

No. 12-18-RE

A RESOLUTION

A Resolution of the Council of the County of Allegheny adopting and authorizing participation in the Smallman Street Tax Increment Financing Plan, as presented by the Urban Redevelopment Authority of Pittsburgh, and authorizing related agreements.

Whereas, Pennsylvania's Tax Increment Financing Act, 53 P.S. § 6930.1 *et seq.*, as amended (the "TIF Act"), provides local taxing bodies the legal authority to cooperate in providing financing for development of blighted areas within their respective jurisdictions in order to increase the tax base and improve the general economy; and

Whereas, under the TIF Act, the Urban Redevelopment Authority of Pittsburgh (the "Authority") is legally empowered to prepare a Tax Increment Financing ("TIF") proposal to provide for the elimination and prevention of the development or spread of blight within specified tax increment districts located in the City of Pittsburgh (the "City"); and

Whereas, the County of Allegheny (the "County"), the City, and the School District of Pittsburgh (the "School District") have each adopted resolutions endorsing the concept of a TIF plan for financing public space and street related right-of-way improvements such as lighting, roadway and walkway improvements (the "TIF Project") in connection with private mixed use office and retail redevelopment projects located at 1600 and 2100 Smallman Street known as the Smallman Street Tax Increment Financing District (the "TIF District"), requesting the Authority to prepare a detailed TIF proposal and designating the County's representative to work with the Authority, the City, the County, and the School District toward implementation of a TIF plan with respect to the TIF District; and

Whereas, the Authority, working with the designated representatives of the City, the County, and the School District, has adopted and recommended a Tax Increment Financing Plan (the "TIF Plan") in accordance with the requirements of the TIF Act, which TIF Plan, as prepared by the Authority, provides for financing or otherwise providing funds to pay a portion of the costs of the TIF Project; and

Whereas, the TIF Act provides for the cooperation of the local taxing bodies in the financing or funding of projects within the TIF districts and for the issuance of debt to pay for certain costs of implementing such plans; and

Whereas, the County is expected to benefit from the use of tax increments to pay certain project costs within the TIF District by stimulation of private investment, increases in property values, creation of employment opportunities, and improvement of surrounding properties.

The Council of the County of Allegheny hereby resolves as follows:

SECTION 1. Incorporation of the Preamble.

The provisions set forth in the preamble to this Resolution are incorporated by reference in their entirety herein.

SECTION 2. Terms Defined.

Terms used in the Recitals to these Resolutions are herein used as therein defined.

SECTION 3. Adoption of TIF Plan.

The TIF Plan prepared by the Urban Redevelopment Authority of Pittsburgh and attached hereto as Exhibit A and incorporated herein providing for financing or funding a portion of the costs of the TIF Project is hereby adopted substantially in such form, and the County, in accordance with the TIF Act, hereby agrees to participate in the TIF District to the extent and as provided for in the TIF Plan.

SECTION 4. Real Estate Tax Revenues.

A portion of the tax revenues due or owed to, or received by the County from the TIF District to the extent described in the TIF Plan are hereby pledged; and a security interest therein is hereby granted, to secure the repayment of any TIF obligations issued by the Authority for the purpose of financing the TIF Project and/or to be applied directly to pay certain costs of the TIF Project.

SECTION 5. Notification of Actions.

The Chief Clerk or the County Manager is directed to deliver a copy of this resolution to the Mayor and the Council of the City of Pittsburgh, as provided in the TIF Act.

SECTION 6. Cooperative Actions.

The appropriate public officials of the County are hereby directed to take such additional actions in cooperation with the Authority, the City, and the School District in furtherance of the implementation of the TIF Plan, including without limitation, the execution and delivery of a Cooperation Agreement by and among the Authority, the County, the City, and the School District.

SECTION 7. Severability. *If any provision of this Resolution shall be determined to be unlawful, invalid, void or unenforceable, then that provision shall be considered severable from the remaining provisions of this Resolution which shall be in full force and effect.*

SECTION 8. Repealer. *Any Resolution or Ordinance or part thereof conflicting with the provisions of this Resolution is hereby repealed so far as the same affects this Resolution.*

Enacted in Council, this 9th day of October, 2018

Council Agenda No. 10757-18



John DeFazio
President of Council

Attest: 

Jared Barker
Chief Clerk of Council

Chief Executive Office October 11, 2018

Approved: 

Rich Fitzgerald
County Executive

Attest: 

Sonya Dietz
Executive's Secretary

EXHIBIT A

TIF Plan

ATTACHED

SUMMARY OF LEGISLATION
RESOLUTION TO PARTICIPATE IN THE SMALLMAN STREET TIF DISTRICT
SUBMITTED FOR COUNCIL MEETING SEPTEMBER 11, 2018

The proposed resolution authorizes the Urban Redevelopment Authority (“URA”) to create a Tax Increment Financing (“TIF”) district in the Strip District community.

