

Tax Increment Financing:

Smallman Street, Strip District – Initial Request

Pittsburgh Public Schools

Business/Finance Committee

October 5, 2016



Agenda

1. What is Tax Increment Financing (TIF)?
2. TIF Process
3. Request for School District:
Initial Request to Study TIF for Smallman Street, Strip District &
Engage a School District Representative in the 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.

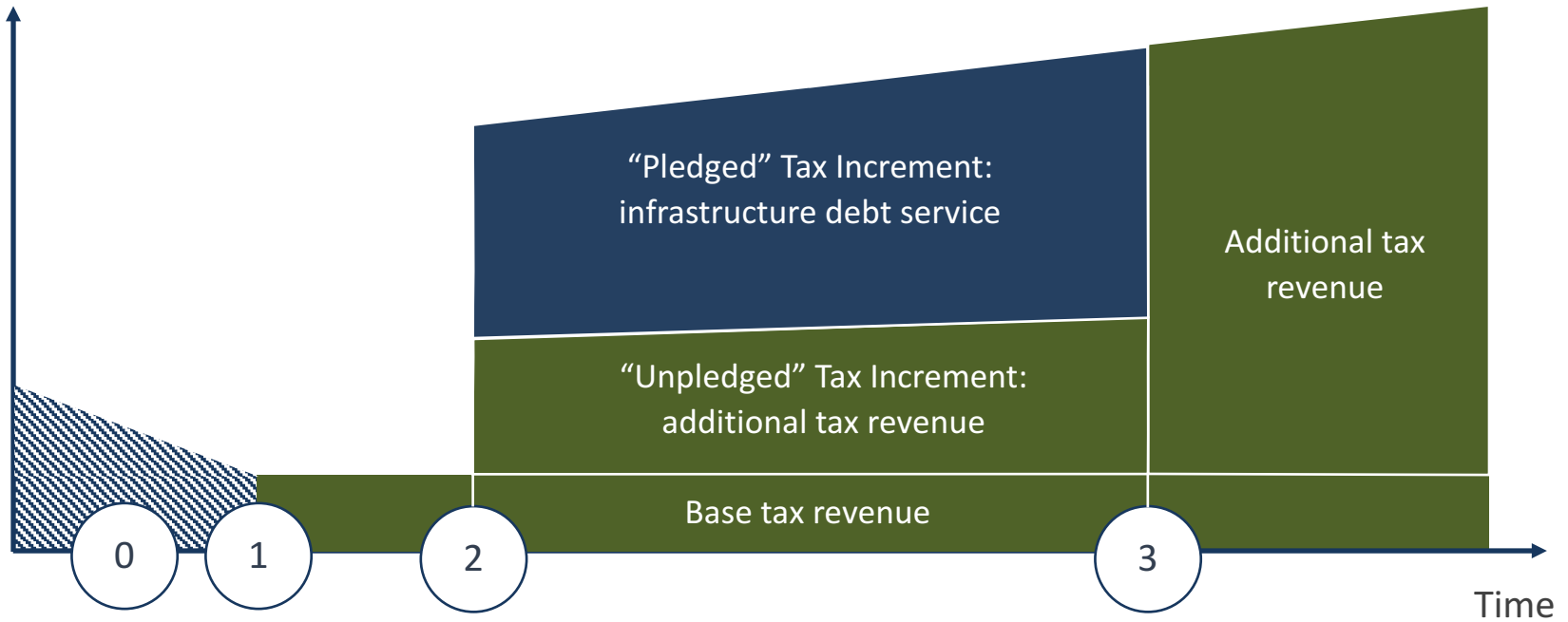
TIF is used in 49 states and the District of Columbia.

