

Abington Township Consideration of an Economic Development Corporation

Presented by:



David Nasatir and Michael Thom

Economic Development Corporation

- What is an Economic Development Corporation (EDC)?
 - A quasi-governmental non-profit corporation, foundation or association whose mission is to provide economic development to a targeted geographical area.

Economic Development Corporation

- How does an EDC work?
 - First, an EDC is created by an enabling ordinance of a governmental body.
 - Second, the governmental body creates and enacts by-laws and articles of incorporation, and passes a corporate resolution.
 - Lastly, the governmental body appoints directors to serve on the EDC's Board of Directors.

Economic Development Corporation

- How does an EDC fund its projects and operations?
 - Initially the creator of the EDC will need to provide funds to cover the start-up costs. This can be done through a loan/line-of-credit extended to the EDC, a cooperation agreement where you continue to utilize the existing management structure to decrease start-up costs, or a gift of finances.
 - EDC's also may obtain grants and loans just like a non-profit corporation would be able to.
 - Additionally, post-development, the EDC may be able to generate revenues through leasing the developed sites, creating a loan facility to small businesses, or selling developed sites.

Economic Development Corporation

- What types of individuals should be on an EDC Board of Directors?
 - EDC's are not like typical Township committees and subcommittees so any person that brings value, whether a Township resident or not, may serve on the EDC Board of Directors.
 - We recommend the following types of individuals:
 - Community Leader
 - Business Leader
 - Land Use Practitioner or Development Industry Member
 - Financial Services Provider
 - Attorney

Economic Development Corporation

- EDC's are great for spurring development throughout a community.
- EDC's should not be set up to complete one project. Instead EDC's should be created with a forward-looking, long-term vision of redevelopment throughout the community.

Possible EDC Development

- Old York Road/Susquehanna Road
- Abington Township is undertaking a project consisting of the purchase and redevelopment of blighted properties on or near the corner of Old York Road and Susquehanna Road.
- This Project is expected to include:
 - Acquisition of the properties;
 - Demolition of the properties;
 - Redevelopment and widening of the intersection; and
 - Redevelopment of the properties.

Site Photo

Old York Road and Susquehanna Road



Alternate Options for Township to Complete Improvements

- Option 1 – Township undertakes the redevelopment project using its own staff, finances and resources.
- Option 2 – Township creates an Economic Development Corporation to spearhead the redevelopment of the properties, as well as spur future growth and economic development within the Township.

Pros of Redevelopment through EDCs

- Quasi-government non-profit corporation can access private funding sources as well as taxable and tax-exempt debt.
- Township can retain control of the EDC, but distance itself from the day-to-day operations and public reaction to the redevelopment.
- EDC's are not required to comply with timely governmental requirements including bidding which allows them to efficiently and effectively complete the development.
- EDC development sites can become revenue to fund future projects throughout Township.

Cons of Township Redevelopment

- Township is required to comply with timely governmental requirements including bidding requirements which significantly increase costs and development timeline.
- Township will retain immediate control of the day-to-day development of the project site and will be required to be constantly involved in the decision making process.

Examples of Successful EDC Projects



- Philadelphia's Navy Yard
 - \$3.5B investment
 - 20+ acres of parks
 - 30,000 new jobs
 - 13.5M SF of master developed leasable space

Examples of Successful EDC Projects



- Sly Fox Brewing Company – Pottstown
 - PAID drew Sly Fox in with ample industrial space and ease access to major road ways.

Examples of Successful EDC Projects



- Hatfield Industrial Development Authority
 - Funded upgrades for public works building that is being used by the police department.

Recommendation to Abington

- Create the EDC
- Have the EDC and Township run parallel paths towards the completion of the Old York Road/Susquehanna project
- Enter into a cooperative service agreement to utilize Township services and appoint the Township Manager as Executive Director.

Initial Development Tasks

- Township Tasks
 - Create the EDC
 - Finalize EDC corporate documentation
 - Appoint EDC Board
 - Enter into ISA to sell EDC properties
 - Complete demolition work and site improvement work
 - Transfer title of properties to EDC
- EDC Tasks
 - Engage professionals to complete pre-development stages of project
 - Request and review bids for master developer

Projected Development Timeline

- Intersection Project
 - Initiate eminent domain proceedings (approximately 6 mos.)
 - Finalize engineering drawings for intersection work (approximately 3 mos.)
 - Obtain permits and approvals for intersection work (approximately 3 mos.)
 - Obtain permits and approvals for demolition work (approximately 3 mos.)
 - Prepare bid documents and bid and award intersection work (approximately 3 mos.)
 - Prepare bid documents and bid and award demolition work (approximately 3 mos.)
 - Perform intersection work (approximately 6 mos.)
 - Perform demolition work (approximately 3 mos.)

