# Tax Increment Financing:

## Smallman Street, Strip District

## Final Request for Approval / TIF Adoption

Pittsburgh Public Schools

Business/Finance Committee

September 4, 2018




Here is the ura

## Agenda: Request to Request to Adopt TIF Plan for Smallman Street, Strip District

1. Smallman Street – Public Safety Concerns / Design Considerations
2. Produce Terminal – Private Development
3. Tax Increment Financing (TIF) & TIF Process
4. School District TIF Scorecard

# Strip District: Smallman Street



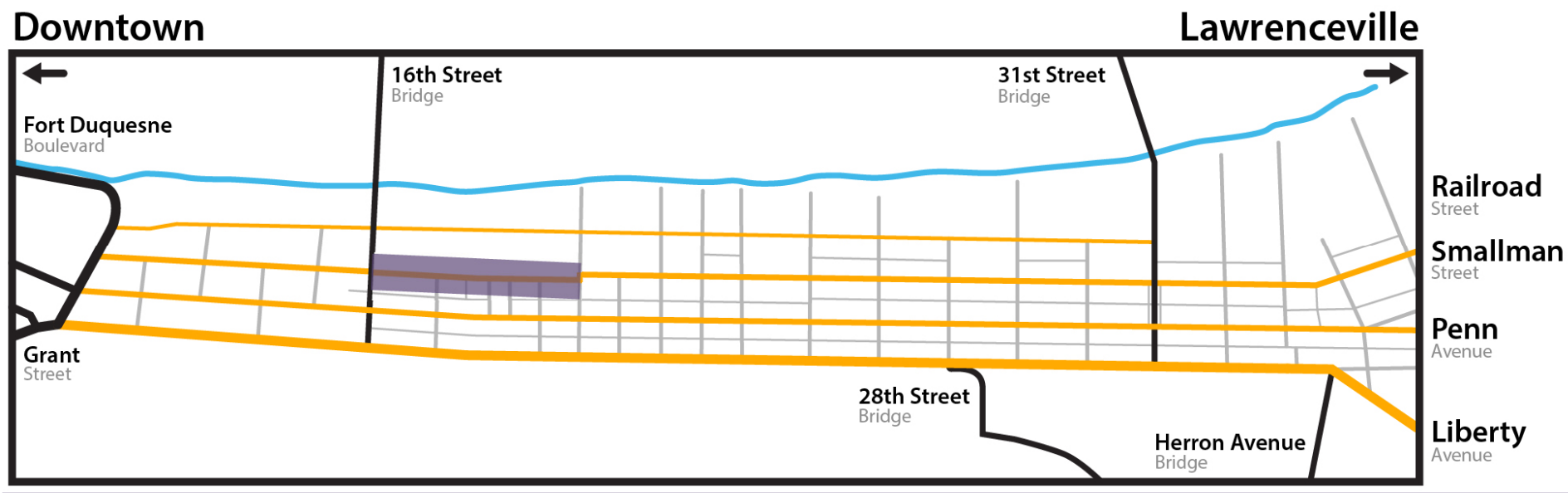






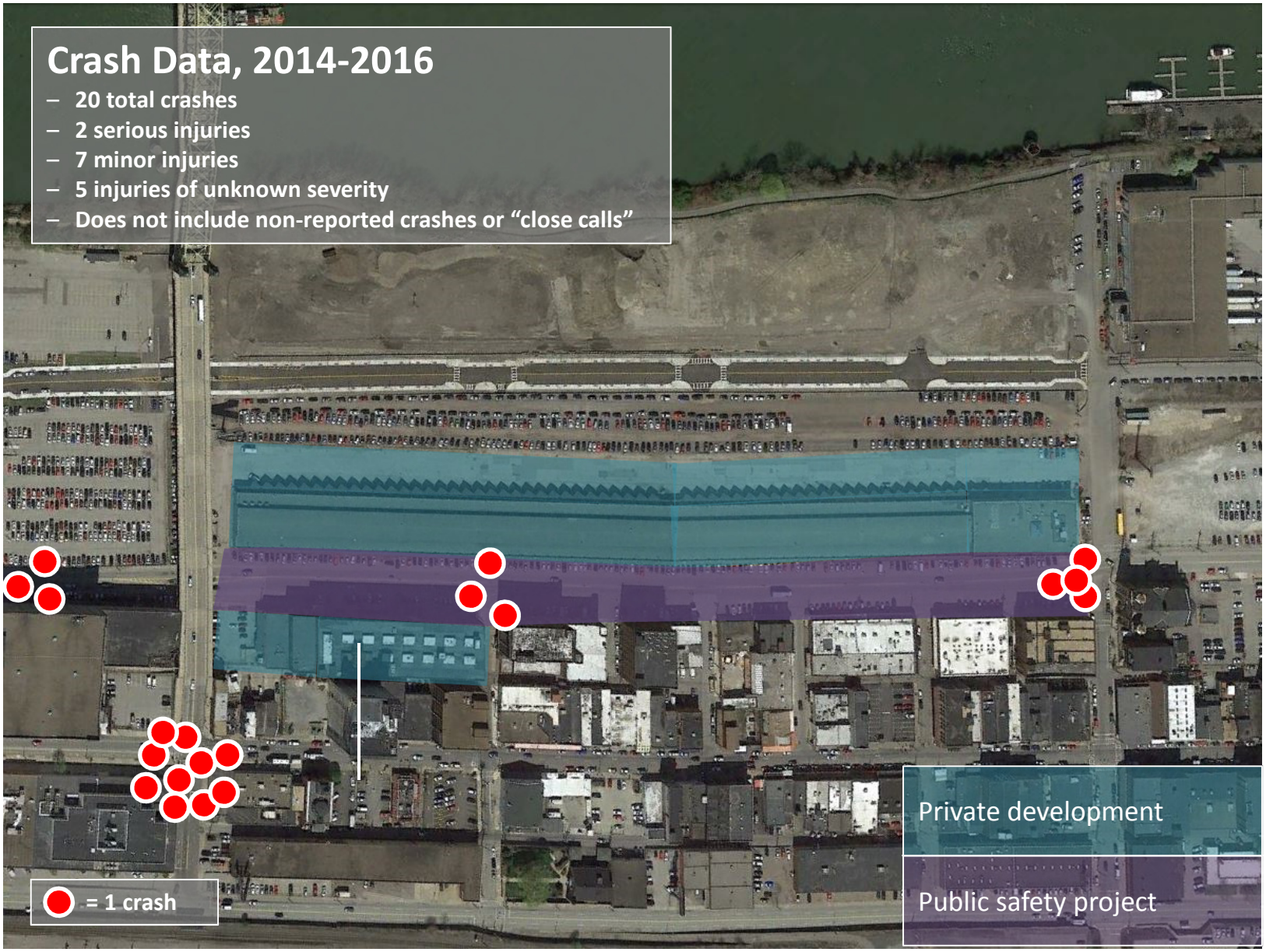


# Strip District: Smallman Street In Context




- Vehicles – East end to downtown commuters; parallel route = 28
- Freight – Local distributors; commercial enterprises
- Bicycles – Critical link in citywide network
- Pedestrians – increasing residential; high patron traffic
- Parking – patrons and employees
- Development – Changing land use; new users

# Smallman Street Today: Public Safety Issues



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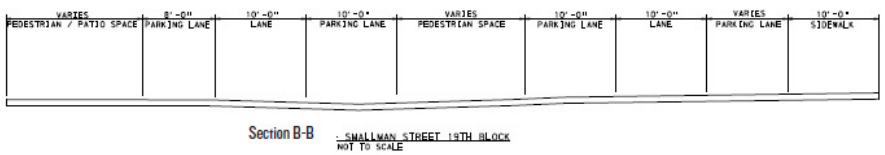



# Smallman Street Conceptual Design: Proposed Public Improvements

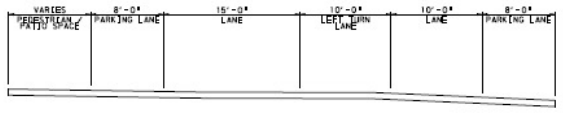
Design goals: public safety, improved circulation, placemaking, river access with pedestrian passageways through PT

