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[Review of Urban Development Action Grant Program]

UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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Before the  
Subcommittee on Intergovernmental Relations and Human Resources  
United States House Committee on Government Operations

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Mr. Chairman and members of the Subcommittee:

We are here today to testify on GAO work that was performed in response to the Subcommittee's request of

February 2, 1979. We were asked to review the Urban Development Action Grant Program (UDAG) administered

by the Department of Housing and Urban Development. In

particular you asked us to substantiate

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- the number of permanent jobs created,
- the extent to which local public revenue is expanded,
- the amount of private investment actually levered taking into account other public investments in the projects, and
- who ultimately benefits from the UDAG program.

We must emphasize that at this stage, we cannot draw any definitive conclusions concerning the success or lack of success of the UDAG program.

#### BACKGROUND ON THE PROGRAM

As background for presenting the results of our work, we would like to briefly review the purpose and objectives of the legislation as well as the current funding authority and grant activity.

✓ The Housing and Community Development Act of 1977 (Public Law 95-128) authorized the UDAG program to assist physically and economically distressed cities and urban counties. Communities with population

outmigration, a stagnating or declining tax base, and/or a housing stock which is excessively deteriorated or abandoned are eligible for UDAG assistance.

The Congress originally authorized \$1.2 billion to fund the program through fiscal year 1980. Recently, the President proposed an increase in this authorization level to \$1.475 billion. The additional \$275 million would be used in fiscal year 1980.

The first UDAG awards were made in April 1978. As of February 2, 1979, the cut-off date of our study, a total of 309 grants in the amount of \$596 million had been awarded.

The objectives of our study are related to the primary UDAG project selection criteria. Specifically, our study addresses

- the amount of private investment stimulated,
- the number of permanent jobs created or retained, and
- the degree to which the grantees' tax bases were expanded.

#### THE SAMPLE OF UDAG GRANTS

From the grants awarded to four States--Maryland, New York, Ohio, and Georgia--17 grants were selected for review. The 17 sample grants include commercial and industrial type projects awarded to metropolitan and

small cities from the beginning of the program to the study cut-off date. Neighborhood-type projects were excluded from the sample selection since they are predominately housing projects and would not be expected to create permanent jobs (although they would have the potential to lever private funds and add to the cities' tax base).

The 17 sample grants in our study represent:  
14 percent of the total dollar amount of UDAG awards:  
19 percent of the total claimed private investment stimulated by the UDAG program: and 12 percent of the total claimed number of jobs created by the UDAG program. Although the sample is small in relationship to the total number of UDAG awards, it captures a large proportion of the claimed economic impact of the program. During the course of our work, we visited the actual or proposed site of each project and met with city officials and, where possible, the developers who were involved in the project.

Because of the limited time available for us to gather information on the selected number of UDAG grants, we had to choose projects in close proximity to GAO's regional offices. Although we did make a random selection of projects within the four states chosen, we emphasize

that the size of this sample is not large enough to provide statistically valid projections and conclusions. However, the sample does provide strong indications and insights as to the accuracy of the UDAG program's claimed accomplishments.

#### THE LEVERAGE CONCEPT

Because the UDAG program was created to attract private investment to urban areas where such investment is either absent or does not exist in sufficient quantity, a clear understanding of the relationship between a particular grant under UDAG and direct private investment is essential.

In many economic instances, direct private investment is undertaken--or not undertaken--on its own merit. That is, sufficient economic incentives exist, in the form of expected returns (profits), to "lever" the private investment. If these returns are not considered sufficient, then the private investment seeks alternative opportunities. These private enterprise decisions are the result of detailed and complex financial analysis to determine if the risk is worthwhile when compared to the expected returns of the private investment. One of the primary purposes of the UDAG program is to reduce the

risk and attract private investment into urban areas with certain characteristics.

"Leverage" generally refers to a financial analysis term--the debt to equity ratio--used to analyze the solvency and borrowing power of a firm. Leverage occurs when borrowed funds are used to increase the return on the owner's capital which arises when the earnings on borrowed funds exceed the interest charges on the funds.

In the case of the UDAG program, the term "leverage" is used to describe the concept of public funds being used to stimulate additional private investment and, therefore, economic growth. Leverage occurs when the UDAG investment generates a greater amount of private investment and is expressed as a ratio of UDAG funds to private investment dollars.

To emphasize this point, we have prepared a chart to illustrate the relationship between UDAG funds and private investment. According to the chart and the concept of leveraging, the fulcrum would be placed directly under the private investment in the normal decision making process of business firms. This indicates that the private investment is being levered internally by the business firm. That is, there are no requirements in many business decision for an outside force, such as an UDAG, to create, induce or "lift" the private investment.

Since UDAG funds are intended to go to targetted cities in distress, then the fulcrum would generally be to the left of the private investment. Where the fulcrum is placed in relation to the private investment (i.e., how an UDAG is levering private investment) is dependent on economic factors that are essential ingredients of the business decision.

In our assessment of individual UDAG projects, we have analyzed all factors which may have been responsible for the leverage for the private investment. In particular, we analyzed the commitment of other public funds (local, State, or Federal), the extent of any tax abatements, positive regulatory actions (e.g., water extraction and discharge permits), and economic indicators, such as proximity to a skilled labor supply, raw materials, other resources and the potential market for the product. The commitment of other public funds to the same project would tend, according to our analysis, to reduce the leverage ratio attributable to the UDAG. A combination of favorable economic factors could lessen the need for an UDAG or reduce the amount of UDAG required to lever the project.

In discussions with HUD officials, we learned that one of their decision criteria is a comparison of the

dollar amount of an UDAG with the dollar amount of private investment. This relationship, as explained earlier, is expressed as a leverage ratio. A leverage ratio of 1:6.50 would mean that \$6.50 of private investment has been levered by \$1.00 of UDAG. While it may be appropriate for the HUD selecting officials to include only UDAG funds in calculating the leverage ratio as part of HUD's internal decision criteria, an analysis of the private investment that is levered should take into account all public funds that are in evidence and applicable to the project.

Information for the 17 UDAG projects which we reviewed are presented below. Fact sheets about the projects and the GAO analysis of the jobs created, tax revenues generated, and leverage ratio are presented for each project. *of the 17 UDAG projects*

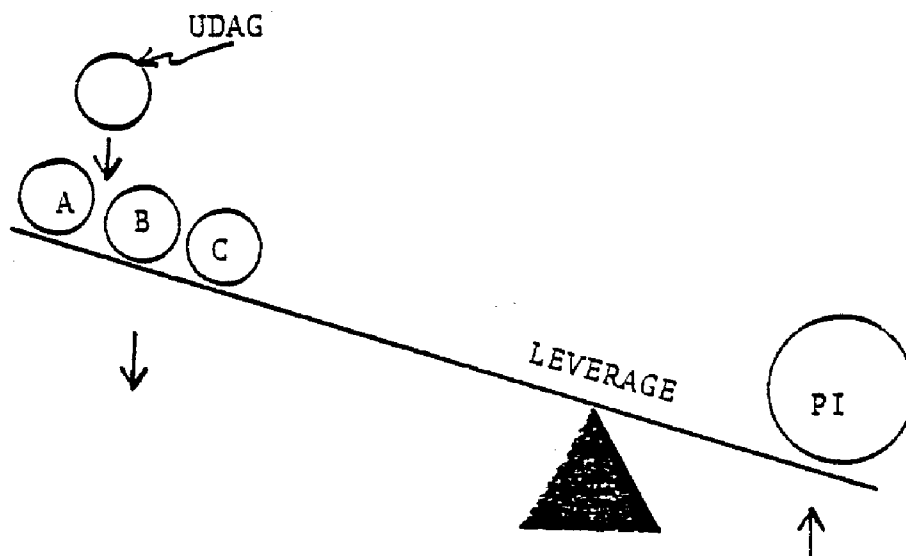
Mr. Chairman, this completes my formal statement. My colleagues and I would be happy to respond to any questions you and members of the subcommittee may have.



