

# Tax Increment Finance (TIF) in Allegheny County

National Community  
Development Association  
2008 Annual Conference  
Pittsburgh, PA

Presented by:

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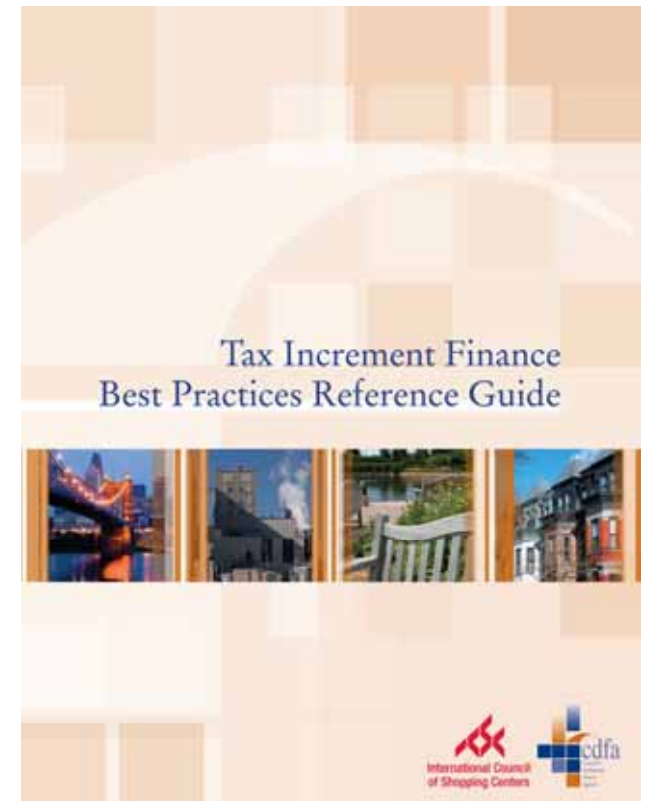
# A Primer on TIF

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- Part I—CDFA, What is TIF?
  - Tax Increment Finance Coalition
- Part II—TIF In Allegheny County, PA
  - TIF Process in Allegheny County
- Part III—Case Study, The Galleria at Pittsburgh Mills
- Part IV—The Municipal Perspective
  - To TIF or Not to TIF?

# Part 1- CDFA and Tax Increment Finance

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# Council of Development Finance Agencies, CDFA

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- National non-profit dedicated to the advancement of the development finance industry
- Founded in 1982 to represent the interests of the industrial development bond industry
- 240 member organizations and growing
- Development Finance
  - Industrial Development Bonds
  - Tax Increment Financing
  - Tax Credits
  - Revolving Loan Funds
  - Federal Funding

# Tax Increment Finance Coalition, TIF Coalition

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- Subset of CDFA, coalition of professionals and organizations working in specifically in the tax increment finance industry
- National leader in TIF use, application and regulations
- TIF Resource Library: searchable clearinghouse of information on TIFs
- Overwhelming response from development finance industry: states, municipalities, developers, service providers

# Talking TIF

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- First created in 1952 in California to act as a catalyst for redevelopment
- Quickly spread across the country—49 States and District of Columbia have enabling legislation
- Many names:
  - TIF—Tax increment financing (most states)
  - TAD—Tax allocation district financing (Georgia)
  - RAD—Revenue allocation district financing (New Jersey)
  - TIZ— Tax increment reinvestment zones (Texas)

# What is a tax increment?

The tax increment is the difference between the existing tax revenue of a tax parcel (pre-development base tax) and the projected tax revenue of the same tax parcel after development (post-development tax)

$$\begin{array}{ccccccc} \text{Post-Development Tax} & & \text{Pre-development} & & & & \text{Tax Increment} \\ \text{Base} & & \text{Tax} & & & & \\ \hline \text{---} & & \text{---} & & & & \text{---} \\ \text{\$} & \text{\$} & \text{\$} & - & \text{\$} & = & \text{\$} & \text{\$} \end{array}$$

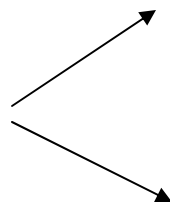
**Distribution of Base Tax is not affected by TIF**

# What is Tax Increment Financing?

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Tax Increment Financing (TIF) is a financing tool which uses incremental increases in property, sales or other tax collections within a specified area to finance capital improvements within that same area.