- Smallman Street from 16th to 21st Streets

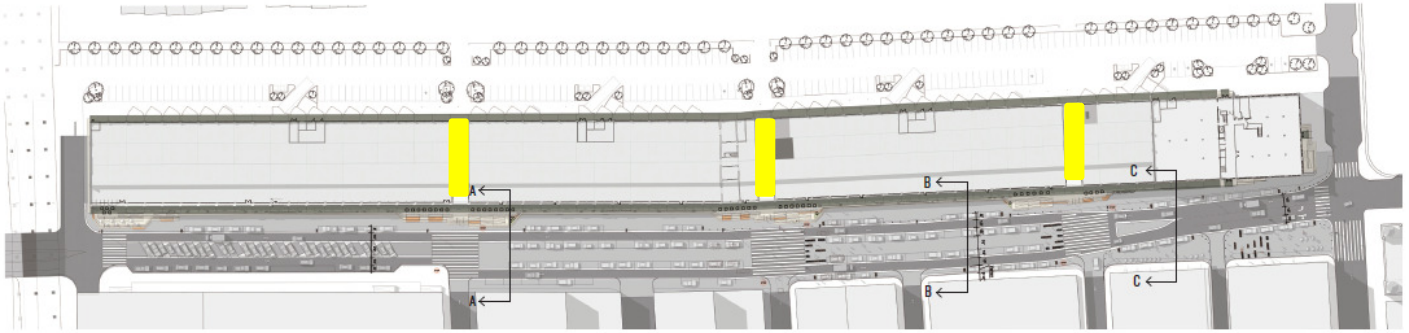
- The new design will convert parking spaces from ones primarily used by downtown commuters to ones in which shared parking spaces will be used by shoppers frequenting Strip District businesses.




