Ordinances of the City of Bethlehem, PA ("City"), titled Economic Development Incentive Reporting and Evaluation, Section 349.05 (B)(3)(d), the City Administration is required to submit this Evaluation Report covering the Economic Development Incentive described below. For purposes of this report, the subject Economic Development Incentive shall be referred to sometimes as the "incentive."

EVALUATION REPORT CONTENT

SECTION 1

DESCRIPTIVE INFORMATION

- (a) Name and description of the Economic Development Incentive:
Bethlehem Works Tax Increment Financing District (TIF)
- (b) Statutory reference(s) to any authorizing legislation
Tax Increment Financing Act of July 11, 1990, as amended, 53 P.S. 6930.1 et seq. ("TIF Act"); and City of Bethlehem Article 345
- (c) Enactment date, term of the incentive, and any sunset or other critical dates:
The TIF became effective March 2000 and was created for a 20-year duration, with its expiration scheduled for June 2020. Starting in fiscal year 2021, City tax revenue previously redirected to the RDA under this existing TIF program will remain with the City.
- (d) Legislative purpose of the Economic Development Incentive, if stated:
The TIF District includes 124-acres of former Bethlehem Steel sites, where a percentage of real estate taxes are captured by the Bethlehem Redevelopment Authority (RDA) and utilized for further development. TIF funds are used only for projects which will be open and used by the public. These funds are used to make infrastructure improvements, pay related costs for these improvements, allow for contingencies, pay the cost of parking structures, cover the cost of issuing any loans, and pay legal and administrative costs associated with projects within the designated TIF District.
- (e) Eligibility requirements:
Anyone who owns property within the designated TIF district is eligible to receive a TIF grant. A formal application process has been established and is required to be followed for the RDA to consider providing a TIF grant. Priority is given to those applications which involve (1) public improvements and/or publicly owned facilities or for (2) environmental remediation.
- (f) Reference(s) to relevant policy or other City documents, if any:

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SECTION 2

TAX EXPENDITURE DATA

Where the incentive is included in the current-year Inventory of Economic Development Tax Incentives, defined in section 349.05 (B)(1)(a), include the following information:

- (a) Number of taxpayers who received the incentive, itemized by taxpayer type, using North American Industry Classification System (NAICS) codes or similar codes, if available:

One (1) recipient: Five 10 Flats, formerly known as Greenway Commons of 510 East Third Street, Bethlehem.

- (b) Total dollar value of such incentive received by taxpayers, including amounts eligible to be carried forward into future tax years, if any:

\$300,000 paid during 2017

SECTION 3

ECONOMIC AND COMMUNITY IMPACT

For the last reporting period and including reasonable projections, where possible, include the following to the extent applicable:

- (a) "Return on investment calculation" analyzing the costs of providing the incentive and the benefits realized by the City:

Cost during 2017: \$300,000

Value of incentive is demonstrated below.

- (b) Total value of investment resulting from the incentive:

Total Project Investment: \$20,000,000

- (c) Number of projects planned, started, and completed:

One (1) mixed use building planned for this project.

- (d) Changes in property value assessments directly or indirectly related to the incentive:

Property value assessment expected to increase as of 09/2018 per Northampton County.

349.05 (B)(3)

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(e) Number of jobs and other direct economic benefits resulting directly from the incentive:

Currently this project has 150 part-time construction workers as well as 20 full-time employees. It is anticipated that this project will create 150 full-time employees.

(f) Estimate/discussion of the indirect economic or other benefits or activity stimulated by the incentive, including without limitation, changes to social and real estate indicators:

Because Five 10 Flats is a mixed use building it will provide more businesses to be visited as well as expand the residential population of South Bethlehem. Combined with other development, this project will help continue to boost South Bethlehem and its accompanying arts, historic and ethnic districts.

(g) Discussion of quantifiable and non-quantifiable community impact effects the Evaluator believes relevant:

SECTION 4

RECOMMENDATIONS AND OTHER INFORMATION

(a) Recommendations for improving future evaluations and Administration Documents:

None

(b) Where data constraints significantly limited the Evaluator's ability to provide required information and/or measure incentive performance, include recommendations for changing City law and/or practices that could mitigate such constraints in future years:

None

(c) Recommendations for potential legislative action, including continuing, amending, terminating, or otherwise modifying the incentive:

None

(d) An assessment of whether adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the City's expectations in future years:

The City collects the real estate taxes for those parcels located within the designated TIF District. Transmittal of collected TIF Revenues is made annually to the RDA with the City withholding those taxes for each parcel as authorized by the 2000 TIF Documents and as determined with the 2000 base year parcel valuations.

With the addition of the 2010 Rebate Agreement between the RDA and the participating taxing bodies, each taxing body receives any excess remaining after all funding requirements are met from the annual

349.05 (B)(3)

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TIF collections. As a result, each year the City receives an immediate return of TIF revenues based upon the refund calculations outlined in the 2010 Rebate Agreement.

Starting in fiscal year 2021, City tax revenue previously redirected to the RDA under this existing TIF program will remain with the City.

DOCUMENT NOTES

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FAIR PROGRAM - EVALUATION REPORT

FAIR Program Year: 2018 ("Program Year")

Report Submission Requirement. Pursuant to Article 349 of the Codified Ordinances of the City of Bethlehem, PA ("City"), titled Economic Development Incentive Reporting and Evaluation, Section 349.05 (B)(3)(d), the City Administration is required to submit this Evaluation Report covering the Economic Development Incentive described below. For purposes of this report, the subject Economic Development Incentive shall be referred to sometimes as the "incentive."

EVALUATION REPORT CONTENT

SECTION 1

DESCRIPTIVE INFORMATION

- (a) Name and description of the Economic Development Incentive:
City Revitalization and Improvement Zone (CRIZ)
- (b) Statutory reference(s) to any authorizing legislation:
Title 72 P.S. ST Ch 5, Art XVIII-C
- (c) Enactment date, term of the incentive, and any sunset or other critical dates:
Bethlehem approved December 2013; 30 year incentive from the date of first financing
- (d) Legislative purpose of the Economic Development Incentive, if stated:
The focus of the program is to provide opportunity to spur new growth, helping to revive downtowns and create jobs for the residents in the regions. Vacant, desolate, underutilized or abandoned space will be developed, thereby creating jobs, increasing personal incomes, growing state and local tax revenues, reviving local economies and improving the lives of city residents and visitors.
- (e) Eligibility requirements:
Under the CRIZ Act, a "Qualified Business" is eligible which means (a) any entity that conducts business, provides services and is located or partially located within the borders of the CRIZ and (b) any construction contractors engaged in construction, including infrastructure or site preparation, reconstruction or renovation of a facility located in or partially in the CRIZ. (Source: 2014 PA DCED CRIZ Guidelines).
- (f) Reference(s) to relevant policy or other City documents, if any:

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SECTION 2

TAX EXPENDITURE DATA

Where the incentive is included in the current-year Inventory of Economic Development Tax Incentives, defined in section 349.05 (B)(1)(a), include the following information:

- (a) Number of taxpayers who received the incentive, itemized by taxpayer type, using North American Industry Classification System (NAICS) codes or similar codes, if available:

2

- (b) Total dollar value of such incentive received by taxpayers, including amounts eligible to be carried forward into future tax years, if any:

\$93,569

SECTION 3

ECONOMIC AND COMMUNITY IMPACT

For the last reporting period and including reasonable projections, where possible, include the following to the extent applicable:

- (a) "Return on investment calculation" analyzing the costs of providing the incentive and the benefits realized by the City:

The return on investment is described below.