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

TIF Concept

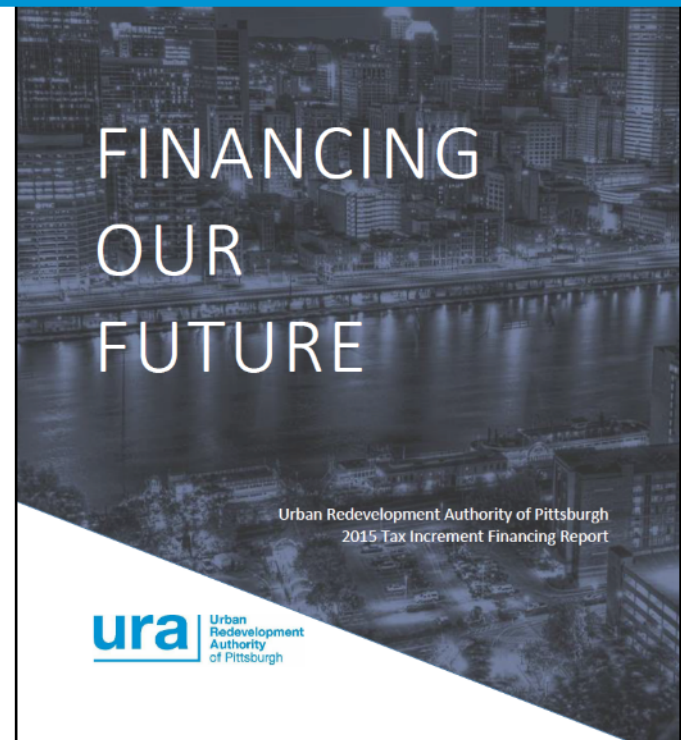
Tax Revenue



- 0 Property values stagnate or decline (“base”)
- 1 Project infused with public and private investment
- 2 Completed improvements generate parking and real estate tax increment (“increment”)
- 3 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



William Peduto
Mayor
City of Pittsburgh

Robert Rubinstein
Acting Executive Director
Urban Redevelopment Authority of Pittsburgh

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)

☐ Retail	☐ Residential
☐ Commercial	☐ Office
☐ Manufacturing	☐ Industrial
☐ Hospitality	☐ High-tech
☐ Main Street	☐ Historic Renovation
☐ Mixed Use	☐ New Market Tax Credit
☐ Brownfield	☐ Other (describe in space below)

2. Project schedule

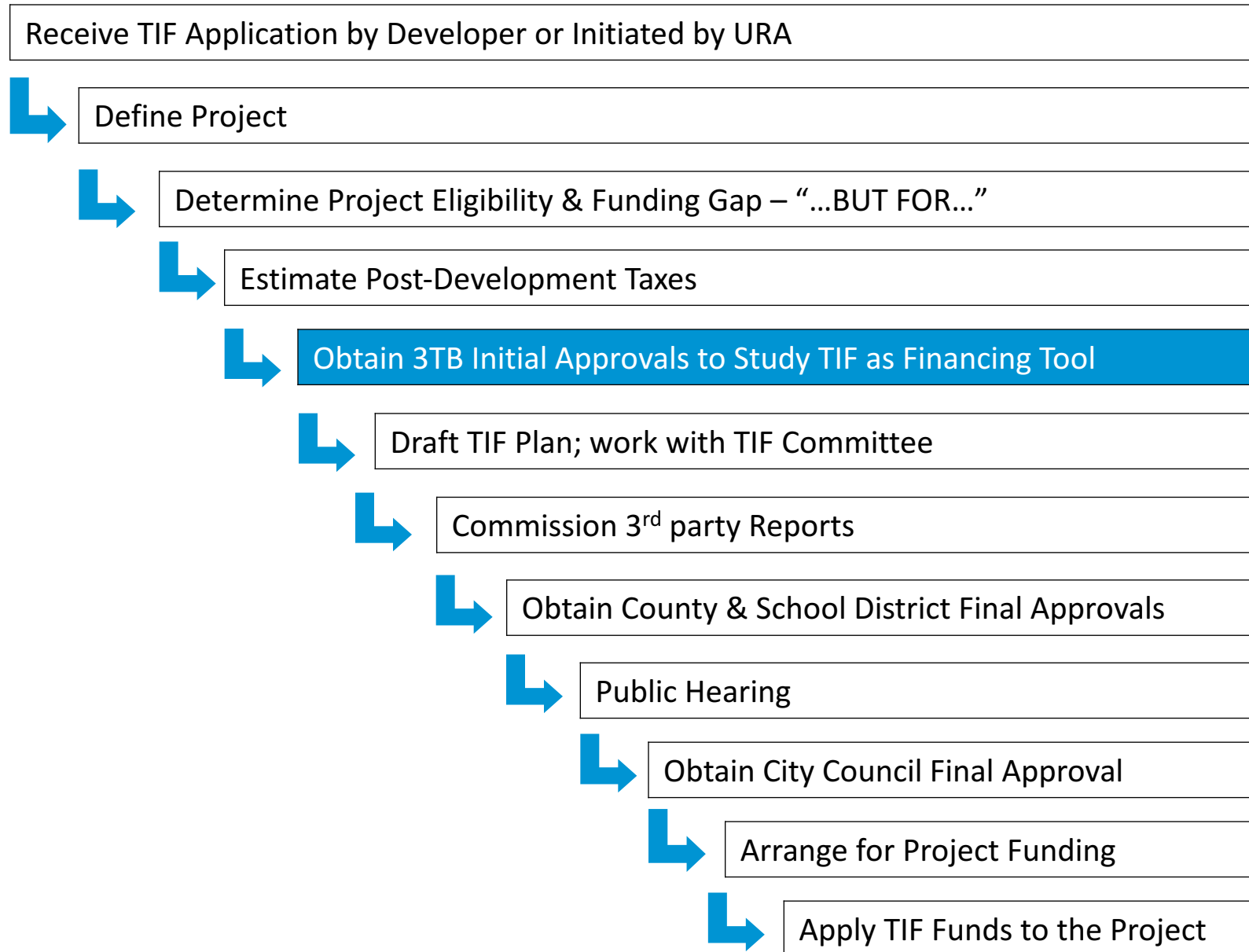
	Start Date	Completion Date
Design		
Construction		
Estimated Closing Date:		

