Tax Increment Finance (TIF) in Allegheny County

National Community Development Association
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Pittsburgh, PA

Presented by:
Maurice Strul, Assistant Director
Allegheny County Economic Development
A Primer on TIF

- 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
Council of Development Finance Agencies, CDFA

• 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

- 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

• First created in 1952 in California to act as a catalyst for redevelopment

• Quickly spread across the county—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).

$$\text{Post-Development Tax} - \text{Pre-development Base Tax} = \text{Tax Increment}$$

Distribution of Base Tax is not affected by TIF.
What is Tax Increment Financing?

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.

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.

Post-Development Tax: $\text{3.}$

Pre-development Base Tax: $\text{1.}$

Tax Increment: $\text{2.}$

1.) Continues to Taxing Bodies

A) Certain % to pay debt or project costs
B) Remainder to taxing bodies

After TIF debt satisfied, all tax goes to taxing bodies.
Two Types of TIF

• 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

Toby Rittner
Executive Director
Council of Development Finance Agencies
815 Superior Avenue,
Suite 1301
Cleveland, OH 44114
216.920.3073
trittner@cdfa.net

www.cdfa.net

The Tax Increment Finance Course
July 17-18, 2008
Washington, DC
Part II—TIF Policy in Allegheny County

Allegheny County Department of Economic Development

Dan Onorato, County Executive
Dennis M. Davin, Director
Allegheny County Guidelines

- 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

• 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
## History of TIF in Allegheny County

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

• 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

- 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, J C 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
Galleria at Pittsburgh Mills- Use of funds

$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%
Galleria at Pittsburgh Mills— Bond Issuance

• $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

- 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

<table>
<thead>
<tr>
<th></th>
<th>Plan Projections</th>
<th>Current Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed Value</td>
<td>$195,750,000</td>
<td>$252,670,255</td>
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<tr>
<td>Annual Increment</td>
<td>$5,215,095</td>
<td>$6,252,879</td>
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<tr>
<td>Retained (incl. base)</td>
<td>$1,135,337</td>
<td>$1,635,199</td>
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</tbody>
</table>
Galleria at Pittsburgh Mills—Development Impact

• 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

- 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

- 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

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

• 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

- 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

• 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?

Maurice Strul
Assistant Director
Project Finance and Special Projects
Allegheny County Department of Economic Development
425 Sixth Avenue, Suite 800
Pittsburgh, PA 15219
412.350.1000
mstrul@alleghenycounty.us
http://economic.alleghenycounty.us