The URA has been working with McCaffery Interests, Inc., (“Developer”) to initiate the development of the Produce Terminal and 1600 Smallman Street property, along Smallman Street between 16th Street and 21st Street, adjacent to downtown Pittsburgh and close to the Allegheny River’s south shore line. McCaffery Interest, Inc., has worked with the City of Pittsburgh and local stakeholders to create a program for a mixed-use development that would be fully integrated with the existing Strip District community.

After full build-out, this project is anticipated to create 645 full-time jobs and increase annual real estate tax revenue to \$687,499.

Approximately \$3.5 million in net TIF proceeds are being used to cover infrastructure costs in the District. Specifically, TIF funds will be used for public space improvements and street related right-of-way improvements such as lighting, roadway and walkway improvements. The project is anticipated to support 645 full time equivalent jobs and the investment will bring to market 106,228 square feet of office space, 171,395 square feet of retail space and 217 parking spaces.

As described in the attached TIF Plan, it is anticipated the TIF would have a 20-year term for the TIF District and would pledge 75% of the incremental real estate taxes.

The taxing bodies would collect 25% of real estate increment from development in the proposed TIF District during the term of that district. As with all TIFs, the County would continue to also receive the full base taxes in addition to the unpledged real estate increment.

Urban Redevelopment Authority of Pittsburgh
Smallman Street Tax Increment Financing (TIF) Plan
FINAL 4-11-18

Synopsis

1. The name of this Tax Increment Financing (TIF) district is the "Smallman Street TIF District". It is a contiguous geographic area, bounded on the west by the Produce Terminal building (also known as the Pennsylvania Railroad Fruit Auction & Sales Building), the east by the warehouse at 1600 Smallman Street and the Smallman Street roadway, the south by 16th Street, and the north by 21st street. The TIF district is in the Strip District neighborhood of Pittsburgh, Pennsylvania and is within the Lower Strip District Certified Redevelopment Area #68.

2. Three redevelopment projects (two private and one public) are expected to occur within the TIF district.
 - A. The private redeveloper, McCaffery Interests, Inc., plans to redevelop the Produce Terminal building and the building located at 1600 Smallman Street. These private redevelopments are mixed-use commercial projects that will repurpose vacant and underutilized property in the following manner:
 - I. Produce Terminal - Office / Retail Space - approximately 150,000 square feet
 - II. 1600 Smallman Street - Office / Retail Space - approximately 131,000 square feet with an approximately 217-space parking structure

 - B. The public redevelopment project consists of infrastructure improvements necessary to improve pedestrian safety, circulation and support the district-wide private redevelopment projects. These improvements are:
 - I. Public Space Improvements (PSIs)
 - II. Street and related Right-Of-Way (R-O-W) Improvements
 - III. Storm sewers, sanitary sewers, and water distribution system
 - IV. Improvements to space(s) accessible to the public (as funds permit)

3. These three projects represent an estimated \$123 million investment with the following projected project costs:

A. Produce Terminal Redevelopment (estimate)	\$49,500,000
B. 1600 Smallman Street Redevelopment (estimate)	\$49,500,000
C. Smallman Street and related Infrastructure Improvements (estimate)	\$22,000,000
Total Estimated Project Costs	\$121,000,000

4. Estimated Net Proceeds of TIF Financing \$3,500,000

5. TIF proceeds may be used to partially fund any of the following:	
A. Public space improvements	
B. Street and related R-O-W improvements	
C. Storm sewers, sanitary sewers, and water distribution system	
D. Engineering and inspection work related to the above infrastructure improvements	
E. Improvements to space(s) accessible to the public (as funds permit)	
6. Estimated total costs of infrastructure improvements, to be partially funded with TIF proceeds:	\$22,000,000
7. Estimated sources and uses of funds for public and private improvements:	
A. Infrastructure Improvements (public)	
– Pittsburgh and Water Sewer funds (secured)	\$13,000,000
– Redevelopment Assistance Capital Program Grant (secured)	\$4,000,000
– Smallman Street TIF Proceeds (proposed)	\$3,500,000
– DCED Grant	\$1,000,000
– City of Pittsburgh funds (spent)	\$533,503
– Heinz Endowments/Pittsburgh Gateways Grant (spent)	\$80,956
Estimated Infrastructure Improvement Sources	\$22,114,459
B. Produce Terminal (private)	
– Developer debt/equity	\$49,500,000
Estimated Produce Terminal Sources	\$49,500,000
C. 1600 Smallman Street (private)	
– Developer Debt/Equity	\$47,500,000
– RACP (awarded for 1600 Smallman Street project)	\$2,000,000
Estimated 1600 Smallman Street Sources	\$49,500,000
Projected Sources Overall Public and Private Improvements	\$121,000,000

