FINANCING OUR FUTURE

Urban Redevelopment Authority of Pittsburgh
2015 Tax Increment Financing Report

ura Urban Redevelopment Authority of Pittsburgh

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In 2015, the Urban Redevelopment Authority of Pittsburgh (URA) continued leading transformative growth in neighborhoods throughout the City of Pittsburgh.

Creative public financing led to the implementation of an affordable housing fund in East Liberty, restoration of riverfront access in the Strip District, an equitable redevelopment fund for the Hill District, and the groundbreaking of the 178-acre Almono site in Hazelwood. Each of these tax increment financing (TIF) projects is utilizing economic growth in our City to finance transformative public infrastructure improvements.

The URA also announced that $13.6 million in additional real estate and parking tax revenue will be collected by the City of Pittsburgh, Allegheny County and Pittsburgh Public Schools over the next three years due to the full prepayment of South Side Works TIF District debt. Through seamless integration with the surrounding community, the landmark riverfront brownfield redevelopment has added nearly 4,900 jobs, 1,000 residential units, 2.3 million square feet of commercial activity, and a signature public park, marina and trail development that provides critical connectivity to the Great Allegheny Passage system.

Tax increment financing continues to be a vital mechanism through which the City of Pittsburgh diversifies its economic base, attracts new residents and improves quality of life for our residents. Amidst diminishing federal and state economic development funding, our 29 TIF projects have financed $336 million in critical public infrastructure investments that have leveraged nearly $3 billion in private capital. Together with our partners at the City, County and School District, the URA is expanding the resources with which we have to make Pittsburgh an even more livable and competitive urban center.

Sincerely,

Robert Rubinstein
Acting Executive Director
Urban Redevelopment Authority of Pittsburgh

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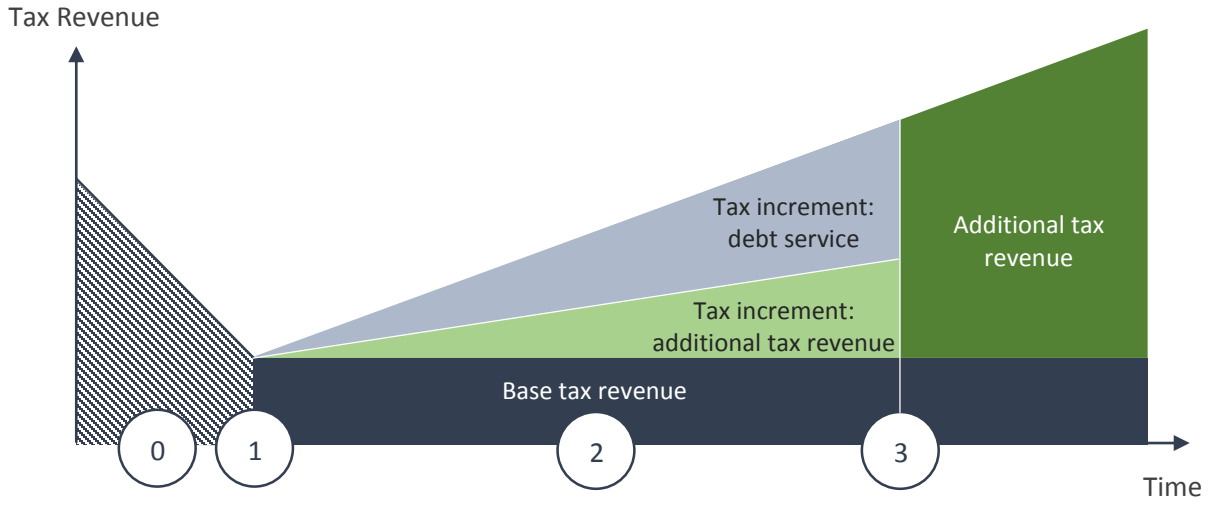
CONCEPT INVEST · LEVERAGE · CREATE

Tax increment financing is a public financing tool utilized by the URA to foster large-scale redevelopment in the City of Pittsburgh that would otherwise not be financially feasible. The following illustrates the life cycle of a typical TIF project.

0 **Property values decline or stagnate**. Tax increment financing primes infill sites for private investment that have significant barriers to development, such as inadequate infrastructure, environmental contamination or blighted properties.

1 **Project infused with public and private investment.** Public infrastructure, such as streets, bridges, or parks, is partially financed through the issuance of revenue bonds or bank loans and are repaid by future increases in tax revenue resulting from the new development (tax increment). The TIF debt is typically backed by some form of security in addition to the pledged tax increment, such as a bank letter of credit or minimum payment agreement with the developer.