- (b) Total value of investment resulting from the incentive

In 2017, the project costs exceed \$25 million.

- (c) Number of projects planned, started, and completed:

In 2017, 1 project was completed and one project was weeks away from completion.

- (d) Changes in property value assessments directly or indirectly related to the incentive:

Reassessment by Northampton County has not been completed.

- (e) Number of jobs and other direct economic benefits resulting directly from the incentive:

20 full-time position, not including temporary construction jobs.

- (f) Estimate/discussion of the indirect economic or other benefits or activity stimulated by the incentive, including without limitation, changes to social and real estate indicators:

See attached Impact Statements

- (g) Discussion of quantifiable and non-quantifiable community impact effects the Evaluator believes relevant:

See attached Impact Statements

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SECTION 4

RECOMMENDATIONS AND OTHER INFORMATION

(a) Recommendations for improving future evaluations and Administration Documents:

None

(b) Where data constraints significantly limited the Evaluator’s ability to provide required information and/or measure incentive performance, include recommendations for changing City law and/or practices that could mitigate such constraints in future years:

None

(c) Recommendations for potential legislative action, including continuing, amending, terminating, or otherwise modifying the incentive:

None

(d) An assessment of whether adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the City’s expectations in future years:

Because of the baseline calculation outlined in the CRIZ program, no revenue previously generated for the city is lost.

DOCUMENT NOTES

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FAIR PROGRAM - EVALUATION REPORT

FAIR Program Year: 2018 (“Program Year”)

Report Submission Requirement. Pursuant to Article 349 of the Codified Ordinances of the City of Bethlehem, PA (“City”), titled Economic Development Incentive Reporting and Evaluation, Section 349.05 (B)(3)(d), the City Administration is required to submit this Evaluation Report covering the Economic Development Incentive described below. For purposes of this report, the subject Economic Development Incentive shall be referred to sometimes as the “incentive.”

EVALUATION REPORT CONTENT

SECTION 1

DESCRIPTIVE INFORMATION

- (a) Name and description of the Economic Development Incentive:
Enterprise Zone Loan Program
- (b) Statutory reference(s) to any authorizing legislation
Neighborhood Assistance Program (NAP) under Article XIX-A of the Tax Reform Code of 1971, known as the Neighborhood Assistance Act (Act 48-1994) (72 P.S. §8901-A, et seq.), as amended.
- (c) Enactment date, term of the incentive, and any sunset or other critical dates:
Original designation of Bethlehem Enterprise Zone was 1985. Ongoing loan program. Rates and term of the loan are flexible.
- (d) Legislative purpose of the Economic Development Incentive, if stated:
Private companies and non-profits can make qualified investments to rehabilitate, expand and improve buildings or land that promote economic development activities.
- (e) Eligibility requirements:
Eligible applicants include industrial, manufacturing and technology-oriented businesses that are located within the boundaries of the Enterprise Zone. The businesses must be expanding, updating technology, creating and or retaining existing jobs. Retail businesses are not eligible to apply for Enterprise Zone Loan Program.
- (f) Reference(s) to relevant policy or other City documents, if any:

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TAX EXPENDITURE DATA

Where the incentive is included in the current-year Inventory of Economic Development Tax Incentives, defined in section 349.05 (B)(1)(a), include the following information:

- (a) Number of taxpayers who received the incentive, itemized by taxpayer type, using North American Industry Classification System (NAICS) codes or similar codes, if available:

0

- (b) Total dollar value of such incentive received by taxpayers, including amounts eligible to be carried forward into future tax years, if any:

N/A – No loans were approved in 2017.

SECTION 3

ECONOMIC AND COMMUNITY IMPACT

For the last reporting period and including reasonable projections, where possible, include the following to the extent applicable:

- (a) “Return on investment calculation” analyzing the costs of providing the incentive and the benefits realized by the City:

N/A

- (b) Total value of investment resulting from the incentive:

N/A

- (c) Number of projects planned, started, and completed:

N/A

- (d) Changes in property value assessments directly or indirectly related to the incentive:

N/A

- (e) Number of jobs and other direct economic benefits resulting directly from the incentive:

N/A

- (f) Estimate/discussion of the indirect economic or other benefits or activity stimulated by the incentive, including without limitation, changes to social and real estate indicators:

N/A

- (g) Discussion of quantifiable and non-quantifiable community impact effects the Evaluator believes relevant:

N/A

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SECTION 4

RECOMMENDATIONS AND OTHER INFORMATION

(a) Recommendations for improving future evaluations and Administration Documents:

None

(b) Where data constraints significantly limited the Evaluator’s ability to provide required information and/or measure incentive performance, include recommendations for changing City law and/or practices that could mitigate such constraints in future years:

None

(c) Recommendations for potential legislative action, including continuing, amending, terminating, or otherwise modifying the incentive:

None

(d) An assessment of whether adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the City’s expectations in future years:

The Enterprise Zone Revolving Loan Fund is funded by “grant-to-loans” from the Commonwealth. The City loans out this money and the loan repayment goes back into the fund. The recycled loan funds are then made available to eligible applicants.

DOCUMENT NOTES

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FAIR PROGRAM - EVALUATION REPORT

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EVALUATION REPORT CONTENT

SECTION 1

DESCRIPTIVE INFORMATION

- (a) Name and description of the Economic Development Incentive:
CDBG Loan Programs: Bethlehem Small Business Loan Fund (BSBLF) and the Exterior Building Loan Fund (EBLF).
- (b) Statutory reference(s) to any authorizing legislation:
Annual Action Plan required by HUD.
- (c) Enactment date, term of the incentive, and any sunset or other critical dates:
N/A, ongoing
- (d) Legislative purpose of the Economic Development Incentive, if stated:
N/A
- (e) Eligibility requirements:
Small business owners located in the City of Bethlehem.
- (f) Reference(s) to relevant policy or other City documents, if any:

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SECTION 2

TAX EXPENDITURE DATA

Where the incentive is included in the current-year Inventory of Economic Development Tax Incentives, defined in section 349.05 (B)(1)(a), include the following information:

- (a) Number of taxpayers who received the incentive, itemized by taxpayer type, using North American Industry Classification System (NAICS) codes or similar codes, if available:

Two (2).