Section B-B - SMALLMAN STREET 19TH BLOCK
NOT TO SCALE

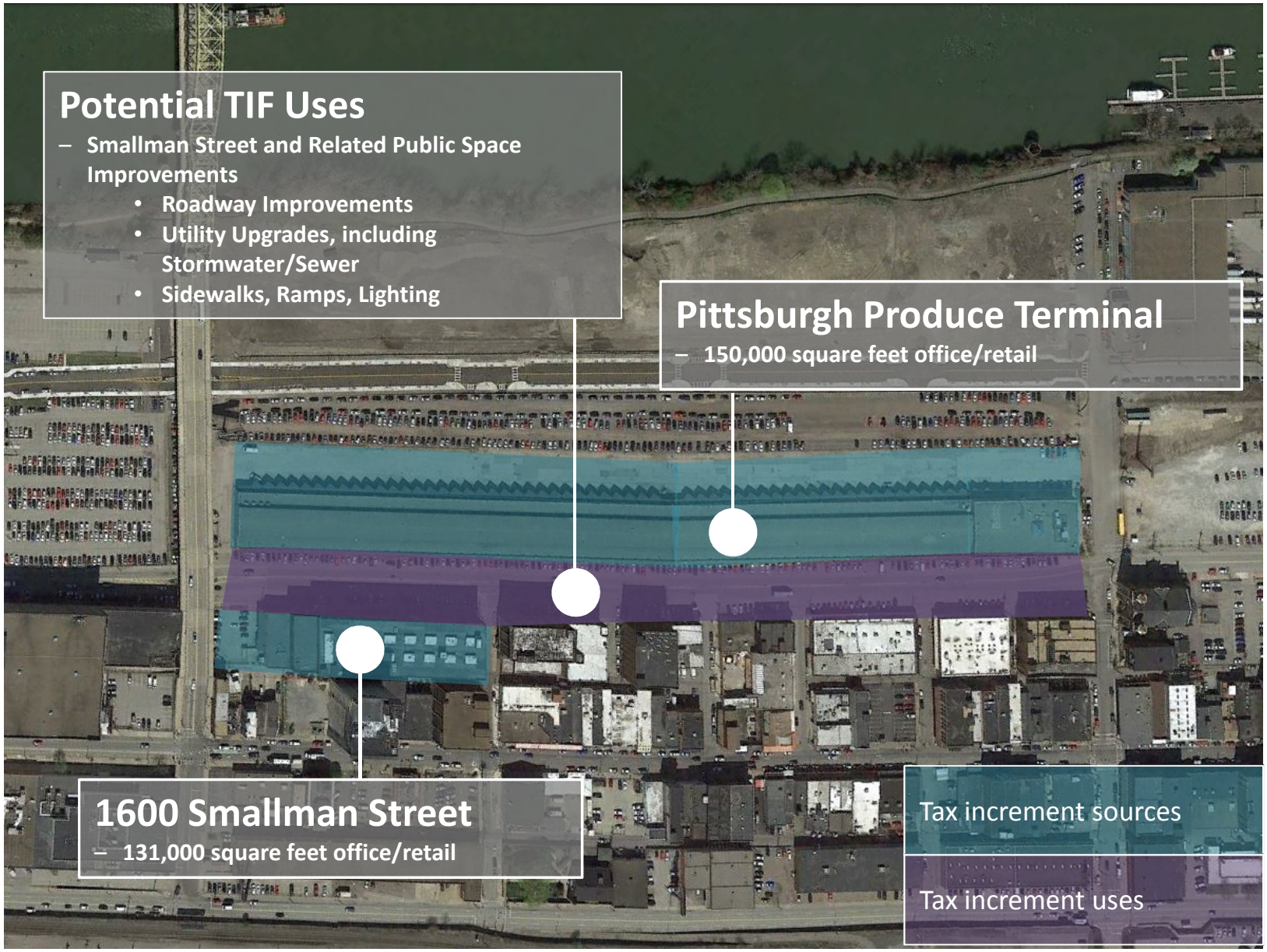



Section C-C - SMALLMAN STREET 20TH BLOCK
NOT TO SCALE




pedestrian passageways

# Proposed Smallman Street TIF District

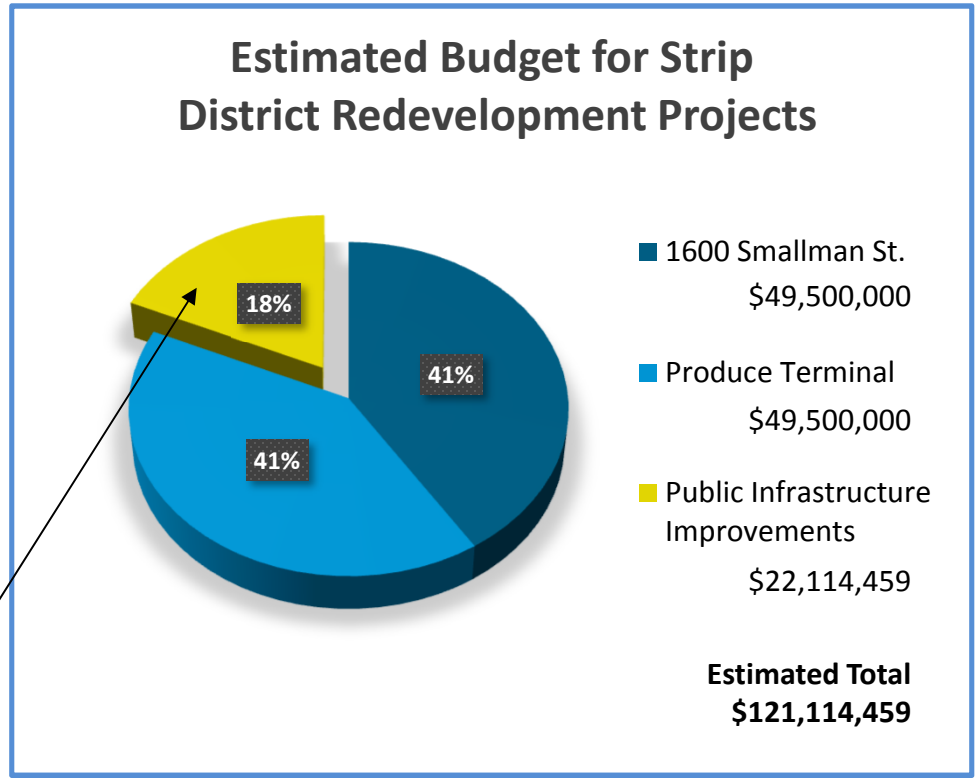


# Strip District: Smallman Street Roadway Improvement Project

## Smallman Street Roadway & Infrastructure Project Budget

| Infrastructure Improvements (public) | |
|---|---|
| Pittsburgh and Water Sewer Authority funds (secured) | $13,000,000 |
| Redevelopment Assistance Capital Program Grant (secured) | $4,000,000 |
| Smallman Street TIF Proceeds (proposed) | $3,500,000 |
| DCED Grant (secured) | $1,000,000 |
| City of Pittsburgh funds (spent) | $533,503 |
| Heinz Endowments/Pittsburgh Gateways Grant (spent) | $80,956 |
| **Estimated Infrastructure Improvements** | **$22,114,459** |

