

Questions have arisen since the City of Erie filed its challenge to the tax-exempt status of the two hotels and the two parking garages which are owned and operated by the Erie County Convention Center Authority. The public needs to have a clear understanding of why the Authority is tax-exempt and how the Authority benefits the taxpayers of the City and County while improving the quality of life in our community.

#### I. Tax-Exempt Status Necessary

The tax-exempt status of the Authority was a critical factor in planning and constructing the Convention Center hotels. The Authority thoroughly investigated the possibility of partnering with privately owned hotel operators, but we were unable to find any who were willing to build hotels of a size and quality necessary to ensure success. The Authority's tax-exempt status allowed the Authority to build bigger and better hotels to fulfill requirements of the Convention Center development. In short, the tax-exempt status of the Authority was essential to the creation of a world-class destination that was simply not achievable through the private sector.

The financing of the Convention Center hotels came primarily from bonds issued by the Authority which were guaranteed by the County. The Authority uses hotel revenues to pay down the bonds that were used to build the hotels. Those bonds were sold on the assumption that the Authority's hotels were tax-exempt, and the bondholders purchased those bonds on the assumption that the Authority's hotels were tax-exempt. Changing that rule, nine years into the thirty year bond repayment commitment, is unfair and dangerous to both the bondholders and County taxpayers, since County taxpayers are ultimately responsible for any failure to fulfill this long term obligation.

One only needs to look at the minimal private commercial development that has occurred in the past twenty years to appreciate that tax exemption is a critical component of successful development. The limited private commercial development that has occurred, and that which has long been promised but has not yet materialized, is itself reliant on extensive tax exemptions (ten year grace period from real estate taxes under LERTA and relief from other taxes under the CRIZ designation) and substantial state grants (most recently, a \$5,000,000 state grant to a private party, with no repayment obligation).

In the end, it is the taxpayers who own the hotels, and it is the taxpayers who are the sole beneficiary of any profits from the hotels. Every penny which has been generated by the hotels, and every penny which will be generated in the future, has been, and will continue to be, reinvested by the Authority in our community.

#### II. Community Economic Benefits

The Authority has provided many benefits to the community at large, and the City in particular since the Authority was created in 2000:

- Saved the City over \$3,000,000 in taxpayer subsidies for the Arena, the Ballpark and the Theatre over the past fifteen years
- Made substantial infrastructure improvements for the benefit of the City:

- \$2,500,000 for a sewer line, lift station and related items on State Street
- \$313,000 to rebuild the City's sewer lift station on the Bayfront Parkway
- \$450,000 to upgrade the City's water system on the Bayfront
- Generates \$250,000 annually in amusement and parking taxes for the City
- Employs in Authority facilities nearly 1000 people who generate more than \$100,000 in local wage taxes annually
- Created more than \$250,000,000 of construction investment in the City
- Created over 841 prevailing wage construction jobs
- Maintains a 600 foot, free courtesy dock for boaters in the West Canal Basin
- Created more than 4000 feet of free public access walkways on the waterfront where none had previously existed
- Secured \$10,000,000 in state grants to clean up the GAF site, which would otherwise have been unavailable for taxable commercial development due to its environmental condition
- Renovated the Arena, the Ballpark and the Theatre, which collectively attract more than 850,000 patrons annually. These reinvestments positioned Erie to retain its sports teams and will grow our cultural arts organizations.
- Generates more than \$94,000,000 in related spending in the community
  - \$11.1 million for Tickets and Admissions
  - \$24.2 million for Eating and Drinking
  - \$34.9 million for Transportation and Lodging
  - \$19.5 million for Shopping
  - \$4.7 million for Other spending

All of this has been accomplished without a single taxpayer dollar from the City of Erie.

### III. The Creation of the Authority: A Dream and a Promise

It is essential to revisit the past in order to understand the Authority's position. It began in the late 1990s, when a group of public officials and private citizens developed a visionary proposal to build a convention center and host hotel on the Bayfront. It must be remembered that Bayfront development at that time was only a dream. The Penelec coal fired generating plant was still in operation. The SassafRAS Street dock, now the site of the Convention Center, was occupied by Erie Sand & Gravel and the GAF shingle factory. Public access to the waterfront was virtually non-existent. It took vision, and quite a dream, to see something so different through all of that.

The proposal called for: (1) the creation of the Authority under the Third Class County Convention Center Authority Act (the "Act"); and (2) pursuant to the Act, the imposition of a hotel bed tax.

The Act applies to all third class counties across the Commonwealth, a number of which have, like Erie, created convention center authorities. The Act has always provided that all properties owned by an authority are exempt from real property taxes. In this regard, the Authority always has been, and continues to be, no different than any other authority created under the Act.

The City and the County created the Authority in the spring of 2000. They did so with the understanding that the Act would be amended in three critical ways: (1) to expand the scope of the Authority to include the Tullio Arena, Jerry Uht Park, and Warner Theatre; (2) to reimburse Erie County for the costs of administering the bed tax; and (3) to expand the representation on the Authority Board. This amendment was passed by the legislature in the fall of 2000. It should be noted that neither this amendment nor any subsequent amendment changed the provision that properties owned by an authority are tax-exempt.

Of particular importance was coverage of the Arena, the Ballpark and the Theatre. At that time, these facilities were managed by an arm of the City. The operation of these facilities required a subsidy of up to \$280,000 in City taxpayer funds annually and a key objective in creating the Authority was to relieve the City of that burden.

#### IV. The Dream Fulfilled - the Promise Kept

I think we can rightfully say that the Authority has both fulfilled the dreams and has kept the promises which were made when the Authority was formed and it has done so in a way which has exceeded all expectations.

The Convention Center Complex, including the hotels and parking garages, is simply spectacular, by any reasonable measure, and especially in comparison to communities which are of the same size as Erie. The Convention Center has exceeded every projection made prior to its construction. The Convention Center will host 22 conventions in 2017, and successive years look equally promising, now that we have a sufficient number of hotel rooms which are connected to the Convention Center to accommodate much larger groups.

The Arena, the Ballpark and the Theatre have been upgraded to retain our sports teams and meet the increasing needs of arts organizations and nationally touring acts. Again, these facilities are impressive and unique for communities our size.

#### V. The Future

The Authority has conceived, constructed and successfully operated more transformational projects than any other local governmental agency. Look at the Warner Theatre, Erie Insurance Arena, UPMC Park, the Convention Center Complex and our Bayfront Place Development Plan. These are the types of projects that we have proven beyond any shadow of a doubt that we can and will do, if we work together as a community.

It is critical that we continue this course and retain all the tools, as originally promised, to help our City, County and its hard working residents expand our opportunities to make Erie an even better place to live, work, and play.