

BERKS PARK 78

BERKS COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

Bethel Township, Berks County, PA, PA Route 501 and Interstate 78
Contact: Thomas C. McKeon, AICP,CEcD, Executive Director

TYPE OF PROJECT: Industrial Park ACREAGE: 323 TOTAL PERMANENT JOBS: 2,200
BUILDING SQUARE FEET: 2,890,999 TOTAL BUILDING AND EQUIPMENT: \$257M
DEVELOPMENT TEAM: Blue Rock Construction, Cushman and Wakefield, Georgeadis, Setley,
Attorneys and Advisors, Ludgate Engineering, R.L. Miller & Associates



History- In 2001 national site selection consultants evaluated Berks County's economic development potential. They found a major weakness to be a lack of shovel-ready sites. Prime sites were occupied or being converted to locations for homes or shopping centers. Land assembly and development of industrial sites by the private sector were seen as risky because of the complex entitlement process and the cost of privately financing infrastructure. As a result, prospects attracted by Berks County's location eventually passed it over. Existing companies' expansion plans were limited.

The consultants recommended that the Berks County Industrial Development Authority ("BCIDA") become involved in site development. The BCIDA's initial effort was focused upon the development of a specialty industrial park focused on the food industry. A site was optioned and a marketing and feasibility study was conducted. It concluded that a specialized food industry site would cause absorption rates to be low and infrastructure costs to be high. That made the project infeasible. However, the study did strongly recommend that because of the site's location and access to interstate highways it would be ideal for warehouse distribution. The BCIDA moved forward and purchased the land in late 2004. It financed the purchase using the HUD Section 108 loan program.

After several attempts to procure a private partner and to sell the land, as is, the BCIDA decided to develop the property. It assembled legal, engineering, real estate brokerage and construction management expertise into a development team. Its five-member board of business professionals played an integral role by giving advice and making major investment decisions as the project proceeded.



The team's first step was to conceptualize the project to align it with the market. It was decided that the market was moving toward larger sites that could accommodate buildings in the range of 1,000,000 square feet. A site layout had to be created with lots large enough for these sizes while accommodating the need for internal road circulation, infrastructure and the preservation of features such as the number of wetlands on the property.

The concept was eventually turned into subdivision and land development plans. From those plans, traffic, labor, environmental, endangered species, archeological, geology, soils, hydrology and storm water studies were generated. That work allowed the BCIDA to eventually acquire all entitlements for the project.

Another critical step was the financing of infrastructure. In addition to the 108 loan, the BCIDA assembled additional financing including a \$10M line of credit that was guaranteed by the County Commissioners. The state provided a \$3M capital program grant and put \$150,000 toward the initial soft costs. The state also agreed to reconstruct the interchange that served the site. In total, \$26M of financing was pieced together.



All of the work paid off when, on August 17, 2012, the BCIDA sold two lots totaling 196 acres on the same day for \$22,190,000. One sold to Dollar General and the other to the developer of PetSmart.

In April 2013, BCIDA sold another 89.2 acres to Dermody Properties (“DP”), a leading national developer for \$7.5M. DP can build a 750,000 square foot building on the site and is considering the development of a spec building.

The BCIDA has a 17-acre parcel capable of accommodating a 163,200 square foot building and a 2-acre parcel that remain for sale.



Job Creation/Retention, Multiplier - Dollar General is building a 906,919 SF distribution center to be operational in early 2014. It will serve 1,000 stores in the Northeast. It will create 500 new jobs.

PetSmart, through its developer, Seefried Properties, is constructing an 870,000 SF distribution center with an expansion of 200,880 SF in 2016. Eleven states and Eastern Canada with 260 stores will be served. New job growth is projected at 542 jobs.

CBRE was employed by PetSmart to complete a detailed economic and fiscal impact analysis of their project.

Among other things the CBRE Economic and Fiscal Impact Model estimated that one-time construction activity from the PetSmart project would create 753 direct construction and related service jobs.