## Smallman Street Public & Private Redevelopment Projects Budget




Smallman Street TIF Structure
Could yield a $3.5M in TIF Proceeds for Public Infrastructure Improvements

# Produce Terminal – Private Development Summary




Produce Terminal:

- 73,850 square feet retail space (including food-centric commercial space)
- 74,600 square feet office space

1600 Smallman Street:

- 131,000 square feet office with first floor retail
- 217-space parking structure

Projected Job Creation:

- Construction Phase Total Full-Time Jobs Created: 639 full-time equivalent
- Permanent On-Site Jobs: 645 full-time equivalent

# Produce Terminal – Private Development Terms

1. URA will retain ownership of the Produce Terminal building and enter into a 99-year lease with McCaffery Interests, Inc. (Developer):
    a. Developer would maintain entire premises.
    b. URA has the right of first offer if Developer wishes to convey any interest in the leasehold.

2. McCaffery will redevelop the Produce Terminal project into commercial (office and retail) space:
    a. LEED Silver will be pursued
    b. M/WBE Goals of 18% / 7%
    c. Union participation
    d. Will include a food-centric public market of at least 20,000 gross square feet
    e. Allocate no less than 40,000 square feet to local businesses
    f. Fulfill terms of an agreement with the Society for Contemporary Craft (SCC) in which:
        i. The URA will extend Society for Contemporary Craft's existing lease through December 2019 (with no rent or operating expenses for that period).
        ii. McCaffery will provide financial support to SCC to assist with long-term sustainability in an alternate location.
    g. URA established the Strip District Revolving Loan Fund for Small Businesses

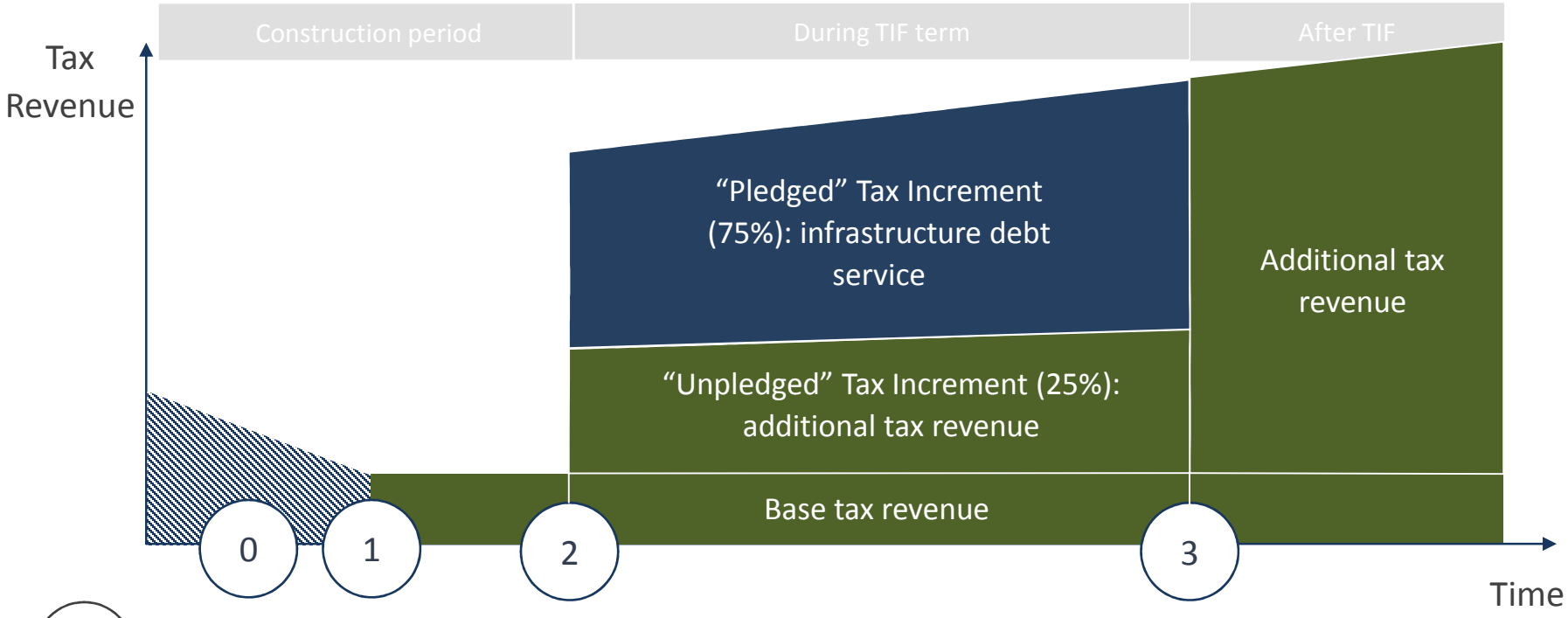
# Preparing for Change: Opportunities for Local Businesses in the Strip District

