# Allegheny County Council

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## Meeting Minutes

**Thursday, September 5, 2019**

**4:15 PM**

**Conference Room 1**

## Committee on Economic Development & Housing

***Dewitt Walton, Chair; Tom Baker, Patrick Catena, Sam DeMarco, Nick Futules, Bob Macey and John Palmiere, Members***

## I. Call to Order

*The meeting was called to order at 4:22.*

**Invited Guests:**

**William D. McKain, CPA, Allegheny County Manager, or designee(s)**
**Lance Chimka, Director, Allegheny County Department of Economic Development**

*Mr. McKain was present from the Office of the County Manager.*

*Mr. Chimka was present from the Department of Economic Development.*

*Mr. Barker was present from the Office of County Council.*

## II. Roll Call

**Members Present:** 2 - Nick Futules andDeWitt Walton

**Members Absent:** 5 - Tom Baker,Patrick Catena,Sam DeMarco ,Bob Macey andJohn Palmiere

**Members Non-Members:** 1 - Sue Means

## III. Approval of Minutes

## IV. Agenda Items

### Resolutions

11178-19 A Resolution of the Council of Allegheny County, Pennsylvania, terminating, subject to certain exceptions, Council Resolution No. 57-03-RE, which authorized the County to provide for a program of temporary exemption from increases in Allegheny County real property taxes attributable to improvements consisting of repairs, construction, or reconstruction made to industrial, commercial or business properties in a certain area of the Township of South Fayette under the Local Economic Revitalization Tax Assistance Act, as amended.

***Sponsors:*** Chief Executive

*At the request of the Chair, the clerk read the title of the bill and Mr. Chimka summarized its provisions, noting that the original LERTA approval at issue contained no sunset provision, described the negative consequences of that, and indicated that the proposed amendment would only serve to correct this issue. Mr. McKain indicated that the concept is to increase information and control by ending the perpetual effect of the resolution.*

*In response to a question from Mr. Futules, Mr. Chimka noted that the change would result in the termination of the existing LERTA.*

*In response to a question from Ms. Means, Mr. Chimka noted that the original enactment took place back in 2003, and that the current participants in the LERTA would continue to receive the benefits of participation o nthe schedule attached to the resolution.*

**A motion was made by Futules, seconded by Walton, that this matter be Affirmatively  Recommended. The motion carried by a unanimous vote.**

11179-19 A Resolution of the Council of the County of Allegheny, Commonwealth of Pennsylvania, authorizing the establishment of a County-wide Property Assessed Clean Energy Program ("C-PACE Program) pursuant to Act 30 of 2018; providing for standards and guidelines for the operation of a C-PACE Program within the County; authorizing the County to enter into a cooperation agreement with the Redevelopment Authority of Allegheny County for the administration of the County's C-PACE Program; and authorizing the appropriate County officers and officials to create such documents and to such other action as they deem to be necessary and prudent to carry out the purposes of this Resolution.

***Sponsors:*** Chief Executive

*At the request of the Chair, the clerk read the title of the bill and Mr. Chimka gave a brief PowerPoint presentation summarizing the C-Pace program, noting that it is somewhat similar to other programs in place in other jursidictions.  Mr. Chimka indicated that participation in the program is entirely voluntary on the part of property owners and represents neither cost nor obligation to the County, and walked through the mechanics of an example transaction through the program in which a building owner would receive a loan to cover the cost of solar panel installation, and then the owner would pay his or her regular property taxes, plus whatever amount is necessary to repay the loan in the specified term to the County tax collector.*

*Mr. Chimka noted that the lender would secure a tax lein on the property in the event that repayment fails, which takes precedence over a regular credit lein and therefore results in additional security for the lender, while the borrower would enjoy the benefit of lower interest rates and longer repayment terms due to the lender's increased security, and the County in general would enjoy the benefit of improving energy efficiency.*

*Mr. Chimka noted that the C-PACE loan and repayment agreement could be transferred to subsequent building owners once it is in place, although any mortgage type lender for the new buyer would have to be willing to subordinate its credit lein to the potential tax lein of the C-PACE lender.*

*In response to a question from Ms. Means, Mr. Chimka indicated that the C-PACE portion of the tax bill to the borrower actually has nothing to do with the assessed value of the property, but rather is calculated purely based on the annual amount necessary to satisfy the C-PACE loan repayment terms.*