CBRE estimated that 133 indirect jobs (suppliers supporting the operations of the DC) and 178 induced jobs (created by the spending of the wages of direct and indirect employees on goods and services) would be produced as a result of PetSmart.

Since the Dollar General project is at least equal to the PetSmart project it is safe to assume that the impacts of Dollar General will at least be equivalent to PetSmart. The combined job impact of the two projects alone is therefore as follows: Direct Jobs, 1,045; Indirect Jobs, 266; Induced Jobs, 356; and Total Jobs, 1,667. One-time construction jobs are 1,506.

If the development of the remaining lots which comprise 913,200 square feet are included, the figures above would increase approximately 32%. This would make the total Berks Park 78 projected permanent job impact 2,200 jobs.

Capital Investment- Dollar General's total capital investment for building construction, machinery and equipment and furniture, fixtures and equipment is \$90M. PetSmart's is \$87.1M for a total capital investment from the two projects of \$177.1M. Another \$80M is expected from the development of the remaining lots making the projected total capital investment for Berks Park 78, approximately \$257M.

Impact/Benefit to Neighborhood/Community/Region - CBRE's study of the PetSmart project showed that their project would generate \$693.8 M in economic activity during the next 10 years. Once again assuming that the Dollar General project is at least as big, the combined economic impact for the region is estimated to be \$1.39 billion.

During 10 years, it is projected that \$40M in tax revenue for the Commonwealth of Pennsylvania will be produced from the two projects.

Despite the existence of the LERTA tax abatement district, it is estimated that \$15M in real estate taxes over ten years will be collected for Bethel Township, Berks County and the Tulpehocken School District.

Leveraging - As shown earlier, the total economic impact over ten years from Dollar General and PetSmart will be \$1.39 billion. Since all the loans have been paid off and the BCIDA's equity investment has been recovered, the only sunken public investments are state grants, job training assistance and tax credits. They total \$7.6 M. This shows that over ten years \$184 will be returned for each state dollar invested.

If total building and equipment, \$257M, is used as a leveraging measure, the return is \$34 of private dollars for every state dollar invested

Partnerships - A barrier to the inducement of private investment at Berks Park 78 was the local real estate tax situation. An analysis showed that the tax rates per square foot at Berks Park 78 were in some cases significantly higher than other areas in the I-78/81 corridor. One consultant remarked that he had reviewed a site where the taxes were less than half of the Berks Park 78 rate.

In addition there were tax incentives being offered by competing sites such as LERTA (tax abatement), Keystone Opportunity Zones (tax-free zones) and Keystone Special Development Zones (tax credits).



Presentations were made by the BCIDA to the three taxing bodies, Bethel Township, County of Berks, and the Tulpehocken School District. During a three month period in early 2012 they acted to create a Local Economic Revitalization Tax Assistance Act (LERTA) district for Berks Park 78. The LERTA was structured that the taxing bodies continue to receive taxes on the land. Abatement is provided only on vertical construction and associated improvements (building value). It starts in the first year of occupancy with 100% of the building value being exempt from taxation. The next year only 90% is exempt. Each year thereafter the percentage exempted drops by 10% until in the eleventh year the building value is fully taxed. Throughout the LERTA the land value is fully taxed.

Taxes from the land value alone have made a big difference already. Taxes collected on the land prior to development were \$32,350 per year. Today they are \$524,228 per year. In a recent news article the business manager for the school district said, "Real estate tax collections were \$370,000 over budget this year, thanks to the Bethel industrial park. The park is key. It is the main reason we are not having a tax increase this year."



The Commonwealth of Pennsylvania also partnered with PetSmart and Dollar General to create inducements to bring private investment and jobs to Berks Park 78. The two companies shared in a total package of \$4.6 M in grants, job training and job creation tax credits. In part due to Berks Park 78's success, Governor Corbett was able to announce that Pennsylvania had won the Silver Shovel Award making it the only Northeastern state to earn the recognition.