**Tax Increment**

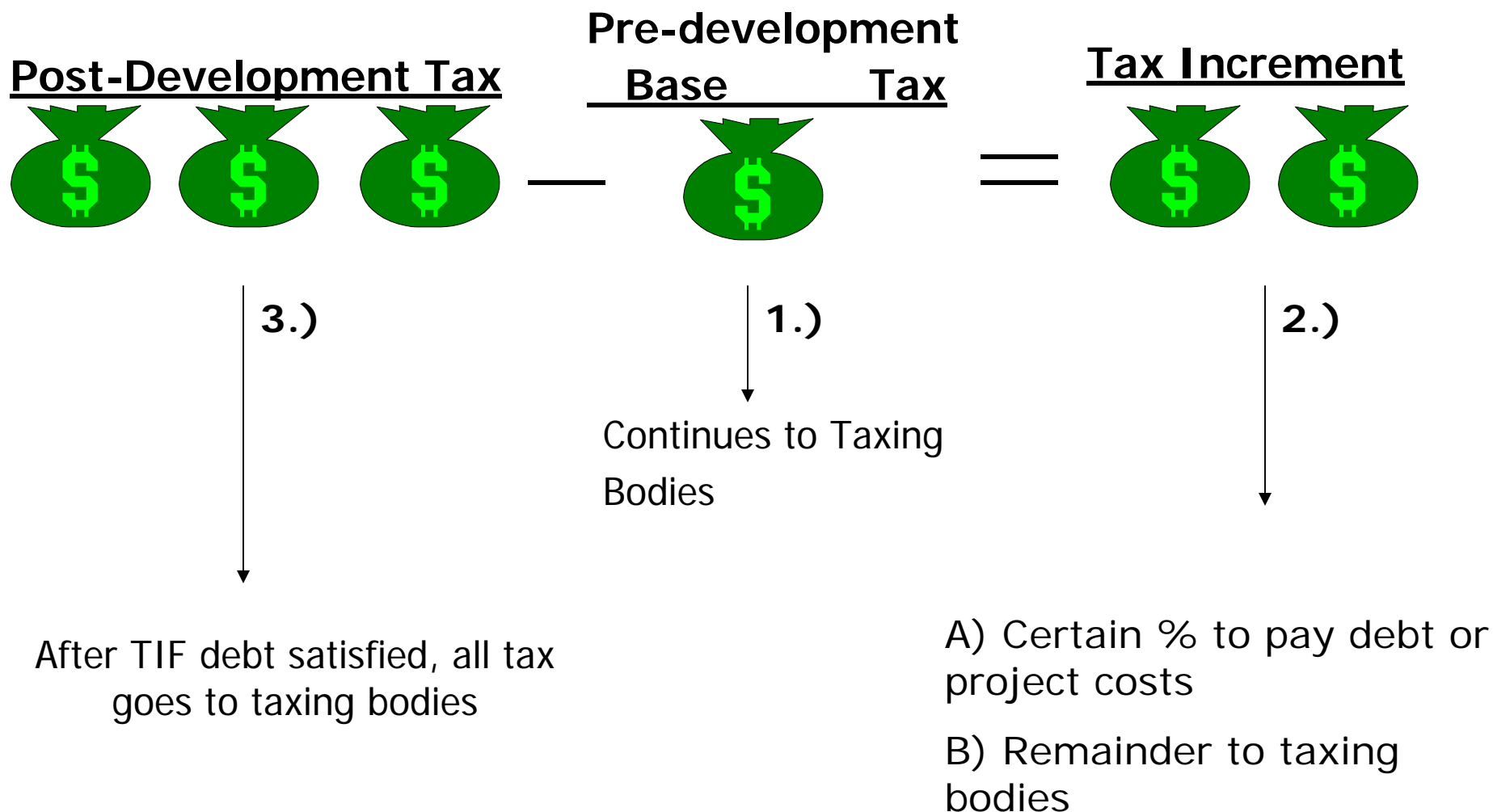


- 1.) Certain % to pay debt or project costs
- 2.) Remainder to taxing bodies



# Where does the tax go?

Property is fully taxed during life of TIF but revenues are diverted



# Two Types of TIF

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- Project Based
  - Single project on one or more pieces of land that uses TIF designation only for that project
- District Based
  - Large area of land (district) is target and identified for redevelopment. Projects that develop within the district may be eligible to use TIF as a source of financing

