

Myerstown, PA  
Monday, October 10, 2016

President Bryan L. Rittle called the planning/budget meeting/public hearing of the Myerstown Borough Council to order at 6:30 p.m., on Monday, October 10, 2016. The meeting was held in the Auditorium of the Myerstown Government & Business Center, 101 S. Railroad Street, Myerstown, PA 17067.

Following the Pledge of Allegiance, a roll call was taken. Present were: President Bryan L. Rittle, President Pro Tem Park W. Haverstick, II, Councilmembers Vince Podolski, Eric L. Powell, Jeffrey L. Thomas, Dana Reich, Mayor Gloria R. Ebling, Treasurer Lee C. Smith, Economic Development Manager Michael McKenna, Assistant Manager Barry A. Ludwig, Deputy Secretary Lisa A. Brubaker and Manager Christopher J. Moonis. Absent was: Vice President Michael D. Behm.

No minutes of past meetings were presented for approval at this planning meeting and no action was taken on any minutes.

The President opened the floor for Citizens and Visitors Comments:

The President thanked everyone for coming out for the meeting.

School Board Member Ray Ondrusek stated he is present to represent the ELCO School District. He wanted to be present to learn more about a LERTA District and its implementation. Ray Ondrusek stated on behalf of the tax payers of the district he would like to express his appreciation for the Borough's efforts to lessen the tax burden on the people.

The President proceeded to the agendas order of the business:

The President stated the meeting is being held to hold a public hearing and discuss of the proposed creation of LERTA (Local Economic Revitalization Tax Assistance Act) District for the Borough. The President turned the meeting over to the Manager to conduct the hearing.

The Manager called the Public Hearing to order at 6:33 p.m. on the creation of LERTA (Local Economic Revitalization Tax Assistance Act) District. Part of the process of creating a LERTA District, as the Manager has mentioned on several occasions, is to hold a Public Hearing to give an opportunity to the other taxing jurisdictions and other policy makers that are attached to the borough's development of a LERTA the opportunity to speak tonight. After the Public Hearing, the Borough will go on to pass an official ordinance detailing the LERTA District; likely in December 2016.

The Manager stated he has met with a representative from Lebanon County, Jamie Wolgemuth, and the Manager is scheduled for the Lebanon County Commissioners workshop session on October 26, 2016.

The Manager has also met with the other taxing jurisdiction, the ELCO District School Representatives. The Manager met with the district representatives, Superintendent, Dr. Zuilkoski and Business Manager, Kurt Rohrbaugh to explain what the Borough is trying to accomplish. The Manager will be meeting with the School Board on October 17, 2016.

The Manager explained the Borough is laying the ground work for the LERTA District and wants to get stakeholders discussing LERTA prior to taking it through the whole process so that we are transparent. This is one of the steps; to have public input and have transparency on what the Borough would likely do under their LERTA District proposal.

The Manager deferred to the Borough Economic Development Manager and Circuit Rider, Michael McKenna. The Manager stated Michael McKenna is the Circuit Rider for the Borough and the City of Lebanon. Michael McKenna has been working hard to put together a distinct package to try to answer as many questions up front on the LERTA District and he will be giving the body a LERTA presentation tonight. The Manager encouraged the group to ask any questions throughout the presentation if they have them. After the presentation, the meeting will be opened up for any other discussions from anyone else who might have some interest and input on what the Borough is trying to accomplish.

The Manager turned the floor to Michael McKenna to present his presentation.

Michael McKenna stated there are very few economic development tools that local governments can use to spur and incentivize economic development. Most incentives come from the state level. However the ones that do occur at the local level are pretty powerful because you can offer financial incentives to businesses to locate in your area. The two biggest incentives are tax abatements and tax exemption.

Michael McKenna stated LERTA is Pennsylvania's version of tax abatement. The law was passed in 1977 and that set the guidelines for local governments to instill LERTA's in their district.

