Tax Increment Financing:
Smallman Street, Strip District – Initial Request

Pittsburgh Public Schools
Business/Finance Committee
October 5, 2016
1. What is Tax Increment Financing (TIF)?

2. TIF Process

**What is Tax Increment Financing (TIF)?**

Tax increment financing (TIF) captures the future taxes generated as a result of real estate improvements to pay the present cost of those improvements.

TIF is used to address blight and deterioration, promote neighborhood stability/density and inspire district-oriented economic development or redevelopment.

Decreased federal and state funding for redevelopment-related activities have forced local governments to identify creative solutions, such as TIF, to facilitate urban infill development.

TIF is used in 49 states and the District of Columbia.
What is Tax Increment Financing (TIF)?

- Tax increment can fund construction and soft costs including but not limited to:
  - Site Preparation
  - Sanitary Sewer and Water
  - Roadway Improvements
  - Sidewalks
  - Lighting
  - Public Use Facilities
  - Parks & Recreation Facilities
  - Parking Facilities
  - Transit/other Transportation Infrastructure
  - Architectural, Engineering, Planning, or Legal Fees
  - Environmental Impact Studies
  - Operation and Administration of the TIF District
Property values stagnate or decline ("base")

Project infused with public and private investment

Completed improvements generate parking and real estate tax increment ("increment")

Entire tax increment accrues to taxing bodies in perpetuity.
TIF Districts in the City of Pittsburgh – the “But For”

- 18 active TIF Districts have been authorized in the City of Pittsburgh since 1993.
- Five of which are now complete, returning $9.5 million in tax increment annually to the 3TBs.
- Current active TIFs are generating $5.1 million in unpledged tax increment to 3TBs.
- Upon completion, the active TIFs are projected to generate a total of $23.4 million in tax increment annually to 3TBs.
TIF Districts in the City of Pittsburgh – the “But For”

Heinz Distribution Center

South Side Works

PNC Firstside, First Avenue T Station

Bakery Square & East Liberty Gateway
URA TIF Guidelines & Application

Urban Redevelopment Authority of Pittsburgh
Tax Increment Financing Guidelines
Revised Guidelines
Adopted July 10, 2014

Building Pittsburgh with ura

URA TIF APPLICATION

Applicant Name:

Part #2 – TIF PROPOSAL
Form #2 – Project Information Summary
PROJECT INFORMATION SUMMARY
1. Type of Project (mark all that apply)

<table>
<thead>
<tr>
<th>Type</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Residential</td>
</tr>
<tr>
<td>Commercial</td>
<td>Office</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Industrial</td>
</tr>
<tr>
<td>Hospitality</td>
<td>High tech</td>
</tr>
<tr>
<td>Main Street</td>
<td>Historic Renovation</td>
</tr>
<tr>
<td>Mixed Use</td>
<td>New Market Tax Credit</td>
</tr>
<tr>
<td>Brownfield</td>
<td>Other (describe in space below)</td>
</tr>
</tbody>
</table>

2. Project schedule

<table>
<thead>
<tr>
<th></th>
<th>Start Date</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Closing Date:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Project scale

<table>
<thead>
<tr>
<th>Building Usage Type</th>
<th>Square footage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td></td>
</tr>
<tr>
<td>Manufacturing/Industrial</td>
<td></td>
</tr>
<tr>
<td>Hospitality</td>
<td></td>
</tr>
<tr>
<td>Park/Green Space</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

4. Economic Impact Analysis*

*Updated 5/22/14
TIF Process – Generally 9-12 Months (Approximately 25 Public Meetings)

1. Receive TIF Application by Developer or Initiated by URA
2. Define Project
3. Determine Project Eligibility & Funding Gap – “…BUT FOR…”
4. Estimate Post-Development Taxes
5. Obtain 3TB Initial Approvals to Study TIF as Financing Tool
6. Draft TIF Plan; work with TIF Committee
7. Commission 3rd party Reports
8. Obtain County & School District Final Approvals
9. Public Hearing
10. Obtain City Council Final Approval
11. Arrange for Project Funding
12. Apply TIF Funds to the Project
TIF Process – Generally 9-12 Months (Approximately 25 Public Meetings)

[Legislative Action: Intent to explore TIF & request taxing body participation]

**URA Board**
- Review/Underwrite TIF Application: August 2016
- Draft Taxing Body Resolutions with TIF Counsel: August 2016
- Brief Taxing Body Reqs: August – September 2016
- Inducement Resolution: Thurs, September 8, 2016 2:00PM

**County Council**
- Pre-meeting: Week of August 29, 2016
- First Reading: Wed, November 9, 2016 5:00PM
- Economic Development & Housing Committee: TBD
- Second Reading: Tues, December 6, 2016 5:00PM

**School Board**
- Pre-meeting w/Business/Finance Committee: Tues, September 13, 2016 3:00PM
- Business/Finance Committee Meeting: Wed, October 5, 2016 8:30AM
- Agenda Review: Wed, November 16, 2016 6:30PM
- Legislative Session: Wed, November 22, 2016 7:00PM