# Research and Resources

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[www.cdfa.net](http://www.cdfa.net)



# Part II—TIF Policy in Allegheny County

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Allegheny County Department of  
Economic Development



Dan Onorato, County Executive  
Dennis M. Davin, Director

# Allegheny County Guidelines

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- Additional requirements outside of PA TIF Statute
  - “But for” test
    - Will the project proceed profitably without the use of TIF?
  - Eligible costs
    - Public infrastructure only
  - Development Impact
    - Economic and fiscal impact study



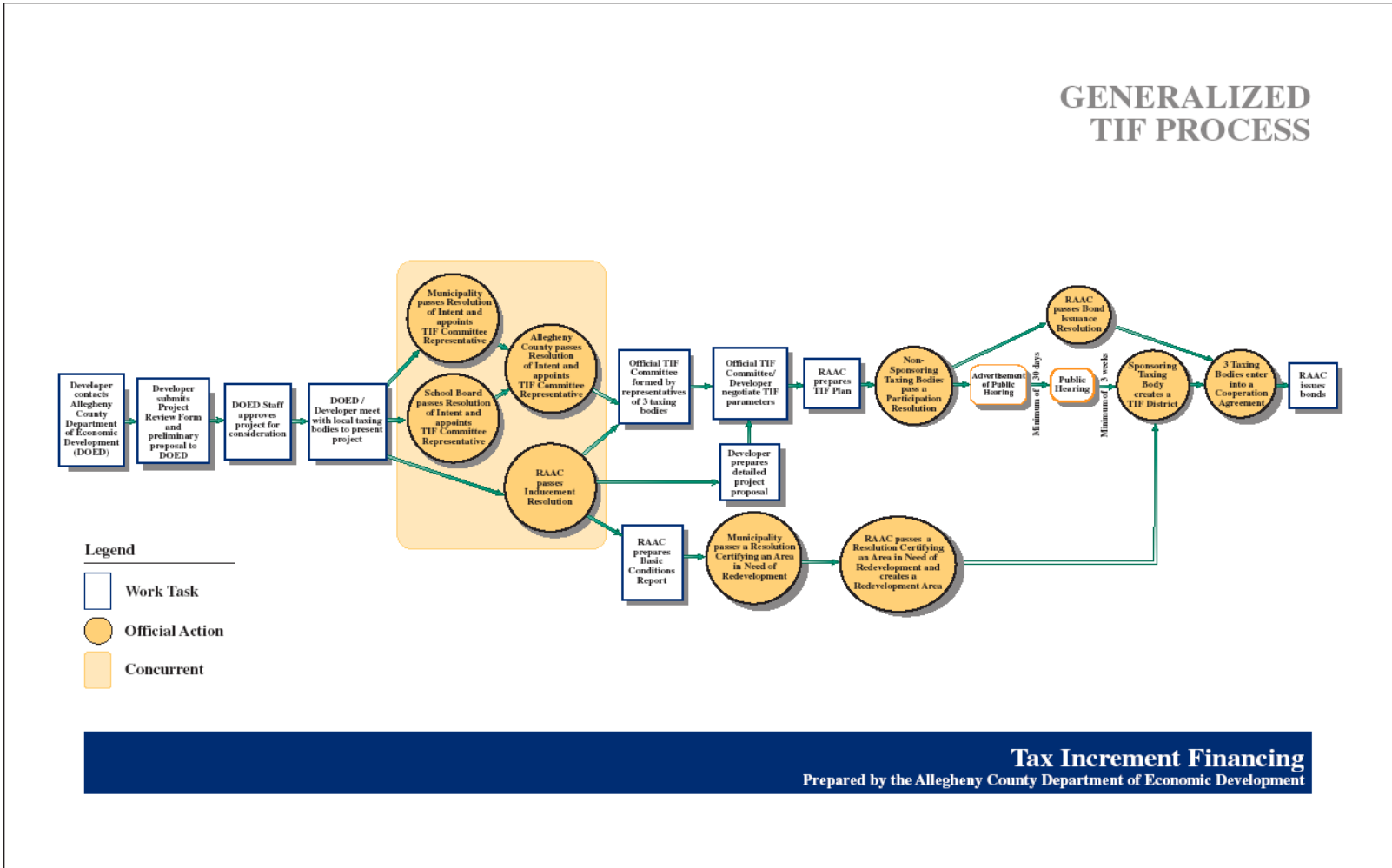
# ACED/RAAC Application & Guidelines

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- Rules of County Council
  - County diversion rate up to 60% of increment
    - Up to 75% for projects with substantial benefit
- Investment Priorities
  - Located within a distressed community
  - PIT Airport Corridor
  - Redevelopment of Brownfield



# TIF Process in Allegheny County



# History of TIF in Allegheny County

Project Name	TIF Amount	Development Cost	Description	Job Creation	Security
Waterfront	\$29,435,000	\$ 305,000,000	205 useable acres - 2.4 million SF retail, entertainment and mixed use office development.	5,490 Permanent	Minimum Payment Agreement
Mall at Robinson	\$28,000,000	\$245,000,000	189 acres - 3 million SF retail space within the Mall and outlying parcels.	5,455 Full Time	Minimum Payment Agreement
Mt. Nebo Pointe	\$6,800,000	\$44,000,000	80 acres - 380,000 SF of retail, hotel and office space	950 Direct and Direct	Township guarantee
Galleria at Pittsburgh Mills	\$50,000,000	\$285,000,000	340 acres - 1.6 million SF retail development	6,137 Direct and Indirect	NID