- (b) Total dollar value of such incentive received by taxpayers, including amounts eligible to be carried forward into future tax years, if any:

\$180,000.

SECTION 3

ECONOMIC AND COMMUNITY IMPACT

For the last reporting period and including reasonable projections, where possible, include the following to the extent applicable:

- (a) "Return on investment calculation" analyzing the costs of providing the incentive and the benefits realized by the City:

The cost of administering the CDBG funds that support the BSBLF and the EBLF has not been determined; the "return" to the City is quantified by job creation and direct dollar investment in the two (2) subject projects undertaken in 2017 as further detailed below.

- (b) Total value of investment resulting from the incentive:

\$405,540.

- (c) Number of projects planned, started, and completed:

Two (2)

- (d) Changes in property value assessments directly or indirectly related to the incentive:

N/A

- (e) Number of jobs and other direct economic benefits resulting directly from the incentive:

22 part time jobs

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- (f) Estimate/discussion of the indirect economic or other benefits or activity stimulated by the incentive, including without limitation, changes to social and real estate indicators:

Indirect returns to the City result from increased tourism and related spending; in one of the two cases, extensive improvements to infrastructure (sidewalks and ADA compliant access ramps) improve the property's, and the immediate neighborhood's, appearance and value. See attached Impact Statements.

- (g) Discussion of quantifiable and non-quantifiable community impact effects the Evaluator believes to be relevant:

The CDBG program helps create viable communities by providing the following, principally for persons of low and moderate income, expanded economic opportunities, decent housing, and consequently, a suitable living environment. See attached Impact Statements.

SECTION 4

RECOMMENDATIONS AND OTHER INFORMATION

- (a) Recommendations for improving future evaluations and Administration Documents:

None.

- (b) Where data constraints significantly limited the Evaluator's ability to provide required information and/or measure incentive performance, include recommendations for changing City law and/or practices that could mitigate such constraints in future years:

None.

- (c) Recommendations for potential legislative action, including continuing, amending, terminating, or otherwise modifying the incentive:

No local legislative action necessary to continue these programs as legislative oversight is provided via the federal government and its agency, HUD.

- (d) An assessment of whether adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the City's expectations in future years:

The fiscal impact of these programs is limited in relation to the available federal funds and program income.

DOCUMENT NOTES

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FAIR PROGRAM - EVALUATION REPORT

FAIR Program Year: 2018 (“Program Year”)

Report Submission Requirement. Pursuant to Article 349 of the Codified Ordinances of the City of Bethlehem, PA (“City”), titled Economic Development Incentive Reporting and Evaluation, Section 349.05 (B)(3)(d), the City Administration is required to submit this Evaluation Report covering the Economic Development Incentive described below. For purposes of this report, the subject Economic Development Incentive shall be referred to sometimes as the “incentive.”

EVALUATION REPORT CONTENT

SECTION 1

DESCRIPTIVE INFORMATION

- (a) Name and description of the Economic Development Incentive: CDBG Loan Programs:
HOME Loan Program
- (b) Statutory reference(s) to any authorizing legislation:
Annual Action Plan required by HUD.
- (c) Enactment date, term of the incentive, and any sunset or other critical dates:
Yearly allocations are made for housing development with four years to complete the project.
- (d) Legislative purpose of the Economic Development Incentive, if stated:
The intent of the HOME Program is provide decent affordable housing to lower-income households, expand the capacity of nonprofit housing providers, strengthen the City’s housing stock and leverage private-sector participation.
- (e) Eligibility requirements:
Developers of affordable housing.
- (f) Reference(s) to relevant policy or other City documents, if any:

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SECTION 2

TAX EXPENDITURE DATA

Where the incentive is included in the current-year Inventory of Economic Development Tax Incentives, defined in section 349.05 (B)(1)(a), include the following information:

- (a) Number of taxpayers who received the incentive, itemized by taxpayer type, using North American Industry Classification System (NAICS) codes or similar codes, if available:
4.
- (b) Total dollar value of such incentive received by taxpayers, including amounts eligible to be carried forward into future tax years, if any:
\$308,523.

SECTION 3

ECONOMIC AND COMMUNITY IMPACT

For the last reporting period and including reasonable projections, where possible, include the following to the extent applicable:

- (a) "Return on investment calculation" analyzing the costs of providing the incentive and the benefits realized by the City:
N/A. Funds awarded to recipients were used to develop affordable housing.
- (b) Total value of investment resulting from the incentive:
N/A
- (c) Number of projects planned, started, and completed:
4.
- (d) Changes in property value assessments directly or indirectly related to the incentive:
Northampton County Assessment office is responsible for reassessing properties.
- (e) Number of jobs and other direct economic benefits resulting directly from the incentive:
N/A
- (f) Estimate/discussion of the indirect economic or other benefits or activity stimulated by the incentive, including without limitation, changes to social and real estate indicators:
N/A
- (g) Discussion of quantifiable and non-quantifiable community impact effects the Evaluator believes to be relevant:
N/A

ARTICLE 349 - FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
EVALUATION REPORT

SECTION 4

RECOMMENDATIONS AND OTHER INFORMATION

(a) Recommendations for improving future evaluations and Administration Documents:

None.

(b) Where data constraints significantly limited the Evaluator's ability to provide required information and/or measure incentive performance, include recommendations for changing City law and/or practices that could mitigate such constraints in future years:

None.

(c) Recommendations for potential legislative action, including continuing, amending, terminating, or otherwise modifying the incentive:

None.

(d) An assessment of whether adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the City's expectations in future years:

The fiscal impact of these programs is limited in relation to the available federal funds and program income.

DOCUMENT NOTES

1. Defined Term References. Capitalized terms not defined in this document have the meanings set forth in Article 349 of the Codified Ordinances of the City of Bethlehem.

ARTICLE 349 - FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
EVALUATION REPORT

FAIR PROGRAM - EVALUATION REPORT

FAIR Program Year: 2018 ("Program Year")

Report Submission Requirement. Pursuant to Article 349 of the Codified Ordinances of the City of Bethlehem, PA ("City"), titled Economic Development Incentive Reporting and Evaluation, Section 349.05 (B)(3)(d), the City Administration is required to submit this Evaluation Report covering the Economic Development Incentive described below. For purposes of this report, the subject Economic Development Incentive shall be referred to sometimes as the "incentive."