CHART 1

THE RELATIONSHIP BETWEEN UDAG  
FUNDS AND PRIVATE INVESTMENT

Theory: The addition of an incremental weight (i.e., an UDAG) will lever private investment (PI).



▲ Overall Economic Climate, EG. Proximity to

- Market
- Resources

OTHER FACTORS WHICH  
LEVER PRIVATE INVESTMENT

- A -- Regulatory Considerations, EG. Environment
- B -- Tax Considerations, EG. Abatements
- C -- Provision of Infrastructure through other public investment

FACT SHEETGRANT PROFILE

Applicant: Akron, Ohio

Amount of Award: \$5,000,000

Date Award Announced: July 11, 1978

Purpose of UDAG: To provide a larger improved site for 9 to 15 light rubber-related industrial companies.

Private Investors: Various small industrial and equipment companies.

Project Description: Public funds will be used to purchase blighted housing and 16.5 acres of land, relocate displaced residents, improve the land for business expansion, and help finance low interest loans to private investors. The additional land and improved sites will enable the companies already located there to build bigger facilities and expand.

Amount of Private Investment: \$14,200,000

Economic Impact

	<u>Per HUD release a/</u>	<u>Per application b/</u>	<u>Per GAO analysis c/</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	\$ <u>14.2</u>	\$ <u>16.2</u>	\$ <u>9.2</u>
UDAG	\$ 5.0	\$ 5.0	\$5.0
Other Public	<u>4.2</u>	<u>4.2</u>	<u>4.2</u>
Total Public	\$ <u>9.2</u>	\$ <u>9.2</u>	\$ <u>9.2</u>
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:2.8	1:3.2	1:1.8
Total Public to Private	1:1.5	1:1.8	1:1
<u>JOBS</u>			
Created	813	813	260
Retained	225	225	225
<u>TAXES</u>			
Property	not reported	\$16,900	\$22,047
Other	not reported	\$158,000	\$71,779

a/These amounts were taken from HUD's press releases.

b/These amounts were taken from the grantee's UDAG application.

c/GAO analysis adjusted HUD's amounts based on data and information derived from the study.

## Pertinent Facts

### Background

The Sweitzer Avenue area consists of about 22 industrial firms intermixed with 155 severely blighted family houses. They are land locked and according to the applicant, are moving their operations to the suburbs and other cities.

### Chronology of Events

The project appears to have been initiated after the UDAG program.

### Site Characteristics

There is nothing particularly unique about the site other than the fact that the companies located there are already in the area and would prefer to remain there as part of the UDAG project.

### Applicant's Position

The UDAG funds are necessary to keep the companies in the Sweitzer Avenue area from relocating out of the city. The project could have been completed without UDAG, however, it would have taken much longer.

### HUD Area Office, EMAD Comments

This project will not steal industry from any other city. It will arrest the trend of under utilized manufacturing facilities in Akron. EMAD strongly supported this use of UDAG money despite the applicant's difficulty in obtaining firm commitments from particular manufacturers.

### Private Investment

The applicant double counted \$7 million in private investment by including both what the private investors planned to spend and how much the banks were willing to lend them.

### Other Public Investment

The project also includes \$3.2 million in Ohio Department of Transportation (ODOT) funds and \$1 million in CETA funds. The applicant states that the ODOT highway improvements

would have been done with or without the project, however, it was still an incentive to private investors.

### Jobs

New job estimates in the application are from prospective investors, 260 jobs, and increased for potential spin-off jobs, 553. We did not include spin-off jobs in our calculations. The 225 retained jobs are estimates from those companies currently in the Sweitzer Avenue area.

### Taxes

The applicant could not recreate his property tax computations. We computed a new estimated property tax based on factors furnished by the applicant. The other tax is based on a 1.5 percent income tax rate but does not include income tax on spin-off jobs as the application did.

FACT SHEET

GRANT PROFILE

Application: Akron, Ohio

Amount of Award: \$11,400,000

Date Award Announced: January 4, 1979

Purpose of UDAG: To provide an incentive for a company to keep its headquarters in Akron and to expand its research and development operations.

Private Investor: Goodyear Tire Company

Project Description: Public funds will be used to acquire some additional land and make public improvements needed to serve the new Goodyear technical center and test track.

Amount of Private Investment: \$70,000,000

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	\$ <u>70.0</u>	\$ <u>75.0</u>	\$ <u>75.0</u>
UDAG	\$11.4	\$11.4	\$11.4
Other Public	<u>2.5</u>	<u>?</u>	<u>5.3</u>
Total Public	\$ <u>13.9</u>	<u>?</u>	\$ <u>16.7</u>
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:6.1	1:6.6	1:6.6
Total Public to Private	1:5.0	?	1:4.5
<u>JOBS</u>			
Created	550	500	550
Retained	1,700	700	700
<u>TAXES</u>			
Property	not reported	\$1,886,000	\$1,480,000

## Pertinent Facts

### Background

Corporate headquarters and research and development are the main rubber industry activities in Akron. Since the early 1960's, the rubber industry began decentralizing. The project provides the Goodyear Company an incentive not to move their operations from the city.

### Chronology of Events

Project appears to have been initiated after the UDAG program.

### Site Characteristics

No particular site characteristics, except that Goodyear is already located on the site.

### Applicant's Position

In fear that a major rubber industry may move its operations out of the city, the UDAG funds were used as an incentive to keep the company's headquarters in Akron.

### HUD Area Office, EMAD Comments

While there are some reasons for Goodyear to remain in Akron, the general consensus of opinion indicates that a new development including a new corporate headquarters, elsewhere would be likely if the UDAG improvements are not made. The UDAG improvements insure that Goodyear will remain in Akron.

### Private Development

\$75 million in private investment will be used for land acquisition, development of a test track and technical center, and other site improvements.

### Other Public Investment

\$5.3 million from Federal, State, County, and city agencies will be invested in the project--state funds (\$1.0 million), local funds (\$1.6 million), Economic Development Administration funds (\$1.3 million), and Federal Highway Administration funds (\$1.4 million).



Jobs

Jobs estimates were computed by the company. These estimates appear reasonable.

