



MEMORANDUM

Date: August 28, 2012

To: President, Vice-President, Council and Mayor

From: Jeff Naftal, Borough Manager

Subject: West Liberty Avenue Redevelopment

Background:

In the fall of 2010, #1 Cochran began speaking with the County about the possibility of acquiring property near their Nissan dealership. Their goal was to add an Infiniti dealership at that location. When they finally set their sites on the corner parking lot at West Liberty and Raleigh it was because the County convinced them of the value in consolidating their business on one property rather than spreading it out. They then approached the Port Authority about purchasing the property that owned the land and was leasing it to the Borough. In May of 2011, the Borough purchased the parking lot land from the Port Authority and took out a bond of \$650,000 to pay for the purchase. The Borough still owes \$350,000 on this purchase. Once the land belonged to the Borough, #1 Cochran approached the Borough about acquiring the land.

Over the last year, the discussions with #1 Cochran became public and the local business owners indicated their disapproval of giving up the corner parking lot and its 75 parking spaces. This led #1 Cochran to begin offering a land exchange to provide for parking in alternative locations. The current proposal offers to exchange the corner parking lot for #1 Cochran's used car lot in the 3200 block of West Liberty as well as the only remaining lot they own on the other side of the street at the corner of West Liberty and Biltmore. In addition to the land exchange, #1 Cochran has also supported the development of a Tax Increment Financing (TIF) District which could be used to pay for the new parking lots or towards the construction of a Transit Oriented Development (TOD) where the current train parking and the Borough's other lots are located, adjacent to their Nissan dealership. They are also proposing to guarantee at least \$100,000 into the TIF each year. If the assessed values go higher, than the amount could increase but it would never be less than \$100,000 more than they are currently paying. Finally, they are proposing to engineer and build the Borough's replacement parking lot where the used car lot is now with reimbursement to come from the TIF.

In the meantime, #1 Cochran is moving forward with their plan to renovate the Nissan dealership and received approval for this project from the Borough late last year.

On August 15, 2012, Council held a Public Workshop to hear public comments on the #1 Cochran proposal and the options outlined in the prior versions of this report. Answers to the questions posed by the public at that Workshop have been posted online as of August 20, 2012. E-mailed comments about these options are attached to this report for Council's review.

Discussion:

#1 Cochran is at a point where they need to know what the Borough wishes to do with regards to the potential land exchange as they are nearing the start of work on improvements to the Nissan dealership and once that is done would move immediately to begin work on the Infiniti dealership. So they are pushing hard for a decision from the Borough.

Council has asked that I provide my cost/benefit analysis of the proposed land exchange and how implementing a TIF impacts that. The information below explains in some detail our options and how they impact the Borough. In addition, I have attached a spreadsheet that graphically shows the positives and negatives and hopefully can give you a quick look at the big picture. I have also attached a map showing the proposed TIF area.

One key item that Council should know about in evaluating my analysis is how a TIF District works and how it would impact the Borough if one is created. All together it takes between 6 and 9 months for creation of a TIF District. Steps in the process include: submittal of an application and proposal; a meeting with the local taxing authorities and the Department of Economic Development to explain the project; Resolutions of Intent from the local taxing authorities; an official TIF Committee formed with representatives from the local taxing authorities; multiple resolutions from the Borough and other taxing authorities as well as the County; a public hearing; a cooperative agreement among the local taxing authorities; and then the issuance of bonds.

Once this process is complete, the TIF works as a funding mechanism for the projects developed through the process. All properties included in the District have their assessed value marked as the starting point for future TIF funding. Any increases in assessed value will generate additional taxes. A portion of those extra taxes, usually 60% to 75% but possibly higher, are then placed into the pool of funds which becomes available to fund the projects outlined during the creation of the District. This continues for 20 years and can provide for significant revenue to fund development projects, infrastructure improvements, streetscapes, and even façade renovations. If for some reason the funds are not used because the projects don't materialize, they are redistributed to the local taxing authorities on a pro rata basis.

My analysis of the options available to the Borough is as follows:

OPTION #1: DO NOTHING:

The first option that the Borough can exercise is to take no action. There would be no land exchange or creation of a TIF and the status quo would be maintained.

Unfortunately, the status quo appears to provide very few positives for the Borough and a number of significant negatives.

The positives for the Borough are:

1. The existing 75 parking spaces remain and that means that the business owners across the street will not have an issue.
2. A discussion of the aesthetics of the new Infiniti showroom will not need to be entertained because #1 Cochran will not build the showroom without the exchange of land.

The negatives for the Borough are:

1. The Borough will lose \$30,000 per year or more in extra taxes or \$100,000 or more in contributions to a TIF because #1 Cochran will not build the Infiniti showroom.
2. The Borough will ultimately need to spend funds to upgrade the corner parking lot. Costs for this can range from \$20,000 by simply adding a kiosk parking meter system to \$150,000 to make major surfacing and landscaping improvements to the lot.
3. The Borough will need to continue to pay off the debt associated with buying the corner parking lot.
4. The Borough will not have any TIF funding to use for street or other improvements or towards the TOD being constructed.
5. Aesthetically it is likely that the appearance of the street will never change or at least take much longer to improve.
6. The development of the TOD will be impacted as about one-third of the West Liberty frontage will not be controlled by the Borough and thus could not be included in the development of the TOD.