**City Council**
- Introduce Legislation: Tue, October 11, 2016 10:00AM
- Committee Discussion #1 (Referred to Public Hearing): Wed, October 19, 2016 10:00AM
- Hearing Advertisement: Week of October 24, 2016
- Public Hearing: TBD
- Committee Discussion #2: Wed, December 7, 2016 10:00AM
- Vote: Mon, December 12, 2016 10:00AM

Circulate Draft TIF Plan
Thurs, December 12, 2016

**TIF Committee Meeting**
Fri, December 16, 2016 1:30PM

Send final TIF plan to TIF Committee along with draft resolutions for URA & STB
TIF Process – Generally 9-12 Months (Approximately 25 Public Meetings)

Smallman Street TIF
FINAL RESOLUTIONS
Estimated Schedule

[Legislative Action: Adopt TIF Plan & Authorize Cooperation Agreement]

**URA Board**
Board Approval of TIF Plan
Thurs, January 12, 2017 2:00PM

**County Council**
First Reading
Mon, January 2, 2017 5:00PM
Economic Dev. Committee #1
Thurs, January 12, 2017 4:00PM
Economic Dev. Committee #2
Thurs, January 19, 2017 4:00PM
Second Reading and Vote
Tue, January 23, 2017 5:00PM

**School Board**
Pre-meeting w/Business/Finance Committee
Mon, January 30, 2017 8:30AM
Business Committee
Mon, February 6, 2017 5:30PM
Agenda Review
Wed, February 15, 2017 6:30PM
Hearing
Wed, February 20, 2017 6:00PM
Legislative Session
Wed, February 22, 2017 7:00PM

**City Council**
Send Legislation
Fri, January 13, 2017
Introduce Legislation (referred to Public Hearing)
Tue, January 24, 2017 10:00AM
Committee Discussion #1
Wed, February 1, 2017 10:00AM
Public Hearing Advertisement
Week of February 6, 2017
Public Hearing
Week of March 6, 2017
Committee Discussion #2
Wed, March 14, 2017 10:00AM
**Final Vote**
Tue, April 11, 2017 10:00AM

**Cooperation Agreement**
TIF Counsel drafts Cooperation Agreement
January 2017
Circulate Draft Cooperation Agreement for Comment
January 2017
Circulate Final Cooperation Agreement for Signature
March 2017
Execution of Cooperation Agreement
April 2017
Strip District: Smallman Street

- Regional destination, cluster of retail and warehouse users
- Density creating greater impact on public infrastructure
  - The Smallman Street TIF would capture real estate and parking taxes from McCaffery’s two redevelopments at 1600 Smallman Street and Produce Terminal (315K SF of new office & retail)
  - Others are adding 1,000 new housing units and 806 recently completed housing units.
Strip District: Smallman Street
Smallman Street Today
Smallman Street Today: Public Safety Issues
Proposed Smallman Street TIF District

Potential TIF Uses
- Smallman Street and Related Public Space Improvements
  - Roadway Improvements
  - Utility Upgrades, including Stormwater/Sewer
  - Sidewalks, Ramps, Lighting

Pittsburgh Produce Terminal
- 150,000 square feet office/retail
- 272-space surface parking lot

1600 Smallman Street
- 165,000 square feet office
- 253-space parking garage
TIF Concept: Smallman Street

Real estate tax revenue stagnates at only $16,000 annually ("base")

Project infused with $7.5 million in TIF investment that leverages $131 million in public and private improvements

Completed improvements are reassessed, generating $450,000 annually in real estate tax increment – $113,000 of which is diverted to School District (during the TIF)

Entire $450,000 tax increment accrues to School District in perpetuity (after the TIF)
$2.7 million tax increment investment yields:

- **$583,000** in new tax revenue annually during TIF
- **$920,000** in new tax revenue annually upon completion
Smallman Street TIF District: Investment Breakdown

Potential TIF Proceeds

- Allegheny County: $1,288,346
- School District: $2,680,196
- Real Estate: $2,195,363
- City of Pittsburgh: $1,336,095

Total Investment for Smallman Street, Produce Terminal & 1600 Smallman

- TIF Investment: $7,500,000
- Other Public & Private Investment: $131,000,000

Total Investment for Smallman Street, Producet Terminal & 1600 Smallman: $138,500,000
“But for” TIF, the Smallman Street improvements, adjacent redevelopment would not occur.

- Public infrastructure investment
- Elimination of blight
- Increased property tax revenue
- Increased sales tax revenue
- Creation of new permanent jobs
- Creation of construction jobs
- Taxing bodies will receive current base taxes in addition to unpledged (25%) incremental tax revenues
- Catalyst for new private investment
- Re-occupancy of vacant building
- Attracts residents into City with additional high-wage jobs & affordable housing
- TIF funds include Real Estate Taxes (City would also divert Parking Taxes)