Brentwood Town Square	\$4,000,000	\$26,300,000	10 acres - 200,000 SF of mixed use retail and office space	617 – Direct and Indirect	Minimum Payment Agreement
Northfield Site Phase 1	\$5,000,000	\$110,632,000	160 acres- 900,000 square feet of warehouse/ distribution, air cargo space	4,219 Direct and Indirect	CFA TIF Guarantee
FTMA Potato Garden Run	\$2,692,500	\$336,666,116	4,500 acres- air cargo, flex, warehouse	13,861 Direct and Indirect	Developer guarantee
Clinton Commerce Center	\$7,500,000	\$80,000,000	100 acres- 1.million SF bulk warehouse	1,420 Direct and Indirect	CFA TIF Guarantee
<b>Total</b>	<b>\$133,427,500</b>	<b>\$1,402,598,116</b>			



# Part III—The Galleria at Pittsburgh Mills

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GALLERIA at  
PITTSBURGH  
MILLS



# The Galleria at Pittsburgh Mills— Prior to Development

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- Inadequate dwellings
- Loss of real estate tax due to vacancy, junk yards
- 340 acres of land valued at \$1.3 million dollars
- Inadequate planning
  - Poor Access Roads
  - Unused farm land



# The Galleria at Pittsburgh Mills

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- Northeast of city of Pittsburgh
- \$350 million project
- 1 million SF retail-entertainment complex with over 900,000 SF ancillary commercial development

# Galleria at Pittsburgh Mills— Attractions

- Mall Anchors
  - Macy's, Linens & Things, Sear's Grand, Dick's Sporting Goods, JC Penny, Border's
- Entertainment
  - IMAX Theater, Restaurants, Mini-golf
- Hotel – SpringHill Suites
- Ancillary Development
  - The Village at Pittsburgh Mills:
    - Restaurants, Banks, WalMart, Sam's Club, Lowe's



# Galleria at Pittsburgh Mills— Development Costs

- Mall, \$226 million
- Infrastructure, \$58 million
- Ancillary development, \$66 million