### CREATING A LERTA TAX INCENTIVE PROGRAM IN MYERSTOWN BOROUGH

#### 2013 Economic Study:

- ▶ In 2013, N.J. Hess Associates presented an Economic Study for Myerstown. The study found:
  - ▶ Myerstown Borough lacks a desired level of business presence
  - ▶ The Borough is experiencing high rates of conversion of historically store-front properties into residential rental properties
  - ▶ Although there is a large volume of traffic along PA-501 and PA-422, the potential resource is largely untapped
  - ▶ The Borough has many parcels of land which are underutilized or underdeveloped
- ▶ Explanations for the lack of development in opportunity areas include:
  - ▶ A lack of incentive to develop
  - ▶ Financial hurdles of redeveloping land and buildings for reuse
- ▶ A LERTA Program would incentivize development and redevelopment by easing the tax implementation of development

Michael McKenna stated this was determined through focus groups and community meetings that were held by the Consultant Nancy J. Hess back in 2013 to determine the economic health of the Borough. Michael McKenna stated the study gave a couple of explanations and recommendations. It stated, like many other economically stagnate municipalities around the state, two major explanations for lack of development. First, was lack of incentive to develop and second, are the financial hurdles of redeveloping and buildings for reuse.

Michael McKenna stated it may be a lot less expensive to start with vacant land then to redevelop a 100 year old building. What a LERTA Program would do is, incentivize development and redevelopment by easing the tax burden for development in the Borough.

#### WHAT IS A LERTA TAX INCENTIVE PROGRAM?

- ▶ The Local Economic Revitalization Tax Assistance Act (LERTA) program is designed to promote development by providing incentives for property investment by granting *partial tax abatement on improvements made to properties within a designated LERTA District*.
- ▶ Property owners of residential, commercial, industrial, or any other type of property located within the LERTA District are eligible for 7-year partial tax abatement on property tax increases which are a result of:
  - ▶ Improvement to the property that results in increased assessed value
  - ▶ Subsequent property reassessment

Michael McKenna stated state law allows for up to ten years of partial abatement. Some municipalities do take advantage of the full ten years. The Borough Council has decided they would be comfortable with a seven year tax abatement and we will discuss the schedule later.

Michael McKenna stated the properties that would be eligible have to meet two requirements. One, the improvements to the property has to result in an increased assessed value. Second, the property has to be reassessed by the County to show the value has increased.

HOW MUCH IS THE ABATEMENT?

- ▶ For the first year immediately following the reassessment of the improved property, the owner will pay property taxes in the amount of the **base assessment**. In other words, the taxes will not increase from the base amount prior to construction.
  - ▶ *Base Assessment: a property's assessed value prior to improvement*
- ▶ In the second year, the property taxes will be calculated at the base plus 10% of the **increment**. For each following year, an additional 15% of the increment will be added to the base until 100% of the increment is reached.
  - ▶ *Increment: difference between the base and the new assessed value*

<i>Years following reassessment -</i>	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<i>% of increment abated -</i>	100%	90%	75%	60%	45%	30%	15%	0%
<i>% of increment taxed -</i>	0%	10%	25%	40%	55%	70%	85%	100%

WHAT PROPERTIES ARE ELIGIBLE?

- ▶ Myerstown Borough Council passed an ordinance to define the terms of the LERTA, establish the borders of the district, set the exemption amount and schedule, and provide a procedure for property owners to secure an exemption.
- ▶ All properties in the Borough will be in the LERTA district
- ▶ Exemption schedule:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
100%	90%	75%	60%	45%	30%	15%	0%

OTHER MUNICIPALITIES WITH LERTA DISTRICTS AND THEIR EXEMPTION SCHEDULES:

- ▶ City of Lebanon (North of US-422)
  - ▶ Any property in the district:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
100%	100%	100%	50%	50%	0%	0%	0%	0%	0%

- ▶ City of Lancaster (Entire City)
  - ▶ New Construction Commercial, Mixed Use, and Residential Improvement

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
100%	90%	80%	70%	60%	50%	40%	30%	20%	10%

- ▶ Commercial and Residential Improvement and New Residential Construction

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
100%	90%	75%	60%	45%	30%	15%	0%	0%	0%

- ▶ Phoenixville Borough (Entire Borough)
  - ▶ Commercial Properties Only

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
100%	90%	80%	70%	60%	50%	40%	30%	20%	10%

EXAMPLE:

Real Property Taxes Owed After Improving Assessed Property Value from \$100,000.00 to \$200,000.00.

Michael McKenna stated the owner would still pay taxes on the first \$100,000.00 or base value, but the improvements the owner made, as they have been reassessed, the owner only pays a percentage of that improvement over a course of how ever many years the municipalities decide.

