



# Frequently Asked Questions

Prepared August 3, 2007

**Question 1: Why does Fraser Centre include a 10-screen cinema when there are 2 new cinemas in College and Patton Township as well as the 2 older Carmike theaters?**

**Answer :** *The initiative to have a cinema in downtown State College started in 2002 during the visioning process for downtown State College. The broad based steering committee appointed by Council that was working with the consulting firm Environmental Planning and Design on the Downtown Vision and Strategic Plan identified a state-of-the art downtown multiplex as a key component of the downtown revitalization strategies included in the downtown plan. A steering committee was subsequently formed which included members of the Downtown Improvement District and Borough Council. The charge of the committee was to work together to create the foundation for a new state of the art cinema for downtown State College.*

*The Downtown Vision and Strategic Plan, as did the downtown master plan prepared in the late 1980s by the firm LDR International, recommended capitalizing on the restaurant and entertain base in downtown as a economic development strategy. The environmental scan conducted by consultants in both planning process identified that downtown was moving into a position of competitive weakness in many business sectors, particularly the large scale retail and professional office sectors. The consultants also found that downtown remained competitive in the entertainment and hospitality sectors. They recommended that the most practical approach to economic development and community revitalization was to capitalize on those sectors where you are competitive.*

*Both Plans also recognized the importance of partnerships to conceive of and implement economic development activities. This recognition was driven by realities of the cost and complexity of downtown redevelopment when compared to the typical suburban "green field" development model.*

*Among the objectives included in the current Downtown Plan are 4 that bear directly on the proposed Fraser Centre Project:*

- 3. Create appropriate incentives to leverage private-sector investment within the Downtown.**
- 4. Establish a unique “arts” identity for the Downtown while strengthening its role as the Centre Region’s center for business services, finance, specialty retail and entertainment.**
- 5. Expand the Downtown’s leisure, entertainment and recreational activities by maintaining existing activities and encouraging the development of additional civic and cultural uses.**
- 6. Implement the Strategic Plan through a series of public-private partnerships between the Borough, the Downtown Improvement District, the Penn State University, the Penn State Alumni Association and the private-sector development community. (page 7**

**Fraser Center directly responds to each of these objectives. It uses incentives to leverage private investment. It is one of several venues either completed or under consideration that focuses on the arts as a theme for downtown development. It expands the availability of leisure activities in downtown. And, it is a public private partnership.**

**In addition to the “fit” with these Plan objectives, the Downtown Plan also suggests that**

**To increase long-term financial feasibility, the cinemplex could be developed with ground floor retail, residential condominiums and structured parking. (page 13)**

**The final plan prepared for Fraser Centre includes all of these elements. And, as it has turned out, the potential revenue from the retail/commercial and condominiums is needed make the project work financially. The Plan also suggests that the Borough uses its ability to declare an area blighted to make alternative funding possible and the formation of a partnership of the Borough, Downtown State College, and property owners to expedite redevelopment. All of these recommendations have been followed during the planning process for Fraser Centre.**

**As part of its strategy for implementing the Downtown Vision and Strategic Plan, Downtown State College conducted a survey of residents in the 168XX zip code areas. One of the questions included in that survey asked what types of uses would attract people to the downtown. The most frequent response to that**

***question was that a state-of-the art cinema would draw people to downtown. This finding was seen as a confirmation of the recommendations found in the Downtown Vision and Strategic Plan***

**Question 2: Can the project move forward without the cinema?**

***Answer: No. Council has determined that the cinema is an essential component of the project and Council will not convey the land for the project unless the cinema is included. The current economic development agreement between the borough and Downtown State College calls for a mixed-use project that includes owner-occupied residential, commercial space and a multi-screen cinema. This agreement has been in place since April 2005 and is based on the Downtown Vision and Strategic Plan approved in 2003 following an open and transparent community based process. Since the cinema has been and continues to be a central part of the overall economic development plan, it is highly unlikely that Council will reconsider their position on this part of the Fraser Centre project.***