8. Assessed Values:
- A. Current assessed value of Taxable Real Property in the proposed Smallman Street TIF District \$3,500,000
 - B. Projected estimate of assessed value of Taxable Real Property following improvements in the Smallman Street TIF District \$31,000,000
9. Proposed Term of the TIF District: 20 years
10. Proposed Distribution of Real Estate Tax Increment:
- 75% Pledged to TIF Financing(s) or to pay costs of the TIF Project
 - 25% Distributed Pro Rata to the Three Taxing Bodies
11. Tax Projections:
- A. Current Annual Real Estate Tax Revenue within the Smallman Street TIF District: \$77,621
 - B. Projected Annual Real Estate Tax Revenue within the TIF District Following Improvements: \$687,499
12. Breakdown of the Projected Annual Real Estate Taxes (with 2% discount applied) Generated After Full Development¹

	Base Real Estate (Current)	Tax Increment (After Improvements)	Annual Real Estate Taxes (After Improvements)
City Real Estate (8.06 mills)	\$27,646	\$217,217	\$244,863
County Real Estate (4.73 mills)	\$16,224	\$127,474	\$143,697
School District Real Estate (9.84 mills)	\$33,751	\$265,188	\$298,939
Total Taxes (100%)	\$77,621	\$609,879	\$687,499

¹ Based on 2018 tax millage rates.

13. Breakdown of the Projected Amount of Annual Real Estate Tax Increment Diverted to the TIF Project (75%) and the Taxing Bodies (25%)

	TIF Project (75%)	Taxing Bodies (25%)	Total Increment
City Real Estate Tax	\$162,913	\$54,304	\$217,217
County Real Estate Tax	\$95,605	\$31,868	\$127,474
School District Real Estate Tax	\$198,891	\$66,297	\$265,188
Total Taxes	\$457,409	\$152,470	\$609,879

14. Projected Jobs Created²:

A. Construction Phase Total Full-Time Jobs Created:	639 FTE
B. Projected Number of Permanent On-Site Jobs:	645 FTE

15. Proposed TIF District Creation Date: January 1, 2019

16. Parcels Included in Proposed TIF District:

<u>Address</u>	<u>Lot & Block</u>
1600 Smallman Street	9-G-80
2100 Smallman Street	9-D-200

² As identified in the Economic Impact Study prepared by Fourth Economy (April 9, 2018).

Smallman Street TIF
INITIAL INDUCEMENT RESOLUTIONS

Legislative Action: Intent to explore TIF & request taxing body participation

URA Board

Draft Taxing Body Resolutions with TIF Counsel	August 2016
Brief Taxing Body Reps	August – September 2016
Inducement Resolution	Thurs, September 8, 2016 2:00PM

County Council

Pre-meeting	Mid-May
First Reading	Wed, July 5, 2017 5:00PM
Economic Development & Housing Committee	Thurs, July 6, 2017 6:00PM
Second Reading/VOTE	Tues, July 11 2017 5:00PM

School Board

Pre-meeting #1 w/Business/Finance Committee	Tues, September 13, 2016 3:00PM
Pre-meeting #2 w/Business/Finance Committee	Tues, May 9, 2016 11AM
Business Committee	Mon, June 6, 2017 5:30PM
Agenda Review	Wed, June 14, 2017 6PM
Legislative Session/VOTE	Wed, June 21, 2017 6PM

City Council

Introduce Legislation	Tue, March 14, 2017
Committee Discussion #1 – HELD for public hearing	Wed, March 22, 2017 10:00AM
Hearing Advertisement for Zoning (21-day notice)	Week of March 27, 2017
Public Hearing for Zoning	April 25
Committee Discussion #2	Wed, April 26, 2017 10:00AM
VOTE (for Initial TIF, Zoning, Lease, Coop)	Tues, May 2, 2017 10:00AM
ZBA for Produce Terminal	Thursday, June 15, 2017