Michael McKenna stated this offers an incentive for businesses to come in and have a little bit of tax relief immediately after making an improvement. However, over time the tax will go back to full taxing to give the taxing entity the full taxes due. The hope is this spurs growth.

Michael McKenna stated the Borough decided on a seven year abatement.

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
100%	90%	75%	60%	45%	30%	15%	0%

Michael McKenna stated the Council decided the entire Borough would be eligible for abatement, residential properties, commercial properties and industrial properties. Any property that wanted to make an improvement has the option to go through the LERTA program.

The Manager wanted to explain why the Council is making the whole Borough a LERTA District. The Manager stated half of the Borough is already a low to moderate income area. The entire eastern portion of the Borough is already a low/mod area. The Council decided to make this incentive, giving the status of the Borough and the stagnation of the Borough, let's give everyone the opportunity boarder to boarder, residential, commercial and industrial the opportunity to benefit from this economic insensitive.

Tax Details from 2016 Tax Rolls:

- ▶ Myerstown Taxable Properties: 1049 - \$173,679,200
- ▶ Myerstown Non-Taxable Properties: 45 - \$40,711,300
- ▶ Myerstown Public Utilities: 3 - \$481,400
  
- ▶ Total School Taxes (14.110 mills): \$2,450,613.51
- ▶ Total County Taxes (3.2925 mills): \$571,838.96
- ▶ Total Municipal Taxes (2.0 mills): \$347,358.40
  
- ▶ 128 Taxable Commercial/Industrial Properties - \$54,980,400
- ▶ 43 Non-Taxable Commercial/Industrial Properties – (\$39,163,900)
- ▶ 901 Taxable Residential Properties - \$93,031,500
- ▶ 17 Parcels of Taxable Vacant Land - \$333,600

Michael McKenna stated each taxing body has to approve the abatement. The municipality, the school district and the county have to approve for owners to get the full abatement.

NOTES:

- ▶ The exemption from taxes applies to the property exempted and does not terminate upon sale or exchange of the property
- ▶ There will be no impact on current tax revenues
  - ▶ No taxes are lost because of LERTA
- ▶ All foregone tax revenue is temporary and comes from increased property assessments.
  - ▶ These improvements will increase revenue to the governing body later

Michael McKenna opened the floor for any questions or comments. Councilmember Park W. Haverstick, II asked is there any reason the Council wouldn't make the whole Borough a LERTA District?

Michael McKenna stated the creation depends on what a municipality is trying to simulate. Myerstown is unique in Lebanon County. Outside of Lebanon City, the Borough is the only municipality that has a low/mode district. The low/mode district is almost half of the entire portion of the Borough.

Michael McKenna stated in the consultant's study, it provided a suggestion of where to place a LERTA District, which was only in the commercial districts.

Michael McKenna stated he and the Manager visited the Economic Development Manager in Lancaster. We wanted to share and get insight into their LERTA program because their program has been so successful with economic development. The goal was ask how LERTA has impacted Lancaster and if they have any advice for the Borough.

Michael McKenna stated in their conversation they found out that all of Lancaster was a LERTA District and found out that the benefits outweighed the short term costs. The Lancaster Manager explained the whole boarder creation had no major costs and had huge increased benefits.

The Manager stated he looks at this as revenue natural. The way it is designed, your existing value of taxation will not change, other than the change in assessments that go on when people ask for reassessments. The theory is, if you do nothing, the developer may still come in and develop or redevelop that parcel, but by-in-large tax incentives help.

The Manager stated developers are looking for municipalities with a LERTA District. Municipalities all over the state are competing for redevelopment. Those municipalities that have these incentives in place, at least those incentives the Borough can give developers from the local government perspective, have consistently been more competitive than those municipalities that do not have incentives. It is a benefit to the overall developer's bottom line to be able to abate some of the taxes.

The Manager stated the Borough is 1 square mile. As an example, the City of Lebanon LERTA District is 1.25 square miles. So as you can see, the request the Borough is taking to the school district and county commissioner is even smaller than the district created in Lebanon City.

The Manager stated the answer is let's give every property owner the ability to benefit residentially, commercially, and industrially with this program. Hopefully it creates success in all types of properties in the community.