EVALUATION REPORT CONTENT

SECTION 1

DESCRIPTIVE INFORMATION

- (a) Name and description of the Economic Development Incentive
Business Infrastructure Development (BID) Loan Fund
- (b) Statutory reference(s) to any authorizing legislation:
Act of July 2, 1984 (P.L. 520, No. 105), as amended, known as the Business Infrastructure Development Act.
- (c) Enactment date, term of the incentive, and any sunset or other critical dates:
City received BID funding in 1992. Ongoing loan program. Rates and term of the loan are flexible.
- (d) Legislative purpose of the Economic Development Incentive, if stated;
To provide loans to private companies or developers for the construction, rehabilitation or repair of infrastructure improvements on privately owned property, which improvements are necessary to complement industrial investment by private companies which increases Pennsylvania's share of domestic and international commerce and creates net new jobs.
- (e) Eligibility requirements:
Private companies or developers for projects on privately-owned properties
- (f) Reference(s) to relevant policy or other City documents, if any:

ARTICLE 349 - FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
EVALUATION REPORT

SECTION 2

TAX EXPENDITURE DATA

Where the incentive is included in the current-year Inventory of Economic Development Tax Incentives, defined in section 349.05 (B)(1)(a), include the following information:

- (a) Number of taxpayers who received the incentive, itemized by taxpayer type, using North American Industry Classification System (NAICS) codes or similar codes, if available:

0

- (b) Total dollar value of such incentive received by taxpayers, including amounts eligible to be carried forward into future tax years, if any:

N/A – No loans were approved in 2017.

SECTION 3

ECONOMIC AND COMMUNITY IMPACT

For the last reporting period and including reasonable projections, where possible, include the following to the extent applicable:

- (a) “Return on investment calculation” analyzing the costs of providing the incentive and the benefits realized by the City:

N/A

- (b) Total value of investment resulting from the incentive:

N/A

- (c) Number of projects planned, started, and completed:

N/A

- (d) Changes in property value assessments directly or indirectly related to the incentive:

N/A

- (e) Number of jobs and other direct economic benefits resulting directly from the incentive:

N/A

- (f) Estimate/discussion of the indirect economic or other benefits or activity stimulated by the incentive, including without limitation, changes to social and real estate indicators:

N/A

- (g) Discussion of quantifiable and non-quantifiable community impact effects the Evaluator believes relevant:

N/A

ARTICLE 349 - FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
EVALUATION REPORT

SECTION 4

RECOMMENDATIONS AND OTHER INFORMATION

(a) Recommendations for improving future evaluations and Administration Documents:

None

(b) Where data constraints significantly limited the Evaluator’s ability to provide required information and/or measure incentive performance, include recommendations for changing City law and/or practices that could mitigate such constraints in future years:

None

(c) Recommendations for potential legislative action, including continuing, amending, terminating, or otherwise modifying the incentive:

None

(d) An assessment of whether adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the City’s expectations in future years:

The BID Revolving Loan Fund is funded by “grant-to-loans” from the Commonwealth. The City loans out this money and the loan repayment goes back into the fund. The recycled loan funds are then made available to eligible applicants.

DOCUMENT NOTES

1. Defined Term References. Capitalized terms not defined in this document have the meanings set forth in Article 349 of the Codified Ordinances of the City of Bethlehem.

ARTICLE 349 - FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
EVALUATION REPORT

FAIR PROGRAM - EVALUATION REPORT

FAIR Program Year: 2018 ("Program Year")

Report Submission Requirement. Pursuant to Article 349 of the Codified Ordinances of the City of Bethlehem, PA ("City"), titled Economic Development Incentive Reporting and Evaluation, Section 349.05 (B)(3)(d), the City Administration is required to submit this Evaluation Report covering the Economic Development Incentive described below. For purposes of this report, the subject Economic Development Incentive shall be referred to sometimes as the "incentive."

EVALUATION REPORT CONTENT

SECTION 1

DESCRIPTIVE INFORMATION

- (a) Name and description of the Economic Development Incentive: CDBG Loan Programs:
Best Front Forward/Elm Street Loan Fund.
- (b) Statutory reference(s) to any authorizing legislation:
Pennsylvania Statutes Title 73 P.S. Trade and Commerce §392.2001, the Elm Street Program Act.
- (c) Enactment date, term of the incentive, and any sunset or other critical dates:
Ongoing until such time available funds are exhausted.
- (d) Legislative purpose of the Economic Development Incentive, if stated:
The program is intended to assist homeowners in improving the appearance of their privately-owned property through the use of independent contractors; it is targeted toward homeowners who otherwise would have to borrow money at a higher interest rate or would not qualify for loans for such work because of their financial position and/or the location or condition of such property.
- (e) Eligibility requirements:
Homeowners in targeted neighborhoods of the City.
- (f) Reference(s) to relevant policy or other City documents, if any:

ARTICLE 349 - FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
EVALUATION REPORT

SECTION 2

TAX EXPENDITURE DATA

Where the incentive is included in the current-year Inventory of Economic Development Tax Incentives, defined in section 349.05 (B)(1)(a), include the following information:

- (a) Number of taxpayers who received the incentive, itemized by taxpayer type, using North American Industry Classification System (NAICS) codes or similar codes, if available:

0

- (b) Total dollar value of such incentive received by taxpayers, including amounts eligible to be carried forward into future tax years, if any:

N/A

SECTION 3

ECONOMIC AND COMMUNITY IMPACT

For the last reporting period and including reasonable projections, where possible, include the following to the extent applicable:

- (a) "Return on investment calculation" analyzing the costs of providing the incentive and the benefits realized by the City:

N/A. Funds awarded to recipients for residential projects.

- (b) Total value of investment resulting from the incentive:

N/A

- (c) Number of projects planned, started, and completed:

N/A

- (d) Changes in property value assessments directly or indirectly related to the incentive:

Northampton County Assessment office is responsible for reassessing properties.

- (e) Number of jobs and other direct economic benefits resulting directly from the incentive:

N/A

- (f) Estimate/discussion of the indirect economic or other benefits or activity stimulated by the incentive, including without limitation, changes to social and real estate indicators:

N/A

- (g) Discussion of quantifiable and non-quantifiable community impact effects the Evaluator believes to be relevant:

N/A

ARTICLE 349 - FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
EVALUATION REPORT

SECTION 4

RECOMMENDATIONS AND OTHER INFORMATION

(a) Recommendations for improving future evaluations and Administration Documents:

None.

(b) Where data constraints significantly limited the Evaluator's ability to provide required information and/or measure incentive performance, include recommendations for changing City law and/or practices that could mitigate such constraints in future years:

None.

(c) Recommendations for potential legislative action, including continuing, amending, terminating, or otherwise modifying the incentive:

None.

(d) An assessment of whether adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the City's expectations in future years:

The fiscal impact of these programs is limited to the availability of funds.

DOCUMENT NOTES

1. Defined Term References. Capitalized terms not defined in this document have the meanings set forth in Article 349 of the Codified Ordinances of the City of Bethlehem.