3. Project scale

Building Usage Type	Square footage
Retail	
Commercial	
Office	
Residential	
Manufacturing/Industrial	
Hospitality	
Park/Green Space	
Total	

4. Economic Impact Analysis*

TIF Process – Generally 9-12 Months (Approximately 25 Public Meetings)



TIF Process – Generally 9-12 Months (Approximately 25 Public Meetings)

Smallman Street TIF INITIAL INDUCEMENT RESOLUTIONS Estimated Schedule

[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 Reps	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 & 3TB

Wed., January 4, 2016

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



Smallman Street Today: Other Challenges



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

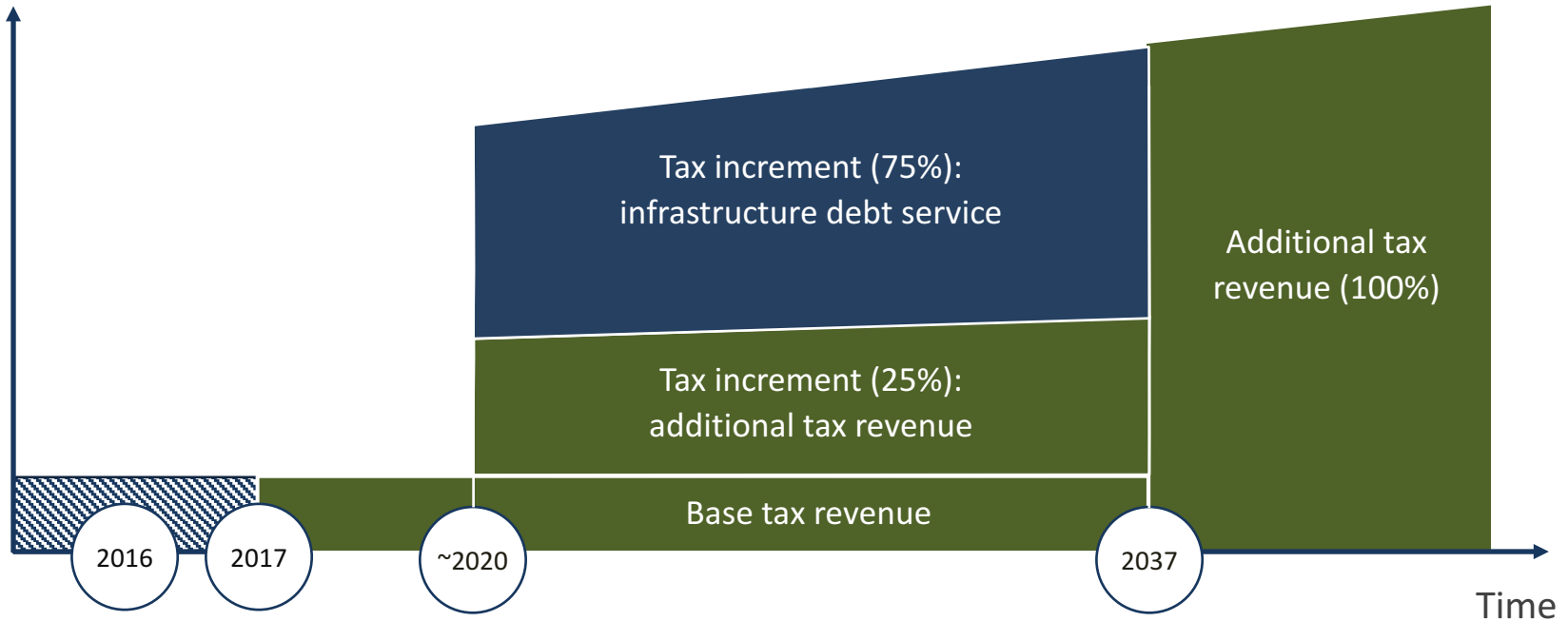
- 165,000 square feet office
- 253-space parking garage