**Question 3: What role has the Borough government played in this development?**

***Answer: Borough government plays several roles in this development. The Borough provided the majority of the funds used to complete the Downtown Vision and Strategic Plan that established the goals and policies within which the project was conceived. The Borough worked with Downtown State College (DCS) and property owners in the Garner Street area to explore opportunities for a Fraser Centre-like project in that area of downtown. When that effort did not come to fruition, the Borough continued to work with Downtown State College to identify a suitable alternative site(s).***

***On the basis of the findings of the traffic impact study for the Beaver Avenue parking garage, Council determined it was necessary to realign S. Fraser Street at its intersection with W. Beaver Ave. To complete this traffic improvement, Council acquired the former medical arts building site. Council decided that any residual land from the medical arts property and the property initially owned by the Borough not needed to accommodate the realignment of S. Fraser Street should be made available for redevelopment. The Borough has and continues to pursue funding for the realignment of S. Fraser Street from sources other than those that might be available for Fraser Centre.***

***Once the concept for the Fraser Centre Project was formulated, Council determined that entering into an economic development agreement with***

***Downtown State College was the most effective strategy to make Fraser Centre a reality.***

***All regular meetings and work sessions of Council are open to the public. Regular meetings are shown on CNET several times.***

***In addition to Council, the State College Planning Commission and the State College Borough Redevelopment Authority have played roles in this project. The Planning Commission has been involved in: 1) rezoning the western end of downtown that included the Fraser Centre site (approved by Council in 2005); 2) providing comments to Borough Council on the proposed realignment of S. Fraser Street and the sale of the site to Downtown State College; and 3) certifying the Fraser Centre Redevelopment Area under the PA Urban Redevelopment statute. The Planning Commission will review the final land development plan for the project when it is submitted. All meetings of the Planning Commission are open to the public and shown several times on CNET.***

***The Redevelopment Authority approved the Fraser Centre Tax Increment District Plan and forwarded it to the SCASD and Centre County with the request that each agree to participate in the TIF District and to Borough Council with a request that Council approve the formation of the TIF District. If Council approves the formation of the TIF District, the Authority will enter into agreements with the 3 taxing bodies to implement the provisions of the Fraser Centre TIF Plan. Redevelopment Authority meetings are open to the public.***

**Question 4: What are the advantages and disadvantages of making the theatre part of the development?**

***Answer: The main advantages it provides are that it is a venue that serves as an anchor for downtown revitalization, and will provide a catalyst for other, higher value development to occur. There are clearly a host of alternatives to the current project that could be built on the site. However, none of them meet the stated goals of the community as defined by the Downtown Vision and Strategic Plan.***

***We do not see any disadvantages to making the theater part of the development unless the theater would close, which we believe is a highly unlikely scenario. Should this occur, the lease with the theater operator proposed by Downtown State College would require the operator to forfeit all of the fixtures, furnishings and equipment (FFE) that the theater operator will install at its own expense. The fact that all FFE will remain in place would simplify finding a replacement theater operator.***

**Question 5: Did the Borough acquire the medical arts building through condemnation or through eminent domain?**

***Answer: Condemnation and obtaining a property through eminent domain are one and the same. The medical arts building was taken using eminent domain. In the case of the medical arts building, the condemnation process involved what is commonly known as a “friendly condemnation”. That is, the Borough and the owners agreed to the terms and conditions of the property transfer through negotiations prior to the Borough actually condemning the property. The value of the medical arts building was determined on the basis of appraisal by qualified appraisers prior to the condemnation.***

***As noted in the response to question 3, the Borough needed to acquire the medical arts building in order to realign S. Fraser Street as recommended in the traffic impact study for the Beaver Avenue parking garage. The part of the medical arts building site not needed for the street realignment was combined with the site of the former municipal building and the Borough’s metered parking lot on S. Fraser Street to create a larger redevelopment site.***