Circulate Draft TIF Plan	August/September 2017
Review with Developer	January/February
TIF Committee Meeting	March 21, 2018
Send final TIF plan to TIF Committee along with draft resolutions for URA & 3TB	April 10, 2018

Smallman Street TIF
FINAL RESOLUTIONS
revised 9-5-18

Legislative Actions: Adopt TIF Plan & Authorize TIF Cooperation Agreement

URA Board (with any related TIF Note agreements)

Board Approval of TIF Plan Thurs, April 12, 2018 2:00PM

County Council

Pre-meeting Tues, June 5 at 9AM
First Reading Tues, September 11, 2018 5:00PM
Economic Dev. Committee #1 to be determined
Economic Dev. Committee #2 to be determined
Second Reading and Vote Tues, October 9, 2018 5:00PM

School Board

Pre-meeting w/Business/Finance Committee Tues, May 16, 2018 2PM
Business Committee Tues, September 4, 2018 5:30PM
Agenda Review Wed, September 12, 2018 6:30PM
Hearing Mon, September 24, 2018 6:00PM
Legislative Session Wed, September 26, 2018 7:00PM

City Council

(Per TIF statute, City vote takes place after SD and County)

Sent Legislation May 29, 2018
Introduced Legislation (with request to hold) Tues, June 5, 2018
Committee Discussion #1 Tues, June 13, 2018 at 10AM
To be held for County & School Board consideration
Public Hearing Advertisement to be determined - *late September*
Public Hearing to be determined – *late October*
Committee Discussion #2 to be determined – *November*
Final Vote **to be determined** – *November/December*
(Vote cannot occur sooner than 3 weeks after hearing)

Cooperation Agreement

TIF Counsel Drafts Cooperation Agreement May 2018
Circulate Draft Cooperation Agreement for Comment June 2018
Circulate Final Cooperation Agreement for Signature September 2018
Execution of Cooperation Agreement September 2018

Urban Redevelopment Authority of Pittsburgh Smallman Street Tax Increment Financing (TIF) Plan

I. Purpose

The Smallman Street TIF District will leverage a portion of incremental real estate tax revenue generated as a result of the private redevelopment projects at the 1600 Smallman Street building and the Produce Terminal building within the TIF District.

The purpose of this TIF is to increase pedestrian access, safety and circulation within the Strip District neighborhood. Ultimately, the redevelopment of these sites and adjacent sites will result in a dense environment that will attract additional people to the neighborhood. The public agencies involved in the transportation plans for Smallman Street (between 16th and 21st Streets) seek to address the needs of pedestrians by proposing infrastructure improvements that prioritize public safety.

For much of its history, Smallman Street has served as a pathway for commercial traffic. At first, the area contained rail lines that serviced trains delivering produce to the Pennsylvania Fruit Auction & Sales Building (the Produce Terminal). As new transportation technologies developed, the rail lines were converted to crude roadways to facilitate deliveries via box trucks and semi-trucks. The roadway was neither designed nor constructed with pedestrian traffic in mind. Furthermore, the surrounding public spaces were not built to accommodate the change from commercial traffic to pedestrian traffic. As a result, these areas are dysfunctional and not pedestrian friendly. The proposed Smallman Street and related public space improvements establish orderly and safe traffic patterns, encourage walkability and other types of public activity. While these above-ground improvements are being addressed by the City of Pittsburgh's Department of Mobility and Infrastructure (DOMI), PWSA will upgrade the underground water, stormwater and sewer facilities for this important watershed.

II. TIF District Details

Located within the Lower Strip District Redevelopment Area #68 (see **Exhibit D** - page 19), the Smallman Street TIF district is adjacent to downtown Pittsburgh and close to the Allegheny River's south shore line.

The projected \$609,879 increase ("increment") from the base year real estate assessed value for the properties comprising the TIF District (after full build-out) is projected to yield estimated real estate tax increment of \$11,587,701 over the 19-year term of the TIF District, applying the 2018 millage rates. Seventy-five percent (estimated at \$457,409 on an annual basis), of the increased increment be pledged to support debt that will be used to fill financing gaps for public infrastructure improvements (collectively, the "Pledged Increment"). The Pledged Increment is expected to support financing that will generate approximately \$3,500,000 for the PSIs and related ROW improvements, and other improvements that will benefit the entire

Lower Strip District, improving safety and access and supporting future development projects. The TIF-eligible components are:

- Public Space Improvements
- Street and Right-Of-Way Improvements
- Storm sewers, sanitary sewers, and water distribution systems
- Engineering and inspection work related to the above infrastructure
- Improvements to space(s) accessible to the public (as funds permit)

The economic impact analysis of the proposed private redevelopment projects estimates that, after full build-out, 645 new full-time equivalent jobs and 766 construction jobs will be created. The projected assessed value of taxable real property following private improvements in the Smallman Street TIF District is expected to meet or exceed \$31,000,000.

