

An Analysis of Current Municipal Economic Development Incentives in Erie County

Andrew Hall
Undergraduate Research Assistant

under the supervision of
Dr. Kenneth Louie

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Preface

The Economic Research Institute of Erie (ERIE) in the Black School of Business at Penn State Behrend is pleased to release this report summarizing the major findings from a study analyzing current municipal economic development incentives across Erie County.

I would like to thank Andrew Hall, our undergraduate research assistant at ERIE who was largely responsible for carrying out the study in the fall of 2016 and early 2017. Andrew diligently conducted the telephone interviews with municipal officials, compiled and analyzed the data based on the survey responses, drafted this final report, and prepared a summary of the major findings that was presented at the Annual Municipal Officials Assembly of the Erie Area Council of Governments on March 23, 2017.

I would also like to acknowledge and thank Jessica Horan-Kunco, Executive Director of the Erie Area Council of Governments, and Anna Frantz, Executive Director of Our West Bayfront and former Executive Director of Emerge 2040. They provided valuable input and suggestions throughout the course of the study, based on their extensive experience with local economic development efforts. They also helped to fine-tune the survey questionnaire used for this study, identified the municipal officials to contact as well as assisted Andrew with making the actual connections, and improved our understanding of the survey results.

Kenneth Louie, Ph.D.
Director
Economic Research Institute of Erie



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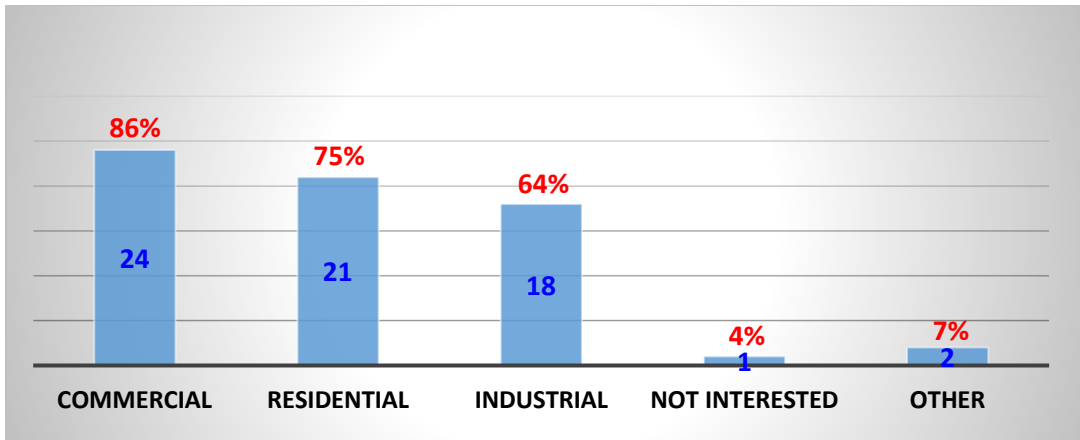
1. Introduction

This study is an analysis of current economic development incentives provided by various municipalities across Erie County, and was conducted by the Economic Research Institute of Erie in the Black School of Business at Penn State Behrend in the fall of 2016 and early 2017. The major objective of the study was to compile relevant data that allowed us to analyze the current state of economic development knowledge as well as the current offerings of economic development incentives among all of Erie County's 38 municipalities. We compiled the data based on survey interviews that were conducted with various officials across the county mostly via telephone, with some harder-to-reach municipalities submitting their answers through Google Forms. The survey questions are included in the Appendix at the end of this report. The 28 municipalities that provided responses are listed below:

- Albion Borough
- City of Corry
- City of Erie
- Conneaut Township
- Cranesville Borough
- Edinboro Borough
- Fairview Township
- Franklin Township
- Girard Borough
- Girard Township
- Greene Township
- Greenfield Township
- Harborcreek Township
- Lake City Borough
- Lawrence Park Township
- McKean Township
- Millcreek Township
- North East Borough
- North East Township
- Platea Borough
- Summit Township
- Union City Borough
- Union Township
- Venango Township
- Waterford Township
- Washington Township
- Wayne Township
- Wesleyville Borough

Before delving into the specific details of economic development incentives and the general knowledge that municipalities have, we first asked our respondents if their municipalities were interested in bringing in new development in the following categories: Commercial, Residential, and Industrial. Municipalities were allowed to choose any combination of the three categories, or none at all. The results are summarized in Figure 1.