There were many other partnerships that contributed to the success of Berks Park 78. Two were noteworthy.

One was the financing support of the Berks County Commissioners. They first pledged that they would pay back the BCIDA's \$10M HUD 108 loan if the project failed. They took further risk by guaranteeing another \$10M as a line of credit to the BCIDA through Fulton Bank. The \$20M risk had to be shown as a liability on the County's financial statement until 2012 when the loans were paid in full.

The Greater Reading Economic Partnership was a significant partner as well. When it became apparent that there was a lack of understanding of all the benefits of the multi county region (Berks, Schuylkill and Lebanon) that surrounded Berks Park 78, GREP put a marketing piece together that was tailored specifically for it. It consolidated all the best attributes of each county into one booklet and helped change future prospects image of the area.

Innovation/Creativity - In Pennsylvania a land development plan with all associated permits and waivers must be approved to start construction. The BCIDA did not want prospects to have to start from scratch when they arrived on site. The BCIDA also wanted prospects to be able to see the development potential of the lot they were interested in.

The BCIDA asked its development team to look into their crystal ball and to place a theoretical building on each lot. They asked the team to use the latest information in the market on building size, dimensions, trailer parking, employee parking and loading docks. The theory was that if the BCIDA could get the theoretical building approved and if the design was on the mark, the prospect would only need minor modifications for their own building plans to get approval. This could cut the approval process by as much as six months. It worked. Predictions came true. Both Dollar General and PetSmart and then later Dermody Properties were all able to piggyback on the BCIDA's previously approved land development plans. Actual buildings fit well within the envelope of previously approved theoretical plans.



Excellence in Design – Site – Building - Building design at Berks Park 78 is governed by a rigid set of covenants, conditions and restrictions (CC&R's). An owners association must review every building that is proposed. Design guidelines regulate everything from signage to building heights. No EIF's, stucco or metal wall panel buildings are allowed. Dollar General and PetSmart are under construction with state of the art designs and facilities. Completion for both is scheduled for early 2014.

Sensitivity to Site/Environment - Several aspects of the site presented particular development challenges that needed to be treated with sensitivity. The site consisted of farmland, including cultivated fields, former pasture, hedgerows and small woodlots. Farmhouses, barns and other outbuildings associated with previous farming uses were on the property. A residence was at the entrance and two were across the street. Four distinct wetlands were scattered across the property.

With regard to wetlands, the BCIDA agreed to a preservation strategy. Each wetland was buffered and preserved. All 15.46 acres of wetlands were handled in this way. In addition an artificial pond was drained and restored as a wetland.

The BCIDA also complied with recently enacted provisions of the Clean Water Act implemented by Pennsylvania. Its approved storm water plans provide for 22.69 acres of detention and infiltration basins.

Although the farm structures were found to have no national historic significance, a local historical society pointed out the local significance of a large bank barn. At considerable expense the BCIDA had the barn disassembled and labeled piece by piece. It was transported and donated with instructions for assembly to the German Cultural Heritage Center at Kutztown University.



The BCIDA also conducted three phases of archeological studies around the barn and farmhouse. They resulted in the recovery of forty banker boxes of artifacts that were donated to the Pennsylvania State Museum.

The BCIDA also purchased the three residential properties mentioned earlier. Residents were relocated and compensated. This eliminated the impact the industrial park would have had on their properties and improved the overall development of the park.

Transit/Transportation Linkage - The local transit agencies for Berks and Lebanon are now examining the feasibility of running bus line from the City of Reading and the City of Lebanon to Berks Park 78.

The Pennsylvania Department of Transportation agreed to reconstruct the interchange at I-78 and PA Route 501 in part to accommodate Berks Park 78 and also for safety reasons associated with maintaining the interstate highway. The project is underway and will cost \$5.5 M.