Impact Statements

How critical have the programs below been to the success of your project? Select one of the following:

Please elaborate on the impact that each program listed below has had on your ability to successfully complete your project and describe the impact it will have on the City:

LERTA

17 found programs Very Critical

4 found programs Somewhat Critical

1 found programs Not Very Critical

"The LERTA, made a big difference when looking at this location. Knowing expenses would be high, taxes, utilities, and "cost of ownership" was a great unknown. LERTA, took the edge off and made this location in Bethlehem, a winner. As for the impact on the city, we are filling a need in this area, we are a manufacturer of machinery and we export all over the world. Our employees and skilled, our pay rate is very good, and we will continue to grow thanks to this move and the assistance the city of Bethlehem."

"The LERTA has had a positive effect in terms of being able to recruit tenants to the City. In the last couple of years, the lack of parking immediately adjacent to the building has become a hindrance however."

"The LERTA tax abatement program has helped us offset the additional costs we have incurred to get the building running."

"██████████ relocated to Bethlehem from New Jersey in 2015 due to (1) the availability of a full service industrial site in LVIP VII, (2) immediate access to I-78, and (3) tax advantages from the City (LERTA)."

"██████████ chose the Bethlehem location primarily to its proximity to the Bethlehem Rail Management's intermodal freight yard. However, it cites LERTA as a factor in its site selection. Their search for a maintenance facility covered multiple mid-Atlantic states."

"██████████ selected LVIP VII and Bethlehem in over other east coast sites due primarily to local incentives. They could have chosen sites in MD, DE, NJ and other PA regions."

"Operational cost savings for 10 year term. Project has increased # of employees, thus providing more jobs, and increase tax base for city at end of term."

"██████████ chose Bethlehem in 2009 largely in part to the tax incentives provided through LERTA."

"LERTA allowed developer to invest in lease hold improvements for multiple tenants attracting additional employers and jobs to the City on a former brownfield site."

"██████████ chose Bethlehem and LVIP VII for its first new facility in 2010 after an intensive search of Lehigh Valley sites. Its selection of Bethlehem over other municipalities was due largely to LERTA benefits."

"Access to I-78 and the immediate availability of a new flex building was the primary mover in selecting its Bethlehem location. LERTA benefits were also an attractive incentive when comparing the overall costs of expansion."

"I am the second owner of the property. Did not implement any projects and received no benefits."

"This program has done nothing for ██████████."

"██████████ originally chose Bethlehem largely because to the LERTA tax benefits, relatively compatible construction costs, labor availability and access to public bus service."

"The LERTA was an incentive for the developer to build on former steel land. The reduced taxes over a 10-year period was an appeal to prospective tenants, allowing for the quick execution of the lease on this warehouse."

"The LERTA savings allowed the company to invest in additional equipment for the operation."

"The LERTA and Enterprise Zone incentives were essential to ensuring the financial feasibility of the ██████████ revitalization project. This historic fixture of South Side Bethlehem now houses administrative offices, a bank, local radio station, mobile phone store, consulting firm, and cooperative incubator space. It is a vibrant and growing business center as well as providing key services to the surrounding residents and emphasizing the historic character of the South Side. In particular, the Enterprise Zone helped fund the restoration the historic exterior of the building, while the LERTA tax credit continues to enable ██████████ to make space available to a variety of tenants, such as the startup incubator, based on other merits beyond simply price."

"Eased our financial burden and allows us to enhance South Bethlehem's historical values."

"Building in a zone that offered economic incentives was a must for determining the new manufacturing location. The LERTA program was one of the incentives the owners pursued. In addition, the owners also submitted 2 applications for the Enterprise Zone Tax Credit. Although unsuccessful, it was an incentive to build in the LVIP. Lastly, the owners also have a 3 year option to purchase the adjacent 12 acre site for future expansion and would continue to look forward to the available incentives from these programs."

This project created 19 new full-time, family-sustaining jobs in the City of Bethlehem within one year. Within three to five years, we anticipate to create 80 total jobs. Positions include machine operators, technician and management staff. We expect ~85-90% of these new hires will come from the local community. This number may be even higher depending on the applicants we receive for management roles, but the hourly work force will be local and will account for a majority of the hiring. The average hourly pay for these positions is ██████████ and may be as high as ██████████ per hour for skilled laborers. Employees receive full benefits, 401k options, as well as vacation and sick time. These positions are open to youths, low-income individuals, and unskilled laborers. All positions have training programs that individuals complete upon being hired. Additionally, the company has ongoing training and development program opportunities to encourage employees' continued growth.

1. **Increased Property Values:** Our new facility was constructed to feature the highest-quality and industry-standard upgrades. These investments will increase the value of the property, which in turn will assist with the future sales of other commercial and industrial buildings within the community.

2. **Increased spending to local businesses:** We anticipate that all full-time employees and associated staff will routinely buy lunch each work day from local businesses in the community. Outside of work, our employees shop at the nearby Outlets at Sands Bethlehem, and have the option to enjoy gaming tables at the Sands Bethlehem Casino. Additionally, we buy our manufacturing supplies from local vendors, and we use local consulting services and training programs to further our company's development. Bethlehem vendors we buy from include Kistler O'Brien, Cantelmi's Hardware, Valley Industrial Rubber, and Keystone Business Products. Local construction firm JVI, LLC headed our construction project. Other local companies were utilized at every possible level of the project, from site prep, to the local rigging and installation companies that were used for equipment installation, and beyond.

3. This project fully complements the goals and objectives of Bethlehem's Comprehensive Plan 2008 because we will be "cooperating closely with Lehigh Valley Industrial Park (LVIP) and other entities to facilitate phased redevelopment of the former Bethlehem Steel industrial lands in the southeastern part of the City (LVIP VII)." Furthermore, this project upholds the Plan's focus to "strengthen economic development programs geared towards retraining, attracting and expanding businesses" and to "strengthen the...South Side central business districts' branding and identity."

"Land development projects at the [REDACTED] compete for tenants against major developments in Northampton and Lehigh Counties, as well as sites in numerous business parks throughout the I-78, I-81 and I-83 corridors. Most of these competitors have lower local tax rates than the [REDACTED] and many have tax abatements or incentives like LERTA and KOEZ. The City of Bethlehem's LERTA allows the [REDACTED] to compete with the other regional developments. LERTA has been a key component to the site selection decisions of our present tenants, thus leading to more jobs for Bethlehem. In addition to competing against Pennsylvania sites, the [REDACTED] competes with sites across the Mid-Atlantic region and sites in states up and down the east coast. Other states have aggressive business retention and recruitment incentives that Pennsylvania does not have. These programs allow states like New Jersey, Virginia and South Carolina to offer millions of dollars of tax credits or grants to attract companies to locate or expand at sites in their state. LERTA helps to level the playing field, giving sites in the Bethlehem LERTA a tax incentive to provide potential end users comparing the Bethlehem LERTA sites, with locations in other states."