Michael McKenna stated when a municipality expands a district they are usually including the residential areas. It makes more sense in a place like Myerstown, where the Borough is already developed and you are looking to redevelop. A suburban area with lots of land and developers already coming in, you would not need incentives.

Rick Clay stated he is a Commercial Real Estate Appraiser and finds this concept interesting. As an appraiser he does work for people who are appealing their property assessment. Rick Clay stated this is a great move because having an abatement will not affect a tax appeal. This is a win-win situation. This is important, it doesn't really affect the school taxes, it doesn't affect the Borough taxes and it doesn't affect the county taxes. With any appeals the value is the value.

Ray Ondrusek asked if there is any data on how a LERTA District effects the ratio of owner occupied verses rentals. Michael McKenna stated there is not much data because Government Accounting Standards does not require municipalities or States to report on tax abatement data. Data is very hard to find.

The Manager stated part of what the Council is trying to do is to envision the growth and the regrowth of the Borough over a certain number of years. Doing that, requires different pieces of a puzzle to make it all work. This is just one component part of the overall potential that we need to do here.

The Manager stated it is about infrastructure, communication systems, quality of education, parks and recreation, urban walkability, recruiting millennials so houses do not get reverted from homes into rentals.

The Manager stated it is about making the community more livable. We want generations to stay in Myerstown or relocate back to Myerstown. That is why the Council is investing in the pool revitalization, purchasing this school building, it is why we are trying to entice people to live and work here. The Manager stated he has discussed with Bayer Pharmaceuticals to do more here to entice their workers to live here. A lot of their workers do not live in the community. The Borough is trying to figure out why. From a marketing concept, it is one more piece of the puzzle. The ultimate goal is to put all the pieces into place.

Michael McKenna stated Bayer has 615 employees and only 5% live in the Borough. So you have to ask, if we have this major manufacturing plant in the Borough with that many employees, why are so few living in the community? Well because they have Lititz and other towns close by that are doing these pieces themselves to attract them. This is a step in the direction of saying the Borough wants to do something

actively to promote Myerstown's future.

Brenda Phillips asked if all of the Bayer property falls within the abatement? The Manager stated most of it does. There is a portion in Jackson Township. The Borough would encourage a business like Bayer to build up, raise the heights of their buildings.

The Manager stated one conception in a small urban center like ours is there is not a lot of land mass, so we need to encourage developers and people who want to repurpose their buildings to build up. If they want to grow their business they have to grow upwards. Another piece is the Council is in the middle of redeveloping the Borough Zoning Ordinance and Map, to try to remove barriers that exist in the current map which do not allow us to build up and to build smartly.

Lebanon County Commissioner, Bob Phillips asked if the Borough does create a LERTA program will it cause competition between other municipalities.

Michael McKenna stated the way it is done when you do sections of municipalities, it really comes down to what the individual circumstances and the environment that each one is in. Myerstown is a lot more developed than other areas. Some other surrounding communities may not benefit from a LERTA District because they already have major development happening.

The Manager stated the law has been on the books since 1977 and how many LERTA Districts have been approved in Lebanon County since 1977? Lebanon City, and some pocket LERTA's on certain properties in parts of the county, but he is not aware of any other municipality creating one.

Councilmember Park W. Haverstick, II stated he believes the Borough will try to attract different things than some of our surrounding municipalities. Someone like Jackson Township, because of their land mass, would probably attract more industrial parks. Where the Borough would be more for smaller commercial or residential improvements. The Borough has a nice corridor with Route 422 and 501. It is better to be in first then last.

Bob Phillips stated the County received 6,000 appeals and the Commissioners have sat through about 1,500 appeals. The number one thing is trying to separate the school taxes from the county taxes. It is such a burden for people to keep their homes longer, so to figure that out is the key. It would also help businesses survive. People are looking for help somewhere.

Brenda Phillips asked is there a dollar amount for residential or investment properties as to how much improvements must they make to get the abatement.

Michael McKenna stated any improvements that increases the assessment value.

The Manager stated we have people trying to purchase a property that has been converted or reverted from a store front to an apartment. We are trying to design the Zoning Ordinance to incentivize people to reconvert it back to a store front. We want them to live above and reopen the store front. The Manager believes this will help spur that a little bit more, because here is a way to put money into your property and get the store front back. That is just one more piece.

