

Urban Redevelopment Authority of Pittsburgh

Parking Tax Diversion Guidelines

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PURPOSE

The Parking Tax Diversion (PTD) program is a tool for fostering redevelopment within the City of Pittsburgh that otherwise would not be financially feasible. By utilizing future increased parking tax revenues generated by a development project to pay for eligible costs of that project, PTDs enable the completion of projects that produce quality, full-time jobs for City residents, increase the City's tax base, leverage substantial private investment, improve the City's infrastructure, and provide benefits to communities in the City. Parking tax diversions, however, are only to be used for projects where traditional private and public financing is insufficient for project completion, the project will have positive impacts on the neighborhood in which it will be built and on the City of Pittsburgh, and the project will complement existing commercial and residential development in the City. All projects utilizing the PTD program are subject to the policies outlined below.

The *Urban Redevelopment Authority of Pittsburgh's PTD Program Guidelines* have been created in order to provide an understanding of the policies and requirements for developments seeking to utilize PTD financing.

PROGRAM DESCRIPTION

The Redevelopment Cooperation Law¹ and the Intergovernmental Cooperation Law² authorize the Urban Redevelopment Authority and the City of Pittsburgh to enter into agreements that enable the creation and management of parking tax diversions. A portion of incremental parking tax revenue generated by a development is used to finance public or private improvements associated with that development. Generally, the incremental increase in parking taxes resulting directly from a development are used to support a parking tax diversion loan and/or pay the costs of the improvements.

DISCLAIMERS

These written guidelines are for informational purposes only and may or may not reflect current URA and City policies and procedures in their entirety. The URA Board of Directors reserves the right to waive any guidelines it deems appropriate. Further, the URA reserves the right to reject any PTD Application.

¹ 35 P.S. §§ 1741, et seq.

² 53 P.S. §§ 2301, et seq.

PROCEDURE ³

PTD Orientation Meeting: Prior to submitting a PTD Application, applicants should contact the URA and schedule a formal PTD Orientation Meeting so that URA Staff can review the PTD process, requirements and related city ordinances, as well as answer any questions the Applicant may have about the PTD program. For URA-induced PTDs, this meeting is not required.

PTD Application: An applicant will prepare and submit a PTD Application to the URA for consideration. The form requires a written narrative of the proposed development as well as an overview of the project that includes financing sources, proposed private and public improvements, requested PTD financing, and a proposed use for the PTD funds.

URA Review: The PTD Application will be evaluated by the URA to determine project eligibility. In addition to these guidelines, the applicant is expected to comply with any PTD Policy or Guidelines adopted by the City of Pittsburgh. Before a PTD Application is advanced, the applicant must obtain the support of the Administration and City Council.

Community Support: The applicant is expected to demonstrate evidence of engagement with local community groups regarding their project.

PTD Counsel: The applicant is responsible for legal costs incurred by the URA in advancing the PTD, including outside legal counsel. The applicant is also encouraged to retain separate PTD Counsel during the PTD process.

URA Board Resolution: The URA Board will adopt a Resolution to authorize the URA to do the following:

- Enter into a Cooperation Agreement with the City
- Enter into a Funding Agreement and Administrative Fee Agreement with the applicant
- Administer or enter into a contract with a Trustee to administer the parking tax fund
- Execute any related agreements

City Resolution: The City will adopt a resolution that defines:

- Pledged PTD parcels
- Parking tax diversion rate
- Maximum amount of parking taxes that may be diverted
- Term and duration of the PTD

Cooperation Agreement: A Cooperation Agreement between the URA and the City of Pittsburgh to divert parking taxes for a fixed term will be authorized and executed before

³ The outlined procedure relates to the creation of a new PTD or a revision to the City PTD legislation.

closing of the PTD debt. It takes approximately 8-10 weeks for this document to be fully executed.

Issuance of Debt: The URA will not issue PTD obligations. **The URA is not responsible for securing the financing and its credit is not pledged as security for the financing.**

Termination: If the PTD debt is fully amortized prior to the end of the PTD term, the City will continue to apply diverted parking taxes toward an affordable housing fund through the end of the term.