Taxes

Officials couldn't explain how property tax revenues were computed. Property tax revenues appear overstated. Same situation with the income tax revenues. The city income tax rate is 1.5 percent of gross income.

FACT SHEET

GRANT PROFILE

Applicant: Amsterdam, New York

Amount of Award: \$2,500,000

Date Award Announced: August 2, 1978

Purpose of UDAG: To finance the construction of a parking facility which will serve a 235,000 square foot downtown shopping mall.

Private Investor: MacFarland Construction Company

Project Description: An auto parking area, which will be adjacent to the shopping area, will facilitate the convenience of downtown shopping.

Amount of Private  
Investment: \$9,750,000

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	\$ <u>9.75</u>	\$ <u>9.75</u>	\$ <u>9.75</u>
UDAG	\$2.50	\$2.50	\$2.50
Other Public	<u>-</u>	<u>-</u>	<u>2.52</u>
Total Public	\$ <u>2.50</u>	\$ <u>2.50</u>	\$ <u>5.02</u>
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:3.9	1:3.9	1:3.9
Total Public to Private	1:3.9	1:3.9	1:1.9
<u>JOBS</u>			
Created	300	300	270
Retained	-	-	-
<u>TAXES</u>			
Property	not reported	\$0.10	\$0.03
Other	not reported	\$0.24	\$0.22

Pertinent FactsBackground

The Amsterdam mall will complete an 80 acre urban renewal project. The current project is Phase II of a shopping center. Phase I was completed 2 years ago, and it consists of 75,000 square feet of leasable area.

Chronology of Events

Amsterdam had a contingency plan to construct a mall one-half the size if the UDAG was not improved.

Site Characteristics

The project will be located in a downtown area which is the site of prior urban renewal projects (cost of \$2.4 million). The site is serviced by a new roadway, bridge, and traffic patterns, making it accessible.

Applicant's Position

UDAG made it possible to finish an urban renewal project, but UDAG did not work alone. There was a need for community development and EDA funds also.

Private Investment

\$9.75 million will be used to develop Phase II of the mall, and to purchase store fixtures.

Other Public Investments

\$2.52 million from Federal, and State agencies were invested in the project--state funds (\$.07 million), HUD funds (\$2.30 million), and Economic Development Administration funds (\$.15 million).

Jobs

The job estimates were based on experience with Phase I. Ten percent of the jobs estimated were reduced per analysis due to expected relocation of area merchants.

Taxes

The applicant did not take into account property recently removed from the tax roles because of the project. The value of the lost property is the same as the new property. However, the annual payments to the city will be in lieu of taxes, therefore \$30,000 that would have gone to the county will now go to the city.

The other tax is based on a 1.5 percent city sales tax, however 10 percent was reduced per analysis due to expected relocation of area merchants.

FACT SHEETGRANT PROFILE

Applicant: Atlanta, Georgia

Date Award Announced: July 11, 1978

Amount of UDAG: \$3,726,000

Purpose of UDAG: To purchase air rights and to construct a parking deck.

Private Investor: University West, Inc. (non-profit community development corporation)

Project Description: Construction of a 6-story Trade-Mart over the parking deck.

Amount of Private Investment: \$8,750,000

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
	----- (million) -----		
<u>INVESTMENT</u>			
Private	\$ <u>8.75</u>	\$ <u>8.75</u>	\$ <u>8.75</u>
UDAG	\$3.73	\$ 3.73	\$3.73
Other Public	<u>-</u>	<u>7.90</u>	<u>-</u>
Total Public	\$ <u>3.73</u>	\$ <u>11.63</u>	\$ <u>3.73</u>
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:2.4	1:2.4	1:2.4
Total Public to Private	1:2.4	1:0.7	1:2.4
<u>JOBS</u>			
Created	520	520	?
Retained	60	60	?
<u>TAXES</u>			
Property	not reported	\$ .36	\$ .29
Other	not reported	-	-

Pertinent FactsBackground

University West is a predominantly black community within Atlanta, Georgia. The community is comprised of residential and business areas as well as six major black educational institutions.

Site Characteristics

The development is adjacent to the Ashby Street Metropolitan Area Rapid Transit Authority (MARTA) station. This station (cost of \$4,345,000) will be the third largest station in a system which will have an estimated passenger capacity of 78,000 per day.

Applicant's Position

The project will take advantage of the potential market generated by the rapid transit system. The UDAG provided the equity needed to obtain a loan for their investment.

Private Investment

University West, Inc. will invest \$8.75 million in the development of a Trade-Mart above the parking garage.

Jobs

The demand for speculative space in the Trade Mart will come from area businesses that want to relocate. However, the estimated number of jobs created is based on various estimating assumptions. Due to where the demand is coming from, and the lack of documentation for the various estimating assumptions, analysis could not support the estimate nor provide a reasonable one.

Taxes

The applicant provided a millage rate of .0604 on 40 percent of property's fair value. Our calculation based on this millage rate, resulted in a lower amount of property tax.



FACT SHEETGRANT PROFILE

Applicant: Baltimore, Maryland

Amount of UDAG: \$10,000,000

Date Award Announced: April 6, 1978

Purpose of UDAG: To help finance the construction of a convention hotel which is needed to attract conventions to a convention center currently under construction.

Private Investor: Pritzker Interests of Chicago - Hyatt Corporation

Project Description: To construct and operate a convention hotel which will be adjacent to Baltimore's convention center, currently under construction.

Amount of Private Investment: \$68,500,000

Claimed Spin-offs: Construction of an office building and specialty shops.

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	<u>\$68.5</u>	<u>\$68.5</u>	<u>\$21.0</u>
UDAG	\$10.0	\$12.0	\$10.0
Other Public	<u>6.5</u>	<u>51.5</u>	<u>55.0</u>
Total Public	<u>\$16.5</u>	<u>\$63.5</u>	<u>\$65.0</u>
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:6.85	1:5.7	1:2.1
Total Public to Private	1:4.2	1:1.1	1:0.3
<u>JOBS</u>			
Created	1,694	1,694	535
Retained	2,050	2,050	---
<u>TAXES</u>			
Property	not reported	\$1.61	\$ .78
Other	not reported	\$ .37	\$ .32

Pertinent FactsBackground

Baltimore has been redeveloping the Inner Harbor Area since 1969. There has always been plans for a convention complex.

Site Characteristics

The hotel is an integral part of a convention complex. A total of \$45 million has been committed by the State and city for the construction of a convention center. The hotel has always been planned as an integral part of the convention complex.

Applicant's Position

Prior to beginning construction on the convention center, two developers unsuccessfully attempted to draw and build a hotel at this site. UDAG provided the financial support to retain the third developer in this endeavor.

Spin-offs

Both developers claim that the anticipated convention market spurred their investment. However, analysis discounted these claims since:

- Initial plans for constructing the office building were made prior to UDAG--in 1975. Actual construction began in May 1978.
- Developer of the specialty shops requested approval to be the sole developer for this endeavor in August 1977--prior to UDAG.
- The anticipated market relates to a convention market, not just a hotel market.