The Manager stated the Borough will continue with the process and next meet with the school board and the county commissioners. Then draft the Ordinance for review and advertisement.

The Manager thanked everyone for coming out for this important discussion.

Ronald Ream asked if the school district and the county do not go along can the Borough still do it.

The Manager stated yes, the school district is an important piece of this because they are the biggest tax. Ronald Ream feels it is a good thing.

Sam Moyer stated it wouldn't mean much without the school district, the Borough tax wouldn't relieve much in the way of taxes.

Seeing no more discussion the Public Hearing was concluded at 7:16 p.m.

Rick Clay was present to discuss the letter he submitted regarding the 301 S. Railroad Street property owned by the Borough. Rick Clay praised the Council for purchasing this building. He believes repurposing property is really important today. So that is what prompted his letter to the Council to see what could be done to save the building. Rick Clay may be interested in purchasing the property from the Borough to renovate the building and make it an asset to the community.

Rick Clay stated he is here to answer any questions and to see if Council is interested in doing something with the building. There is a lot to look at there, there is a lot to take into consideration. Cost wise, it may not be feasible.

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Councilmember Park W. Haverstick, II asked what Rick Clay wants to do with the building. Rick Clay stated he believes it could be turned into apartments. He believes the building is big enough for about 6 units.

Councilmember Park W. Haverstick, II stated apartments is the one thing the Borough is trying to not make any more of. Trying to make tax incentives and certain Zoning Ordinances that would discourage rentals. Sometimes it is just time for a building to be demolished.

Rick Clay stated he hates to see old buildings go away when they can be repurposed if there is a good plan. He is just asking for the opportunity to look at the building and assess what could be needed to refurbish the building before it is torn down.

The President stated with the government requirements for buying and selling property a bid would have to be taken and that doesn't mean Rick Clay would be the highest bidder. Then the new owner could place low income housing and that is what the Borough is trying to avoid. There are also parking issues. He believes it will be a total gut and redo.

Councilmember Eric L. Powell asked if the Council would delay the demolition what would be reasonable timetable to receive a proposal. Rick Clay believes 6 months would be a reasonable timeframe to do his due diligence to investigate what is needed. Councilmember Dana Reich stated she would like to see it as a single family home. Rick Clay stated to make it single family and make a little bit of profit it is hard. People are only willing to pay so much for a big house in the middle of town.

The Manager stated if Council is willing to give Rick Clay time to look at the building, the Council can always put deed restrictions on the sale of the property. The Manager stated on two separate occasions the Council instructed the Manager to demolish it. Several people have shown interest but no one with the background and success that Rick Clay has in his business and revitalization efforts. So it is up to Council to decide if they want to give Rick Clay the time to look at the property or not.

Rick Clay stated the Council is doing the right thing by looking at creating a LERTA District and trying to improve every neighborhood in the Borough. That is what every town and city wants to do. He appreciates the opportunity to come and talk to the Council on this property, but it was interesting to hear the information about the LERTA program. It is forward thinking, it is great stuff.

Michael D. Behm entered the meeting at 7:28 p.m.

Brenda Phillips asked if anyone knows the history of the home? It is easier to do due diligence before a building is taken down then after. She asked Council to give consideration to the request before it is taken down.

The Council agreed to allow Rick Clay time to look at the property. Rick Clay stated he will report back to the Council within 90 days.

The Borough Council recessed the regular meeting and entered into Executive Session at 7:36 p.m. to discuss potential litigation.

The Borough Council returned from Executive Session at 8:20 p.m. reconvening the regular session and resumed consideration of and action on the regular meeting agenda.

The meeting is also being held to prepare and review the 2017 budgets for the Borough. The Borough Manager led the review of the Wastewater Operating Fund, Wastewater Reserve Fund, Recreation Fund, Liquid Fuels Fund, Unemployment Fund, and Beatification Fund. The next budget meeting will be held on Wednesday, October 12, 2016 at 6:30 p.m.

The President asked if there were any additional comments for the good of the borough. Seeing none, a motion was made by Vince Podolski, seconded by Eric L. Powell, to adjourn the meeting at 10:00 p.m. All those in favor: Motion unanimously carried.

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Lisa A. Brubaker,  
Deputy Secretary