III. Details on the Redevelopment Projects within the TIF District

The private redevelopment projects are located at 1600 and 2100 Smallman Street in the Strip District neighborhood of the City of Pittsburgh. The public redevelopment project, improvements to Smallman Street between 16th and 21st Streets, will occur adjacent to the private developments in the Smallman Street TIF district.

McCaffery Interests, Inc. is a nearly 30-year old development company with broad national and international experience. McCaffery has completed projects in Chicago, San Francisco, Myrtle Beach, Pittsburgh, Washington, D.C. and in three other countries. McCaffery is undertaking the redevelopment of the Produce Terminal building and the building at 1600 Smallman Street. It will transform these severely distressed and under-utilized properties into catalytic mixed-use office and retail development. As an homage to the Produce Terminal building's past as the distribution center for produce entering the city, the commercial project is expected to retail, commercial and will include a food-centric area.

1. Private Mixed-Use Redevelopments

The private redeveloper, McCaffery Interests, Inc., plans to redevelop the Produce Terminal building and 1600 Smallman Street building. These private redevelopments are mixed-use commercial projects that will repurpose vacant and underutilized property in the following manner:

A. Produce Terminal - Office / Retail Space

- 150,000 square feet

Construction work on the Produce Terminal building is slated to begin in Fall 2018 with completion and occupancy in Summer of 2019. The project will apply for Certified LEED Silver accreditation. The Developer estimates that the Produce Terminal Building will contain a mix of retail and commercial space including a food-centric marketplace. The redevelopment of the

Produce Terminal building could occur in up to four phases. The Produce Terminal's redevelopment plan includes:

- A "food centric" area of roughly 20,000 square feet
- No less than 40,000 square feet allocated to local businesses
- Extending the lease for the Society for Contemporary Craft and subsequent negotiations with the goal of retaining SCC's presence in the Produce Terminal building

In conjunction with the URA Board of Director's adoption of the Smallman Street TIF Plan, the URA Board will also consider the establishment of the Strip District Loan Fund, in order to establish a fund for small businesses within the Lower Strip District Certified Redevelopment Area (#68).

B. 1600 Smallman Street - Office / Retail Space

- Approximately 131,000 square feet with approximately 217-space parking structure

The 1600 Smallman Street Building is slated to also contain a mix of retail and commercial space in approximately 131,000 square feet with an adjacent 217-space parking structure.

2. Public Infrastructure Improvements:

The public space improvements (PSIs), street and related ROW improvements (*e.g.*, lighting, roadway, and walkway improvements) will occur in and around on Smallman Street between 16th and 21st Streets. The public infrastructure project will be complete by the City's Department of Mobility and Infrastructure (DOMI) and McCaffery Interests, Inc. The water and sewer related infrastructure improvements will occur throughout the TIF district and will be undertaken by PWSA.

IV. Projected Budget for Improvements Financed with TIF Proceeds

Projected TIF Proceeds \$3,500,000

The TIF Proceeds may be used to partially fund any of the following infrastructure improvements within the Smallman Street TIF District:

- Public Space Improvements
- Street and related R-O-W improvements
- Storm sewers, sanitary sewers, and water distribution systems
- Related Engineering & Inspection
- Improvements to space(s) accessible to the public (as funds permit)

Estimate of Costs to be partially funded with TIF proceeds:

- | | |
|--|--------------|
| – Storm Sewers, sanitary sewers, water distribution system | \$13,000,000 |
| – Public Space Improvements | \$4,957,709 |
| – Street and related R-O-W Improvements | \$691,923 |
| – Related Engineering | \$948,448 |
| – Related Inspection | \$2,516,379 |

Total Cost of Infrastructure Improvements \$22,114,459

Estimated Sources of Funds for Infrastructure Improvements:

- | | |
|--|--------------|
| – Pittsburgh Water & Sewer Authority funds | \$13,000,000 |
| – RACP Grant | \$4,000,000 |
| – Smallman Street TIF proceeds | \$3,500,000 |
| – DCED Multimodal Grant | \$1,000,000 |
| – City of Pittsburgh funds | \$533,503 |
| – Heinz Endowments/Pittsburgh Gateway Grants | \$80,956 |

Total Funding for Infrastructure Improvements \$22,114,459

The Pledged Increment shall be applied either: (a) directly toward the Project Costs (as defined in the Tax Increment Financing Act, 53 P.S. §§ 6930.1 *et seq.* (the Act), of public improvements and public infrastructure together with related costs; or (b) indirectly, to the support and service of debt incurred to finance said capital costs, together with related costs. In either event, Pledged Increment will be applied until the earlier of: (i) the cumulative and aggregate amount of such taxes, applied directly or indirectly, has produced the funds necessary to pay for, or otherwise acquire, such capital improvements, or (ii) the expiration/termination of the TIF District.