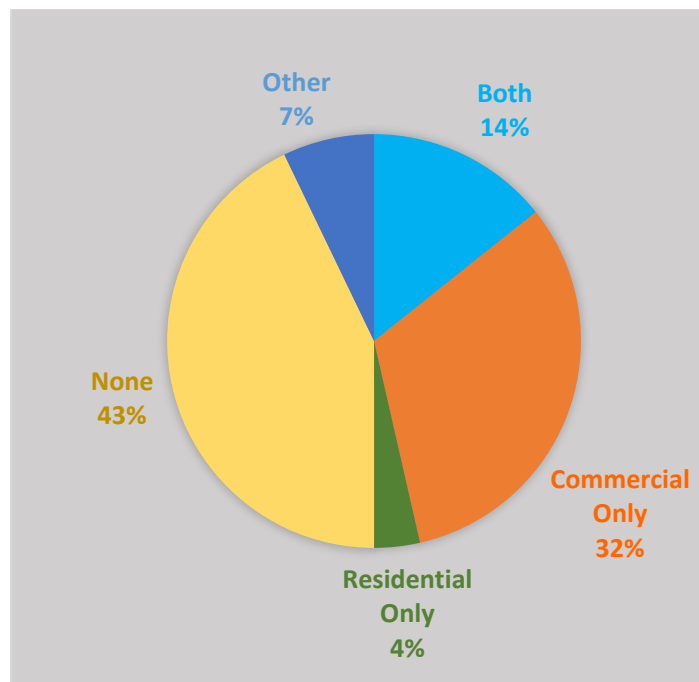
Figure 1: Economic Development Interests of Municipalities



2. LERTA Statistics in Erie County

An important part of this study was learning about the different **LERTA** (Local Economic Revitalization Tax Assistance) offerings provided by municipalities across the county. Our survey question asked municipalities if they had either a Commercial or Residential LERTA (or both), no LERTA at all, or if they did not have the information (which was recorded as 'Other'). The LERTA breakdown for the county is summarized in Figure 2.

Figure 2: LERTA Status in Erie County



Of course, for the half of our respondents who do offer some sort of LERTA, we also asked some specific questions on the details of their program. First, we asked them what the tax abatement scale was for their specific LERTA. The responses are summarized below:

- **City of Corry:** 5 year program at 100% tax abatement
- **City of Erie:** Commercial LERTA is a 10-year program at 50% tax abatement
- **Edinboro Borough:** No information provided
- **Fairview Township:** No information provided
- **Greenfield Township:** 10-year program, starting at 100% and decreasing 10% per year; designated areas along Interchange/Route 89 and Route 89/Route 430
- **Harborcreek Township:** Commercial zone is a 5-year, 100% program; Also a 'Growth Boundary Area' starting at 100% and decreasing by 20% per year, and an 'Improvement Area' starting at 50% and decreasing by 10% per year
- **Lawrence Park Township:** No information provided
- **McKean Township:** Residential is 100% for 3 years after date of completion, and lasts for 3 years; Commercial is 100%, decreasing by 20% for 5 years
- **Millcreek Township:** 10-year program at 100% abatement; designated for certain areas
- **North East Borough:** 5-year program starting at 100% and decreasing by 20% per year
- **North East Township:** 5-year program with 20% increments until it is 100% of face value
- **Summit Township:** Limited to certain areas, time/abatement unknown
- **Washington Township:** 5-year program starting at 100%
- **Wayne Township:** Unknown time span, 100% tax abatement

Next, we asked municipalities how they promote their LERTA programs if they had one. While the methods used were different across the board, 8 of the 14 municipalities offering LERTA programs actively promoted them. The other six either did not promote them or did not know how they were being promoted.

