

## Education Center

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August 11, 2010

Redevelopment Authority  
City of Bethlehem  
10 East Church Street  
Bethlehem, PA 18018

**RE: PRIORITIES AND CONCERNS OF BETHLEHEM AREA  
SCHOOL DISTRICT REGARDING TIF FINANCING**

Dear Redevelopment Authority Members:

The Board of the Bethlehem Area School District (BASD) on August 2, 2010, was provided with a presentation by representatives of the Bethlehem Redevelopment Authority (RDA), City of Bethlehem (City), and their respective consultants, relative to planned development and construction of a Musikfest/Artsquest/PBS 39 Outdoor Performing Arts Center and related City Visitor Center and other development features planned for the BethWorks project. BASD understands that the BethWorks development is to be located within an area designated for tax increment financing (TIF) pursuant to Act 113 of 1990 and the related Cooperation Agreement and TIF Plan signed in 2000.

BASD's role is to administer and support a regional school district system and it exists to educate the over 14,000 children of the City and adjoining municipalities which comprise BASD. BASD and its Board of Directors are stewards of taxpayer dollars which are paid by all of BASD constituents. High among the fiduciary duties of BASD's Board is the responsible use and administration of District tax dollars. This duty requires careful administration of agreements, cautious compliance with district obligations, and assurance that taxpayer money in BASD's control is used only for proper, necessary and anticipated financial obligations of the district.

BASD is a party to the TIF Plan and Cooperation Agreement of 2000, along with the other TIF parties. BASD is amenable to funding its defined share, agreed to in 2000, for financing of TIF-required infrastructure.

In late 2009, BASD Board members informally learned that significant and unanticipated improvements within the BethWorks land holdings were being planned as a result of City and RDA efforts, and these improvements and facilities deviated substantially from the proposed infrastructure identified in the 2000 TIF documents and agreed to by BASD.

The August 2, 2010 presentation by RDA to BASD confirmed that those very significant attractions, entertainment facilities, buildings and improvements never contemplated in 2000, were to be included in BethWorks and funded with TIF dollars. Many of these improvements cannot reasonably be considered to be “infrastructure.”

In reviewing the recent BethWorks plans for a Musikfest/Artsquest/PBS 39 Outdoor Performing Arts Center and City Visitor Center developed by the City and RDA, it appears that many of these newly-identified amenities and attractions, besides being outside the scope of the 2000 TIF, will also be managed, owned or controlled by private third parties.

BASD wants to be clear:

BASD wishes to see the BethWorks development project succeed and flourish, and, ultimately, to significantly increase tax revenues which would benefit BASD, its students and taxpayers. Within the scope of its defined 2000 TIF financial obligations, BASD wants to work cooperatively with the City, RDA and County; however, BASD, in honoring its fiduciary duties, cannot financially be responsible for improvements, amenities, attractions and venues which are outside the scope of the 2000 TIF Plan and Cooperation Agreement.

When the 2000 TIF Plan and Cooperation Agreement were approved by BASD, City, County and RDA, the TIF and Cooperation Agreement called for the financing of infrastructure. A detailed list of the projects, cost and location is found on pages 10 and 11 of the Tax Incremental Financing Plan.

Based on current tax structures, BASD has been allocated responsibility for more than 62 percent of property tax revenues benefitting the TIF, and in the current fiscal year, that contribution will be closer to 64 percent. This conservatively translates into a \$45-55 million contribution from the School District. Aside from this disproportionately high contribution requirement (with the County and City contributing the remainder of property tax assessment revenues to the TIF), there have been a number of developments which have gravely harmed BASD’s financial position and highlighted BASD’s inability to support unanticipated amenities or improvements within BethWorks that benefit private third party entities.

In 2006, Pennsylvania enacted Act 1, which capped the ability of BASD and other school districts to raise school taxes. Act 1 did not inflict similar taxing restraints on the City or County.

In 2004, the Pennsylvania legislature enacted the Horse Race Development and Gaming Act, which provided for the licensure of casinos in Pennsylvania. Casinos were not contemplated and, in fact, were not legal in Pennsylvania in 2000, when the TIF was adopted.

The Pennsylvania Gaming Commission awarded a casino license to the Sands for the development and operation of a casino in the City of Bethlehem, to be located on property within the TIF plan. The City and County shared in a host fee and continue to receive a significant regular revenue stream from casino operations. The City received \$8.2 million last year and is expecting at least the same this year. The School District receives none of the revenues associated with the casino operations.

BASD makes these historical comments to stress several points - - in addition to the recently disclosed developmental deviation from the original purposes and features of the TIF Plan and Cooperation Agreement (i.e., the development of infrastructure necessary to develop the BethWorks area), changes in state law have placed the City and County in a stronger financial position, and BASD in a weaker financial position. Nonetheless, BASD is, by far, the single largest contributor to the TIF financing plan, which the City now contemplates will include development improvements, privately controlled amenities and other attractions never contemplated within the 2000 TIF plan.

In the second half of 2010, BASD now finds itself in a very painful dilemma: while BASD wishes to see financial and development success at BethWorks, it is being called upon to take on new obligations and larger financial burdens for unanticipated improvements, despite the fact that BASD was never consulted, nor was approval sought, nor "appropriate action" taken pursuant to the TIF documents when the significant changes to the TIF Plan were initiated by the City and RDA.

BASD does not object to the development of a new Musikfest/Artsquest/PBS 39 Outdoor Performing Arts Center and related City Visitor Center, but rather objects to the application of TIF revenues to these projects. While these projects are likely appropriate to BethWorks, they are not intended to be covered by the TIF, as BethWorks and the TIF are not one and the same.

With this background, BASD seeks to insure that BASD participates only in the financing of infrastructure as contemplated in the 2000 TIF Planning Cooperation Agreement. In short, the TIF financing proposal as presented in August, 2010 has gone far beyond the scope, purpose or intent of the infrastructure-based objectives of the 2000 TIF Planning Cooperation Agreement. Again, BASD is not trying to undermine the purpose or success of TIF or the BethWorks project; rather, BASD and its Directors have no choice but to be responsible to its taxpayer constituents and its students. The dire financial situation under which BASD is operating its schools only serves to underscore BASD's duty to closely examine how school tax revenues are employed, and how it accounts to the District's taxpayers and students.

Accordingly, in an effort to allow BASD to honor its originally defined obligations under the 2000 TIF Plan Cooperation Agreement and to be responsible and accountable as district Directors, the following proposal is offered:

### PROPOSAL

BASD can justify participating in the funding of the \$5,000,000 existing debt, the parking lots (items 7 and 12 on the Proposed Budget Development for TIF Expenditures) totaling \$2,950,000 and the Founders Way Entrance Improvements and Signage for \$500,000. These projects total \$8,450,000.

We propose that all money not needed to fund these projects be disbursed immediately to the taxing authorities.

The BASD cannot waive the requirement of the Tax Increment Financing Act (See 53 P.S. § 6930.5(a)(8) and 53 P.S. § 6930.6(c)) and the Cooperation Agreement/TIF Plan that any amendment “is subject to the approval in the same manner as the original project.” This would include detailed presentations to all taxing authorities and at least one public meeting.

BASD’s Directors cannot allow other governmental entities to dictate a project and budget primarily supported by BASD and its taxpayers. BASD wishes to move ahead in the spirit of community cooperation, but always subject to its obligations as outlined in this letter.

Sincerely,



Loretta M. Leeson  
Board President