REPORTING & RELATED ORDINANCES

URA Jobs Reporting: *For the duration of the PTD*, the applicant must submit an annual update on the number of jobs within the development and must provide up to date job information upon the URA's request.

City of Pittsburgh Ordinances: PTD Applicant must review all related City of Pittsburgh ordinances and legislation. Applicant should direct questions related to the ordinances/legislation to the City.

FINANCIAL TERMS

Participation or Diversion: In order to permit the City of Pittsburgh to realize some immediate benefit from the development and to divert only that portion of the parking tax increment which is necessary to support a proposed project, the City of Pittsburgh will be requested to participate in the PTD by pledging a limited percentage of the anticipated parking tax increment to the PTD. The rate of participation, or diversion rate, is one factor that will determine the amount of PTD that will be provided to a project. Another factor affecting the amount of parking taxes diverted is the anticipated incremental parking taxes generated by the proposed development. The Participation or Diversion rate which is established for a project will depend upon the anticipated impact of the project and will be set after the URA is satisfied that the applicant has exhausted attempts to secure other funding.

Term: The term of any and all borrowing shall not exceed the length of the PTD designation, up to a maximum of 19 years. Any debt obligations financed with the parking tax increment must be retired within this time period, though shorter loan terms are encouraged to the extent financially feasible.

Interest Rate: The interest rate is dependent upon the conditions of the capital and/or financial markets and the credit enhancement, if any, provided for debt obligations. Any PTD debt that is self-financed by the applicant must have an interest rate that does not exceed prevailing commercial rates.

Fees: Various fees apply for deliverables throughout the process. The PTD Fee Schedule is attached as Appendix A and outlines the fees incurred.

Excess Parking Tax Increment: To the extent that the pledged diversion amount in any period exceeds the scheduled PTD Loan debt service amount, the excess amounts will be deposited into a debt service reserve account held by the lender in an amount that will not exceed one year of debt service. Excess amounts of PTD beyond one year of debt service must be put towards paying off the PTD loan.

PROGRAM REQUIREMENTS

The following requirements must be met in order for the URA to consider sponsoring a PTD:

- All developments must comply with all applicable plans, ordinances and codes.
- Commercial/industrial developments must leverage private investment, create and sustain jobs for City residents, generate positive economic impacts for the City and generate sufficient tax revenue to offset increased municipal infrastructure and service costs.
- Residential developments must increase housing options available to City residents, bring new residents into the City, balance an increase in new residents with tax revenue to support additional municipal service requirements, and/or increase home ownership in the City by providing affordable housing opportunities.
- Priority will be given to projects that use PTD revenues to support **public infrastructure**⁴ improvements necessary to facilitate private investment that benefits the public where project economics are unable to secure or support the necessary financing to undertake such improvements. **Private parking investments are not an eligible use of PTD revenues.** The Pennsylvania Prevailing Wage Act will apply to the construction of all public infrastructure supported by PTD funds.
- The diversion of incremental parking tax revenues will only be to the extent necessary to make a development viable and at a maximum rate of 60%. Those developments that are located in targeted areas, create significant economic impacts, or preserve or create affordable housing⁵ can have a maximum participation rate of 75%.

⁴ For purposes of this document, “public infrastructure” will be generally defined as those publicly owned and dedicated structures and facilities on which the continuance and growth of a community depend, including, but not strictly limited to, streets, roadways, road surfaces, bridges, tunnels, easements, right-of-ways, public sanitary and storm water sewers, curbs, sidewalks, public water/power/cable conduits and public drainage structures. Privately owned infrastructure that serves the public interest will also be considered.

⁵ Affordable housing will generally be defined as one of the following: (1) the new construction of housing units which will be rented to households at or below 60% of area median income; (2) the new construction of for-sale units to be sold to owner-occupied households at or below 80% of the area median income; (3) the rehabilitation of existing rental units to be rented to households at or below 60% of the area median income; (4) the rehabilitation of for-sale units to be sold to owner-occupied households at or below 80% of the area median income.