"This incentive has been helpful in the successful completion of our fulfillment center build-out. It will help to increase employment in the City."

CRIZ**2 found programs Very Critical**

"Helped to create the loan facility and provide debt for improvements. The [REDACTED] is now an extremely successful operating business on the South Side that is anchoring new development opportunities. As far as the impact of the CRIZ...without the CRIZ, the [REDACTED] would not have come to Bethlehem. They would have simply produced spirits on the farm in [REDACTED]. The benefit of the CRIZ allowed us to redevelop a blighted building and incent a tenant."

"CRIZ helps with bank financing. CRIZ – CRIZ is helpful in some circumstances. It is user dependent and a developer needs to balance the cost of union vs. non-union labor for construction. There is a general perception that CRIZ is like NIZ. It is not even close except in certain circumstances. It is a hurdle to get over when talking to potential tenants from the general area."

CDBG**2 found programs Very Critical**

“Thanks to the City of Bethlehem and the Mayor to help us out with this project. Now we can be relieved that people can walk on the sidewalk without the fear of falling.”

“It was instrumental in our growth. With it we acquired our restaurant liquor license, which had an immediate impact on the success of the business. Our revenue more than doubled in the months following. We've also been able to grow, adding staff and set assets aside for our next phase of growth which is building out our distillery location in Hanover Township. We have taken on a mortgage for that real estate, but no additional debt.”

TIF**1 found programs Very Critical**

"The property had environmental and site work challenges that without the assistance of the TIF, may not have been possible."

2018
Tax Expenditure Spreadsheets
Tax Expenditure Reports

**CITY OF BETHLEHEM
TAX EXPENDITURE SPREADSHEET**

LERTA

	REAL ESTATE TAX OWED IF NOT IN LERTA	REAL ESTATE TAX PAID IN LERTA	BUSINESS PRIVILEGE TAX PAID	EARNED INCOME TAX PAID	LOCAL SERVICES TAX PAID
2016	\$ 2,332,281	\$ 923,213	\$ 393,457	\$ 115,981	\$ 94,520
2015	2,281,964	737,440	379,437	113,683	71,615
2014	2,160,930	530,177	400,265	78,855	53,426
2013	2,160,930	456,008	289,713	58,185	43,707
2012	2,019,497	373,217	306,898	45,456	37,437

TIF

	TOTAL REAL ESTATE TAXES PAID	AMOUNT RETAINED BY CITY	AMOUNT SENT TO RDA
2017	\$ 2,594,471	\$ 1,137,826	\$ (1,456,645)
2016	2,584,875	1,128,875	(1,456,000)
2015	2,528,106	1,070,961	(1,457,145)
2014	2,387,285	960,050	(1,427,235)
2013	2,502,874	1,081,616	(1,421,258)
2012	2,442,836	893,104	(1,549,732)
2011	1,357,387	451,827	(905,560)
2010	692,788	206,787	(486,001)

CRIZ

	REAL ESTATE TAXES PAID BY CRIZ PROPERTY	INCREMENTAL ACT 511 SENT TO THE STATE
2016	\$ 1,576	\$ (6,279)
2015	1,542	(2,160)
2014	1,460	(1,154)
2013	1,460	-

**CITY OF BETHLEHEM
TAX EXPENDITURE REPORT**

(1) **LERTA**

	REAL ESTATE TAX OWED IF NOT IN LERTA	REAL ESTATE TAX PAID IN LERTA	BUSINESS PRIVILEGE TAX PAID	EARNED INCOME TAX PAID	LOCAL SERVICES TAX PAID
2016	\$ 2,332,281	\$ 923,213	\$ 393,457	\$ 115,981	\$ 94,520
2015	2,281,964	737,440	379,437	113,683	71,615
2014	2,160,930	530,177	400,265	78,855	53,426
2013	2,160,930	456,008	289,713	58,185	43,707
2012	2,019,497	373,217	306,898	45,456	37,437

- (2) Local Economic Revitalization Tax Assistance Act - See 72 P.S. §4722 et seq.; Article 342 of the Codified Ordinances of the City of Bethlehem.
- (3) Year in which it was enacted or the tax year in which it became effective.
- (4) Other report content, document, and/or information requested by the Committee from time to time upon reasonable prior notice to the Administration.

**CITY OF BETHLEHEM
TAX EXPENDITURE REPORT**

(1) **TIF**

	TOTAL REAL ESTATE TAXES PAID		AMOUNT RETAINED BY CITY		AMOUNT SENT TO RDA
2017	\$ 2,594,471	\$	1,137,826	\$	(1,456,645)
2016	2,584,875		1,128,875		(1,456,000)
2015	2,528,106		1,070,961		(1,457,145)
2014	2,387,285		960,050		(1,427,235)
2013	2,502,874		1,081,616		(1,421,258)
2012	2,442,836		893,104		(1,549,732)
2011	1,357,387		451,827		(905,560)
2010	692,788		206,787		(486,001)

- (2) Tax Increment Financing Act of July 11, 1990, as amended, 53 P.S. 6930.1 et seq.; [City of Bethlehem _____].
- (3) Year in which it was enacted or the tax year in which it became effective.
- (4) Other report content, document, and/or information requested by the Committee from time to time upon reasonable prior notice to the Administration.

**CITY OF BETHLEHEM
TAX EXPENDITURE REPORT**

(1) CRIZ

	<u>REAL ESTATE TAXES PAID BY CRIZ PROPERTY</u>		<u>INCREMENTAL ACT 511 SENT TO THE STATE</u>	
2016	\$	1,576	\$	(6,279)
2015		1,542		(2,160)
2014		1,460		(1,154)
2013		1,460		-

- (2) Act 52 of 2013 and amended by Act 84 of 2016.
- (3) Year in which it was enacted or the tax year in which it became effective.
- (4) Other report content, document, and/or information requested by the Committee from time to time upon reasonable prior notice to the Administration.

**2018
Program Summaries**

ARTICLE 349 FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
ECONOMIC DEVELOPMENT INCENTIVE REPORTING AND EVALUATION
PROGRAM SUMMARIES

Submitted Administration Document: Program Summaries
FAIR Program Year: 2018

Pursuant to Article 349 of the Codified Ordinances of the City of Bethlehem (“City”), Section 349.05 (B)(4), the City Administration hereby submits this Program Summaries document in order to summarize Certain aspects of the Economic Development Incentive programs and/or services listed below in effect as of January 1 of the Program Year. This document summarizes selected aspects of the following Economic Development Incentive programs and services. *NOTE:* “Article” means a reference to the applicable article contained in the Codified ordinances of the City of Bethlehem, PA.