**Total: \$350 million**

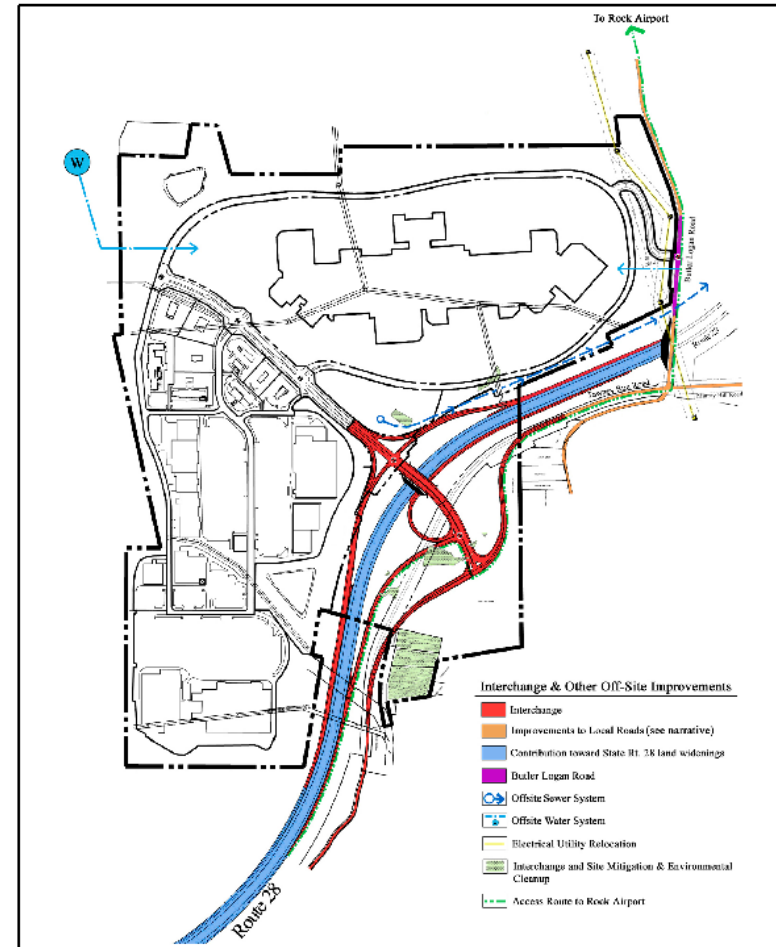


Exhibit 'A'  
Interchange & Other Off-Site Public Improvements

9/5/02



# Galleria at Pittsburgh Mills– Use of funds

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\$58 million in public improvements

- New PA Rt. 28 access road
- Internal roads, bridge
- Offsite road improvements
- Utilities
- Environmental clean-up



# Galleria at Pittsburgh Mills– Plan Projections

- Anticipated Assessed Value, \$195,750,000
- \$5.2 million annual increment
  - Allegheny County – 75%
  - Frazier Township – 75%
  - Deer Lakes SD – 80%