2 **Completed real estate development generates tax increment.** Projects within the TIF boundaries generate increased tax revenue, a portion of which is diverted to service the TIF bond or note (maximum 20 year term). The base tax revenue continues accruing to the taxing bodies.

3 **Entire tax increment accrues to taxing bodies.** Upon full repayment of all TIF debt, taxing bodies receive the full tax increment in perpetuity.

Value capture tools that are similar in concept to TIF and utilized by the URA include Parking Tax Diversion, Transit Revitalization Investment Districts and the Local Economic Revitalization Tax Abatement.

IMPACT JOBS · INVESTMENT · REVENUE

Our 29 active and completed TIF projects impact all facets of life in Pittsburgh. Brownfield, transit-oriented, adaptive reuse, riverfront, and arts-based developments transform underutilized land into centers of job creation, private investment and tax generation.

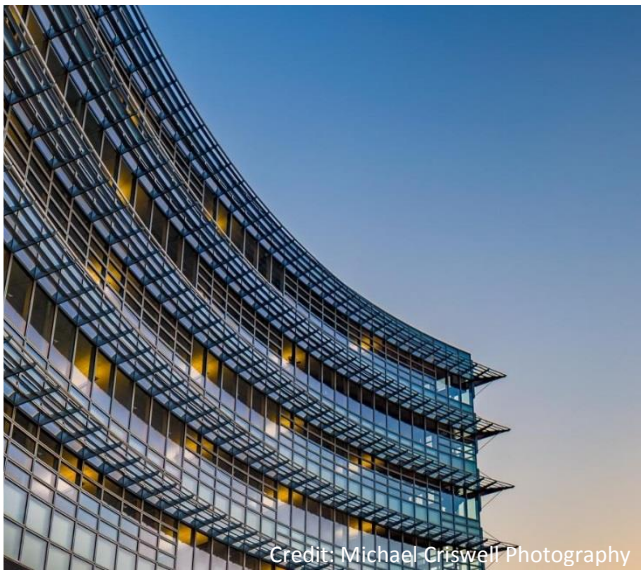
Jobs. Pittsburgh TIF projects have created or retained an estimated 24,500 jobs, including key operations for high-performing companies such as Google, Apple, American Eagle Outfitters, and Intel. Upon completion of all construction projects, employment is expected to rise to more than 33,000 jobs. These jobs increase opportunities for City residents, including Target, in the East Liberty Gateway TIF District, that employs 80 percent City residents.

Investment. As of 2015, nearly $3 billion in private investment has been leveraged by $336 million in TIF – a leverage ratio of 9 to 1. In addition, TIF often provides vital matching funds for securing state, federal and philanthropic support.

Revenue. Tax increment financing enables the public to serve as an investor in local real estate. Our five complete TIF projects were seeded by $49.3 million in public investment that now generates $9.5 million in returns annually. This new tax revenue represents a 19.4 percent return on investment for City of Pittsburgh, Allegheny County and Pittsburgh Public Schools taxpayers. By 2019, 15 complete TIF projects are projected to generate $15.2 million in additional tax revenue annually from an initial investment of $102.9 million.

Spinoff. TIF projects also create ancillary benefits on- and off-site beyond property and parking tax increment. Increased economic activity resulting from job creation increases payroll, sales and income tax revenue while nearby property owners realize increased real estate values. In the 13 years following the launch of the South Side Works TIF District, surrounding property values increased by 125 percent while citywide growth was limited to 46 percent.

As of 2015, nearly $3 billion in private investment has been leveraged by $336 million in tax increment financing – a leverage ratio of 9 to 1.



Credit: Michael Criswell Photography

STORY SOUTH SIDE WORKS

After 132 years of continuous operation, LTV Steel shuttered its operations in Pittsburgh's South Side neighborhood, a consequence of the precipitous decline of an industry that once defined the regional economy. Seven years later in 1993, the URA acquired the 110-acre riverfront brownfield and invested in environmental remediation, site preparation and master planning activities that queued the site for the next wave of the Pittsburgh economy.

The South Side Works TIF District, authorized in 1999, enabled the URA to finance $25 million in critical public infrastructure, including four structured parking garages containing 2,357 spaces, 2.6 miles of roads, 6.3 acres of park space, and 1.5 miles of riverfront trails. In addition, the Hot Metal Bridge was upgraded to establish a vehicular, bike and pedestrian connection to the Downtown and Oakland neighborhoods.

These TIF improvements leveraged $500 million in private investment that has added 250 hotel rooms, 1,000 residential units, and 2.3 million square feet of retail, office and R&D space, including corporate headquarters for American Eagle Outfitters and regional retail attractions such as REI and Hofbrauhaus. Nearly 4,900 permanent jobs have been created on site.