Private Investment

The developer will invest \$21,000,000 in the convention hotel. The \$10,000,000 UDAG will be part of a second mortgage to the developer for this hotel.

Other Public Investment

The State is providing \$35 million for a convention center whereas the city is providing another \$10 million. The city will also provide another \$10 million for a garage, pedestrian walkways, a contingent loan to the developer, and an addition to the second mortgage loan. We believe that all these funds and commitments provided incentives to spur the private investment.

HUD Area Office, EMAD Comments

The hotel and convention center are interdependent, i.e., the viability of one is directly related to the other. EMAD did not review the impacts of the spin-off claims since they were included after area office's review.

Jobs

The difference between the news release, the application and analysis is that analysis excluded all jobs related to the spin-off claims. The job opportunities are those related to the hotel only.

Taxes

Analysis excluded all tax benefits related to spin-off claims.

Summary

The UDAG encouraged private investment for hotel construction, however one must not forget the convention center's role in providing a market which in effect makes private investment more feasible. The spin-off claims are not directly related to the UDAG project and therefore should be excluded.

FACT SHEETGRANT PROFILE

Applicant: Binghamton, New York

Amount of Award: \$1,099,030

Date Award Announced: April 6, 1978

Purpose of UDAG: To relocate Ebonex within the City of Binghamton to a new and larger facility.

Private Investor: Ebonex Corporation

Project Description: The City of Binghamton will purchase land (for resale to Ebonex) and take care of relocation expenses. \$750,000 of the UDAG funds will be an interest free loan to Ebonex to construct its new facility.

Amount of Private Investment: -0-

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	<u>not reported</u>	<u>\$0.75</u>	<u>0</u>
UDAG	\$1.10	\$1.10	\$1.10
Other Public	.25	.25	.25
Tax Abatement	<u>-0-</u>	<u>-0-</u>	<u>.02</u>
Total Public	<u>\$1.35</u>	<u>\$1.35</u>	<u>\$1.37</u>
<u>LEVERAGE</u>			
UDAG to Private	0	1:0.7	0
Total Public to Private	0	1:0.6	0
<u>JOBS</u>			
Created	100	100	110
Retained	106	106	106
<u>TAXES</u>			
Property	not reported	\$39,000	-0-

Pertinent FactsBackground

This project provides a new home for the City's only manufacturing minority business enterprise. The firm is an electronic subassembly and component assembly manufacturer. The firm needed to expand to meet current and projected contractual requirements.

Chronology of Events

Ebonex's recent growth has necessitated its rental of 22,000 square feet as an interim move before final relocation. The credit situation in Binghamton is such that the company would not be able to obtain an economically feasible loan from a commercial bank.

Site Characteristics

The proposed project site is readily accessible by public transportation. This is important because Ebonex employs a large number of low-income personnel.

Applicant's Position

The UDAG loan is essential for Ebonex to finance its proposed facility relocation and expansion.

HUD Area Office, EMAD Comments

Questioned the propriety of claiming the \$750,000 loan as the private commitment. The Area Office also questioned why Ebonex could not afford a commercial loan or commercial interest rates.

Private Investment

Seven hundred fifty thousand dollars of the UDAG funds will be a loan to Ebonex. The applicant counted this loan as private investment, since Ebonex will eventually repay it. Analysis discounted this as private investment.

Other Public Investment

EDA is providing \$245,000. The present value of a tax abatement received from the City and school district has a present value of \$15,000.

Jobs

The job estimate per analysis differs from HUD's claims and the applicant's estimate because discussions with the developer brought out the former estimate. The retained jobs relate to Ebonex's situation, i.e., if it could not expand its operations, it could not continue to service government contracts.

Taxes

Due to the tax abatement scheme, the revenues per the application will not be immediately realized.



FACT SHEETGRANT PROFILE

Applicant: Cambridge, Ohio

Amount of Award: \$866,825

Date Award Announced: August 2, 1978

Purpose of UDAG: To provide a suitable site for a new rolled steel and distribution facility.

Private Investors: The House of Metals, a wholly-owned subsidiary of Williams and Company, Inc., of Pittsburg, Pennsylvania.

Project Description: Applicant, using UDAG funds, will purchase a portion of 171 acres of land (because a portion is on a flood plane) and make site improvements including installing water and sewer lines and widening roads. Private investor will construct a 175,000 square foot building.

Amount of Private Investment: \$8,000,000

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO Analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	<u>\$8</u>	<u>\$8</u>	<u>\$8</u>
UDAG	\$ .9	\$ .9	\$ .9
Other Public	<u>-0-</u>	<u>-0</u>	<u>-0-</u>
Total Public	<u>\$ .9</u>	<u>\$ .9</u>	<u>\$ .9</u>
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:9.2	1:9.2	1:9.2
Total Public to Private	1:9.2	1:9.2	1:9.2
<u>JOBS</u>			
Created	70	60	90
Retained	90	90	-0-
<u>TAXES</u>			
Property	not reported	\$ 55,000	\$ 55,000
Other	not reported	\$155,000	\$155,000

Pertinent FactsBackground

Williams and Company had previously expressed an interest in the Cambridge area, however, they could not find a suitable site.

Chronology of Events

Once the applicant became aware of the UDAG program they decided to offer suitable land to Williams and Company at a discounted price and with site improvements. (The discounting was necessary because the private owner wanted to sell the entire 171 acre tract and would not lower the price even though nearly 50 percent of the land was on a flood plane.) Williams and Company accepted the offer.

Site Characteristics

The site is not particularly unique. It is, however, at the intersection of Interstates 70 and 77 which is ideal for the company's market area.

Applicant's Position

This project would not have been possible without UDAG as evidenced by the fact that Williams and Company had stopped looking at the area. Cambridge had previously tried to get EDA grant but found that EDA was stressing urban areas and not rural areas.

HUD Area Office, EMAD Comments

This project will increase employment in the Cambridge area and substantially improve its tax base. EMAD recommended approval once a binding commitment had been obtained.

Private Investment

Williams and Company is contractually committed to invest at least \$8 million in a building, equipment, and inventory.

Other Public Investment

None

Jobs

Williams and Company has contractually guaranteed that they will initially employ 50 people from the Cambridge area and 90 in the 5th year of operation. The applicant mistakenly also included some of these jobs as retained and, thus, double counted them.

Taxes

Property taxes are estimated based on the value of the building and land. Other taxes include a one percent income tax and a tangible personal property tax on the estimated \$3 million inventory. The applicant also pointed out that they will realize an increase in motor vehicle taxes, rail taxes and sales taxes.

FACT SHEET

GRANT PROFILE

Applicant: Cincinnati, Ohio

Amount of Award: \$6,772,500

Date Award Announced: April 6, 1978

Purpose of UDAG: To provide land acquisition, clearing, and site improvements for a 59.4 acre industrial park for light industry on one to five acre tracts.

Private Investors: From 12 to 19 small investors ranging from a truck repair facility to a restaurant, have expressed interest in the area.

Project Description: To acquire and clear 11 acres of land, relocate residents and businesses, and improve the land for private development.

