

First Reading: 05/08/13

Deferred: 05/22/13

Deferred: 06/12/13

Defeated 3-6: 06/26/13

**COUNTY OF LEHIGH, PENNSYLVANIA
COMMISSIONERS BILL 2013-19
SPONSORED BY COMMISSIONERS McCARTHY & DOUGHERTY
REQUESTED DATE: APRIL 30, 2013
ORDINANCE NO. 2013 –**

**APPROVING THE PARTICIPATION OF LEHIGH COUNTY IN A TAX
INCREMENT DISTRICT FOR THE HAMILTON CROSSINGS PROJECT AND
TAKING RELATED ACTIONS**

WHEREAS, the “Tax Increment Financing Act” P.L. 465, July 11, 1990, 53 P.S. §6930.1 et seq., (the “TIF Act”), grants powers to industrial and commercial development authorities and redevelopment authorities to address conditions of blight and inadequate planning and development of urban communities; and

WHEREAS, the TIF Act also provides authority for local taxing bodies to cooperate in providing financing for redevelopment of areas in their jurisdictions which will generate new development and improve the tax base; and

WHEREAS, pursuant to the TIF Act, the Lehigh County Industrial Development Authority (“LCIDA”) has prepared and presented a plan for the creation of a tax increment district in Lower Macungie Township for the area known as the Hamilton Crossings Project, more particularly described in Exhibit “A” attached hereto (“Hamilton Crossings TIF District”); and

WHEREAS, in accordance with the TIF Act, the Lehigh County Board of Commissioners designated Percy Dougherty and Vic Mazziotti, and the Lehigh County Executive designated Cindy Feinberg as the representatives for the County (“County Representatives”) to meet with LCIDA to discuss the Hamilton Crossings TIF District,

the plans for the redevelopment thereof and the tax increment financing therefore; and

WHEREAS, as required by the TIF Act, the LCIDA, the County Representatives, and representatives of Lower Macungie Township and East Penn School District have met and discussed the creation of the Hamilton Crossings TIF District, the boundaries and plans for redevelopment and financing thereof and the other matters set forth in Section 5 of the TIF Act (53 P.S. §6903.5); and

WHEREAS, on November 13, 2012, the Lower Macungie Township Planning Commission adopted a Resolution determining that the area to be included in the proposed TIF District was both “blighted” and a “Redevelopment Area”, findings which render the site eligible for TIF participation; and

WHEREAS, on April 16, 2013 the Board of LCIDA adopted a Resolution approving the Hamilton Crossings TIF project and authorizing the issuance and sale of bonds to assist the TIF project; and

WHEREAS, the East Penn School District and Lower Macungie Township will consider this project on May 13, 2013 and June 6, 2013, respectively, upon Lehigh County’s agreement to participate; and

WHEREAS, after discussions and a formal presentation on April 24, 2013, the Commissioners have determined to participate in the Hamilton Crossings TIF District and to allocate fifty percent (50%) of the positive tax increment of the County to the financing of the redevelopment of the Hamilton Crossings TIF District; and

WHEREAS, accordingly, the County desires, by this ordinance, to agree to participate in the Hamilton Crossings TIF District as hereinabove set forth and to

authorize such actions as are necessary or appropriate to effectuate the purposes hereof.

NOW, THEREFORE, IT IS HEREBY ENACTED AND ORDAINED BY THE BOARD OF COMMISSIONERS OF THE COUNTY OF LEHIGH, PENNSYLVANIA, THAT:

1. The foregoing Whereas clauses are incorporated herein as if set forth in their entirety.

2. The County of Lehigh hereby agrees to participate in the Hamilton Crossings TIF District and to allocate 50% of the County's share of the Tax Increment, as defined in the TIF Act, to financing the redevelopment thereof.

3. Notwithstanding anything contained herein to the contrary, the County's election to participate in the Hamilton Crossings TIF District shall not, in any way, be deemed a pledge of the credit or taxing power of the County, nor shall such participation obligate or make the County liable for the payment of principal of, or interest on, any bonds issued by the LCIDA in connection with the tax increment financing.