Tax increment sources

Tax increment uses

TIF Concept: Smallman Street

Tax Revenue



2016

Real estate tax revenue stagnates at only **\$16,000** annually (“base”)

2017

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

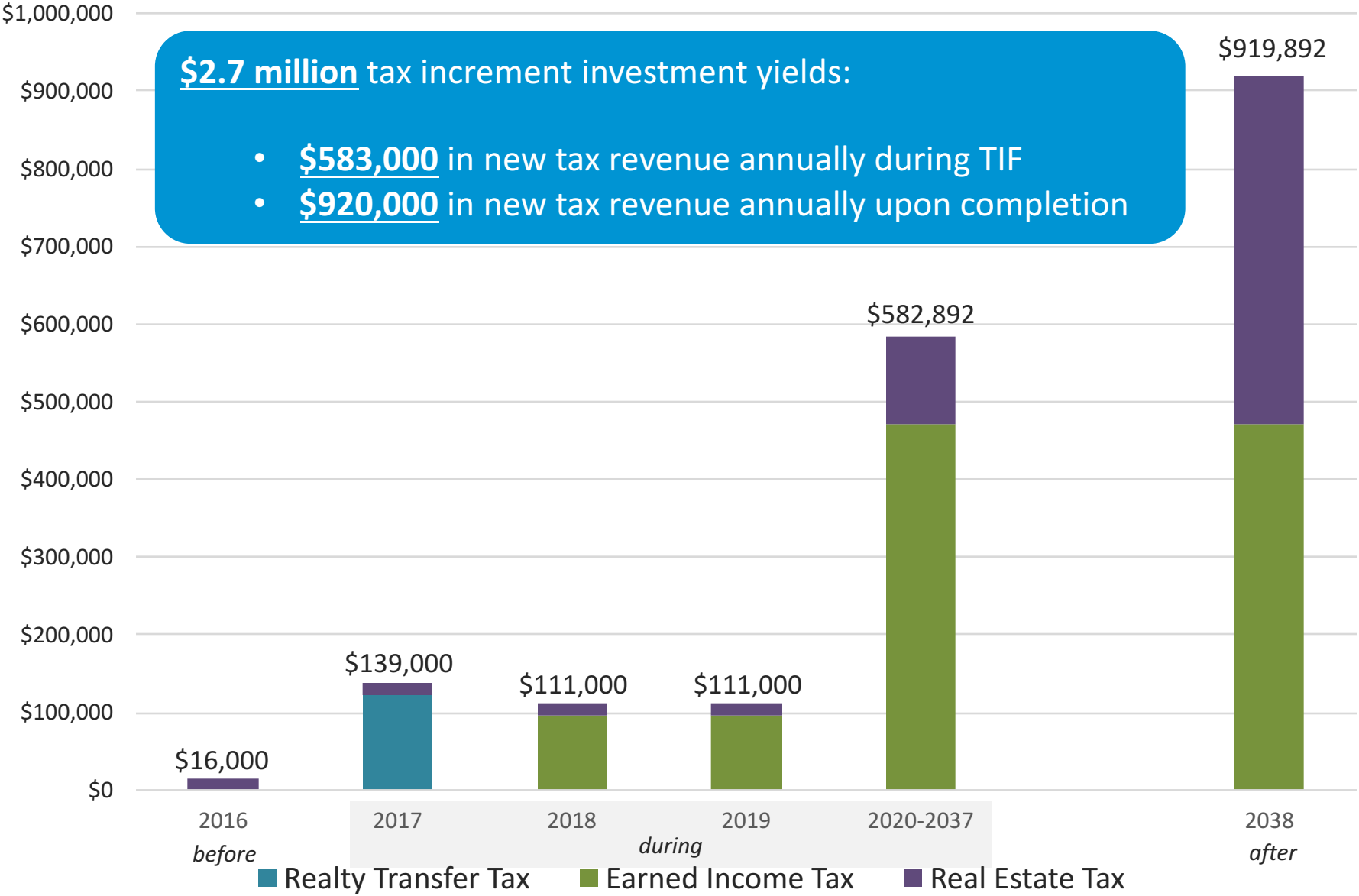
~2020

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)