Amount of Private Investment: \$39,700,000

Economic Impact

	<u>Per HUD Release</u>	<u>Per Application</u>	<u>Per GAO Analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	\$ 39.7	\$ 32.6	- 0 -
UDAG	\$ 6.8	\$ 6.8	\$ 6.8
Other Public	8.1	8.1	- 0 -
Total Public	\$ 14.9	\$ 14.9	\$ 6.8
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:5.9	1:4.8	- 0 -
Total Public to Private	1:2.7	1:2.2	- 0 -
<u>JOBS</u>			
Created	1,192	1,192	?
Retained	400	400	?
<u>TAXES</u>			
Property	not reported	\$518,586	?

Pertinent FactsBackground

The proposed industrial park will displace several small businesses and residences currently located in the project area. The applicant has had difficulty obtaining binding commitments from private investors. Originally, 19 investors expressed an interest in the area, however, only 12 signed legal commitments and 3 of those have since backed out.

Chronology of Events

The Liberty/Dalton industrial park has been in the making for over 10 years. EDA and CDBG funds have been invested during that time. The project is not new since the UDAG program.

Site Characteristics

The site is located in the downtown area adjacent to Interstate 75 and the rail yards.

Applicant's Position

The project could have been completed without UDAG, however, it would have taken 3 times as long, 12 years without UDAG, 4 years with UDAG.

HUD Area Office, EMAD Comments

The project could have been completed, on a more limited scale, without UDAG. UDAG only added 11 more acres to an existing industrial park for a total of 59.4 acres.

Private Investment

Only have commitments from 12 investors for \$10.3 million for 31.5 of the 59.4 acres. There are no commitments for the 11 acres added by UDAG. Applicant estimated private investment for uncommitted land at the rate of \$502,000 per acre, based on past experience to arrive at their \$32.6 million estimate. Applicant attributed all private investment for all 59.4 acres to UDAG rather than only the 11 acres for which UDAG was used.

Other Public Investment

The applicant is investing \$8,125,000 in Community Development Block Grant (CDBG), Neighborhood Development Program (NDP), and Economic Development Administration (EDA) funds in the non-UDAG acres. Therefore, we excluded this amount per analysis.

Jobs

There are no jobs committed to the 11 UDAG acres per se. Again, the applicant took job estimates from each of the private investors for the entire 59.4 acres.

Taxes

The applicant's \$518,556 is estimated property tax accruing from the 59.4 acres. There will be a net loss of \$10,664 because of displacing the businesses which had been there previously.



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FACT SHEET

GRANT PROFILE

Applicant: Cincinnati, Ohio

Amount of Award: \$7,803,975

Date Award Announced: October 5, 1978

Purpose of UDAG: To provide a suitable site in the city for a large local company and a major international firm rather than having them move to suburban locations.

Private Investors: U. S. Shoe Corporation  
Coca Cola Bottling Company

Project Description: Public funds will be used to purchase the land, make street and site improvement, and provide parking facilities.

Amount of Private Investment: \$63,300,000

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	\$ 63.3	\$ 73.3	\$ 73.3
UDAG	\$ 7.8	\$ 7.8	\$ 7.8
Other Public	-	-	-
Tax Abatement	-	-	3.0
Total Public	\$ 7.8	\$ 7.8	\$ 10.8
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:8.1	1:9.4	1:9.4
Total Public to Private	1:8.1	1:9.4	1:6.8
<u>JOBS</u>			
Created	350	2,700	300
Retained	-----	400	- 0 -
<u>TAXES</u>			
Property	not reported	\$364,750	\$ 82,750
Other	not reported	\$1,736,325	\$1,476.200

Pertinent FactsBackground

The Eastwood/Madisonville site was the only available parcel of land for larger development in the city. Both Coca Cola and U. S. Shoe were looking for a new site to expand their operations. At the time both companies were planning on relocating to suburban sites.

Chronology of Events

Project appears to have been initiated after the UDAG program.

Site Characteristics

The site geographically would be more advantageous to U. S. Shoe and Coca Cola rather than any of the suburban sites were it not for the needed site improvements.

Applicant's Position

The UDAG funds were necessary to keep both companies from relocating to the suburbs.

HUD Area Office, EMAD Comments

No employment or development would occur that would not occur otherwise. EMAD did not believe that UDAG funds should be used for land acquisition in this case since it is already being handled by a community development organization; and the private investor and community organization should not both receive subsidies for acquiring the land as is now the case.

Private Investment:

\$73.3 million in private investment will be used for land acquisition, industrial construction, machinery, and fixtures.

Other Public Investment

U. S. Shoe will receive a 20 year tax abatement. The present value of this abatement is \$2,987,620, based on a seven percent rate of interest. There were no other public funds involved.

Jobs

We were unable to varify the applicant's job estimates. We computed the new job estimates to be 300 based on the expansion estimates submitted by the companies.

Taxes

Property tax estimates in the application were miscalculated. We computed a new estimated property tax based on factors furnished by U. S. Shoe which excluded the tax abatement. The other taxes are based on an amendment to the application in August 1978 which included personal income tax and tangible property tax.

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FACT SHEET

GRANT PROFILE

Applicant: Corning, New York

Amount of Award: \$1,793,000

Date Award Announced: February 2, 1979

Purpose of UDAG: To retain Corning Glass Works' engineering department within the City of Corning.

Private Investor: Corning Glass Works (CGW)

Project Description: To improve access roads and storm sewers servicing a CGW engineering building site.

Amount of Private Investment: \$16,300,000

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Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	\$ <u>16.30</u>	\$ <u>21.24</u>	\$ <u>.05</u>
UDAG	\$ 1.79	\$ 1.79	\$ 1.79
Other Public	----	.98	.98
Total Public	\$ <u>1.79</u>	\$ <u>2.77</u>	\$ <u>2.77</u>
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:9.1	1:11.9	1:0.03
Total Public to Private	1:9.1	1:7.7	1:0.02
<u>JOBS</u>			
Created	250	250	- 0 -
Retained	500	550	- 0 -
<u>TAXES</u>			
Property	not reported	\$ 0.99	- 0 -
Other	not reported	---	---

Pertinent FactsBackground

Corning Glass Works began site preparation work for a new \$15 million engineering center on June 1, 1978. The ground was broken for a new \$6 million company on May 11, 1978. The purpose of the UDAG was to finance the city's portion of public improvements necessary to accommodate the previously committed expansion of Corning Glass Works.

Chronology of Events

CGW stopped preliminary site work when the HUD area office questioned the role UDAG played in retaining CGW within Corning. CGW contends that UDAG funds were an essential part of the decision not to relocate outside Corning.

Applicant's Position

The city contends that the UDAG funds were crucial for continuing construction on the engineering building.

HUD Area Office, EMAD Comments

The HUD Area Office (EMAD) recommended disapproval based upon the belief that construction would have been completed without UDAG input.

Private Investment

Discounted all but \$50,000 of private investment. The \$50,000 is for storm sewer improvement.