4. The proper officers and other personnel of Lehigh County are hereby authorized and empowered to take all such further action, including any necessary transfers of funds, and execute additional documents as they may deem appropriate to carry out the purpose of this Ordinance, including if needed a Cooperation Agreement among the entities participating in the TIF District and LCIDA, in form and substance consistent with the terms of this Ordinance.

5. The County Executive shall distribute copies of this Ordinance to the proper offices and other personnel of Lehigh County whose further action is required to

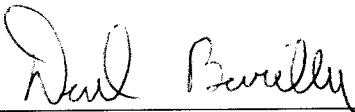
achieve the purpose of this Ordinance.

6. Any Ordinance or part of any Ordinance conflicting with the provisions of this Ordinance is hereby repealed insofar as the same affects this Ordinance.

7. This Ordinance shall become effective in ten (10) days after enactment.

DEFEATED this 26th day of June, 2013 by the following vote:

<u>Commissioners</u>	<u>AYE</u>	<u>NAY</u>
Thomas C. Creighton, III	X	
Percy H. Dougherty	X	
David S. Jones, Sr.	X	
Daniel K. McCarthy		X
Vic Mazziotti		X
Brad Osborne		X
Scott Ott		X
Lisa Scheller		X
Michael P. Schware		X

ATTEST: 
Clerk to the Board of Commissioners

APPROVED this _____ day of _____, 2013.

Matthew T. Croslis
Lehigh County Executive

ENACTED this _____ day of _____, 2013.

I. Tax Increment Financing Plan and Project Summary.

The Lehigh County Industrial Development Authority (Authority) hereby submits this Tax Increment Financing (TIF) Plan for the Hamilton Crossings Tax Increment Financing District (hereinafter referred to as the Project), in accordance with Act 113 of 1990, as amended by Act 164 of 1992 (TIF Act).

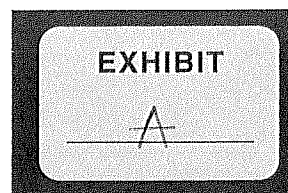
A. Statutory Framework. Pennsylvania is one of 49 states with a TIF law. Pennsylvania’s TIF Act, adopted in 1990, creates a statutory mechanism for promoting redevelopment of “blighted” properties. The term “blight,” as used in the TIF Act, refers to a property that meets one or more criteria of a “Redevelopment Area,” as set forth in the Pennsylvania Urban Redevelopment Law of May 24, 1945, P.L. 991, No. 385 (Urban Redevelopment Law). The TIF Act states that as a matter of public policy,

in order to further remedy conditions found to exist in this Commonwealth as declared in the Urban Redevelopment Law, it is essential to provide new employment opportunities to prevent, arrest and alleviate blighted, decayed and substandard areas in municipalities, to increase the tax base and to improve the general economy of this Commonwealth. (TIF Act, Section 2(b).)

To carry out that statement of legislative policy, the TIF Act provides “alternative means to finance” the “development and revitalization” of “blighted” “Redevelopment Areas” by allowing new tax revenues from development projects located in those areas to be used to help defray a portion of their development costs (TIF Act, Section 2(b).).

- 1. The Blight Resolution.** On November 13, 2012, the Planning Commission of Lower Macungie Township adopted a Resolution (the Blight Resolution) that determined the land proposed to be included in the TIF District to be both “blighted” and a “Redevelopment Area” as defined in the Urban Redevelopment Law. Among other things, the Planning Commission found the long-abandoned site to constitute an “economically or socially undesirable” land use. (A copy of the Blight Resolution is appended as Exhibit 2 hereto.)

Those findings render the Project eligible for TIF, as a matter of law, under the TIF Act.



