

THE CAROLINE AT UNIVERSITY COMMONS

LERTA Request to Pittsburgh Public Schools

WALNUT CAPITAL

Fiscal Cliff: Financial Headwinds

INTEREST RATE EXPLOSION

Prime rate:
March 1, 2020: **3.25%**

Prime rate:
March 1, 2025: **7.50%**

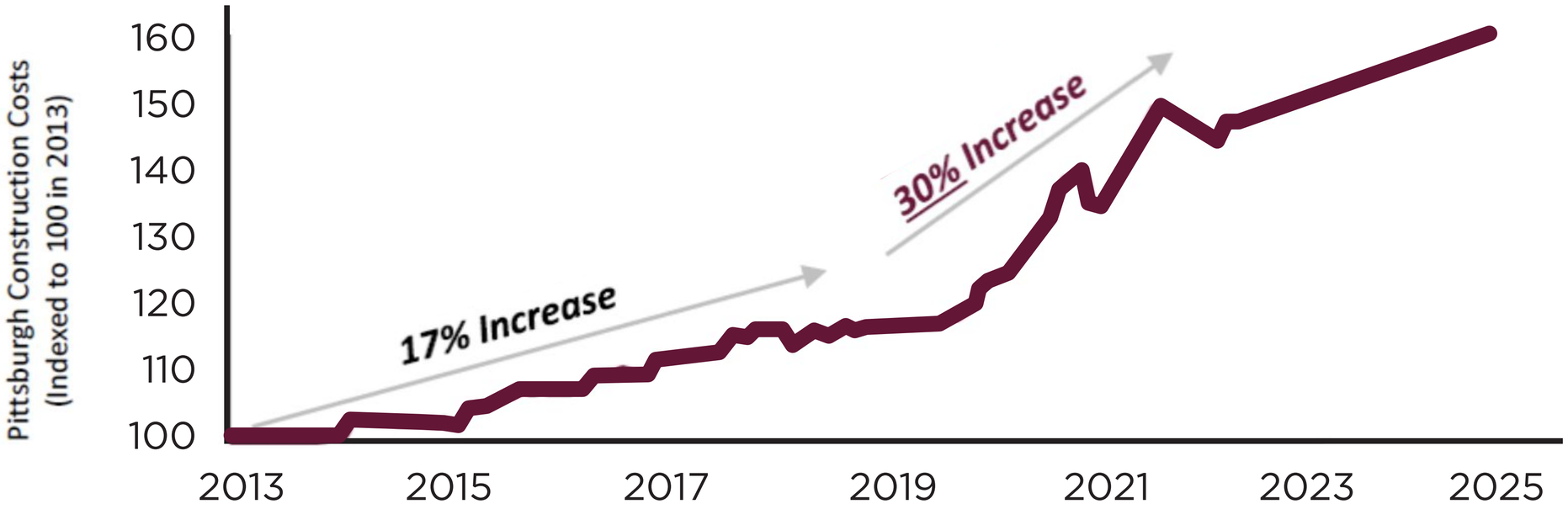
Net result:
Annual interest cost to borrow $1M has gone from **$32,500.00** on 3/1/2020 to **$75,000.00** on 3/1/2025.

The Fed has aggressively hiked interest since 2022 to combat inflation.

Fiscal Cliff: Financial Headwinds

ELEVATED CONSTRUCTION COSTS

Pittsburgh construction costs have risen **30%** in aggregate since 2019, exacerbating the challenges for new development posed by rising interest rates.



Fiscal Cliff: Incent Investment or Do Nothing

- **Cleveland** extended 15-year, 100% tax abatement (no downtown affordability requirement)
- **Columbus** expanded 15-year 100% abatement to more neighborhoods (no affordability requirement)
- **Boston** initiated a 75% tax abatement for up to 29 years.
- **Washington, D.C.** is near passage of a proposed 20-year tax abatement

City's who have affordability requirements are GROWING – requirements, but most require no more than 10% at 60% AMI. Affordability requirements are tied to the term of the abatement.