2037

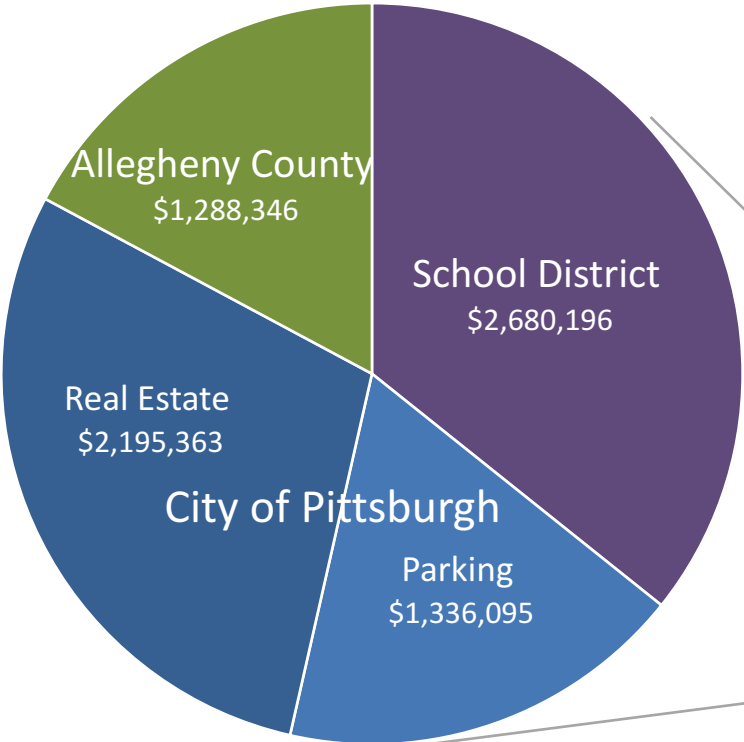
Entire **\$450,000** tax increment accrues to School District in perpetuity (after the TIF)

Smallman Street TIF District: School District Fiscal Impact Projections

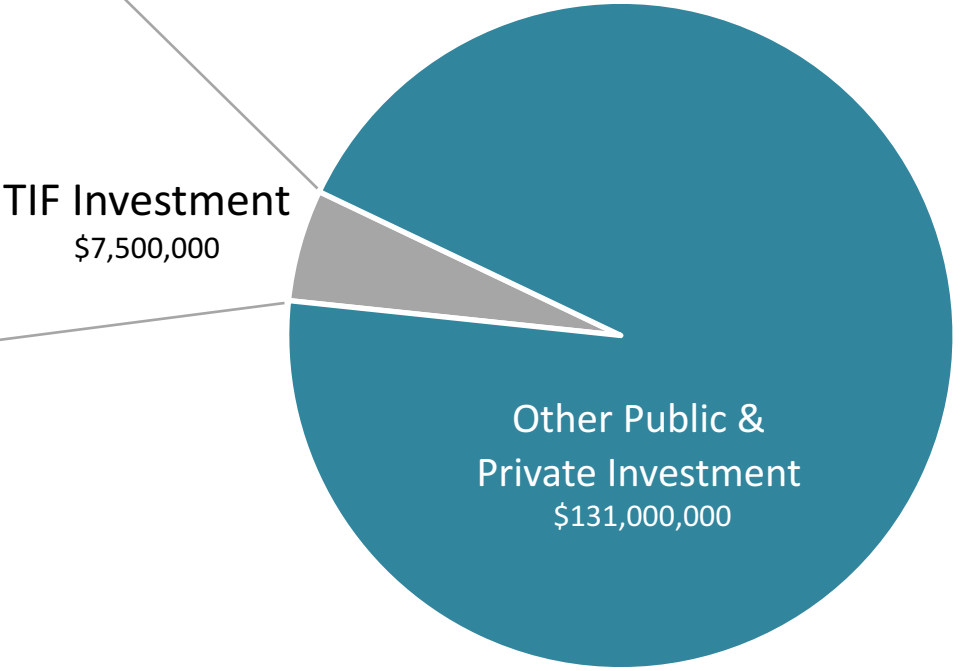


Smallman Street TIF District: Investment Breakdown

Potential TIF Proceeds



Total Investment for Smallman Street, Produce Terminal & 1600 Smallman



School District TIF Scorecard

- ☑ “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)