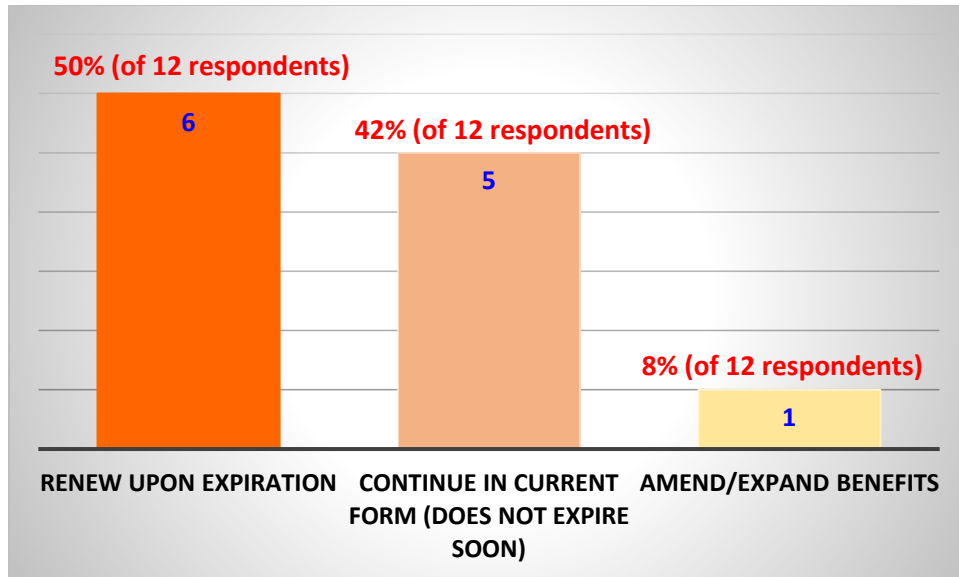
We also asked municipalities to indicate when their LERTA programs were going to expire:

- Two of them reported the date of December 31, 2017 or 2018.
- Seven gave a date of 2022 and/or when the county ordinance expires (which is 2022).
- Four of them were unsure when it ends.

Lastly, we asked each of the municipalities what their future plans were regarding their LERTA program. As shown in Figure 3, of the 12 municipalities that responded to this question, none of them indicated that they were planning to eliminate LERTA benefits.

The positive takeaway here is that at minimum, the municipalities in Erie County that are offering LERTA programs have expressed a desire to continue offering them, implying that these programs have had a net positive economic impact on the municipalities.

Figure 3: Future Plans for LERTA



3. Other Economic Development Incentives

While most of our analysis of local economic development incentives is centered primarily around municipalities offering LERTA programs, we also asked municipalities if they offered any other incentives to entice businesses to their area. Four of the 28 did have non-LERTA economic development incentives, as summarized below:

- The City of Erie offers a loan funding program to businesses that otherwise would not be able to get enough funding through banks.
- The City of Corry has an 'Enterprise Zone Revitalization Program,' with a 3.25% interest rate for manufacturing businesses and a 5.25% interest rate for non-manufacturing businesses, up to \$1 million dollars, along with multi-tenant building and incubator programs for businesses.
- Edinboro Borough has a utility rate discount by virtue of having some of the lowest utility rates to attract businesses.
- Girard Borough operates its own electric power and is therefore able to deliver more competitive rates than other municipalities.

4. General Municipality Economic Development Information

A final component of this study centered around asking municipalities about other general economic development information of which they may be aware, such as businesses or sites in their jurisdiction that are in need of assistance, or their degree of knowledge about local economic development programs and services that may be available to assist with their needs.

This information can be important, since it can be used to target specific municipalities that have knowledge of businesses or sites that are in need of assistance or are a priority for development or redevelopment, as well as municipalities that want to learn more about economic development programs offered at the county and state levels.

Municipal economic development teams can benefit significantly from being generally knowledgeable about the kinds of county and state economic development programs that are available as well as from taking advantage of those programs when appropriate.