V. Economic Impact Analysis

In September 2016, the URA retained Fourth Economy to estimate the economic impact of a possible \$121 million investment in the TIF District. Excerpts from the Smallman Street TIF District impact analysis is included as an Exhibit beginning on page 22.

VI. Economic Feasibility Analysis

A. Cost Estimate of Smallman Street Public Improvements:

(to be partially funded with TIF proceeds):

Smallman Street and related Infrastructure Improvements	\$22,000,000
Estimated Costs	\$22,000,000

B. Sources of Funds for Smallman Street Public Improvements:

– Smallman Street TIF proceeds	\$3,500,000
– Other Funding Sources	<u>\$18,614,459</u>
Total Funding Sources	\$22,114,459

C. Tax Increment Financing

1. TIF Note

The TIF Note(s) will be issued to fund a portion of the costs of improving the public infrastructure within Smallman Street TIF District. The TIF Note(s) are expected to generate approximately \$3.5 million in net proceeds, based on 2018 millage rates.

2. Pledged Revenues

Debt service on the TIF Note(s) will be serviced by the Pledged Increment.

3. Pledged Parcels

Lot / Block	Owner ³
9-G-80	Keicher Bros. Enterprises
9-D-200	Urban Redevelopment Authority Pittsburgh NOTE: McCaffery Interests, Inc. may sign ground lease prior to TIF Plan is adopted by taxing bodies

4. Provisions for Unused TIF Bond/Note Proceeds

Any TIF Note(s) proceeds that remain after financing the capital costs may be used for any other Public Infrastructure Improvements, or payment of any related costs, including debt service, within the TIF district.

5. Tax Base for Purpose of Increment Calculation

The taxable market value of each of the Pledged Parcels as of the date of the creation of the District will be used as the “base” for the purpose of calculating tax base with respect to such

³ Parcel 9-G-80 will be sold to the Developer. URA will lease Parcel 9-D-200 to the Developer for 99 years.

Pledged Parcel. As a result, the Taxing Bodies will continue to receive the base taxes from each of the Pledged Parcels throughout the term of the TIF District. The base assessments for these Pledged Parcels are illustrated on the summary entitled Tax Increment Base on page 17.

6. Real Estate Tax Determination

In the future, the current system of real estate taxation may be revised and/or reassessments or other changes in the real estate assessment system may occur. Accordingly, the cooperation agreement executed in connection with the issuance of any TIF Note(s) likely will provide that, upon the occurrence of such event, such document(s) will be interpreted in a manner which takes all relevant changes into account in order to preserve the intended economic results and expectations of the parties as of the date of the TIF Plan including, but not limited to, the expectations that the minimum amount required to pay the debt service and related expenses on any TIF Note(s) will be available for such purpose and that all amounts in excess of such minimum amount will be available for the other uses described herein.

7. Funding the TIF Note(s)

The URA anticipates issuing one or more TIF Note(s), which will be funded by either a third-party lender or self-funded by the redeveloper. The terms of any such financing will be subject to the consent of the URA, which the URA may grant or deny in its sole discretion.

The URA will require that the redeveloper and all subsequent owners of taxable parcels within the Smallman Street TIF District (the "Pledged Parcels") sign a Minimum Payment Agreement (each, an "MPA"), which shall be recorded in the Allegheny County Department of Real Estate, before new development begins. Each MPA will require the following:

- That the signatory and any subsequent owners of all or any portion of the Pledged Parcels, during the term of the TIF District, guarantee that, in the event the real estate tax increment for the Pledged Parcels is less than \$609,879 annually, they will make an additional payment (each, an "Additional Payment") to the TIF equal to the difference between the real estate tax increment actually collected and \$609,879.
- That the signatory and any subsequent owners of all or any portion of the Pledged Parcels, during the term of the TIF District, will not protest, challenge, appeal, or otherwise contest any valuation of any Pledged Parcel made by the County Assessor, nor seek any exemption for all or any portion of any Pledged Parcel from real estate taxation, if the effect of any such contest would be to reduce the total amount of the real estate taxes paid, including the base real estate taxes and the real estate tax increment, to an amount less than \$687,500 annually, which amount represents the current base real estate taxes plus the total amount of projected real estate tax increments calculated using the 2018 millage rates and the projected assessed values of the Pledged Parcels.