Fiscal Cliff: Return on Cost

- Investors analyze a project's return on cost when considering investment.
    - It is calculated by projecting a project's net operating income and dividing that by total project costs.
    - Pre-Covid, investors would demand a **7-9% over a ten-year term**.
    - Post-Covid, some investors will accept a minimum **6% return over a ten-year term**.
- Without financial support, conversion projects do not meet the 6% threshold.
- Despite investor acceptance of lower returns, many projects still do not meet investor expectations, investors are finding other means of investment to place capital.

Many projects require capital from outside Pittsburgh, and investors are finding others markets to invest due to cost burden of investing in Pittsburgh.

Site Context



Site Context



Existing Conditions









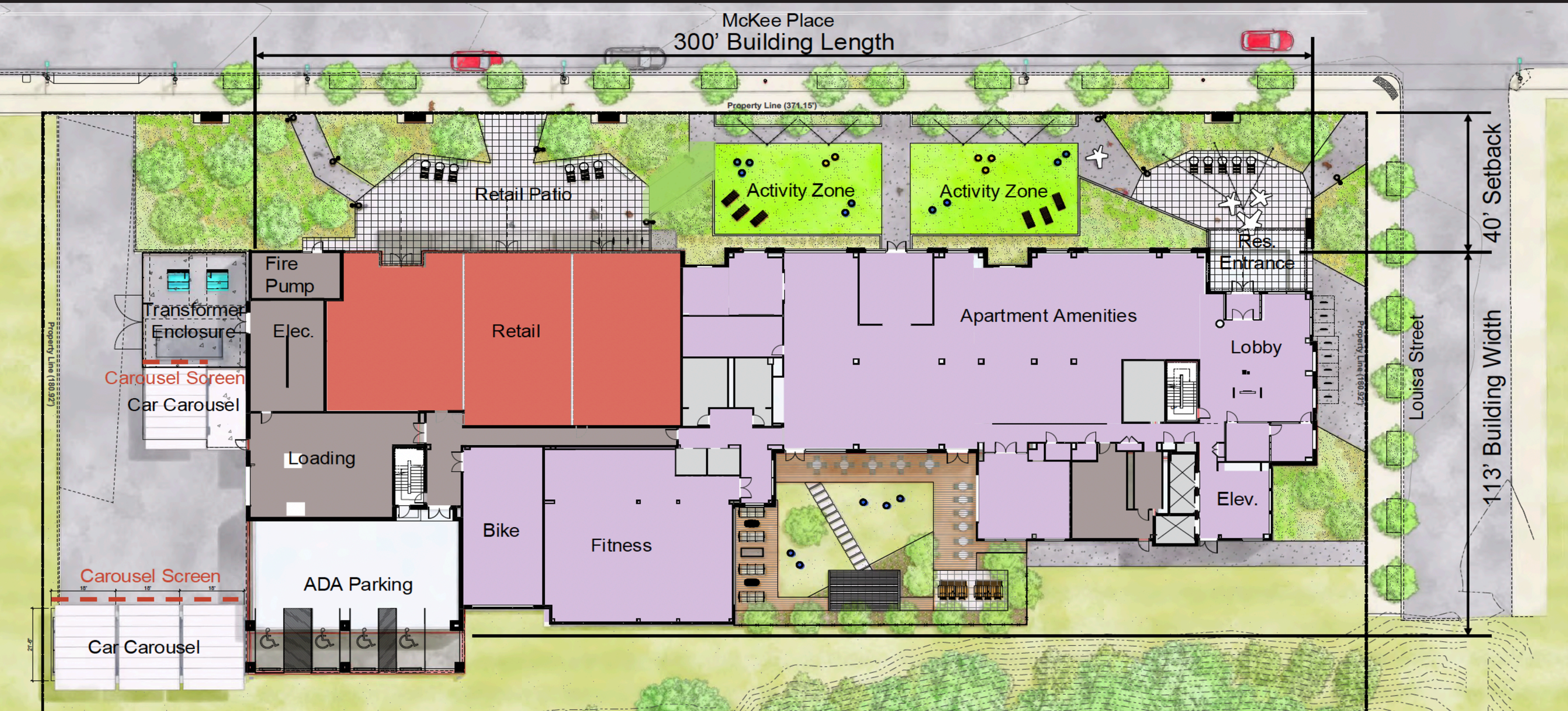




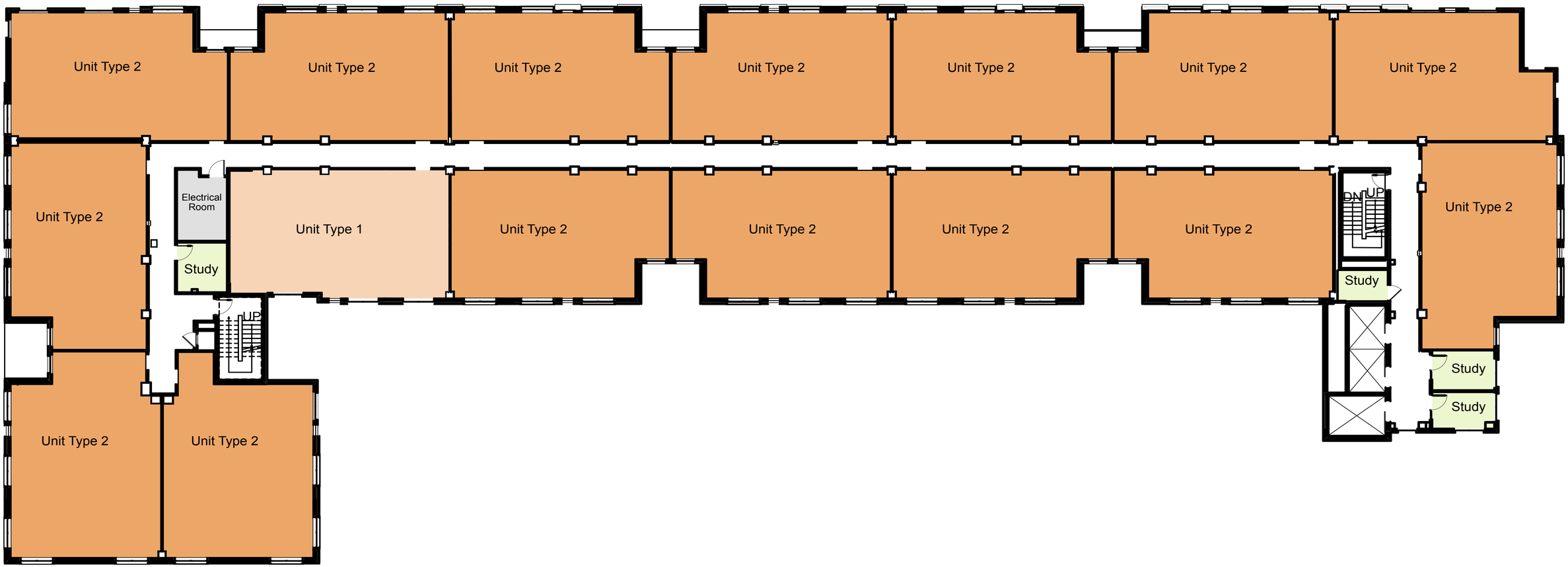




Site Plan


McKee Place
300’ Building Length
Property Line (371.15')
Retail Patio
Activity Zone
Activity Zone
Res. Entrance
40’ Setback
113’ Building Width
Louisa Street
Property Line (180.92')
Fire Pump
Transformer Enclosure
Elec.
Retail
Apartment Amenities
Lobby
Carousel Screen
Car Carousel
Loading
Bike
Fitness
Elev.
ADA Parking
Carousel Screen
Car Carousel