**Question 6: How much did the Borough pay for the medical arts building?**

***Answer: The Borough paid \$2,007,604.73 for the medical arts building and parking lot. This included \$2,000,000.00 for the land and building plus additional costs related to the settlement.***

**Question 7: How did the Borough finance this purchase?**

***Answer: It was financed through a temporary loan of \$819,520.23 from the parking fund and a capitalized lease prepayment from Town Centre One Partnership of \$1,188,084.50 for their new office space at the Beaver Avenue Parking garage.***

**Question 8: How much will the Borough receive for the sale of the residual of the property it owns on Fraser Street?**

***Answer: Downtown State College will pay \$3,275,000 for the property. This value was determined by an appraiser retained by the Borough to determine the value of the property. The value was determined as a result of a Complete Appraisal and was reported to the Borough in a Restricted Use Appraisal Report. The appraiser used a Sales Comparison Approach to determine the value of the property. The appraisal was performed in accordance with the accepted Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of The Appraisal Foundation in full conformity with the Code of***

***Ethics of Professional Practice of the Appraisal Institute. The appraiser retained by the Borough is a State Certified General Appraiser.***

**Question 9: What are the terms of the sale of the property to Downtown State College?**

***Answer: Downtown State College will pay the Borough \$1,000,000.00 at closing with the balance (\$2,275,000.00) due when the certificate of occupancy is issued for the cinema.***

**Question 10: Did the Borough ever advertise that the property was for sale?**

***Answer: No. The Borough is authorized under Pennsylvania law to transfer property to another governmental entity, an authority such as a redevelopment authority, or a nonprofit economic development entity such as Downtown State College using a negotiated settlement.***

**Question 11: When did the Borough and Downtown State College begin discussing the use of TIF funding as part of the funding for the project?**

***Answer: Discussion regarding the use of the TIF began almost a year ago when due to uncertainty about how much state funding the project would receive. The Improvement District began to formally meet with the school board's CAC for finance in March of 2007 and then scheduled public meetings with the taxing bodies shortly thereafter.***

**Question 12: Has the lack of availability of federal and state funds effected the request for TIF?**

***Answer: No federal funds were sought for the Fraser Centre Project.***

***The Downtown Improvement District is quite certain that state funds, if received, will not exceed \$3,000,000.00. Therefore, the TIF portion of the funding stream will not change.***

***As noted above, the Borough is planning to realign S. Fraser Street and eliminate the off-set configuration of the existing intersection. As part of the funding for this realignment, the Borough has been awarded a \$251,000 Hometown Streets grant for streetscape and pedestrian improvements in W. Beaver Ave and S. Fraser St. In addition, the Borough continues to pursue federal funding to assist with the costs of realigning S. Fraser St. Should the Borough not be successful in obtaining federal transportation funds for the realignment, alternative funding will be identified to complete the project.***

**Question 13: Many people have suggested that TIF may only be used to create jobs and/or share the cost of infrastructure (e.g.: street lighting, street access, streetscapes) for a project. How do elevators and escalators for the theatre warrant use of TIF?**

***Answer: The uses of TIF funding listed in this question are envisioned in the TIF Act. However, the legislature had a much more comprehensive set of purposes in mind when it enacted the TIF Act in 1990. The TIF Act provides additional and alternative means to finance public facilities and residential, commercial and industrial development and revitalization. The TIF Act gives local communities a tool that could be used to advance a broad range of community revitalization projects and that determining which components of such a project will be assisted through TIF financing is a local decision. Downtown State College views elevators, escalators, stairwells as necessary infrastructure. Furthermore, there will not be any revenue derived from those items.***

**Question 14: What would be the advantages and disadvantages if only the residential condominium project was built at the Fraser Street site?**

***Answer: The goal for downtown State College is to become a livable city, and although we definitely do not see ourselves as large as Pittsburgh and Philadelphia, we do know: (1) the population of Centre County is growing at a much faster pace than those two regions (2) having a permanent residential market is critical to maintain the viability of our downtown (3) separating uses in our downtowns creates drab, lifeless cities.***