ECONOMIC DEVELOPMENT TAX INCENTIVES
(programs that reduce/redirect City tax revenues)

- 1. **Local Economic Revitalization Tax Assistance (LERTA)**
- 2. **Bethlehem Works Tax Increment Financing District (TIF)**
- 3. **City Revitalization and Improvement Zone (CRIZ)**

NON-TAX INCENTIVES
(programs that do not reduce or redirect City tax revenues)

GRANTS/LOANS

- 4. **Enterprise Zone Loan Fund**
- 5. **CDBG Loan Programs**
- 6. **HOME Loan Programs**
- 7. **Business Infrastructure Development Loan Fund**
- 8. **Best Front Forward/Elm Street Loan Fund**

ARTICLE 349 FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
ECONOMIC DEVELOPMENT INCENTIVE REPORTING AND EVALUATION
PROGRAM SUMMARIES

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ARTICLE 349 FAIR PROGRAM
Financial Accountability Incentive Reporting (FAIR)
ECONOMIC DEVELOPMENT INCENTIVE REPORTING AND EVALUATION
PROGRAM SUMMARIES

Program Name:

Local Economic Revitalization Tax Assistance (LERTA)

Authorizing law(s):

Local Economic Revitalization Tax Assistance Act - See 72 P.S. §4722 et seq.; Article 342 of the Codified Ordinances of the City of Bethlehem

Governance; Staffing:

Managed by City of Bethlehem, Department of Community and Economic Development and the Tax Office.

Purpose; Summary:

LERTA, is a tax abatement program that was created in 1977 to incentivize property investment and redevelopment of difficult and undesirable properties. LERTA creates a tax abatement on the increase on the real estate tax payments on new construction and property rehabilitation. Recipient owners are incentivized to improve their real property within the zone, thereby increasing assessed valuation and future City tax base, because the owner will not have to pay full property taxes on the improvements for the duration of the specific LERTA zone. Program status reports are delivered to City Council by the City Administration every five years.

Costs to City of Bethlehem:

Costs to the city are hard to quantify because it is impossible to know if these projects would occur at these locations, or if they are completed faster or as a larger project because of the LERTA.

Eligible Recipients:

Owners of commercial, industrial, residential and business properties located within designated zones in the City are eligible for this incentive.

Duration of Incentive:

Each LERTA benefit is for 10 years. The Ordinance is authorized for every 5 years.

Reporting; Monitoring; Recipient Compliance:

The City solicits reporting from developers and companies receiving this incentive at least every five years. Companies applying for LERTA must obtain a building permit prior to application and must remain current on real estate taxes to receive the benefit.

ARTICLE 349 FAIR PROGRAM
 Financial Accountability Incentive Reporting (FAIR)
 ECONOMIC DEVELOPMENT INCENTIVE REPORTING AND EVALUATION
PROGRAM SUMMARIES

Other:**Program Name:**

Bethlehem Works Tax Increment Financing District (TIF)

Authorizing law(s):

Tax Increment Financing Act of July 11, 1990, as amended, 53 P.S. 6930.1 et seq. ("TIF Act"); and City of Bethlehem Article 345

Governance; Staffing:

Bethlehem Redevelopment Authority (RDA). The RDA is an independent authority with members appointed by the Mayor. This program is administered by RDA employees.

Purpose; Summary:

The TIF Zone includes [124] acres of former Bethlehem Steel sites, where a percentage of real estate taxes is captured by RDA and utilized for further development. TIF funds are utilized only for projects that will be open to and used by the public. Future TIF funds will be used for the redevelopment of the Hoover-Mason Trestle, parking improvements, and infrastructure improvements at the Bethlehem Steel General Office Building, Carpenters Shop and Cold Draw buildings.

TIF funds are used to make infrastructure improvements, pay related costs for these improvements, allow for contingencies, pay the cost of parking structures, cover the cost of issuing the loans, and pay all legal and administrative costs associated with projects in the TIF district.

Costs to City of Bethlehem:

The cost to the City is forgone/redirection City real estate tax revenues. See the FAIR Tax Expenditure Reports and Tax Expenditure Spreadsheets, required by 349.05 (B)(2), for detail on the value of redirected City tax revenues associated with the TIF.

Eligible Recipients:**Duration of Incentive:**

The Bethlehem Works Tax Increment District shall continue in existence until such time as all Project Costs are fully paid or until June 30, 2020 whichever occurs first. Starting in fiscal year _____, all City tax revenues previously redirected to the RDA under the TIF program, will begin flowing back to the City.

Reporting; Monitoring; Compliance:**Other:**

ARTICLE 349 FAIR PROGRAM
 Financial Accountability Incentive Reporting (FAIR)
 ECONOMIC DEVELOPMENT INCENTIVE REPORTING AND EVALUATION
PROGRAM SUMMARIES

Program Name

City Revitalization and Improvement Zone (CRIZ)

Authorizing law(s)

Act 52 of 2013 (“CRIZ Act”)

Governance; Staffing

The CRIZ, authorized by the Commonwealth of Pennsylvania (PA) and managed locally by the Bethlehem Revitalization and Improvement Zone Authority (BRIA), an independent authority with members appointed by the Mayor. City agencies involved in program management include the Department of Community and Economic Development and the Business Administration.

Purpose; Summary

The CRIZ program was established by the state to spur new growth in cities that have struggled to attract development, helping to revive downtowns and create jobs for the residents in the regions. These developments will help to create jobs, increase personal income, grow local and state tax revenues, and improve the overall quality of living for residents. A CRIZ is an area (zone) of up to 130 acres, comprised of parcels designated for economic development. The parcels included in the CRIZ [may] include vacant, desolate, underutilized, and abandoned properties that are ready for redevelopment. In order to stimulate economic development within the zone, certain state and local taxes (qualified tax revenue) collected within the zone that exceed a pre-CRIZ tax baseline may be used to repay debt service on bonds or loans issued [for the acquisition, improvement and development of qualified capital improvements within the zone.] Bonds may be issued by BRIA, which will then be paid off using qualified tax revenue created in the zone.

Costs to City of Bethlehem

The main costs to the City of this program are: (a) [forgone] City tax revenues and (b) City staff time for program administration. [General Fund] revenues from certain types of City taxes may be [reduced] through the CRIZ program, including the following taxes:

- (1) *Business Privilege Tax* (Article 341) calculated and apportioned to reflect taxes attributable to the location within the zone;
- (2) *Amusement Tax* (Article 304), to the extent the tax is related to the activity of a qualified business within the zone;
- (3) *Local services tax* (Article 339) withheld from employees of a qualified business or construction contractor for work performed in the zone; and

Different businesses activities generate different types of tax revenue, so the above tax expenditures may not be applicable to a given business depending upon its individual activities.