2. TIF Approval Process.

- (a) **Role of the Authority.** Under the TIF Act, the Authority serves as the organizational and administrative entity for the TIF. Among other things, the Act empowers the Authority to “propose tax increment districts” and “cause project plans to be prepared and effectuate the purposes of th[os]e plans” (TIF Act, Sections 4(1) and 4(2).). The Authority is specifically responsible for the preparation of a plan for the development of the TIF District – the TIF Plan -- that meets all statutory requirements of the TIF Act (TIF Act, Section 4(2).). If the governing bodies decide to approve the TIF Plan, the Act empowers the Authority to issue bonds or other debt for the Project, and repay that debt using new tax revenues that the Project generates, in accordance with terms of the TIF Plan (TIF Act, Sections 4(3) 4(4) and 4(5).).
- (b) **The TIF Committee.** The TIF Act requires that the Authority meet with a “designated representative” of each local governing body – that is, the school district, the county, and the municipality -- to discuss the proposed TIF District and all of the elements of the proposed TIF Plan (TIF Act, Section 5(a)(2).). The Act does not require the creation of a “TIF Committee,” nor meetings to be attended by all designated representatives of governing bodies. Notwithstanding, in Lehigh County, such meetings generally are part of the TIF process.
- (c) **Creation of the TIF District.** The Act requires that the TIF Plan precisely define and delineate the properties to be included in the TIF District. Ultimately, the host municipality -- in this case, Lower Macungie Township -- is responsible for the creation of the TIF District (TIF Act, Section 5(a)(3).). A public hearing open to all interested parties is a mandatory part of that process (TIF Act, Section 5(a)(5).).
- (d) **Consideration of the TIF Plan.** The Act requires the TIF Plan to be submitted for consideration and approval by all local governing bodies, in this case, Lower Macungie Township, the East Penn School District, and the County of Lehigh (TIF Act, Section 5(a)(7).). Those approval proceedings provide additional opportunities for public input on the proposed TIF Plan.

B. The TIF Project. The objective of the TIF Project is to enable the redevelopment of 63.21 acres of vacant, blighted land located in Lower Macungie Township (the Property) that, for approximately 80 years after the Civil War, was the site of large, open pit iron mines. That former mine site – under developed for so many years -- is located to the east and west of Krocks Road, between Hamilton Boulevard and the Route 222 Bypass.

- 1. Overview.** TGG/TCH-Hamilton Crossings Associates, L.P. (TGG/TCH) proposes to transform the Property into an upscale commercial town center, to be called “Hamilton Crossings,” consisting of 590,324 square feet of retail stores and restaurants, 2,501 parking spaces, and many public amenities. The Project includes two highly regarded anchor tenants: the first Costco in the Lehigh Valley, consisting of 154,307 square feet, and the first Target store in Lower Macungie Township, consisting of 135,300 square feet. Both Costco and Target will own their own parcels, each consisting of their building and parking areas. The balance of the town center, to be owned by TGG/TCH, will include a major national high-end food store, together with a dynamic mix of upscale national, regional, and local retailers and restaurants.

The Project reflects the shared vision of Lower Macungie Township and the TGG/TCH development team. That vision is the product of an intense collaborative planning effort, more than two years in duration, involving the TGG/TCH development team and the Township’s elected officials and planning staff. As a result of that collaborative effort, the Project now includes an impressive array of community-friendly features, consistent with New Urbanism planning principles, including enhanced architecture and building materials, four-sided buildings, pedestrian-scale streetscapes, bike lanes, over two miles of internal pedestrian and bicycle walkways connecting to the Township’s own bike path and walking trail system, public plazas and gathering spaces, pedestrian-level lighting, public art, abundant landscaping, decorative walls and gateway features, and public transit stops – all designed to provide Lower Macungie Township with an accessible, walkable, safe, and appealing town center.

The Project will involve a total investment of more than \$140 million, will create 495 new construction jobs and 920 new permanent jobs, and will generate substantial new tax revenues for the governing authorities.

- 2. Tax Generation.** Last year, the Property generated a total of about \$7,000 of property tax -- \$110.74 per acre -- for the County and School District. (Lower Macungie Township currently does not impose a property tax.) After completion

of the current Countywide reassessment, annual property tax generation from the Property is estimated to increase to about \$57,007 in the current year.