***Fraser Centre, with its combination of the cinema, residential condos and retail is meant to bring people together in different ways, creating interaction and synergy. Removing the cinema from this mix removes that interaction and synergy and would defeat the purpose of what the downtown is trying to accomplish with this project.***

**Question 15: What are the advantages and disadvantages of alternate development options for the Fraser Centre site?**

***Answer: The Fraser Street site is located in the commercial incentive zoning district which provides for a wide range of uses. So, in one sense the answer is yes, other development options are possible in this zoning district. However, as noted in the response to question 2, Council has determined that a mixed use project with components included in the current Fraser Centre Project is the "highest and best use" for this site. This project meets the goals of diversifying the residential mix in downtown and providing a destination use that will bring people into downtown. Having such a destination use will benefit not only the***

**owners of Fraser Centre, but also other businesses in the area and the taxpayers by expanding the tax base.**

**Responding to the question on the advantages and disadvantages of alternative development options is difficult because it is so speculative. Considering that the majority of large scale developments in downtown in recent years have been based on student housing, we believe the current mix of uses is much more advantageous to the community than the most likely alternate use from the perspectives of assessed value and ripple effect on the downtown economy.**

**Question 16: What sunk and opportunity costs would be incurred if the Fraser Street project were delayed or cancelled?**

**Answer: At this point in time, the primary sunk costs are the staff time and any costs for professional services associated with the agreements between the Borough and Downtown State College. Costs related to site acquisition of the medical arts building are not sunk costs because they will be recovered upon sale of the residual of the property.**

**Opportunity costs, the costs of foregone opportunities that result from a specific economic decision, are more difficult to determine because, like question 15, they are speculative in nature. A multiplicity of “what if” scenarios could be generated for a series of alternative uses of the funds used to purchase the medial arts building and for alternative uses for the site following its acquisition. Moreover, after constructing the Beaver Avenue parking garage, Council was committed to realigning S. Fraser Street to improve traffic and pedestrian flows. Having said this, clearly Borough Council believes that return on investment for the current Fraser Centre Project outweigh the opportunity costs for an alternative use of these funds and this property. In fact, the largest opportunity cost would be to delay or cancel the project and lose the benefits that will be realized from the project.**

**Question 17: What criteria did the Redevelopment Authority use to evaluate the proposal to use TIF for the Fraser Street project?**

**Answer: The Redevelopment Authority received a request from Downtown State College to consider the use of TIF financing as one element of the funding package that is being assembled for Fraser Centre. The Redevelopment Authority considered the proposal and approved the Fraser Centre TIF Plan**

*which was then sent to Borough Council, Centre County and the State College Area School District with a recommendation for approval. The criteria considered by the Redevelopment Authority are listed below.*

*The Redevelopment Authority considered several factors in response to the proposal to prepare the Fraser Centre TIF Plan, including:*

- *The compliance of the project with the comprehensive plan;*
- *The amount of funds committed to the project by the developer and its partners;*
- *The feasibility of the proposed project;*
- *The amount of tax increment funding requested and the need for those funds to make the project move forward;*
- *The ability of the project to generate a sufficient tax increment to support debt service for the amount of funds requested;*
- *The timing of when the tax increments funds would be put into the project relative to when the private funds would be invested in the project; and*
- *The overall benefit created by the project that will be realized by the community when compared to other possible uses for the site.*

**Question 18: From a Centre Region perspective, what are the advantages and disadvantages of TIF financing for the Fraser Street project?**

**Answer:** *There are 2 primary regional advantages realized from use of TIF financing to advance the Fraser Centre project. This first is meeting the regional comprehensive plan goal to:*

*Maintain a strong, diverse, and vital downtown as the focal point of the Centre Region (policy G, future development patterns, page 60)*

*The trends in downtown over the past years has been toward a monoculture of student oriented housing and businesses. While a strong student oriented market segment is to be expected in State College, the community's long range goals for*