349.05 (B)(4)

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Eligible Recipients

Under the CRIZ Act, a “Qualified Business” is eligible which means (a) any entity that conducts business, provides services and is located or partially located within the borders of the CRIZ and (b) any construction contractors engaged in construction, including infrastructure or site preparation, reconstruction or renovation of a facility located in or partially in the CRIZ. (Source: 2014 PA DCED CRIZ Guidelines).

Duration of Incentive

The benefits last for the term of the financing or the remainder of the CRIZ designation, whatever is shorter.

Reporting; Monitoring; Recipient Compliance

All qualified businesses, including construction contractors, within a CRIZ must complete annual state and local tax reports by June 15 each year so the Department of Revenue and local tax authority may certify the amount of taxes to be transferred to the CRIZ Fund. The state tax report is available through the June 15 filing deadline by using the online portal. Qualified businesses that fail to timely submit complete CRIZ tax reports will be subject to a non-filing penalty of the lesser of 10 percent of taxes attributed to the CRIZ or \$1,000 for each late or non-filed report during the previous calendar year. Taxes paid by a contractor or qualified business that failed to timely submit a complete CRIZ tax report will not be included in the amount transferred to the CRIZ Fund.

Other

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Program Name:

Enterprise Zone Loan Program

Authorizing law(s):

Neighborhood Assistance Program (NAP) under Article XIX-A of the Tax Reform Code of 1971, known as the Neighborhood Assistance Act (Act 48-1994) (72 P.S. §8901-A, et seq.), as amended.

Governance; Staffing:

Managed by City of Bethlehem, Department of Community and Economic Development.

Purpose; Summary:

Private companies and non-profits can make qualified investments to rehabilitate, expand and improve buildings or land that promote economic development activities.

Costs to City of Bethlehem:

There is no direct cost to the city outside of funds administration.

Eligible Recipients:

Owners of commercial, industrial, residential and business properties located within designated zones in the City are eligible for this incentive.

Duration of Incentive:

Rates and term of the loan are flexible.

Reporting; Monitoring; Recipient Compliance:

One full-time job must be created or retained for each \$35,000 increment of the EZ loan. Companies must create jobs within three years. If the jobs are not created within a reasonable period of time, sanctions, such as an increase in the loan interest rate or an accelerated loan payment schedule up to and including immediate repayment at a higher interest rate may be enacted against the recipient. The City reports bi-annually to the Commonwealth on the use of the funds.

Other:

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Program Name:

CDBG Loan Programs

Authorizing law(s):

Annual Action Plan

Governance; Staffing:

Administered by City of Bethlehem, Department of Community and Economic Development and the Rising Tide Community Loan Fund.

Purpose; Summary:

Bethlehem Small Business Loan Fund and the Exterior Building Loan Fund

Costs to City of Bethlehem:

There is no direct cost to the city outside of funds administration.

Eligible Recipients:

Small business owners with businesses located within the City of Bethlehem.

Duration of Incentive:

Ongoing.

Reporting; Monitoring; Recipient Compliance:

Quarterly reporting is due to HUD on the Bethlehem Small Business Loan Fund. Yearly reporting is due to HUD on the Exterior Building Loan Fund. Both projects are captured in the Consolidated Annual Performance and Evaluation Report required by HUD. City staff monitors both programs for the duration of the job creation requirements (up to 1 year after project completion) through the collection of reports and through site visits to loan recipients and administrators. If recipients fail to create or retain the required amount of jobs, funds must be repaid to the City.

Other:

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Program Name:

HOME Loan Programs

Authorizing law(s):

Annual Action Plan

Governance; Staffing:

Administered by City of Bethlehem, Department of Community and Economic Development.

Purpose; Summary:

The intent of the HOME Program is provide decent affordable housing to lower-income households, expand the capacity of nonprofit housing providers, strengthen the City's housing stock and leverage private-sector participation.

Costs to City of Bethlehem:

There is no direct cost to the city outside of funds administration.

Eligible Recipients:

Developers of affordable housing.

Duration of Incentive:

Yearly allocations are made for housing development with four years to complete the project.

Reporting; Monitoring; Recipient Compliance:

Quarterly status reports are required from housing developers by the City along with an annual site visit to review project files. All project outcomes are captured in the Consolidated Annual Performance and Evaluation Report filed with HUD. Deed restrictions are placed on homes or in the grant agreement to preserve the affordable housing for the duration required by law.

Other:

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Program Name:

Business Infrastructure Development (BID Program) Loan Fund

Authorizing law(s):

Act of July 2, 1984 (P.L. 520, No. 105), as amended, known as the Business Infrastructure Development Act

Governance; Staffing:

Administered by City of Bethlehem, Department of Community and Economic Development.

Purpose; Summary:

To provide loans to private companies or developers for the construction, rehabilitation or repair of infrastructure improvements on privately owned property, which improvements are necessary to complement industrial investment by private companies which increases Pennsylvania's share of domestic and international commerce and creates net new jobs

Costs to City of Bethlehem:

There is no direct cost to the city outside of funds administration.

Eligible Recipients:

Private companies or developers for projects on privately-owned properties

Duration of Incentive:

Rates and term of the loans are flexible

Reporting; Monitoring; Recipient Compliance:

Although job creation is a requirement of this program, actual jobs required of any given applicant are evaluated and approved on a case by case basis. Companies must create jobs within three years. If the jobs are not created within this time, sanctions, such as an increase in the loan interest rate or an accelerated loan payment schedule, up to and including immediate repayment at a higher interest rate, may be enacted against the recipient. Prior to any loan approvals, the City must obtain written permission from the PA DCED for the use of funds.

Other:

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Financial Accountability Incentive Reporting (FAIR)
ECONOMIC DEVELOPMENT INCENTIVE REPORTING AND EVALUATION
PROGRAM SUMMARIES

Program Name:

Best Front Forward/Elm Street Loan Fund

Authorizing law(s):

Pennsylvania Statutes Title 73 P.S. Trade and Commerce §392.2001, the Elm Street Program Act

Governance; Staffing:

Administered by City of Bethlehem, Department of Community and Economic Development.

Purpose; Summary:

The program is intended to assist homeowners in improving the appearance of their privately-owned property through the use of independent contractors; it is targeted toward homeowners who otherwise would have to borrow money at a higher interest rate or would not qualify for loans for such work because of their financial position and/or the location or condition of such property.

Costs to City of Bethlehem:

There is no direct cost to the city outside of funds administration.

Eligible Recipients

Homeowners in targeted neighborhoods of the City.

Duration of Incentive:

Ongoing until such time available funds are exhausted.

Reporting; Monitoring; Recipient Compliance:

An annual report is due from participating homeowners. Homes must be owner-occupied for the period of any approved and/or forgivable loan. Homeowners are restricted to the number of allowable rental units within the property.

Other: