

A Blue Print for Promoting Economic Enhancement
In Columbia County, Pennsylvania

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Introduction

The lack of developed acreage for business use represents the biggest economic issue facing Columbia County. Developed land is land that is site-ready in terms of possessing appropriate zoning for business use and containing the necessary physical infrastructure - sewer, water, natural gas, electric, roads and telecommunications.

This document details the associated benefits of providing developed acreage through a business park and the necessity to gain active financial support from the County Commissioners to build a new business park in Columbia County. **The stark reality for Columbia County is that the County is not currently able to effectively participate in the economic development arena due to its limited availability of developed land.** The most effective way to provide attractive, developed sites for advancing business development opportunities for Columbia County is through the creation of a new business park financed through a public-private partnership, with County government as a financial partner in the project.

Development Issues

Regions that plan ahead have a much better chance of success and do a better job of implementing successful economic development projects. In terms of planning for the future, there are **two major development issues** facing Columbia County.

The Lack of Developed Sites for Business Use – “Without these assets in a community’s economic development portfolio, success in luring new industry or business to an area is not likely.”¹ The likelihood of retaining expanding local businesses is also greatly reduced by not having attractive, site-ready parcels to accommodate local expansion needs. A new business park offers a strategic approach to providing developed sites within the County. Without a new business park to serve future business development needs, the County is unable to (1) provide a place for existing local companies to expand, (2) offer developed parcels to out-of-area prospects, and (3) create an environment where firms are able to benefit from the synergy found in groupings of firms co-located in a common park.

Financing the Development Costs of a New Business Park - The active support of the County Commissioners is an integral element in building a new business park. The economic development organizations serving the County have pledged their support and combined resources, but the development costs associated with building a new business park will be significant. The development costs will exceed the combined funding levels raised from private, state, and federal sources by 50 percent or more, requiring County financial participation to close the funding gap. In order to finance the building of a new business park, significant financial support from the County Commissioners is absolutely necessary to ensure adequate funding to cover development costs.

The inability to finance and build a new business park will severely limit the County’s opportunities to create new jobs and spur existing and new industries.

Background Information

The existing 80-acre Columbia County Industrial Park represents a successful example of a proactive, public-private partnership formed to directly promote and positively influence the economic development of Columbia County. The existing 80-acre Columbia County Industrial Park is presently full. Approximately 80 percent of the current tenants are local businesses that realized their expansion needs by moving to the industrial park. The other tenants were recruited from outside the area.

Columbia County desperately needs a new business park. Columbia County has severely limited site-ready, developed acreage to accommodate existing businesses with expansion plans or offer to out-of-area business prospects looking for viable sites. The building of a new business park represents an outstanding investment to County government given the magnitude of the long-term return generated to the County economy. The development of a business park requires a large initial investment outlay, but the return to the County economy in terms of payroll and new property values is many times the original investment outlay. In addition, the use of the business park concept allows for the leveraging of infrastructure investment and provides for a more focused development approach that limits the impact to surrounding land use patterns much more effectively than disjointed, scattered-site development schemes.

Prevailing Economic Circumstances

The lack of developed acreage perpetuates the distressed economic conditions found within the County economy, and offers little hope for improvement for the future. The County's median household income is only 85 percent of the statewide median. The County's unemployment rates for December of 2001 and 2002 exceeded the statewide and Metropolitan Statistical Area (MSA) unemployment rates for the same months. County population growth for the decade of the 1990s was 1.5 percent as compared to statewide growth of 3.4 percent. In comparing the incidence of poverty within the County in 1990 and 2000, the number of individuals in poverty increased from 10 percent to 13 percent during the period.²

A survey of average annual wages (2000) indicates that Columbia County's average annual wage across all industries is only 81 percent of Pennsylvania's average annual wage.³ In fact, except for Health Care, all average annual wages in the County fall below statewide averages for their respective industries. This difference in average annual wages represents an **annual opportunity loss of \$150 million in total payroll to the County economy.**

Since 1990, Columbia County's MSA, containing Columbia, Lackawanna, Luzerne and Wyoming counties, has experienced a declining trend in employment in the goods-producing sector, mining, construction and manufacturing. From 1990 to 2002, the MSA has lost approximately 18,000 goods-producing jobs and gained 33,000 service-producing jobs. From 1990 to 2000, Columbia County residents have gained 1,124 total net jobs, with the gain limited by a corresponding loss of 1,270 goods-producing jobs. The bulk of the goods-producing job losses occurred in manufacturing.⁴ These regional and countywide employment trends will have pronounced effects on long-run economic prosperity in Columbia County. While total employment has shown an actual increase, a shift has occurred in the nature of many of the new jobs. Higher-wage, goods-producing jobs have been steadily replaced with lower-paying service-producing jobs. Also, Columbia County is a substantial net exporter of jobs since the

number of County residents employed exceeds the number of jobs located within the County by 4,000 to 5,000 jobs.^s

Rationale for Constructing a Business Park

While many economic forces are global or national in nature, communities can, in part, directly influence their economic circumstances. Communities confirm their actual economic circumstances through their general attitudes toward development, and their subsequent approaches and actions in promoting development opportunities. The decline in high-wage industries like manufacturing is not necessarily an irreversible trend as some regions of the United States are now showing a gain in manufacturing employment. In addition, there are high-wage employment opportunities in some areas of the service-producing sector. **Clearly there are opportunities to attract new high-wage employment across all types of industries, where, both regionally and nationally, much of this economic activity is now found in business park settings.**

Companies will find Columbia County an attractive site location, given the proximity to Route 80 and major Northeast U.S. markets, and Bloomsburg University's Institute for Interactive Technologies. **The availability of business park sites will only enhance business opportunities within the County. A new business park will allow the County to nurture business growth both from within and from the outside by providing attractive business sites.**

To be competitive in today's business environment, business enterprises must generally operate on a "just in-time" mode, meaning that business operations cannot tolerate delays or lag times since they result in lost market opportunities or higher costs. This just in-time approach applies to site location decisions, where only site-ready opportunities find their way into a final short list of site alternatives. "Companies expect to be under roof and producing products 90 to 120 days after commitment to locate. The community can help the company meet this timetable by having a site that is ready for construction, with all environmental questions addressed and utilities in place."⁶ Accordingly, in order to effectively accommodate local business expansion projects and recruit new prospects, it is imperative that sites must be both appropriately zoned and infrastructure-ready (sewer, water, gas, electric, roads, and telecommunications). The most cost-effective way to accommodate these two critical provisions is to develop sites on a large acreage basis using a business park approach. The development of large acreage allows the physical infrastructure costs to be spread across many acres and allows for large areas of common zoning to accommodate similar or compatible site users.

Given the prevailing state of the regional and county economies, Columbia County needs to take pro-active measures to nurture and attract new high-wage employment and technology-advancing opportunities. Since many business enterprises find business parks as a very viable location option, the business park concept provides a valuable economic development tool from both a market recruitment and development cost basis. Toward this end, a general-use business park concept promoting multiple users across multiple industries will allow Columbia County to best promote economic development most conducive to advancing the County's economic base.

Case Study Examples of Other Regional Business Parks ⁷

Columbia County is located in a region that has many business parks providing site-ready parcels meeting business needs. **The development of these regional business parks resulted through the creation of public-private partnerships.** Greater Wilkes-Barre Area Industrial Business Parks (GWBAIBP) and CANDO both develop and operate business parks in Luzerne County. The Scranton Lackawanna Industrial Building Company (SLIBC) develops and operates business parks in Lackawanna County. In Monroe County, Pocono Mountains Industries (PMI) is responsible for marketing and business park development. The Schuylkill Economic Development Corporation (SEDCO) and Milton Area Industrial Development Association (MAIDA) also develop and operate business parks in Schuylkill County and Northumberland County, respectively. These parks are actively promoted to regional and national business prospects. **All six organizations are continually developing or planning to develop more site-ready business park sites.**

For the six organizations surveyed, long-term annual absorption rates for their business parks vary from 10 to 90 acres per year. The average number of employees generated per business park acre is approximately 15, but employment can range as high as 40 employees per acre. Park sites are occupied by both regional and out-of-region businesses, where the ratio of regional to non-regional business tenants varies by organization.

Columbia County receives limited prospect visits due to the lack of developed, site-ready parcels. In comparison, areas with business parks receive numerous prospect visits and achieve high success rates in locating new business tenants in their parks. Prospect visitation and successful recruitment rates vary by development organization. Business park operators generally receive approximately 25 to 75 prospect visits per year. Citing one example, GWBAIBP receives an average of 50 prospect visits per year, where they successfully recruited 9 tenants in 2002.

COMPOSITE PERFORMANCE MEASURES OF SELECTED REGIONAL BUSINESS PARKS

Categories	PMI	SLIBC	GWBAIBP	CANDO	SEDCO	MAIDA
Number of Prospect Visits	35	63+	27 - 72	30-40	23 - 26	29
Number of Successful Recruitments	1	13	9	5-7	2 – 3	2
Current Acreage Available	630	674*	597	1682	3,198	100
Annual Acreage Absorption	10 - 15	38 - 40	90	90	73**	35

Note: * includes all parks in Lackawanna County, ** statistics only for Highridge Business Park.

Columbia County sees fewer than five prospect visits per year, due to a lack of developed land. **There are fewer than 50 available acres found in business park locations within Columbia County, in contrast to 80 percent of the competing regional areas possessing 500 or more available acres located in business parks.**

Statement of Estimated Economic Impact

A feasibility study completed in 1989 for Columbia County recommended a 100-acre to 150-acre park developed over a period of two to four years. Assuming a conservative building coverage ratio of 30 percent for a 100-acre business park, such a park can produce over 1.3 million square feet of building space and approximately 1,500 jobs. This 100-acre park can be expected to create approximately \$70 million in land and new building values, and \$39 million in annual wage and salary payroll. When the business park is full, the park in one year can yield a return (new property values and payroll) of over 10 times the original investment outlay in developing the business park. Over the life of the project, the return from the typical business park can exceed 100 times the initial investment outlay.

Prospects for Implementation

The proposed business park for Columbia County should be viewed as an essential development project to advance the economic enhancement of Columbia County. The economic development organizations serving the County have pledged their combined support for the creation of a business park and are poised to make the project happen. To date, the Columbia County Industrial Park is full, and there are very few developed parcels of attractive land to show recruitment prospects and accommodate local firms looking to expand operations.

The nature and scope of the project require the creation of a public-private partnership to finance the development of the business park. The development of a 100-acre to 150-acre infrastructure-ready business park requires up-front investment and can be an expensive endeavor. Given the large amounts of resources necessary to develop such a business park, the total private, state and federal contributions could result in a funding gap of 50 percent or more of the total initial development costs. **Local public sector participation, or more particularly, the support of the three County Commissioners is fundamental and necessary to bring this business park to fruition.** Without the support of the County Commissioners, the magnitude of the project will in all likelihood cause the combined level of private, state, and federal financial support to fall short of the total development costs required. **In covering the funding shortfall, a business park concept represents an outstanding investment to County government given the magnitude of the long-term return generated to the County economy in terms of new property values and new wages and salaries.**

Conclusion

The lack of developed acreage for business use represents the biggest economic issue facing Columbia County. Without a new business park, Columbia County as an economy will struggle to serve future business development needs. As a result, countywide prospects for economic enhancement will also suffer.

A business park represents a good investment. While the development of a business park requires a large initial investment outlay, the initial investment outlay is leveraged into a return to the County economy many times the original investment amount. At the point where the business park is full, the project in one year can be expected to yield a return of over 10 times the original investment in developing the business park. **Over the life of the project, the return can exceed 100 times the initial investment outlay.**

REFERENCES

- 1 “Community Preparedness for Site Development”, Ohio State University Extension, The Web Book of Regional Science, Regional Research Institute, West Virginia University.
- 2 “1990 Census and 2000 Census”, U.S. Census Bureau, and “Pennsylvania Labor Force”, Pennsylvania Department of Labor and Industry, January 2003.
- 3 “2000 County Business Patterns”, U.S. Census Bureau.
- 4 “Pennsylvania Labor Force”, Pennsylvania Department of Labor and Industry, January 2003.
- 5 “2000 Census”, U.S. Census Bureau.
- 6 “Community Preparedness for Site Development”, Ohio State University Extension, The Web Book of Regional Science, Regional Research Institute, West Virginia University.
- 7 Compiled survey research information as provided by the seven referenced organizations.

ECONOMIC IMPACT CALCULATIONS

100-acre Business Park/Useful Life of 30 Years

Size Configuration

100 acres x 43,560 sf per acre = 4,356,000 sf - land
0.30 coverage ratio x 4,356,000 sf = 1,306,800 sf - buildings

Market Value of Real Estate

1,306,800 sf x \$50 per sf building cost = \$65,430,000
100 acres x \$40,000 per acre = \$ 4,000,000
Total Land and Building Values = \$69,430,000 >>>> **\$70,000,000**

Annual Payroll

From case study information: 15 employees per acre
15 employees x 100 acres = 1,500 jobs
1,500 jobs x average county wage of \$25,538 = \$38,307,000 >>>> **\$39,000,000**

Economic Benefit - Property Value and Payroll

Real Estate Value and Payroll for One Year = **\$109,000,000**

Real Estate Value and Payroll for 30 Years = **\$1,200,000,000**
(all in year 2000 dollars)

Benefit Ratio for One Year = \$109 million/Total Investment > **10**
Benefit Ratio for 30 Years = \$1.2 billion/Total Investment > **100**

Estimated Business Park Total Investment < \$10 million

Annual Opportunity Loss

PA average wage less Columbia County average wage = \$6,000
\$6,000 x Columbia County employment in Year 2000 = **\$150,000,000**

Source - employment/payroll estimates: 2000 County Business Patterns.