***downtown as expressed in its comprehensive plan is to ensure that downtown is a place for everyone to enjoy. The Fraser Centre project will advance that goal. In addition, we believe that the success of the Fraser Centre project will serve as a catalyst for other projects that will strengthen downtown's role as a place for all members of the community.***

***The second main regional advantage is the increase the project will create in the regional tax base. The projected assessed value for Fraser Centre is in excess of \$10,000,000.00. Applying current tax rates, the project will generate over \$500,000.00 per year in real estate taxes. A portion of these taxes (about 48% of the total taxes generated) will be used for debt service. The remainder will accrue to the general funds of the taxing bodies.***

***In addition to these primary reasons, the project will provide 54 housing units, 112 parking spaces and over 70,000 square feet of commercial space (including the cinema) on less than 1 acre of land. In an era when many are concerned with the rate at which we are consuming agricultural land and other open space for new development, Fraser Centre is an example of what can be done on a small site in the core of the community. In addition to being a very efficient use of land, the project site is already served by water, sewer and other utilities and is located in very close proximity to public safety services. The project is located within walking distance of public schools so no additional transportation costs will be incurred by the SCASD in support of K-12 age children residing at Fraser Centre.***

***The main disadvantage that was voiced at the public hearing was that we are using public funds to support private development that will compete with other private businesses. However, as noted at several points in this process, similar public/private ventures are a common way of carrying out community revitalization and economic development projects. There are many instances in the Centre Region, in Centre County and across the nation where public funds are invested to facilitate development and redevelopment projects that are determined to advance the public health, safety, and welfare.***

Question 19: What is the total cost of the cinema?

*Answer: The following is the current breakdown of the cinema project costs:*

**Construction Costs – cinema**

<b>Ground Level Lobby</b>	<b>1,516 gsf @ \$181/gsf</b>	<b>\$ 274,396</b>
<b>Upper Level Lobby</b>	<b>166 gsf@ \$181/gsf</b>	<b>754,046</b>
<b>Theater Level 2</b>	<b>21,276 gsf@ \$148/gsf</b>	<b>3,163,648</b>
<b>Theater Level 3</b>	<b>21,276 gsf@ \$148/gsf</b>	<b>3,163,648</b>
<b>Projection Mezzanine</b>	<b>2,832 gsf@ \$ 49/gsf</b>	<b>138,768</b>
<b>Theater Escalators</b>		<b>1,143,675</b>
<b>Theater Elevator</b>		<b><u>171,925</u></b>
<b>Total Construction Costs</b>		<b>\$ 8,810,106 **</b>

**Other Development Costs:**

<b>A/E: 5% of hard costs</b>		<b>\$ 440,505</b>
<b>Land Acquisition</b>		<b>1,807,250</b>
<b>Utilities</b>		<b>185,000</b>
<b>Interest during construction</b>		<b>750,000</b>
<b>Environmental</b>		<b>15,000</b>
<b>Traffic Mitigation</b>		<b>18,000</b>
<b>Financing Fees</b>		<b>7,500</b>
<b>Contingencies: 4% of hard costs</b>		<b><u>349,224</u></b>
<b>Development Costs</b>		<b>\$ 3,572,479</b>

**Total Costs: Construction & Development** **\$12,382,585**

**gsf = gross square feet**

**\*\* Due to the fact that public funds are being used as financing for the project, Prevailing Wage Rates must be used. This increases the cost of the project by 15 to 20%.**

Question 20: Why can't you build the cinema for a lower cost? The cinemas in Patton Township were constructed for \$7,000,000.00.