- For PTD Projects, the applicant must submit an MBE/WBE Plan for approval. This plan demonstrates involvement of certified minority and woman business enterprises in URA-adopted percentages of the overall net project costs, including pre-construction costs, design, construction, procurement and post-construction.
- The applicant must submit a Sustainability Plan for approval. The plan demonstrates that the applicant has made a good-faith effort to incorporate sustainable best practices into all aspects of the overall project from site preparation through construction and operation of buildings and site infrastructure.
- Project applicants are encouraged to engage local community groups, whether incorporated or not, to participate in the evaluation of proposed developments. Where applicable, meetings will be held to provide the opportunity for community groups to interact directly with project applicants.
- The applicant may be required to enter into Funding and Administrative Fee Agreements with the URA.
- Applicant is required to provide the necessary documentation of site control.

EVALUATION REQUIREMENTS

As described above, applicants must submit a completed PTD Application to the URA prior to consideration of a PTD. The form will provide the URA with the information necessary to determine the eligibility of the development and establish terms for the structure of the proposed PTD.

In general, the following criteria will be used to complete this evaluation:

Economic and Fiscal Impact of the New Development. The number, type, and wages of the employment to be created, impact on competition and neighboring businesses and projected tax revenue.

Demonstration of Need for PTD. An applicant must submit a signed affidavit to the PTD Application certifying that the project cannot proceed without the PTD and provide supporting documentation justifying the need for and the amount of financing requested. The amount of public infrastructure required to facilitate the development must be provided. Applicants may be required to provide a justification based on profit, return on investment or other measure deemed appropriate.

Value Added. The extent to which the development will add value to the local economy and avoid shifting of resources within the City. Also, applicants must quantify the extent to which the development satisfies an unmet demand for a product or service in the region.

Private Investment Leverage. The ratio of private to public investment must be such that the use of public funds is justified for private development.

Development Type (Commercial, Industrial, Residential). Development types that will be given higher preference include those featuring 1) The creation or preservation of affordable housing 2) The development of new office, high technology, manufacturing facilities that are more likely to create high wage jobs, and therefore have a significant economic impact on the regional economy and 3) Those that embrace sustainable design practices. The URA will take into consideration the number and types of jobs the Project is expected to generate within the City and the degree to which the Applicant will hire workers living in the City.

Development Location. The development must be consistent with the goals and objectives outlined in all applicable local and comprehensive plans, ordinances and codes. Developments within City strategic investment areas or those featuring significant elements of sustainable design will receive greater weight during the evaluation. Developments demonstrating greater levels of accessibility to public transportation facilities will be given higher priority.

Project Applicant Experience. The ability of the applicant to undertake and complete the project, provide the relevant PTD guarantees or credit enhancements necessary to support the requested financing and the risk associated with the overall development of the project (i.e. amount of pre-leased space, the market feasibility of the project) will also be considered. The URA will also consider whether the Applicant would be able to secure additional funding for the Project should there be cost overruns or if additional phases of the Project are contemplated.

Certified Minority or Women Business Enterprise (MBE/WBE) Participation. Preference will be given to Applicants that are MBE/WBE certified in the Commonwealth.

Project's Demand Upon City Services. The Applicant should provide information detailing how it will offset the increased demand for City services such as utilities, public safety, and public works required for its Project.

Locally or Domestically Sourced Materials. Preference will be given to Applicants whose Project plans involve the use of local or domestically sourced materials.

Other Relevant Criteria. Additional development criteria will be considered at the discretion of the URA.

Appendix A

URA Administrative Fee Schedule for Parking Tax Diversions

The Urban Redevelopment Authority of Pittsburgh (URA) Board of Directors in November 2015 adopted a fee schedule applicable in any case where the URA advances a Parking Tax Diversion Plan on behalf of a Development Entity. The fees are intended to help cover certain administrative and legal costs incurred by URA for proposed Parking Tax Diversion Loans.

In order to recover some of these associated costs, the URA will apply the following standard administrative fee schedule:

Description	Fee
Administrative Fee	\$7,500 <i>Due immediately after URA Board approval</i>
Legal Fee	\$15,000, or actual outside legal fees if URA determines that outside counsel is needed (estimated between \$25K - \$35K). <i>Half due at City Council approval; half due at Closing</i>
Closing Fees *	\$10,000 <i>Due at Closing</i>

Notes:

* Annual URA and Trustee fees will apply for the term of the borrowing.

Effective: 11/12/15