- Notification to the URA if the Developer or subsequent owner of any Pledged Parcel appeals the tax assessment of any Pledged Parcel during the term of the TIF District.

8. Actual Tax Increment in Excess of Assumed Increment

Any increases in real estate tax revenues from the Pledged Parcels, attributable solely to an increase in assessed value over and above that determined necessary to pay debt service on the TIF Note(s) or the other uses described in Section II above, will be applied first to the costs of approved TIF Project Infrastructure Improvements and related costs, with any unused proceeds to be either: (i) returned to the Taxing Bodies, or (ii) applied to prepay the TIF Note(s). Any increases in tax revenues from the Pledged Parcels, attributable to increased millage above the current millage by any of the Taxing Bodies, will be distributed to the relevant Taxing Body.

9. Interest Earnings

Any interest earnings on the pledged TIF revenues will be used towards debt service, including payment of capitalized interest and prepayment of the TIF Note(s) as permitted.

10. Financial Details⁴

The Smallman Street TIF District is on schedule to be established in September 2018. In order to add to the security for the new debt, the Developer(s), or a related entity acceptable to the URA, through a Minimum Payment Agreement, will guarantee the amount required for debt service, unpledged increment, and related costs.

The specific terms and structure of the TIF Note(s) will be determined at the time of issuance. Based on a project start date for the TIF District of January 2019, the TIF Note(s) would be issued in early 2019. It is contemplated that the TIF Note(s) will be issued funded through a private placement of the debt, at a market rate of interest with an amortization schedule to be determined and maturity date 20 years after the date of creation of the TIF District. However, it is contemplated that the first TIF Note(s) will be issued in January 2019 and amortized over an approximate 18-to 20-year term. All TIF Note(s) issued for the Smallman Street project will be required to be retired no later than 20 years past the approval date of the TIF district.

TIF Note(s) proceeds may be used to pay construction period interest, as well as costs of the public infrastructure improvements. The TIF Note(s) may be issued on a taxable or tax-exempt basis. The TIF loan could also be self-funded.

The specific uses for various sources of funds may be interchanged as necessary to efficiently fund the total costs of the project.

⁴ See Financial Analysis, page 17

11. Employment Opportunities for Neighborhood Residents

Job creation estimates are:

Construction Jobs	639
Permanent On-Site FTE Jobs	645

VII. Community Engagement

During the Smallman Street conceptual design process, three public meetings were held on September 6, 2016, October 6, 2016, and January 18, 2017 in order to engage more than 65 stakeholders. The URA, Department of Public Works and the Department of City Planning and design team staff have met several times for one-on-one conversations with multiple commercial stakeholders on the south side of Smallman Street. These engagements have allowed public agencies to better understand the overall functionality the PSIs and roadway and how we can continue to address the needs of the neighborhood and improve the plan.

VIII. Proposed Zoning Changes

The Smallman Street TIF District is located within the Lower Strip Redevelopment Area (#68) which is zoned Urban Industrial. All proposed uses for the Produce Terminal and 1600 Smallman Street developments are permitted within this area.

IX. Estimated Non-Project Costs

The Smallman Street Public Improvement project is expected to increase pedestrian safety and establish orderly and safe traffic patterns. Other non-project costs listed under "issuance costs" include URA issuance fee, legal fees, lender fees, Trustee fee, and fees for preparing the Impact Analysis Report.

X. Relocation Statement

As required by Section 6930.5(a)(4)(ix) of the TIF Act, the proposed method for the relocation of the business(es) to be temporarily or permanently displaced by implementation of the redevelopment plan is to negotiate for either the renewal or early termination of current leases at commercially reasonable terms.

XI. 1% Neighborhood Development Fee

As per City of Pittsburgh Ordinance No. 28 enacted in December 1998, the developer, from its own funds, will be required to pay a 1% fee (based on gross proceeds) to be expended by the Urban Redevelopment Authority and to be used for neighborhood development in the City of Pittsburgh or to source a portion of the "Strip District Loan Fund". The gross proceeds are currently projected to be \$3,916,234 based on the financial analysis on page 17, which will generate a fee of \$39,162.