As part of its commitment to equitable development, the URA will help ensure the improvements within Strip District provide opportunities to local businesses through:

1. Commercial Space in the Produce Terminal
    a. No less than 40,000 square feet of commercial space allocated for local businesses.

2. Strip District Revolving Loan Fund
    a. Designed to stimulate the growth of new and existing businesses seeking to open in the Produce Terminal and the entire Strip District neighborhood.
    b. Initial loan fund is $1,000,000.

# TIF Concept




0 Property values stagnate or decline ("base")

1 Project infused with public and private investment

2 Completed improvements generate real estate tax increment ("increment")

3 Entire tax increment accrues to taxing bodies in perpetuity.

# Smallman Street TIF Structure
# Could yield a $3.5M in TIF Proceeds for Public Infrastructure Improvements

12. Breakdown of the Projected Annual Real Estate Taxes (with 2% discount applied) Generated After Full Development[1]

| | Base Real Estate (Current) | Tax Increment (After Improvements) | Annual Real Estate Taxes (After Improvements) |
|---|---|---|---|
| City Real Estate (8.06 mills) | $27,646 | $217,217 | $244,863 |
| County Real Estate (4.73 mills) | $16,224 | $127,474 | $143,697 |
| School District Real Estate (9.84 mills) | $33,751 | $265,188 | $298,939 |
| **Total Taxes (100%)** | **$77,621** | **$609,879** | **$687,499** |

13. Breakdown of the Projected Amount of Annual Real Estate Tax Increment Diverted to the TIF Project (75%) and the Taxing Bodies (25%)

| | TIF Project (75%) | Taxing Bodies (25%) | Total Increment |
|---|---|---|---|
| City Real Estate Tax | $162,913 | $54,304 | $217,217 |
| County Real Estate Tax | $95,605 | $31,868 | $127,474 |
| School District Real Estate Tax | $198,891 | $66,297 | $265,188 |
| **Total Taxes** | **$457,409** | **$152,470** | **$609,879** |

- Current taxes School District receives is $33,751.
- Taxes School District would receive $100,048 during TIF term (current & 25% increment).
- Taxes School District would give up $198,891 during TIF term.

## 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

# TIF Process – Generally 9-12 Months

- Receive TIF Application by Developer or Initiated by URA
- Define Project
- Determine Project Eligibility & Funding Gap – "…BUT FOR…"
- Estimate Post-Development Taxes
- Obtain 3TB Initial Approvals to Study TIF as Financing Tool
- Draft TIF Plan; work with TIF Committee
- Commission 3rd party Reports
- **Obtain County & School District Final Approvals**
- Public Hearing
- Obtain City Council Final Approval
- Arrange for Project Funding
- Apply TIF Funds to the Project