This vibrant economic activity is producing more than $6.4 million annually in real estate and parking tax revenue on a site that generated no revenue only 16 years ago. The URA is currently seeking to replicate these TIF successes at the City's largest remaining brownfields across the Monongahela River: Hazelwood-Almono and the Pittsburgh Technology Center.

DATA 2015 URA TIF DASHBOARD

TIF Project (Authorized)	Status	Expires/ Complete	Type	Tax Diversion Investment	Increment to Taxing Bodies	Base Annual Tax Revenue	Current Annual Tax Increment to Taxing Bodies	Annual Additional Tax Revenue at Completion	Annual Public ROI at Completion
Pittsburgh Technology Center I (1993)		2001		$5,510,000	40%	$0	$565,229	$565,229	10%
Schenley Center (1997)		2013		$5,250,000	25%	$1,531	$610,732	$610,732	12%
Penn Ave Place-Lazarus-Oliver Garage (1995)		2013		$9,070,000	0%	$5,579,101	$1,208,271	$1,208,271	13%
North Shore Alcoa (1995)		2014		$4,430,000	25%	$0	$722,404	$722,404	16%
South Side Works (1999)		2015		$25,000,000	40%	$0	$6,432,397	$6,432,397	26%
Grant Street Transportation Center (1997)		2016		$5,000,000	25%	$100,716	$347,114	$541,706	11%
Federal North (1997)		2017		$5,200,000	10%	$19,683	$76,193	$685,741	13%
Fairywood Industrial Park (1998)		2018		$4,008,130	25%	$0	$48,647	$145,942	4%
BNY Mellon Client Services Center (1998)		2018		$11,330,000	40%	$306,977	$882,462	$1,492,302	13%
Home Depot (1999)		2019		$1,619,540	35%	$10,776	$56,160	$112,489	7%
PNC Firstside (1999)		2019		$13,400,000	25%	$322,988	$846,109	$1,495,963	11%
Fulton Building (1999)		2019		$3,150,000	40%	$63,819	$319,791	$479,686	15%
Heinz North Shore (1999)		2019		$3,970,000	25%	$654,323	$18,959	$56,876	1%
Station Square (1999)		2019		$5,915,000	40%	$1,775,187	$334,878	$669,926	11%
Theatre Square (2001)*		2021		$5,000,000	25%	$56,558	$208,564	$545,142	11%
Collaborative Innovation Center (2002)		2022		$4,130,000	50%	$0	$263,832	$395,747	10%
Centre Negley (2004)		2024		$1,599,000	50%	$134,964	$169,479	$169,756	11%
3 PNC Plaza (2006)		2026		$18,790,000	40%	$143,082	$917,455	$1,376,182	7%
Bakery Square (2007)		2027		$10,500,000	40%	$63,321	$518,615	$777,923	7%
East Liberty Gateway (2009)		2029		$2,279,850	25%	$18,566	$80,594	$241,782	11%
Pittsburgh Technology Center II (2006)		2026		*$20,000,000*	40%	$151,351	$165,040	*$780,698*	4%
Gardens at Market Square (2012)		2032		*$8,100,000*	35%	$5,788	$8,170	*$1,441,187*	18%
Summerset at Frick Park (2013)		2033		*$24,000,000*	25%	$117,702	$81,376	*$2,631,944*	11%
Hazelwood-Almono (2013)		2033		*$80,000,000*	35%	$115,086	$0	*$9,898,511*	12%
East Liberty TRID (2013)*		2036		*$14,656,234*	25%	$261,000	$48,393	*$1,766,129*	12%
350 Oliver (2013)*		2033		*$7,000,000*	35%	$0	$0	*$800,000*	11%
Three Crossings (2015)*		2030		*$1,000,000*	30%	$0	$0	*$150,000*	15%
Lower Hill LERTA (2015)*		2040		*$23,930,561*	0% †	$0	$0	*$6,139,570*	26%
East Liberty TRID Phase II (2015)*		2036		*$12,446,000*	40%	$29,752	$0	*$2,751,693*	22%
Total (29)				***$336,284,315***		**$9,932,268**	**$14,930,863**	***$45,085,928***	**13.4%**

Authorized	TIF project approved by applicable taxing bodies, construction pending
Under Construction	TIF supports public infrastructure that leverages private investment
Construction Complete	TIF debt serviced by pledged tax increment, taxing bodies receive remaining taxes
Diversion Complete	TIF debt fully repayed, taxing bodies receive 100 percent of tax increment

Projected

* Value capture tool other than TIF

† For each project for ten (10) years only, then 100%