Upon completion, the Project is projected by Public Financial Management to generate a substantial increase in property taxes -- \$1,411,834 per year after the 2% discount for early tax payment. That is the proposed net "Tax Increment" -- the amount of new taxes, over and above current year tax generation of \$57,007 -- resulting from the Project. Should this TIF Plan find favor with the governing bodies, 50% of that net Tax Increment will be paid to the Authority each year for a period of 20 years. If, during that period, Lower Macungie Township imposes a property tax, 50% of its net Tax Increment likewise will be paid to the Authority for the remainder of the TIF debt. The Authority will use those funds for debt service on bonds (or other borrowing) incurred to help defray costs of developing the Project.

The remaining 50% of the net Tax Increment -- about \$705,917 per year -- will become new revenue for the governing bodies *beginning immediately after the Project opens for business and begins paying taxes*. Starting in year 21, after repayment of the TIF bonds, the governing bodies will share 100% of the net Tax Increment.

The table below shows the new recurring tax revenues that the governing bodies are projected to realize in the year of full build-out of the Project:

Governing Body	Current Year Annual Property Tax Revenue	New Annual Property Tax Revenue	Other New Recurring Annual Revenue ¹	Total New Recurring Tax Revenue
East Penn School District	\$46,155	571,540	\$25,843	\$597,383
Lehigh County	\$10,852	\$134,377	\$0	\$134,377
Lower Macungie	\$0	\$0	\$61,515	\$61,515

¹ Includes Earned Income Tax and Local Services Tax.

In addition, the governing bodies will realize substantial, non-recurring revenue in connection with the development of the Project, as shown below:

Governing Body	Act 515 Rollback Taxes	Transfer Tax	Permitting Fees	Total Non-recurring Revenue
East Penn School District	\$157,805	\$74,715	\$0	\$232,520
Lehigh County	\$38,901	\$0	\$0	\$38,901
Lower Macungie Township	\$0	\$74,715	\$59,032	\$133,747

The following table summarizes the new tax revenue that the governing bodies are expected to receive on account of the Project:

Governing Body	Total Initial New Tax Revenue (Recurring and Non-recurring)	Average Annual Recurring New Tax Revenue through Year 20	Aggregate New Tax Revenue – Years 1 – 20	Annual Recurring New Tax Revenue Beginning in Year 21
East Penn School District	\$450,269	\$590,872	\$11,817,445	\$1,289,084
Lehigh County	\$48,901	\$132,305	\$2,646,101	\$294,120
Lower Macungie Township	\$133,747	\$64,914	\$1,298,279	\$71,121

As the above tables indicate, under the proposed TIF Plan, the governing bodies stand to gain substantial new tax revenues:

- The School District is estimated to gain an average of *\$590,872 per year* through year 20, and *\$1,289,084 per year* beginning in year 21.
- The County is estimated to gain an average of *\$132,305 per year* through year 20, and *\$294,120 per year* beginning in year 21.