Other Public Investment

Funds are coming from the Appalachian Regional Commission (\$.04 million) and the State's Department of Transportation (\$.94 million) for storm sewer and road improvement.

Jobs

Discounted all jobs.

Taxes

Excluded all taxes.

Summary

The UDAG did not stimulate or lever the claimed private investment.



FACT SHEETGRANT PROFILE

Applicant: Dayton, Ohio

Amount of Award: \$3,180,000

Date Award Announced: January 4, 1979

Purpose of UDAG: To renovate an old Arcade to provide retail shops and residential units in the downtown area.

Private Investors: Arcade Square, Ltd., a limited partnership

Project Description: Both the private and public sectors of the community will provide funds to improve the private and public portions of the Arcade. Public funds will be used to develop the public portions of the square which includes a walkway and a large retunda.

Amount of Private Investment: \$12,955,455

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
----- (millions) -----			
<u>INVESTMENT</u>			
Private	\$ 12.9	\$ 24.9	\$ 9.5
UDAG	\$ 3.2	\$ 3.2	\$ 3.2
Other Public	- 0 -	\$ 2.2	\$ 2.2
Tax Abatement	-----	-----	?
Total Public	\$ 3.2	\$ 5.4	\$ 5.4
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:4.1	1:7.8	1:3.0
Total Public to Private	1:4.1	1:4.6	1:1.8 <u>1/</u>
<u>JOBS</u>			
Created	1,187	1,252	869
Retained	153	248	98
<u>TAXES</u>			
Property	not reported	\$ 173,982	- 0 -
Other	not reported	\$ 185,168	\$ 107,274

1/ This ratio does not include the tax abatement since we could not give it a present value estimate.

Pertinent FactsBackground:

Arcade Square, Ltd., was organized for the purpose of undertaking the Arcade project. Its partners are a combination from both the private and public sectors of the community. Arcade Square, Ltd., will own, operate and manage the Arcade upon completion.

Chronology of Events:

The renovation of the Dayton Arcade is a continuation of Dayton's downtown revitalization plan which was defined in 1969. The Arcade project stimulated the development of three other projects which are located in the same general area as the Arcade. All three of these projects were included in the application. HUD would not allow the City to include one of the projects so the HUD press release includes the Arcade project and two other projects.

Site Characteristics:

No particular advantages other than the downtown location. It keeps in line with the Dayton's downtown revitalization plan. The other projects included in the application are also located in downtown Dayton near the Arcade.

Applicant's Position:

The City realized that the cost of rental space to the tenants would have to be above the current market rates in order for Arcade Square, Ltd., to pay-off the debt it would incur by renovating the Arcade. The situation dictated that the City would have to do whatever it could to minimize the operating expenses of the project in order to attract private investors and retail tenants. The City also included the other three projects because it was being developed at the same time as the Arcade.

HUD AREA Office, EMAD Comments:

EMAD reviewed the preliminary application in September, 1978. The actual application was not submitted until December 1978 and EMAD was never given the opportunity to review this application.

Pertinent FactsPrivate Investment:

Arcade Square, Ltd. plans to develop the retail space along with the residential units. Arcade Square, Ltd., committed \$2,025,000 to the project and raised \$7,460,000 in loans, industrial development bonds, and standby commitments. The other three investors plan on investing approximately \$10,000,000 in their projects. These three projects were not included in the private investment because they were indirectly related to the Arcade project.

Other Public Investment:

There were other public investments which were used as incentives totaling \$2.2 million -- Economic Development Administration funds (\$1.9 million) and city revenue funds (\$.3 million). There was also a 20 year tax abatement to which we could not give a present value estimate and a tax shelter which amortizes certain rehabilitation expenditures for certified historic sites.

Jobs:

Job estimates in the application included estimates from the three other adjoining projects. The HUD press release just included two of the projects. Since these projects were indirect benefits of there Arcade project, these jobs were not included in the analysis, therefore leaving 869 jobs created and 98 jobs retained.

Taxes:

Property tax estimates in the application included the other three projects. Since these projects were indirect benefits and Arcade Square, Ltd., received a 20 year tax abatement, no property taxes will be generated by the project.

The earnings tax estimates were \$185,168 as stated in the application. By not including the estimates of the other projects, the earnings tax changes to \$119,371.

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FACT SHEET

GRANT PROFILE

Applicant: Montezuma, Georgia

Amount of Award: \$ 5,772,000

Date of Award: August 2, 1978

Purpose of UDAG: To provide better truck access to  
proposed pulp mill.

Private Investor: Buckeye Cellulose Corporation (wholly  
owned subsidiary of Proctor and  
Gamble)

Project Description: To construct bypass access roads to  
service proposed pulp mill.

Amount of Private  
Investment: \$ 200,000,000

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	\$ 200.0	\$ 202.0	\$ 0.0
UDAG	\$ 5.8	\$ 5.8	\$ 5.8
Other Public	-----	20.8	1.5
Total Public	\$ 5.8	\$ 26.6	\$ 7.3
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:34.5	1:34.5	- 0 -
Total Public to Private	1:34.5	1:7.6	- 0 -
<u>JOBS</u>			
Created	1,170	1,922	- 0 -
Retained	-----	-----	-----
<u>TAXES</u>			
Property	not reported	\$ .63	- 0 -
Other	not reported	\$ 1.80	- 0 -

Pertinent FactsBackground:

The site has been eyed by other industries. The area officials preferred Proctor and Gamble because it is known as a "good neighbor."

Chronology of Events:

The decision to construct the pulp mill was made prior to UDAG award.

Site Characteristics:

An environmental permit which allows water to be extracted and treated wastewater to be returned to an adjoining river, and access to two rail lines provides a great incentive for selection of this site.

Application's Position:

Without UDAG for needed road improvements, the private investor might have sold the site and located elsewhere.

HUD Area Office, EMAD Comments

UDAG was not necessary because of existing positive site characteristics.

Private Investment:

\$200,000,000 is solely for constructing pulp mill.

Other Public Investment:

This project is also being supported by the state (\$1.5 million) for supervision and planning of the road construction, and training. Macon County sold \$19.3 million in industrial bonds to help finance Buckeye's purchase pollution control equipment. This amount was excluded since Buckeye will pay the county back.

Jobs:

Assumed that UDAG was not necessary, therefore excluded all jobs.

Pertinent FactsTaxes

Excluded all taxes, however, it is interesting to note that the tax benefits disclosed in the application are for Macon County and the State of Georgia, no estimate of what portion or these benefits will accrue to the applicant.

Summary

The UDAG did not stimulate or lever anything.



FACT SHEETGRANT PROFILE

Applicant: Rochester, New York

Amount of Award: \$5,150,000

Date Award Announced: October 5, 1978

Purpose of UDAG: To retain the Sybron Corporation within the City of Rochester.

Private Investor: Sybron Corporation.

Project Description: To renovate 272,635 square feet of building space and construct 113,500 square feet of new industrial space, along with site consolidation and improvements.