In order to identify key individuals at the municipal level who could serve as important contacts in promoting and facilitating local economic development, municipalities were asked to name the best person/people for a business to work with if it is interested in either locating in that municipality or in expanding an existing operation. The following are the people we were told businesses should get in contact with (some of whom we spoke to ourselves):

- **Albion Borough** – Angela Tellega
- **City of Corry** – Jason Biondi, City Manager & Code Enforcement Officer
- **City of Erie** – Chris Groner, KOZ & Enterprise Zone Coordinator
- **Conneaut Township** - Any of the municipality’s supervisors
- **Cranesville Borough** – Any Council member
- **Edinboro Borough** – Taras Jemetz
- **Fairview Township** – Erie County Redevelopment Authority
- **Franklin Township** – Ramona Junkins, Secretary/Treasurer
- **Girard Borough** – Rob Stubenbort
- **Girard Township** – Supervisor or Zoning Officer (Becky Hosack)
- **Greene Township** – Board of Supervisors
- **Greenfield Township** – Renee Wagner
- **Harborcreek Township** – Connie Cruz, Zoning Administrator
- **Lake City Township** – Borough Council
- **Lawrence Park Township** – Lawrence Park Board of Commissioners
- **McKean Township** – Tenderrlee Little, Treasurer & Zoning Administrator
- **Millcreek Township** – Board of Supervisors
- **North East Borough** – William Rogers, Borough Manager
- **North East Township** – Russ LaFuria, Zoning Officer
- **Platea Borough** – N/A

- **Summit Township** – Zoning Office
- **Union City Borough** – Borough Council/Borough Office
- **Union Township** – Earl Brown
- **Venango Township** – Eugene Krahe, Board Chairman
- **Waterford Township** – Marilyn Evans, Zoning Officer
- **Washington Township** – David Anthony, Zoning Office
- **Wayne Township** – Rick Novotny, Executive Director, Erie County Redevelopment Authority
- **Wesleyville Borough** – Tina McCullom, Secretary/Treasurer

Along with identifying key contacts in the municipal offices, we also wanted to determine whether the municipalities were aware of any existing businesses that were in need of assistance. The following municipalities identified the two existing businesses below:

- **Edinboro Borough** – Penn-Union Corporation
- **McKean Township** – Sterretania Business Park

However, what seemed to be more pertinent for many municipalities in the area were not pre-existing businesses, but previous sites that have been abandoned, sites for which municipalities are trying to fill vacancies, and/or sites that are in need of redevelopment. The following sites were identified:

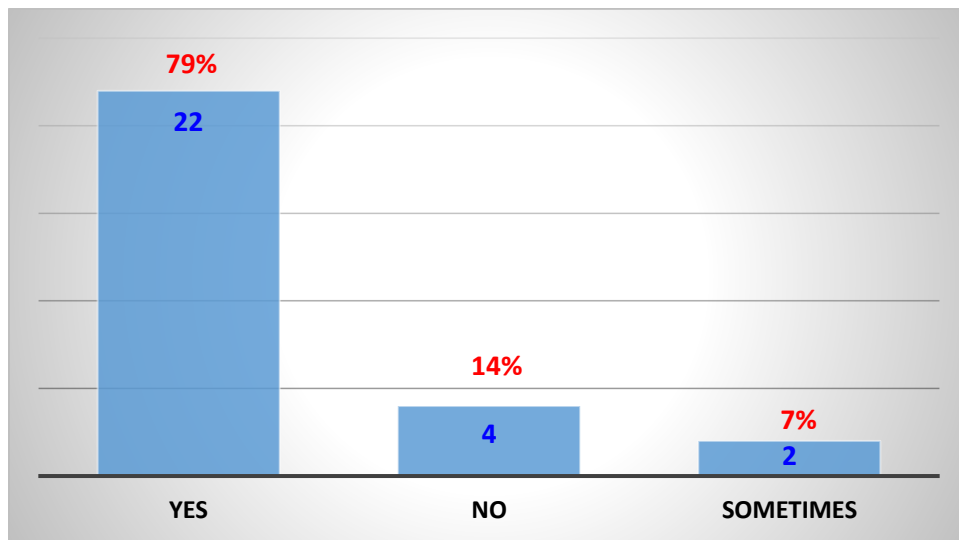
- **Albion Borough** – Vacant lot at 202 East State Street
- **City of Corry** – Mentioned a 30,000 sq. ft. manufacturing plot and another 14,000 sq. ft. plot on an area of land 50 acres
- **Edinboro Borough** – Wesbury-purchased lot designated for a retirement home
- **Fairview Township** – B1 or B2 commercial strip of abandoned apartments slated for demolition
- **Girard Borough/Girard Township** – Both mentioned a Mercyhurst University-owned plot on Route 20 they'd like to see developed for low-income residential
- **Greene Township** – A few vacant lots, but nothing major
- **Harborcreek Township** – Redevelopment along Buffalo Road
- **Lawrence Park Township** – Vacant pieces of General Electric property
- **McKean Township** – Old Greenshingle Truck Stop/Dixie Trucker's Home, for commercial/industrial use
- **Millcreek Township** – West Erie Plaza
- **North East Township** – St. Barnabus property on Route 5
- **Summit Township** – Open lot due to the eventual departure of Giant Eagle
- **Union City Borough** – Lot close to the Borough office on Main Street
- **Union Township** – Area south of West High Street Extensions, south of Borough line on Route 8 corridor