# TIF Process – Initial Inducement Vote is complete

**Smallman Street TIF**
**INITIAL INDUCEMENT RESOLUTIONS**

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

| | |
|---|---|
| **URA Board** | |
| Draft Taxing Body Resolutions with TIF Counsel | August 2016 |
| Brief Taxing Body Reps | August – September 2016 |
| Inducement Resolution | Thurs, September 8, 2016 2:00PM |
| | |
| **County Council** | |
| Pre-meeting | Mid-May |
| First Reading | Tues, July 5, 2017 5:00PM |
| Economic Development & Housing Committee | Tues. July 6. 2017 6:00PM |
| Second Reading/VOTE | Tues, July 11, 2017 |
| | |
| **School Board** | |
| Pre-meeting #1 w/Business/Finance Committee | Tues, September 13, 2016 3:00PM |
| Pre-meeting #2 w/Business/Finance Committee | Tues, May 9, 2016 11AM |
| Business Committee | Mon, June 6, 2017 5:30PM |
| Agenda Review | Wed, June 14, 2017 6PM |
| Legislative Session/VOTE | Wed, June 21, 2017 6PM |
| | |
| **City Council** | |
| Introduce Legislation | Tue, March 14, 2017 |
| Committee Discussion #1 – HELD for public hearing | Wed, March 22, 2017 10:00AM |
| Hearing Advertisement for Zoning (21-day notice) | Week of March 27, 2017 |
| Public Hearing for Zoning | April 25 |
| Committee Discussion #2 | Wed, April 26, 2017 10:00AM |
| VOTE (for Initial TIF, Zoning, Lease, Coop) | Tues, May 2, 2017 10:00AM |
| **ZBA for Produce Terminal** | **Thursday, June 15, 2017** |
| | |
| Circulate Draft TIF Plan | August/September 2017 |
| Review with Developer | January/February |
| TIF Committee Meeting | March 21, 2018 |
| Send final TIF plan to TIF Committee along with draft resolutions for URA & 3TB | April 10, 2018 |

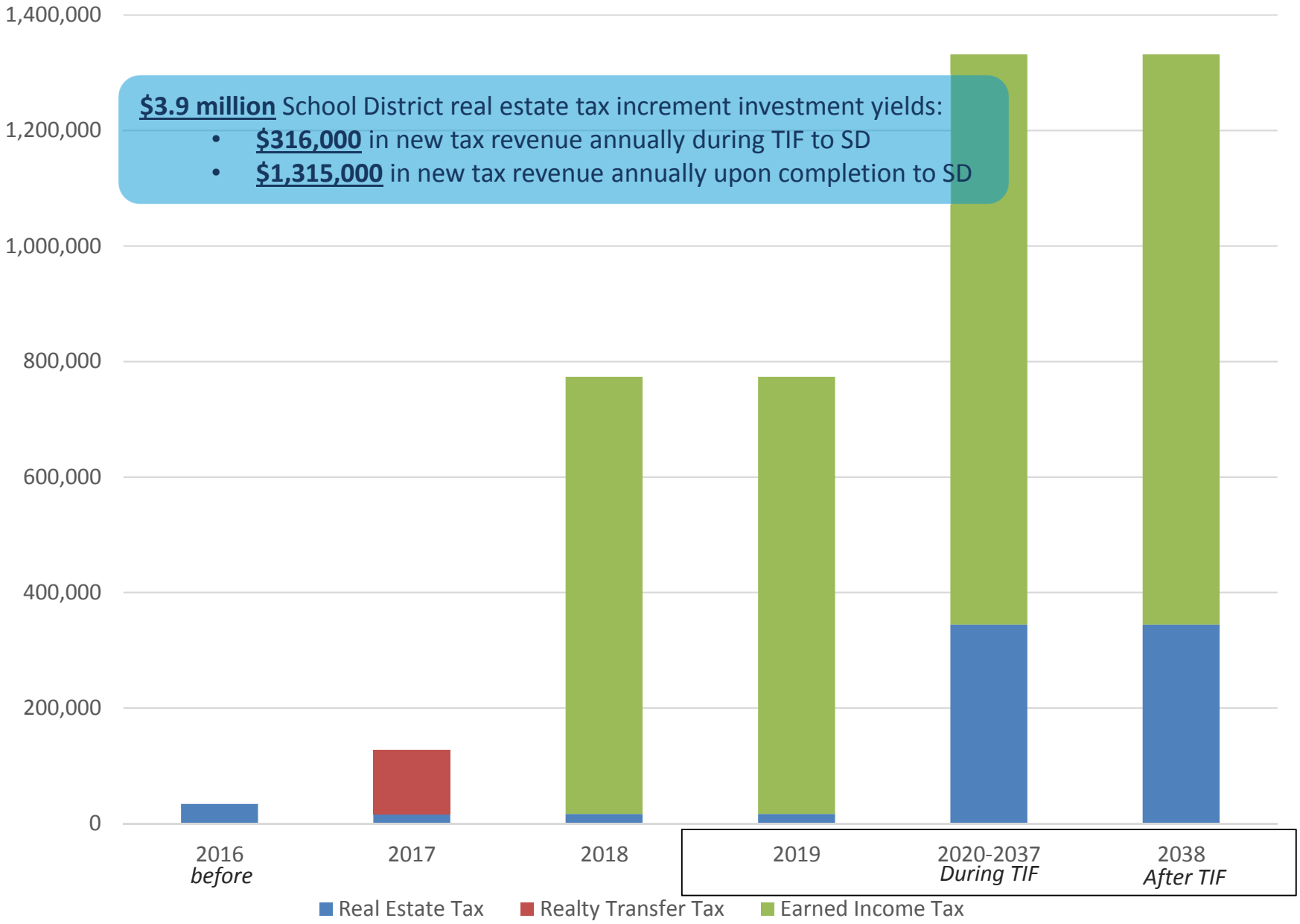
# TIF Process – Final consideration and adoption is underway