Projected Development Timeline

- Development Project – Phase I (12-18 months)
 - Initial consideration of the creation of the EDC by Township Committees and Township Board of Commissioners
 - Finalize formation documents for EDC
 - Authorization of formation of EDC by Township
 - Appoint Board of EDC
 - Enter into ISA for the properties
 - Engage professionals and necessary consultants to assist in redevelopment project
 - Issue RFP and select master developer
 - Determine scope of redevelopment project and use of the properties
 - Prepare sketch plan(s) for redevelopment project
 - Obtain Township and public feedback on redevelopment project
 - Obtain title to the properties from the Township

Projected Development Timeline

- Development Project – Phase II (TBD based on development)
 - Finalize scope of redevelopment project and prepare engineered plans
 - Obtain permits and approvals for redevelopment project
 - Award contracts for development of the redevelopment project
 - Completion of redevelopment project
 - Disposition of the properties (i.e. occupancy, leasing, or sale)

Projected Development Costs for Three Story 50,000 SF Office Building

	Abington Township Development Projected Cost	EDC Development Projected Cost	Notes
Site Preparation Costs			
Site Clearing	\$ 190,625	\$ -	In either scenario, Abington Township will complete demo work as part of its Multi-Modal Transportation Grant award.
Site Servicing Costs	\$ 100,000	\$ -	
Intersection Improvements	\$ 3,000,000	\$ -	
Miscellaneous Site Costs	\$ 15,000	\$ -	
Total Site Preparation Costs	\$ 3,305,625		
Construction Costs			
Building	\$ 10,625,000	\$ 8,500,000	Philadelphia Market is operating at approximately \$170.00 per SF
Parking & Landscaping	\$ 637,500	\$ 510,000	Projected to be 6% of Building Costs
Leasehold Improvement Allowance	\$ 1,875,000	\$ 1,500,000	Market TI package is approximately \$30.00 per SF
Total Construction Costs	\$ 13,137,500	\$ 10,510,000	
Professional Fees			
Architectural & Engineering	\$ 919,625	\$ 735,700	Projected to be 7% of Construction Costs
Project Management Fees	\$ 525,500	\$ 420,400	Projected to be 4% of Construction Costs
Legal Fees	\$ 197,063	\$ 157,650	Projected to be 1.5% of Construction Costs
Total Professional Fees	\$ 1,642,188	\$ 1,313,750	
Township Fees			
Permits & Fees	\$ 50,000	\$ 50,000	Estimated Fees
Impact Fees	\$ 250,000	\$ 250,000	Estimated Fees
Total Township Fees	\$ 300,000	\$ 300,000	
Miscellaneous Costs			
Insurance	\$ 10,000	\$ 10,000	Estimated Builders Risk, General Liability & Commercial Property
Miscellaneous Costs	\$ 50,000	\$ 50,000	Minor contingency for unexpected costs
Total Miscellaneous Costs	\$ 60,000	\$ 60,000	
Financing Interest Costs			
Construction Loan	\$ 553,125	\$ 500,000	EDC's Private Financing Interest Costs projected at 5% of \$10,000,000 loan
Total Financing Interest Costs	\$ 553,125	\$ 500,000	Abington's Public Financing Interest Costs projected at 3.75% of \$14,750,000 loan
Contingency Allowance	\$ 958,344	\$ 770,700	Projected to be 7% of Construction and Financing Costs
Total Development Cost	\$ 19,956,781	\$ 13,454,450	
Note: Abington Township is bound by prevailing wage requirements, and as such, site work and construction costs include a 25% mark-up for additional prevailing wage costs			
Please note: This is a hypothetical development cost projection and could be materially different from Abington Township's ultimate development project. This has been prepared for illustrative purposes only and can not be relied on to provide an accurate price analysis for the redevelopment project ultimately selected by Abington Township. It is purely hypothetical and the development costs projected herein only apply to the hypothetical scenario outlined herein. Once Abington Township determines its redevelopment plans, we are happy to provide additional analysis outlining updated cost projections based on the actual redevelopment plans.			