- **Washington Township** – Two strip plazas near Wal-Mart, want to bring in prospective non-fast food restaurant
- **Wayne Township** – Industrial park has some lots available

As we concluded the interviews with officials from the various municipalities, we asked them a few more general questions to determine their overall attitude and knowledge regarding local economic development.

First, we asked the officials whether their municipality viewed economic development activity as part of its role. The results are summarized in Figure 4.

Figure 4: “Does your municipality see economic development as part of its role?”

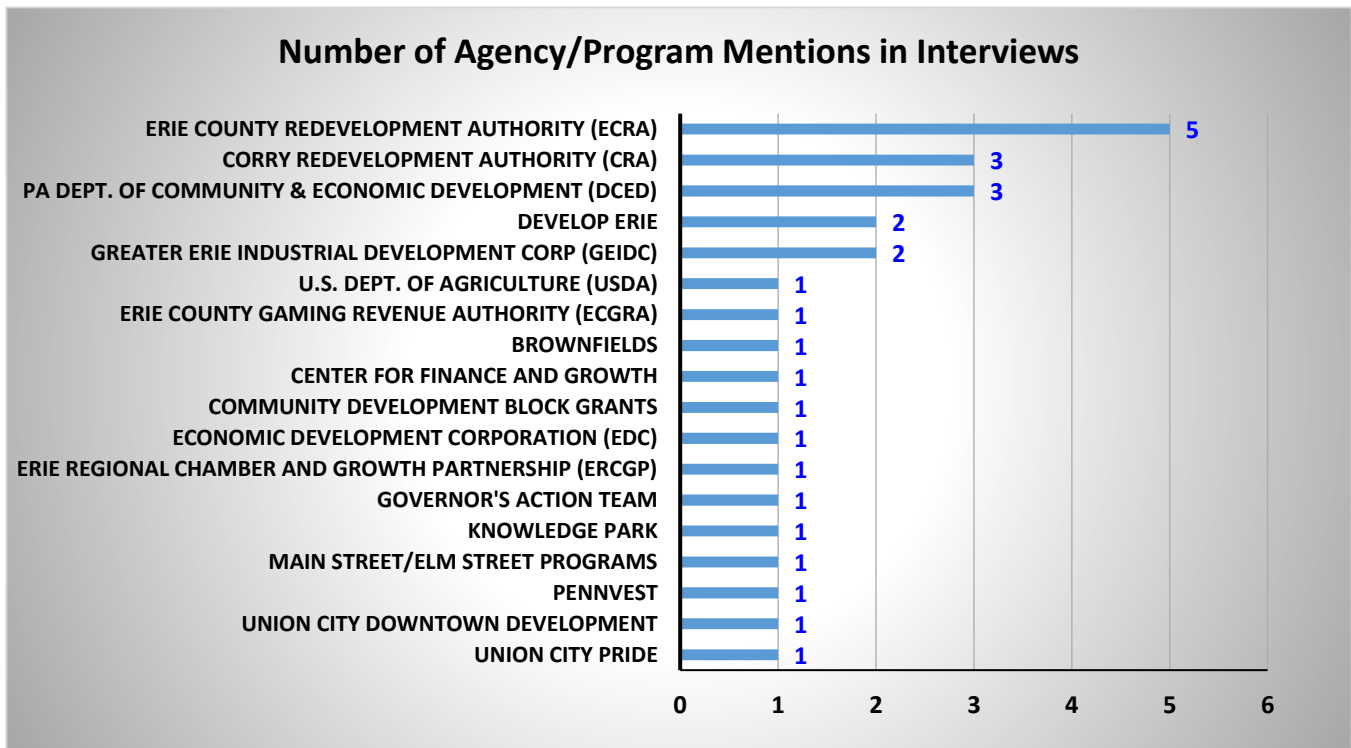


Next, we asked the municipal officials if they would like to learn more about local economic development programs and services that are available and if so, the best way to get that information to them.

- Nineteen said yes, and they preferred direct contact, most of the time via email.
- Five gave us a different organization to get in touch with outside the municipal office.
- Two said they were not interested.
- Two did not provide an answer.

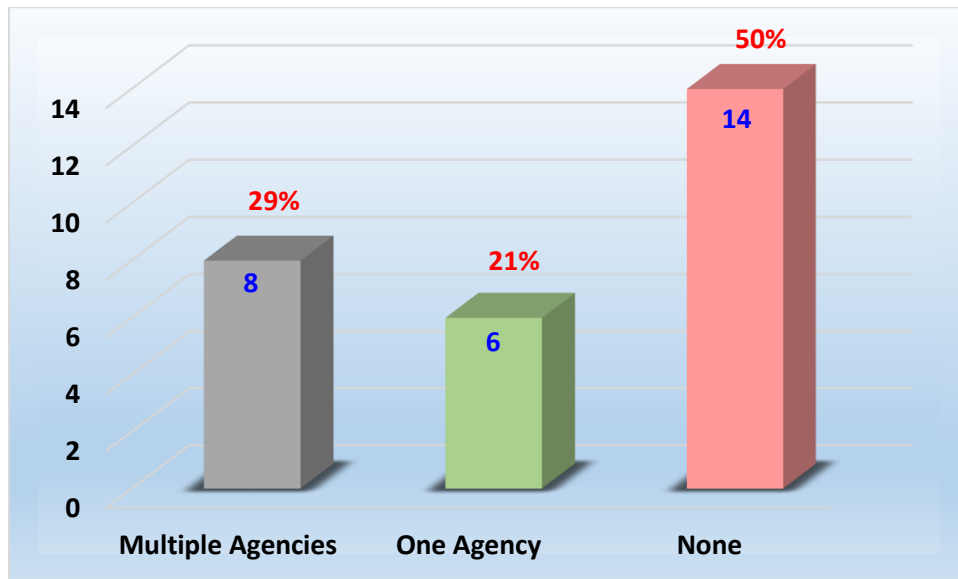
Finally, we asked municipal officials whether they are already familiar with any local economic development agencies and programs. As Figure 5 indicates, the responses were very mixed and therefore suggested a need to make these programs more visible to municipalities throughout the county. Making municipalities aware of all the economic development programs and services available (as well as encouraging them to take full advantage of these resources) will help improve the coordination and ultimately the effectiveness of development policies in Erie County.

Figure 5: Familiarity with Local Economic Development Agencies & Programs



While the list of agencies in Figure 5 seems like a lot, a breakdown of the responses by municipality is much more alarming – as shown in Figure 6, half of the responding municipalities had no knowledge of any local economic development agencies.

Figure 6: Number of Municipalities Mentioning Knowledge of Local Economic Development Agencies



So while we see that there were numerous local economic development agencies mentioned, they often came from the same municipality, and a worrying amount of municipalities did not know any agencies at all.