- The Township is estimated to gain an average of *\$64,914 per year* in Earned Income Tax and Local Services Tax, plus 50% of any property tax imposed during the 20-year life of the TIF, and 100% of any such tax thereafter.
3. **Site Attributes.** The Project site is uniquely attractive for commercial development. Regional demographics are strong. The trade area is underserved from a high-end retail and restaurant standpoint. The site has excellent access both to a regional highway (the Route 222 Bypass) and a major arterial (Hamilton Boulevard). Site visibility is excellent. The property is of sufficient size (63.21 acres) to provide both scale and significant tenant synergies. After exhaustive site selection processes, lasting several years, both Costco and Target have concluded that the Project site is the *only* site in the Lehigh Valley on which they desire to develop new stores. Absent development of the Project, Costco and Target will move on to other available sites in other states.
 4. **Approval and Construction Schedule.** The property is zoned C - Commercial. The Project is a permitted use in that zoning district and consistent with applicable County and regional comprehensive plans. The Zoning Hearing Board of Lower Macungie Township has granted all zoning variances needed for the Project. Land development, Pennsylvania Department of Transportation (PennDOT), and Department of Environmental Protection (DEP) approvals are well along, and should be received in the third quarter of 2013. Construction will begin soon thereafter. The projected opening date for the Project is the fall of 2014.
 5. **Project Challenges.** Completion of the Project will require that several major challenges be overcome. Each involves substantial costs.
 - (a) **Transportation Improvements.** Required transportation improvements associated with the Project, many of which address existing problems, include the following:
 - **Widening the Route 222 Bypass.** From its inception, the functionality of the Route 222 Bypass was constrained by government funding shortages. The Project will improve the functionality of the Bypass by adding a new eastbound collector/distributor road that provides additional capacity.
 - **Widening Krocks Road.** The Project also will add substantial vehicle and bicycle capacity to Krocks Road, between Hamilton Boulevard and the Route 222 Bypass, providing a five-lane cross section, additional turning lanes, as well as northbound and southbound bicycle lanes.

- **Improvements to Hamilton Boulevard.** The Project involves various improvements to and along Hamilton Boulevard, including sidewalks and turning lanes.
- **Adaptive Traffic Signals.** The Project includes the installation of new traffic signals, and upgrades to other traffic signals. All of those signals will incorporate cutting-edge, adaptive traffic signal technology that harnesses the power of powerful computers to optimize traffic flows. The new adaptive traffic signal system will help remedy existing congestion on Hamilton Boulevard, especially in the vicinity of Brookside Road.

According to traffic analyses prepared for PennDOT, some 76% of the above improvements are required to alleviate traffic problems that exist today – and that will continue to exist with or without the Project.

All told, required transportation improvements will add about \$11 million to the Project budget.

(b) Remediation of Regional Flooding. The Project lies in a watershed consisting of about 410 acres. That watershed currently drains into an unregulated open pit, formerly an iron mine, located along the east side of Krocks Road, to the north of the Route 222 Bypass. Existing drainage is woefully insufficient. Severe flooding occurs frequently in many locations within the watershed. The Project is required to alleviate those problems by (1) installing properly sized drainage pipes and structures, and (2) adding substantial detention and infiltration capacity to the existing drainage area north of the Bypass. The total cost of those drainage improvements, all required under prevailing regulations, exceeds \$4 million.

(c) Utility Capacity Upgrades. Existing utility services (such as electricity, water and sewer lines, and gas lines) are all insufficient to service the Project. All must be upgraded at a total cost of almost \$1 million.

Taken together, the infrastructure costs described above will add millions to the cost of the Project. No commercial development project is capable, on its own, of dealing with such extraordinary infrastructure costs. That explains why the site has been underdeveloped for so many years.

But for TIF to defray some of those extraordinary costs relating to the above described public infrastructure, commercial development of the site cannot and will not occur.