Amount of Private Investment: \$27,900,000

	<u>Economic Impact</u>		
	<u>Per HUD</u>	<u>Per application</u>	<u>Per GAO Analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	<u>\$27.90</u>	<u>\$27.90</u>	<u>\$27.90</u>
UDAG	\$ 5.15	\$ 5.15	\$ 5.15
Other Public	--	2.20	2.20
Tax Abatement	<u>--</u>	<u>--</u>	<u>.98</u>
Total Public	<u>\$ 5.15</u>	<u>\$ 7.35</u>	<u>\$ 8.33</u>
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:5.4	1:5.4	1:5.4
Total Public to Private	1:5.4	1:3.8	1:3.3
<u>JOBS</u>			
Created	562	562	
Portion Attributable to UDAG			347
Retained	2,475	2,475	
Portion Attributable to UDAG			1,530
<u>TAXES</u>			
Property	not reported	--	--
Other	not reported	\$ 5.00	
Portion Attributable to UDAG			\$ .38

## Pertinent Facts

### Background

Sybron's West Avenue facility, the principal manufacturing space for two divisions was developed in the early 1900's. It has most of the characteristics of a facility built at that time, e.g., high energy costs, inadequate parking, and no room for expansion.

### Chronology of Events

It appears that the Sybron Corporation would have relocated to a site in the southern United States due to a \$9 million difference between renovating its Rochester site and relocating. The UDAG and other incentives were used to make up this \$9 million difference.

### Applicant's Position

Without UDAG the City would not have been able to make it advantageous for Sybron to remain in Rochester.

### HUD Area Office, EMAD Comments

UDAG was being used to retain a corporation and the jobs it provides.

### Private Investment

Sybron will renovate its buildings, and construct new industrial space.

### Other Public Investment

New York State is providing a \$2.2 million interest subsidy to Sybron. Sybron will also receive a partial city property tax abatement, with the present value of this abatement is at \$977,269, based on a 7 percent rate of interest.

### Jobs

Analysis assumed that a proportion of the jobs, both new and retained, are applicable to UDAG whereas another portion is applicable to the other public incentives. The total amount of public funds played an important role in retaining Sybron in the area.

Taxes

Other taxes of \$5 million per the application relates to all taxes both State and local. Only a 1.5 percent of the sales tax will go to Rochester. This amount is \$619,000. Assume same proportion as with the jobs, i.e., other taxes per analysis--\$383,000.

FACT SHEET

GRANT PROFILE

Applicant: Toledo, Ohio

Amount of Award: \$12,000,000

Date Award Announced: April 6, 1978

Purpose of UDAG: To provide a suitable site for the corporate headquarters of a large company and a local bank.

Private Investors: Owens-Illinois  
Toledo Trust

Project Description: Public funds will be used to construct and widen streets, develop a shoreline park and harbor area, and build a parking garage for a 13 acre riverfront site for two corporate headquarter buildings.

Amount of Private Investment: \$100,000,000

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
----- (millions) -----			
<u>Investment</u>			
Private	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 104.9</u>
UDAG	\$ 12	\$ 18.5	12.0
Other Public	- 0 -	\$ 4.2	7.4
Tax Abatement	<u>-</u>	<u>-</u>	<u>13.8</u>
Total Public	<u>\$ 12</u>	<u>\$ 22.7</u>	<u>\$ 33.2</u>
<u>Calculated Leverage</u>			
UDAG to Private	1:8.3	1:10.8	1:8.7
Total Public to Private	1:8.3	1:8.8	1:3.2
<u>Jobs</u>			
Created	1,327	1,327	- 0 -
Retained	3,900	3,900	- 0 -
<u>Taxes</u>			
Property	not reported	\$ 2,182,000	?
Other	not reported	\$ 396,000	?

Pertinent FactsBackground:

Owens-Illinois is Toledo's major employer, and Toledo Trust's primary customer. Owens-Illinois has facilities all over the Toledo area and the chances of them leaving the metropolitan area are very remote.

Chronology of Events:

The riverfront development is part of Toledo's plans to revitalize the business district which has been an on-going project since 1974. Owens-Illinois had planned to develop this site prior to UDAG.

Site Characteristics:

No particular advantages other than the riverfront location.

Applicant's Position:

Owens-Illinois would not undertake this development unless site improvements were made.

HUD Area Office, EMAD Comments:

Job retention directly related to UDAG is probably zero. The site improvements will encourage a large scale private investment, however, it will have the detrimental impact of drawing tenants away from other downtown office buildings.

Private Investment:

Owens-Illinois originally planned to develop a world headquarters building, a hotel, and two commercial buildings. This was the basis for the \$200 million estimate. Current plans are to develop two headquarter buildings, one for Owens-Illinois (\$94.7 million) and one for Toledo Trust (\$10.2 million).

Other Public Investments:

There were other public investments which were used as incentives totaling \$7.4 million -- Community Development funds (\$.5 million), Beautification Grant (\$.8 million), Heritage Conservation Recreation Services (\$1.2 million),

Pertinent FactsOther Public Investments: Cont'd

Water and Sewer funds (\$.2 million), EDA funds (\$2.2 million), and city bonds (\$2.5 million). There was also a 20 year tax abatement to which we gave a present value estimate of \$13.8 million based on \$1.3 million annually at an interest rate of 7 percent.

Jobs:

Job estimates in the application and the HUD news release were based on the original project--headquarters, hotel, and two commercial buildings--and not the current project. No new jobs will accrue from Owens-Illinois or Toledo Trust since they are simply changing sites within the city.

Taxes:

Estimates in application were based on old project and did not consider tax abatement. Owens-Illinois will receive a 20-year tax abatement currently valued at \$1.3 million annually. We could not estimate the effect of the project on taxes because it is unclear as to what the old Owens-Illinois and Toledo Trust buildings will be used for.



FACT SHEET

GRANT PROFILE

Applicant: Troy, New York

Date Award Announced: July 11, 1978

Amount of UDAG: \$1,750,000

Purpose of UDAG: To assist in the construction of an enclosed pedestrian shopping complex.

Private Investor: Mr. Carl Grimm

Project Description: To build an enclosed shopping complex which will serve as a new downtown shopping center.

Amount of Private Investment: \$7,414,500, per analysis \$4,704,000

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u> <sup>1/</sup>
----- (millions) -----			
<u>INVESTMENT</u>			
Private	\$ 6.15	\$ 7.42	\$ 4.70
UDAG	\$ 1.75	\$ 1.75	\$ 1.75
Other Public	---	\$ 2.60	\$10.14
Tax Abatement	-----	-----	.40
Total Public	\$ 1.75	\$ 4.35	\$12.29
<u>CALCULATED LEVERAGE</u>			
UDAG TO Private	1:3.5	1:4.2	1:2.7
Total Public to Private	1:3.5	1:1.7	1:0.4
<u>JOBS</u>			
Created	197	197	177
Retained	104	104	- 0 -
<u>TAXES</u>			
Property	---	\$ 0.32	\$ 0.03 in 1981
Other	---	\$ 0.21	\$ 0.12 in 1991 \$ 0.14

<sup>1/</sup> See Other Public Investment

Pertinent FactsBackground:

According to the private developer, he was committed to building a smaller shopping facility before the UDAG. However, the UDAG will enable the developer to expand his plans in constructing a public space in the shopping mall. The city had been attempting to attract a developer to help the city out, for this particular idea, for over seven years. The smaller facility can be described as part A of the project, and the UDAG can be applicable to Part B -- the larger mall and public space.