5. Final Notes and Conclusions

We hope that the information provided in this study will contribute to the understanding of the current state of economic development efforts across municipalities in Erie County on a level that has not been examined up to this point. While the stagnation of cities like Erie has been discussed at length and in broad terms in the past decade or so, we believe that analyses on a municipality-by-municipality basis provides a greater level of detail that is invaluable for our local economic development agencies. Understanding the economic development incentives offered by our municipalities, along with learning how people in municipal offices view these matters, represents an important step in disseminating information to the community that will serve to advance economic development efforts intended to bolster our local economy. After all, it is the people in these offices who are often the first point of contact for many businesses, and this can be crucial in drawing businesses to this area. With that in mind, we would like to conclude by summarizing some of the key takeaways from this study:

- Most of the municipalities had an interest in bringing in new development to their area. Combined with the fact that many of them see economic development activity as a municipal role, this suggests that most municipalities in Erie County are willing to work hard to attract new businesses to their area and are capable of potentially succeeding.

- Nineteen (68%) of the municipal officials interviewed indicated that they would like to learn more about local economic development programs and services that are available, and added that they preferred direct contact as the best way to get that information to them. Therefore, it may be useful for county and state agencies that administer local economic development programs to reach out more directly to municipalities in order to make them aware of existing programs and services.
- Our question regarding familiarity with economic development agencies and programs revealed that a fairly large percentage of municipal officials (50%) did not cite any specific local economic development agencies or programs with which they are familiar. This reinforces the need for county and state agencies that administer local economic development programs to take more aggressive steps to disseminate information and increase awareness of existing programs and services.
- LERTA ordinances appear to vary across the board. There appear to be informational issues regarding how long they last, where and to what they apply, when they are scheduled to end/be renewed, and for a few municipalities, whether they have one or not. For a program as potentially beneficial as LERTA can be for businesses, there needs to be greater clarity of information provided by municipalities that can be easily accessible. In addition, it may be useful for a municipality to provide a program, flyer, or website to disseminate this information and promote these economic development incentives.
- Given the wide variability of LERTA features across municipalities, it may be useful for municipal and county officials to discuss and consider the potential benefits and costs of making LERTA provisions more uniform throughout the county. For example, what are the benefits and costs of having the same LERTA across all municipalities, or perhaps having just a couple of choices of LERTA ordinances?
- Municipalities that have LERTA programs also seem to use different ways to promote these existing programs. Eight (57%) of the 14 municipalities offering LERTA programs actively promoted them, while the other six either did not promote them or did not know how they were being promoted. Therefore, it may be useful to provide some assistance to municipalities to insure that existing LERTA programs are promoted more uniformly across the county.
- Most of the municipal officials with whom we spoke were at least aware of some businesses and/or sites that are in need of redevelopment. However, while there is a need for redevelopment, there also needs to be a plan for how municipalities can draw businesses to these areas, since the longer the sites sit vacant, the greater is the opportunity cost to the affected municipalities in terms of forgone business activity.

Appendix: Survey Questions

Section 1 of 5

1. Municipality:
2. Name and Title of Interviewee:
3. Is your municipality interested in attracting new development in any of the following categories?
 - Commercial
 - Industrial
 - Residential
 - Not Interested in attracting new development
 - Other
4. A. For communities that we know offer LERTA: Is it for commercial or residential development or both?”

B. For communities that we aren't sure offer LERTA: Does your municipality currently offer a LERTA (Local Economic Revitalization Tax Assistance) incentive for commercial or residential development?
 - Yes - we offer a commercial LERTA
 - Yes - we offer a residential LERTA
 - No - we don't offer LERTA
 - Other

Section 2 of 5

5. If the municipality offers LERTA, the following questions apply. (If not skip to Section 3.)
 - Please describe the LERTA incentive program benefits.
 - Please describe how the program is promoted.
 - When does the current LERTA expire?
 - Future plans for the LERTA program:
 - Continue in current form because it is not set to expire soon
 - Renew upon expiration
 - Amend and expand current program benefits
 - Eliminate LERTA incentives
6. Please include any additional comments about LERTA below.