Typical Floor Plan



Tax Revenue & Economic Impact Considerations

- Current Three Taxing Bodies (3TB) Real Estate Taxes Paid Annually: **$47,695.10**

Parcel ID	2024 Total Assessed Value	Allegheny County	City of Pittsburgh	Pittsburgh Public Schools
28-F-302	$ 158,300.00	$ 748.76	$ 1,275.90	$ 1,622.58
28-F-304	$ 158,300.00	$ 748.76	$ 1,275.90	$ 1,622.58
28-F-306	$ 158,300.00	$ 748.76	$ 1,275.90	$ 1,622.58
28-F-308	$ 407,100.00	$ 1,925.58	$ 3,281.23	$ 4,172.78
28-F-310	$ 246,500.00	$ 1,165.95	$ 1,986.79	$ 2,526.63
28-F-314	$ 941,600.00	$ 4,453.77	$ 7,589.30	$ 9,651.40
TOTAL	$ 2,070,100.00	$ 9,791.57	$ 16,685.01	$ 21,218.53
Millage Rates	N/A	0.00473	0.00806	0.01025

- Without Development, Real Estate Taxes Paid to Pittsburgh Public Schools Over 10 Years: **$212,185.30**

- Without Development, Real Estate Taxes Paid to Pittsburgh Public Schools Over 30 Years: **$636,555.90**

Tax Revenue & Economic Impact Considerations

- Taxing Body abatement for this project will total **$2.5 million** over 10 years
- Market value of new apartment building: **$80M**
    - Current Assessment Ratio: 52.7%
- Projected assessed value of new apartment building: **$42,160,000 ($80M x 0.527)**
    - Creates 160 new apartments (mix of 2 and 3 bedroom apartments)
    - Creates 5,000 square feet of retail/amenity space
    - Creates “linear park” and other amenities
- Over 30 years, **$9.83M in new real estate tax revenue** for Pittsburgh Public Schools

Tax Revenue & Economic Impact Considerations

- If Pittsburgh Public Schools grants this abatement, it will continue to receive $21,218.53/year in real estate taxes.
    - Developing this new apartment building will lead to an increase in incremental assessed value. Even with a LERTA abatement, this property will generate an **additional $7,663.48/year** in real estate taxes.
    - For the ten years of the LERTA period, PPS will receive $76,634.80 in new real estate taxes, on top of the $212,185.30 that this site would have paid without this development.
    - **In year 11, the first year after the expiration of the LERTA, PPS will see its real estate tax revenue jump from $21,218.53/year to $432,140.00/year.**

Justifying this LERTA

- **Total Project Cost: $118,800,000**
- **Highlighted Costs: $3,000,000**
    - New water and sewer lines: $500,000
    - Linear Park: $500,000
    - Sidewalks and Lighting: $200,000
    - Building-wide managed WiFi: $200,000
    - Sustainable Construction, Energy Performance Points, Rain Gardens, Bicycle Parking and Compliance with City Codes: $1,600,000

- Unlike existing buildings at the site, new apartment building will:
    - Be accessible for residents and visitors with disabilities
    - Boast early fire detection and suppression, including automatic fire sprinkler systems

The Caroline

Abatement Year	Assessed Value w/o Development	Assessed Value w/ Development	Seeking LERTA from PPS	PPS Property Taxes w/o Redevelopment	PPS Property Taxes w/ LERTA + Development
0	$2,070,100.00	$2,070,100.00	$0.00	$21,218.53	$21,218.53
1	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
2	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
3	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
4	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
5	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
6	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
7	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
8	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
9	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
10	$2,070,100.00	$23,715,000.00	$250,000.00	$21,218.53	$21,218.53
11	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
12	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
13	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
14	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
15	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
16	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
17	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
18	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
19	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
20	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
21	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
22	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
23	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
24	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
25	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
26	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
27	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
28	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
29	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
30	$2,070,100.00	$23,715,000.00	$0.00	$21,218.53	$432,140.00
TOTALS			**$2,500,000 LERTA from PPS**	**$636,555.90**	**$8,854,985.30**
	Presume that Current Assessment Ratio of 52.7% holds for 30 years.	Rows 3-32: Actual property value of $45,000,000 multiplied by Current Assessment Ratio of 52.7%			$243,078.75 - $250,000 LERTA = $0 increase in property tax during LERTA term (Rows 3-12) from incremental increase in assessed value