**Smallman Street TIF**
**FINAL RESOLUTIONS**
revised 8-22-18

**Legislative Actions: Adopt TIF Plan & Authorize TIF Cooperation Agreement**

| | |
|---|---|
| **URA Board** (with any related TIF Note agreements) | |
| Board Approval of TIF Plan | Thurs, April 12, 2018 2:00PM |
| | |
| **County Council** | |
| Pre-meeting | Tues, June 5 at 9AM |
| First Reading | Tues, September 11, 2018 5:00PM |
| Economic Dev. Committee #1 | Tues, September 25, 2018 5:00PM |
| Economic Dev. Committee #2 | Tues, October 9, 2018 5:00PM |
| Second Reading and Vote | Tues, October 23, 2018 5:00PM |
| | |
| **School Board** | |
| Pre-meeting w/Business/Finance Committee | Tues, May 16, 2018 2PM |
| Business Committee | Tues, September 4, 2018 5:30PM |
| Agenda Review | Wed, September 12, 2018 6:30PM |
| Hearing | Mon, September 24, 2018 6:00PM |
| Legislative Session | Wed, September 26, 2018 7:00PM |
| | |
| **City Council** | |
| *(Per TIF statute, City vote takes place after SD and County)* | |
| Sent Legislation | May 29, 2018 |
| Introduced Legislation (with request to hold) | Tues, June 5, 2018 |
| Committee Discussion #1 | Tues, June 13, 2018 at 10AM |
| *To be held for County & School Board consideration* | |
| Public Hearing Advertisement | to be determined - *late September* |
| Public Hearing | to be determined – *late October* |
| Committee Discussion #2 | to be determined – *November* |
| **Final Vote** | **to be determined** – *November/December* |
| **(Vote cannot occur sooner than 3 weeks after hearing)** | |
| | |
| **Cooperation Agreement** | |
| TIF Counsel Drafts Cooperation Agreement | May 2018 |
| Circulate Draft Cooperation Agreement for Comment | June 2018 |
| Circulate Final Cooperation Agreement for Signature | September 2018 |
| Execution of Cooperation Agreement | September 2018 |

# Smallman Street TIF District: School District Fiscal Impact Projections



## School District TIF Scorecard

- ☑ "But for" TIF, the Smallman Street improvements, adjacent redevelopment would not occur AND public improvements would not occur (like TRID).
- ☑ 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
- ☑ TIF funds include Real Estate Taxes

# TIF Districts in the City of Pittsburgh – the "But For"

- 23 TIF Districts have been authorized in the City of Pittsburgh since 1993.
- Of the 23 approved TIF Districts, 8 have been completed, returning $12 million in real estate and parking tax increment annually to the 3TBs.
- 15 currently active TIF Districts are generating $5.3 million in unpledged real estate and parking tax increment to 3TBs.
- Upon completion, these 15 active TIF Districts are projected to generate a total of $35.6 million in real estate and parking tax increment annually to 3TBs.

## TIF Guidelines & Application