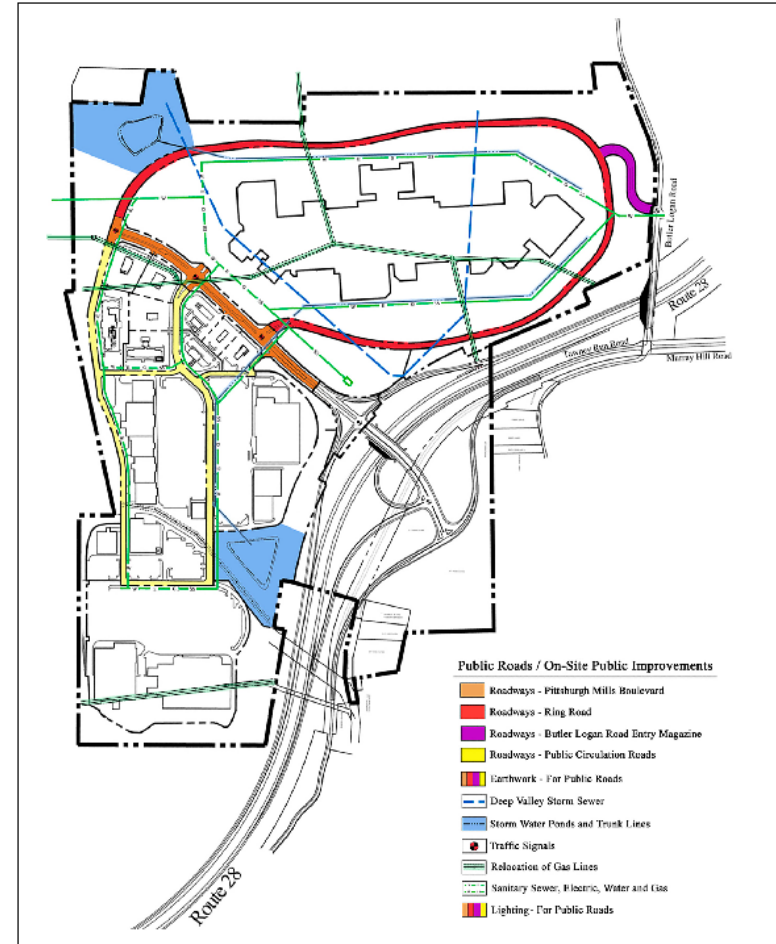


Exhibit 'B'  
Public Roads / On-Site Public Improvements

9/5/02

# Galleria at Pittsburgh Mills— Bond Issuance

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- \$50 million TIF, Bond Issuance
  - 20-year term
  - \$16 million in issuance costs, Capitalized Interest, and DSR

**Total \$34 million for public improvements**



# Galleria at Pittsburgh Mills— Security

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- Secured TIF with NID overlay
  - Neighborhood Improvement District as a Special Assessment District
  - Initiated by Township of Frazier
  - Levied only in years that tax revenue do not sufficiently cover debt obligations
    - Used to cover debt payment and administrative costs

# Galleria at Pittsburgh Mills— Current Values

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	<b>Plan Projections</b>	<b>Current Values</b>
Assessed Value	\$195,750,000	\$252,670,255
Annual Increment	\$5,215,095	\$6,252,879
Retained (incl. base) to TB	\$1,135,337	\$1,635,199

# Galleria at Pittsburgh Mills— Development Impact

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- Land Value and Real Property Tax
  - \$253 million Assessed Value
  - Over \$1.6 million annual Real Property Tax to taxing bodies
- Sales Tax
  - \$452 million anticipated annual sales
  - \$10.4 million Sales Tax Revenue
- Employment and Other Impacts
  - 4,000 construction jobs - \$131 million payroll
  - 2,200 direct jobs at build out - \$43 million payroll
  - Filled unmet retail demand in Allegheny Valley & Provided interchange and infrastructure

# Galleria at Pittsburgh Mills—Other Development Notes

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- New police force
- Municipal building now located in Mall
- \$500,000/yr municipal service fee for 20 years to Frazier Township
- Township of Frazier Assessed Values
  - 2005- \$31,000,000
  - 2008- \$288,000,000
    - 10x increase of Assessed Value



# Part IV—The Municipal Perspective

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- Preliminary questions:
  - Do you want the project and the growth associated with it?
  - Are you willing to modify your land use ordinances, if necessary, to facilitate the project?
- Pre-development Reimbursement Agreement
  - Engineering, legal, and financial consultants

# The Municipal Perspective

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- Key Issues
  - How will the project affect the costs of municipal services?
    - If there is an increase in municipal costs, are these costs adequately addressed by the TIF Plan or other documents?
- Examples of Costs
  - Streets
  - Storm water
  - Sanitary sewers
  - Water
  - Police
  - Fire & EMS
  - Zoning & planning administration
  - General municipal administration

# The Municipal Perspective

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- The Financial Structure
  - What % of tax revenues will the municipality contribute to the TIF?
  - Should a portion of the TIF revenues be paid to the municipality to defray the increased costs?
  - Which will have priority? The municipal payment or the bond debt service?
  - Will the municipal payment be secured?

# The Municipal Perspective

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- Consider a Cooperation or Developer Agreement
  - Between Municipality and developer only
  - Different than taxing bodies' Cooperation Agreement
- Addresses issues beyond the TIF Plan, such as:
  - Environmental
  - Traffic
  - Street/utility ownership
  - Street/utility maintenance & repair
  - Permitting process
  - Additional and/or interim payments by developer
  - Insurance/ indemnity/ liability issues



# The Municipal Perspective

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- In Pennsylvania municipality can sponsor a TIF without County participation
- To do so
  - Total value of TIF properties cannot exceed 10% total municipal property value
  - Redevelopment/industrial development authority must sponsor

# Thank you... Any questions?

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