Chronology of Events:

The decision to construct a smaller shopping area for store rental was made prior to UDAG award.

Applicant's Position:

The use of UDAG funds prevented a downtown store from leaving, and started a project which will expand the city's tax base.

HUD Area Office, EMAD Comments:

The project would have been built without UDAG funds.

Private Investment:

Mr. Grimm was already committed to Part A of the project so this amount was excluded per analysis. The \$4.7 million is the private investment in Part B of the project.

Other Public Investment:

The first column per analysis assumes that all historical public investment directly related to Part B of the project should be included. This representation presents the total public investment necessary to complete the project.

The second column per analysis excludes public expenditure made prior to the UDAG application. These particular costs are sunk costs. The other public investment consists of the public funds invested at the same time as the UDAG and represents the incremental contribution to the project.

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Pertinent FactsOther Public Investment: Cont'd

The present value of the 10 year tax abatement, at 7%, is \$.40 million. This is considered another public incentive for the private developer.

Jobs:

The retained job estimate relates to the relocation of one major department store. The difference between the retained job estimates per the news release, the application and analysis is due to the fact that this store had no intentions of leaving Troy.

The number of jobs created per the news release and the application were reduced by 20 in the analysis to account for jobs that were supposed to be added by a store but were not.

Taxes:

Tax estimates are at least 69 percent high due to the inclusion of county revenues, use of an inappropriate assessment and valuation rates, failure to recognize the tax abatement scheme, and other errors.

FACT SHEETGRANT PROFILE

Applicant: Yonkers, New York

Amount of Award: \$3,550,000

Date Award Announced: July 11, 1978

Purpose of UDAG: To enable the construction of a road way and sewer system for a new industrial park.

Private Investor: Robert Martin Corporation

Project Description: The proposed road and sewer will allow access to the park without disturbing the suburban area, or overloading the present sewage system.

Amount of Private Investment: \$30,000,000

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Economic ImpactPer HUD  
releasePer  
applicationPer GAO  
analysis

----- (millions) -----

INVESTMENT

Private	<u>\$ 30.00</u>	<u>\$ 30.14</u>	<u>\$ 30.14</u>
UDAG	\$ 3.55	\$ 3.55	\$ 3.55
Other Public	<u>.55</u>	<u>3.45</u>	<u>3.45</u>
Total Public	<u>\$ 4.10</u>	<u>\$ 7.00</u>	<u>\$ 7.00</u>

CALCULATED  
LEVERAGE

UDAG to Private	1:8.45	1:8.49	1:8.49
Total Public to Private	1:7.32	1:4.30	1:4.30

JOBS

Created	1,870	1,870	1,870
Retained	330	330	330

TAXES

Property	not reported	\$ 0.89	\$ 0.89
Other	not reported	\$ 0.30	\$ 0.30

Pertinent FactsBackground:

The city wanted to finance the industrial park in 1975 but were unable to do so because of financial problems. The private developer has been successful in developing an executive park.

Site Characteristics:

The industrial park site is north of New York City with good proximity to parkways and rail service. The site was a private estate and then an arboretum before ownership transferred to Yonkers. However, there is no major roadwork available to support the number of vehicles that will be entering and exiting during rush hours.

Applicant's Position:

The UDAG made it possible for Yonkers to develop land that was off the tax roles.

Private Investment:

The developer is committed to \$30,000,000 to develop the entire industrial park.

Other Public Investment:

This project is being supported by \$1.0 million in community development block grant funds, EDA funds of \$1.9 million, and a local general obligation bond issue of \$.55 million.

Jobs:

No discrepancies noted.

Taxes:

No discrepancies noted.

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Pertinent Facts

Summary:

It appears that UDAG provided the means for Yonkers to increase its tax base by giving a developer enough incentive for an investment. With a road and sewer system installed, the industrial park will be feasible without disturbing a suburban area.



FACT SHEETGRANT PROFILE

Applicant: Youngstown, Ohio

Amount of Award: \$750,000

Date Award Announced: January 4, 1979

Purpose of UDAG: To provide funds to purchase and reopen a closed company, Republic Hose, and put some of its employees back to work.

Private Investors: Former employees of Republic Hose

Project Description: The UDAG funds along with other public funds will be used to purchase land, an existing factory building, a new power plant, and start up inventory to reopen a closed company.

Amount of Private Investment: \$1,950,000, per analysis \$100,000

Economic Impact

	<u>Per HUD release</u>	<u>Per application</u>	<u>Per GAO analysis</u>
	----- (millions) -----		
<u>INVESTMENT</u>			
Private	\$ 1.9	\$ .15	\$ .10
UDAG	\$ .75	\$ 1.5	\$ .75
Other Public	- 0 -	\$ 2.0	\$ 1.85
Total Public	\$ .75	\$ 3.5	\$ 2.6
<u>CALCULATED LEVERAGE</u>			
UDAG to Private	1:2.5	1:0.1	1:0.1
Total Public to Private	1:2.5	1:0.04	1:0.04
<u>JOBS</u>			
Created	175	175	- 0 -
Retained	- 0 -	- 0 -	40
<u>TAXES</u>			
Property	not reported	\$ 41,125	\$ 24,675
Other	not reported	\$ 22,500	\$ 5,142

PERTINENT FACTS

**Background:** The operations of Republic Rubber, a wholly owned subsidiary of the Aeroquip Corporation, were discontinued in August 1978 because the plant was no longer profitable. The former employees established a committee to purchase the plant, renovate, and reopen for business under new name, Republic Hose.

**Chronology of Events:** The plant closed in August 1978 and reopened in April 1979. UDAG was one of many sources of funding investigated by the committee to purchase and reopen the plant.

**Site Characteristics:** There is nothing particularly unique about the site except it is, of course, where the old plant was located.

**Applicants Position:** The project could not have been done as quickly without UDAG.

**HUD Area Office, EMAD:** The project will put people back to work and keep this site from becoming a blighted area. We recommend funding this project.

**Private Investment:** The discrepancy over the amount of private investment is caused because of \$1.85M in government insured loans, \$1.35M 90 percent insured by EDA and \$.5M 90 percent insured by SBA. HUD considers these part of the private investment since they are from a commercial bank. We consider them public investment since the banks would not have loaned the money without the EDA/SBA guarantees. Also, the government will pay for a default.

**Other Public Investment:** \$1.35M EDA and \$.5M SBA. See "Private Investment".

**Jobs:** The application and HUD state 175 new jobs will be created by the project. Based on recent interviews with the applicant, however, only 40 employees will be rehired. We also believe they should be classified as retained since they were previously employees of the company.

**Taxes:** Property taxes are reduced to account for land which will be retained by Youngstown (applicant) and for which there is no immediately planned purpose. Income taxes are reduced to account for 40 employees instead of 175.