*The Chair and Mr. Chimka suggested that the result of the energy efficiency improvements would be to increase the assessed value of the property in question, and that this may be seen as desirable to enlightened mortgage lenders.*

*The Chair discussed his personal experiences with improving energy efficiency within his own workplace, noting that the process cost tens of millions of dollars to make the improvements, but that the operating costs of the building have significantly decreased, which has made the building more valuable.*

*The Chair and Mr. Futules discussed the life cycle of potential efficiency improvements, with the Chair noting that the typical goal of such improvements is to pay for the cost of* *making them about about half of the useful life of whatever improvement is made.*

*Mr. Chimka noted that the desire is to launch the program in January of 2020, with RAAC serving as the designated program adminstrator.*

*Mr. McKain emphasized the lack of risk to the County, and noted that there appears to be significant public interest in sustainable energy sources. The Chair suggested that improvements to air quality that would result from increased reliance on renewable energy sources would have a significant value in and of themselves.*

*In response to questions from Ms. Means, Mr. McKain expressed a willingness to distribute the summary PowerPoint provisions to the Members, and Mr. Chimka agreed to provide a copy of the overall Commonwealth program guidelines. The Chair suggested that there might be merit in having an additional session to provide information to other Council members prior to the next regular meeting.*

**A motion was made by Futules, seconded by Walton, that this matter be Affirmatively Recommended. The motion carried by a unanimous vote.**

11186-19 A Resolution providing for a program of temporary exemption from county real property taxes for improvements, including repairs, construction, or reconstruction, made on industrial, commercial or business property in a deteriorated area in the City of Pittsburgh, County of Allegheny, Commonwealth of Pennsylvania, pursuant to the Local Economic Revitalization Tax Assistance Act, Pa. Stat. Ann. tit. 72 §4722 et seq.

***Sponsors:*** Chief Executive

*At the request of the Chair, the clerk read the title of the bill and Mr. Chimka summarized its provisions, noting that the structure of this particular LERTA is a little different than those traditionally undertaken by the County. Mr. Chimka noted that "spec development" - that is creating developed space without leased tenants already in hand prior to construction - has become much more prevalent in recent years, as companies make decisions about where to locate their offices on increasingly rapid deadlines. Mr. Chimka noted that for spec developments, the greatest risk is that the developer would not be able to secure leased tenants, but would still be on the hook for property taxes on the full value of the developed building.*

*Mr. Chimka summarized the new concept for the LERTA abatement schedule would be that it would last for 10 years, with the percentage of the abatement equalling the percentage of office space that is not leased in a given abatement year (e.g. a completely unleased building would receive an abatement of 100% of the County's taxes, while a half-leased building would receive a 50% abatement).*

*Mr. Chimka summarized the nature of the project, noting that the same developer undertook the project that is now leased by Facebook to house its Pittsburgh operations, and expressed his personal belief that space in the building will likely be leased rapidly once it is completed. Mr. Chimka noted that the current County tax receipts are roughly $6,300 for the parcel, but post-construction this is expected to increase to approximately $169,000, and noted that the abatement would be capped at $150,000 in any given tax year, which would still result in about $19,000 in County tax revenues for the property even if it is entirely unleased. Mr. Chimka noted that the Department's estimate is that the total tax revenues under this type of arrangement could be as much as two to three times higher than it would be under a traditional abatement schedule.*

*Mr. Chimka and Mr. McKain discussed the desire to apply a similar abatement structure in the future only on a case-by-case basis, but indicated a belief that the concept has the potential to be beneficial under the right circumstances in the future.*

*Mr. Futules, Mr. McKain and Mr. Fox discussed the recent increases in the pace of economic development in the Strip District. Mr. Fox described some of the environmental remediation measures that would be required, as the parcel is located on the site of a former steel mill.*

*In response to questions from Ms. Means, Mr. Fox noted that the project could not be financed without this type of abatement structure and Mr. Chimka noted that there is virtue in being innovative about fostering development in a fashion that benefits both the community and the County itself. The Chair expressed agreement with Mr. Chimka's opinion in light of the beneficial nature of the transaction at issue. Mr. Chimka noted that the City of PIttsburgh and School District have both already approved this LERTA as proposed.*

**A motion was made by Futules, seconded by Walton, that this matter be Affirmatively Recommended. The motion carried by a unanimous vote.**

## V. Adjournment

*The meeting was adjourned at 5:05.*