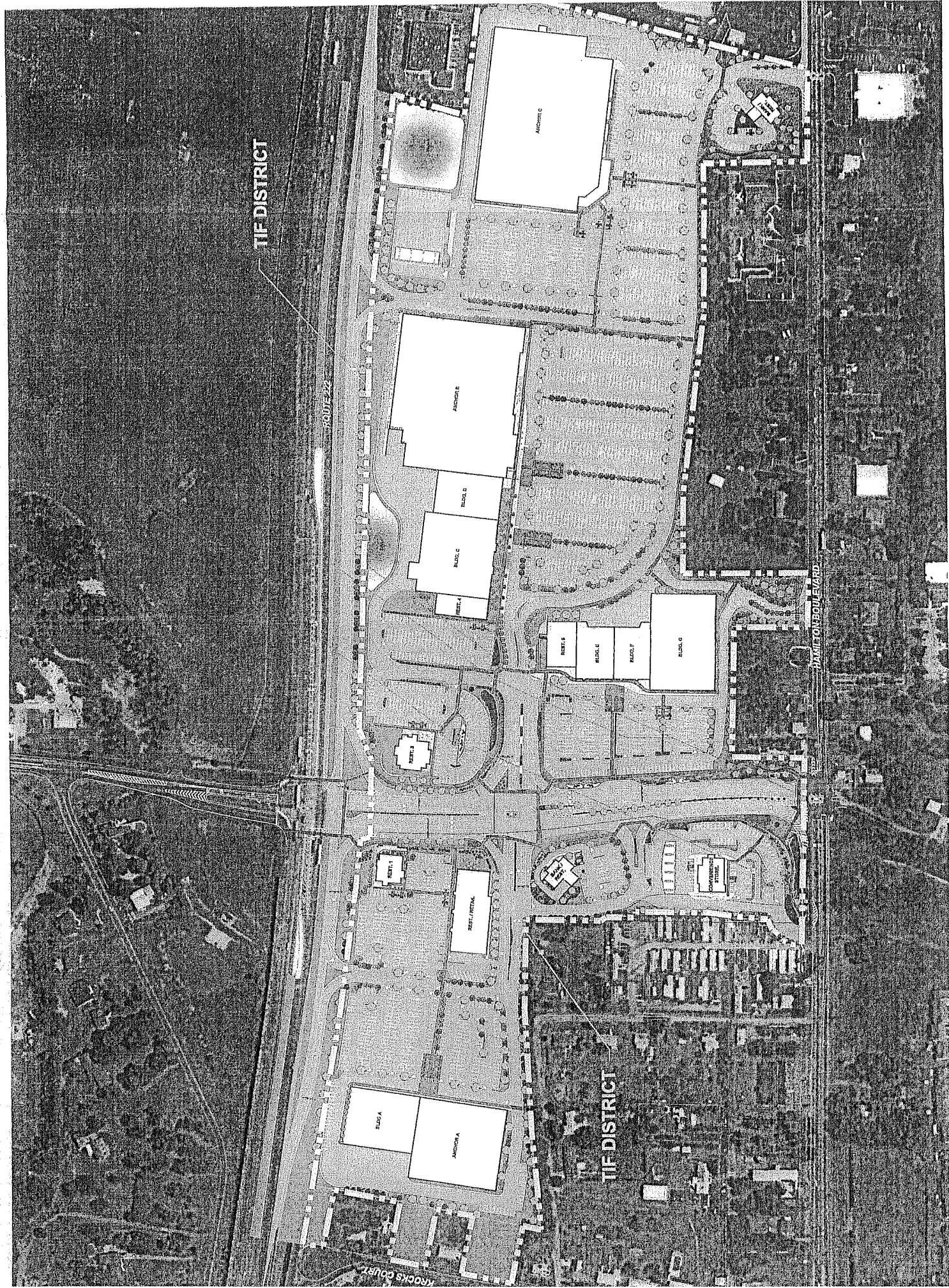
6. **Important Features of the TIF.** The balance of the TIF Plan contains all of the mandatory elements described in the TIF Act (TIF Act, Section 5(a)(4)). Four features of the Plan warrant particular emphasis:

(a) **Strong Anchors.** Target and Costco, the Project's anchor tenants, are both A+ rated national retailers with strong balance sheets. Each will own its own tax parcel. Together, Target and Costco will be responsible for 36% of the new taxes that the Project will generate.

(b) **Strong Sponsorship.** TGG/TCH is a joint development partnership between The Goldenberg Group and TCH Realty & Development Co., LLC, two leading commercial developers with substantial financial capacity and strong roots in Pennsylvania. The Project sponsors have developed more than 40 commercial projects, consisting of more than 10 million square feet of developed space, over the last 25 years.

(c) **No Governing Body Guarantees.** The TIF Plan does not call for any governing body to guarantee repayment of the TIF bonds.

(d) **Start of Construction.** The Project is in its final stages of approval and, if the TIF is adopted, will break ground this year and open for business in 2014.



TIF DISTRICT

ROUTE 22

DANIELSON BOULEVARD

KROCKS COURT

TIF DISTRICT