Section 3 of 5

7. Other than LERTA, does your municipality offer any incentives to encourage economic development? Please describe the programs offered. If none, skip to section 4.

Examples of incentives:

- Loan Funding program
- Grant Funding programs
- Utility rate discount programs
- Free or discounted property programs
- Expedited or discounted permitting approval process

Section 4 of 5

8. General economic development questions:
- A. Who is the best person/people for a business to work with if they are interested in either locating in your municipality or in expanding an existing operation? (These could be municipal officials, employees, or staff from a regional economic development organization.)
 - B. Are you aware of any businesses in your municipality that are currently in need of assistance? If so, we can put the appropriate organization in touch with them to provide information about resources that may be helpful.
 - C. Are there any prominent buildings or sites that are a priority for your municipality for development or redevelopment? Please provide the address or location information.
 - D. Does your municipality view economic development activity as part of its role?
 - Yes
 - No
 - Sometimes
 - E. Would you like to learn more about local economic development programs and services that are available? If so, what's the best way to get that information to you? (i.e., workshops, individual visits from economic development staff, fliers)
 - F. What local economic development agencies and programs are you already familiar with?

ECONOMIC RESEARCH INSTITUTE OF ERIE

Background

The purpose of Penn State Behrend's Economic Research Institute of Erie (ERIE) is to collect, analyze, interpret, and disseminate data and information on the Erie regional economy. Another important goal of ERIE is to provide our students with relevant experience with applied economic research and data analysis. Established in late 1982, the Institute is an applied research unit of Penn State Behrend's Sam and Irene Black School of Business.

We do not wish to duplicate the activities of other Erie-area organizations. Rather, we seek to use our collective training and experience in the areas of data handling and technical analysis to provide support to those whose expertise falls in different fields.

ERIE's continuing research program helps the local community better understand the regional economy and its linkages to the national economy. ERIE provides a source of information for local leaders and media who have questions about the local, national, and international economies. ERIE compiles data on the local economy from a wide range of sources, and helps local users access and evaluate these data.

Some of the studies that ERIE has undertaken include:

- Creation of a set of leading indicators for the Erie economy, the ERIE Leading Index (ELI).
- Estimation of the costs to the local economy of Erie residents having to travel out of the area to seek medical treatment from pediatric sub-specialists.
- Estimates of the impact of a split-rate property tax.
- Estimates of the amount that would be raised by a county-wide 1% additional sales tax.
- Estimates of productivity of Erie's workers through time and across industries, compared to the nation, and why productivity varies from place to place.
- Estimates of brain drain and brain gain from local colleges.
- Creation of a model to forecast total Erie employment, as well as employment in several component industries.
- Three studies of philanthropic giving in the Erie area sponsored by leading non-profit agencies.
- A model to estimate the cost of living in all 67 counties of Pennsylvania for a state government agency.

ERIE staff have made over 120 presentations in the local community since 2000, speaking to audiences at the Manufacturer and Business Association of Northwest Pennsylvania, the Erie Ambassadors, the Erie Community Foundation, the Erie Chapter of the National Association of Purchasing Management, the Erie Conference on Community Development, and twelve Leadership Erie classes, among many others. ERIE regularly provides information for the print and electronic media in the community, with over 550 press mentions since 2000.

In addition, ERIE's work has resulted in an enhanced awareness of the Erie regional economy among national and international audiences. This stems from the over 90 technical paper presentations made by Institute staff members at national and international conferences. Among these are presentations in Amsterdam, Cambridge (England), Marseilles, Montreal, Paris, Quebec City, Reading (England), Toronto, Wellington (New Zealand), and Vancouver, as well as numerous major U.S. cities. Articles based on the Erie economy, written by members of the Institute staff, have appeared in *Economic Development Quarterly*, *Environment and Planning A*, the *International Journal of Forecasting*, the *Journal of Forecasting*, *Regional Studies*, *Systems Research*, the *Pennsylvania Economic Review* and other academic journals.