University of Pittsburgh Overview

University of Pittsburgh is a four-year public institution. The school's full-time student **population of 27,010** consists of about 19,415 undergraduate and 7,595 graduate students. Separately, there are around 4,700 part-time undergraduates and 2,500 part-time graduate students.

Where the average national acceptance rate is 57.4%, the acceptance rate for University of Pittsburgh is 49.7%. That is based on about 53,000 applicants for the past school year. Based on the most recent data, incoming **freshmen enrollment was 4,386**, which compares to 4,869 for the previous academic year.

University of Pittsburgh has a retention rate of 93.0% (versus 83.0% nationally), and a six-year graduation rate of 84.0% (compared to 66.8% nationally).

The school's student population is made up of 54.5% instate students and 40.4% out-of-state students. The balance of the student body, 5.0%, hails from outside of the United States.

Tuition for in-state residents is about $21,000. For students matriculating at University of Pittsburgh from out-of-state, the tuition is around $39,000.

University of Pittsburgh has a dormitory capacity of about **8,800 beds**, leaving the balance of full-time students searching for housing off-campus.

University of Pittsburgh Overview

12 Mo Delivered Beds

322

Occupancy Rate

95.1%

12 Mo Asking Rent Growth

2.6%

12 Mo Asking Rent Growth

2.6%

KEY INDICATORS

< 10 Minutes to Campus	Properties	Beds	Asking Rent Per Bed	Rent Growth	Occupancy	12 Mo Delivered Beds	Under Constr Beds
Student	12	2,855	$1,373	3.3%	95.5%	322	0
Multi-Family*	153	6,071	$1,097	1.0%	94.0%	0	0
All Properties (<10 min)	**165**	**8,926**	**$1,193**	**1.9%**	**94.5%**	**322**	**0**

10 - 20 Minutes to Campus	Properties	Beds	Asking Rent Per Bed	Rent Growth	Occupancy	12 Mo Delivered Beds	Under Constr Beds
Student	-	0	-	-	-	0	0
Multi-Family*	54	3,281	$948	5.6%	96.1%	0	264
All Properties (10-20 min)	**54**	**3,281**	**$948**	**5.6%**	**96.1%**	**0**	**264**

> 20 Minutes to Campus	Properties	Beds	Asking Rent Per Bed	Rent Growth	Occupancy	12 Mo Delivered Beds	Under Constr Beds
Student	3	269	$727	4.2%	96.6%	0	0
Multi-Family*	50	2,288	$1,119	1.5%	96.0%	0	0
All Properties (>20 min)	**53**	**2,557**	**$1,076**	**1.7%**	**96.1%**	**0**	**0**
TOTAL	**272**	**14,764**	**$1,116**	**2.6%**	**95.1%**	**322**	**264**

*Assumes 1 Occupant Per Bedroom

University	Enrollment	Full-Time Enrollment	Dorm Beds	Monthly Dormitory Cost	Non-Dorm Students	Full-Time Undergrads	Full-Time Graduates
2023-24 Year	34,248	27,010	8,813	$830	18,197	19,415	7,595
Annual Growth	1.4%	1.4%	0%	3.4%	2.1%	0.6%	3.5%
5 Yr Avg Growth	3.6%	0.8%	2.4%	3.1%	0.1%	1.1%	0.3%

Thank You!