**Answer: Construction in downtown State College comes at a premium. Because construction is vertical vs. horizontal, escalators, elevators and stairwells become necessary components of the facility. These items add over \$1.2 million to the cost of the project; they are not needed in the suburban cinemas. Land costs are also at a premium in downtown State College. This has also added a substantial dollar amount to the cost of the project.**

**Many have also suggested fewer screens in order to reduce the cost of the cinema. The size of the cinema is a function of the screens required to negotiate**

***first run release contracts with movie distributors. 10 screens are the minimum number acceptable in order to obtain first run releases. There is also fixed overhead related to the operations that won't reduce proportionately to a reduction in screens.***

**Question 21: It has been stated that the total project costs exceeds \$40 million. What are the other costs associated with the Fraser Centre project?**

***Answer: The following are costs related to the other mixed use components. Private funds/financing will pay for these costs.***

***Residential/Commercial/Parking: \$ 26,249,949  
Hillel Community Use: \$ 4,500,000***

**Question 22: Will the condo owners, cinema operator and commercial establishments be given a tax break?**

***Answer: No. they are not getting an abatement or reduction of taxes. They will all pay full taxes on their properties.***

**Question 23: Will the creation of the Fraser Centre TIF District divert money from schools and municipalities?**

***Answer: No. On the contrary, TIFs can create money for schools and municipalities.***

***Under the TIF Act, the taxing bodies continue to receive all the tax revenue they were receiving prior to the development project. Second, the property tax revenue generated from the new development is truly "new" money. Without TIFs, the development would not occur and the tax increase (the "increment") would not be produced. Not only would new tax money not be generated, but the area itself would remain either economically stagnant or might redevelop in uses that would not achieve the goals of the community. Third, all of the tax increment not used for debt service for the improvements financed through the TIF flow to each taxing body beginning in the first year new taxes are generated.***

**Question 24: I understand that Fraser Centre will generate new taxes, but why not let the market dictate what should be built on the site? New taxes will be generated without the need for the TIF with all taxes going to the taxing bodies.**

***Answer: The conventional wisdom is that the highest and best use for land in downtown is student oriented housing. We have compared a student apartment building which requires no TIF to Fraser Centre which requires a \$2.5 million TIF Note. The student apartment building we used in our comparison is the newest building of its type in downtown and is a of a similar size and number of units to***

**a student apartment building that could be built on the Fraser Centre site under existing zoning regulations. Here is the difference in the taxes:**

**Student Apartment Building**

Assessed Valuation:	\$ 5,000,000
Annual Real Estate Taxes Paid:	\$245,955
Minus Taxes Directed toward TIF Note:	\$0.00
<b>Net Taxes paid to 3 Taxing Bodies:</b>	<b>\$245,955</b>

**Fraser Centre:**

Assessed Valuation:	\$ 10,822,372 (school/county)
	\$ 10,022,372 (boro)*
Annual Taxes Paid:	\$ 542,335
Minus Taxes Directed Toward TIF Note Debt Service:	\$251,205
<b>Net Taxes paid to 3 Taxing Bodies:</b>	<b>\$291,130</b>

**As these numbers demonstrate, although the Fraser Centre requires use of Tax Increment Financing and a portion of the new taxes will be used to pay the debt, Fraser Centre will still provide \$45,175.00 more in tax revenue than the market driven student apartment building. Moreover, when the TIF note is paid off, all of the tax revenue used for debt service will flow to the taxing bodies increasing the tax dollars going into their general funds. The debt service payment is fixed over the life of the repayment schedule. If any of the taxing bodies increase the real estate tax millage, any additional revenue that results from a tax increase will go into that taxing bodies general fund.**

**Other tax levies, such as earned income tax, are not affected by the TIF which only uses real estate for debt service. Thus any other tax revenues generated by Fraser Centre will flow to the borough and school district. In general, a student apartment building provides very little earned income tax revenue.**

**\*(The projected assessed value for the Borough is lower than that for the County and School District because it includes an allowance for the Borough's Homestead Exclusion.)**

**Note: This FAQ was prepared by Downtown State College Improvement District Executive Director Teresa Sparacino and State College Borough Planning Director Carl Hess. For additional information, please contact Carl Hess at [chess@statecollegepa.us](mailto:chess@statecollegepa.us) or at 814-234-7109**