OPTION #2: MOVE FORWARD WITH THE LAND EXCHANGE BUT DO NOT IMPLEMENT A TIF:

The second option that the Borough can exercise is to execute the land exchange with #1 Cochran as proposed; that is to give them the corner parking lot and take from them the used car lot and the lot on Biltmore, but not to implement a TIF. This option provides more positives for the Borough but it still has a number of negatives associated with it.

The positives for the Borough are:

1. The Borough will see the development of the Infiniti showroom and will gain approximately \$30,000 in extra tax revenue.
2. The Borough will have a brand new parking facility with proper landscaping and a kiosk metering system on the same side of the street as the businesses.
3. The Borough will have consolidated all land between Park and Biltmore for use with the TOD, if that project gets developed.
4. The Borough will be able to provide additional parking on the lots along West Liberty between Park and Biltmore once the #1 Cochran project is completed. This parking can be temporary or permanent if the TOD is not constructed.

The negatives for the Borough are:

1. The Borough will not have any TIF funding to use as an enticement for a developer of the TOD or to enhance the West Liberty business district.
2. The Borough will need to spend funds, from \$150,000 to \$200,000, to create the permanent parking on the used car lots.
3. The Borough will need to spend funds, from \$100,000 to \$200,000, to upgrade the temporary parking on the TOD site once #1 Cochran vacates the land.
4. The Borough will need to continue to pay off the debt associated with buying the corner parking lot.
5. Aesthetically it is likely that the appearance of the street will never change or at least take much longer to improve.
6. The development of the TOD could be impacted as there will be no incentive funds from the TIF to be used to create the parking mandated by the Port Authority. It is highly unlikely that a developer will want to come in without that financial assistance.
7. A discussion of the aesthetics of the new Infiniti showroom will need to be entertained because #1 Cochran will now build the showroom and some in the Borough want the design to fit with the current character of the community.
8. The Borough will lose approximately 30-35 parking spaces for about a year until the West Liberty frontage lots of the TOD is developed as temporary parking. If the lots are not made into temporary parking, it could be 3 to 5 years, if at all, before the TOD is constructed. The Borough could attempt to find other alternatives for the lost spaces such as a shuttle bus or valet parking.

OPTION #3: MOVE FORWARD WITH THE LAND EXCHANGE AND IMPLEMENT A TIF:

The third option that the Borough can exercise is to execute the land exchange with #1 Cochran as proposed; that is to give them the corner parking lot and take from them the used car lot and the lot on Biltmore, and to implement a TIF. This option provides the most positives for the Borough but it still has some negatives associated with it.

The positives for the Borough are:

1. The Borough will see the development of the Infiniti showroom and will have guaranteed \$100,000 or more in extra tax revenue that will go directly into the TIF for use as an incentive for the TOD, streetscape, or other infrastructure projects along the West Liberty corridor.
2. Because of the funding into the TIF, it is very likely that the business district will be enhanced with streetscape, landscaping, infrastructure improvements and more over the 20 year life of the TIF District.
3. The Borough will have a brand new parking facility with proper landscaping and a kiosk metering system on the same side of the street as the businesses. The project will be completed by #1 Cochran while they are renovating their Nissan dealership with proceeds to come from the TIF.
4. The Borough will have consolidated all land between Park and Biltmore for use with the TOD, if that project gets developed. Having the TIF makes the project much more likely to get developed.
5. The Borough will be able to provide additional parking on the lots along West Liberty between Park and Biltmore once the #1 Cochran project is completed. This parking can be temporary or permanent if the TOD is not constructed.
6. If the TOD is constructed and Borough decides to sell the used car lots, any development of those lots will also contribute taxes to the TIF.
7. Even if the proposed TIF District only includes the Cochran properties, the TOD properties, and the used car lots across the street, TIF funds can be utilized to improve both sides of the street as an integral part of improving the area.

The negatives for the Borough are:

1. The Borough will need to spend funds, from \$100,000 to \$200,000, to upgrade the temporary parking on the TOD site once #1 Cochran vacates the land.
2. The Borough will need to continue to pay off the debt associated with buying the corner parking lot.
3. A discussion of the aesthetics of the new Infiniti showroom will need to be entertained because #1 Cochran will now build the showroom and some in the Borough want the design to fit with the current character of the community.
4. The Borough will lose approximately 30-35 parking spaces for about a year until the West Liberty frontage lots of the TOD is developed as temporary parking. If the lots are not made into temporary parking, it could be 3 to 5 years, if at all, before the TOD is constructed. The Borough could attempt to find other alternatives for the lost spaces such as a shuttle bus or valet parking.
5. If for some reason the TIF is not approved by either the County or the School District, then all of the positives and negatives of Option #2 would apply.

If Council were to select either Option #2 or Option #3, I would immediately schedule a comprehensive parking study of the corner parking lot to determine how many extra parking spaces are needed and what days of the week and times of day they are needed. I would then prepare a report outlining various options to address the shortage of parking on a temporary or permanent basis.

Recommendation:

In my opinion, the Option that provides the most value to the Borough is Option #3. That being said, it will also cause some heartache for business owners on West Liberty because of the loss of parking spaces on a temporary basis and it will add some risk to the Borough that the TIF does not get approved by the County or the School District. But weighing those risks against the long-term rewards of street improvements and a TOD, it is my view that the benefits of Option #3 make this the best choice for the Borough.

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Attachments