XII. 1% School Development Fee

As per Pittsburgh School Board Resolution No. 12 approved on May 26, 1999, the developer, from its own funds, will be required to pay a 1% fee (based on gross proceeds) to be expended by the Pittsburgh School Board and to be used for school development in the City of Pittsburgh.

The gross proceeds are currently projected to be \$3,916,234 based on the financial analysis on page 17, which will generate a fee of \$39,162.

XIII. Compliance

All TIF proceeds expended in connection with this TIF Plan shall be subject to prevailing wage requirements, hiring plan requirements, minority and women business owned enterprise requirements, and any other specific requirements as may be applicable under the URA TIF Guidelines dated May 23, 2014. In addition, the use of TIF proceeds expended in connection with this TIF Plan shall be subject to all requirements applicable to the use of such funds under City, County, State, or Federal law.

XIV. Exhibits

Exhibit A: Financial analysis of the TIF plan	Page 17
Exhibit B: Base Assessment	Page 18
Exhibit C: Cost Estimates for Smallman Street Improvement Project	Page 19
Exhibit D: Boundaries of The Lower Strip District Redevelopment Area #68	Page 20
Exhibit E: Smallman Street TIF District boundaries	Page 21
Exhibit F: Economic Impact Study <i>Prepared by Fourth Economy Consulting, April 2018</i>	Pages 22

Exhibit A: Financial Estimate of the TIF Plan

Smallman Street TIF District - (75%, 18.5 years)

4/11/18 FINAL DRAFT

Net TIF Proceeds - Estimate

	Real Estate Taxes				Total Taxes
	Pittsburgh Public Schools	City of Pittsburgh	Allegheny County	Subtotal	
Diversion Rate	75%	75%	75%		
Tax Rate	0.984%	0.806%	0.473%		
Base Annual Tax Revenue	\$ 33,751	\$ 27,646	\$ 16,224	\$ 77,621	\$ 77,621
Total Tax Increment (100%)	\$ 265,188	\$ 217,217	\$ 127,474	\$ 609,879	\$ 609,879
Tax Increment to TIF (75%)	\$ 198,891	\$ 162,913	\$ 95,605	\$ 457,409	\$ 457,409
Tax Increment to Taxing Bodies (25%)	\$ 66,297	\$ 54,304	\$ 31,868	\$ 152,470	\$ 152,470
Total Tax Revenue	\$ 298,939	\$ 244,863	\$ 143,698	\$ 687,500	\$ 687,500
Annual Tax Revenue to Taxing Bodies	\$ 100,048	\$ 81,950	\$ 48,092	\$ 230,091	\$ 230,091

TIF Debt Capacity Analysis

Projected Annual Tax Revenue	\$ 687,500
Less Base Annual Tax Revenue	\$ (77,621)
Tax Increment (100%)	\$ 609,879
Less Increment Distribution to Taxing Bodies (25%)	\$ (152,470)
Pledged Tax Increment (75%)	\$ 457,409
Projected Gross Annual TIF Cash Flow	\$ 457,409
Debt Coverage Ratio	1.20
Projected Annual TIF Debt Service Capacity	\$ 381,174
URA Administration Fee	\$ (20,000)
Trustee Fee	\$ (5,000)
Projected Available Annual TIF Cash Flow	\$ 356,174
Projected Interest Rate	6.00%
Term (Years)	18.5
Projected Gross TIF Loan Amount	\$ 3,916,234
URA Issuer Fee	\$ (39,162)
URA Legal / TIF Counsel Fee	\$ (25,000)
URA Trustee Fee	\$ (2,500)
URA Impact Analysis Report (Est.)	\$ (4,900)
TIF Lender Fees	\$ (30,000)
MI TIF Counsel Fee	\$ (25,000)
Capitalized Interests	\$ (352,461) 1.5 years
Projected Net TIF Proceeds	\$ 3,437,210

Tax Projection Summary

Base Real Estate Taxable Assessed Value	\$ 3,500,000
Projected Incremental Taxable Assessed Value	\$ 27,500,031
Projected Taxable Assessed Value	\$ 31,000,031

Note: TIF Loan Terms are still being negotiated with potential TIF Lender(s).

Capitalized interest, DCR, interest rate, amortization, fees and other related TIF issuance costs may be adjusted.

Exhibit B: Base Assessment**SMALLMAN STREET TIF PLAN****TAX INCREMENT BASE**

2018 Millage Rates	
City Tax	0.00806
County Tax	0.00473
School District Tax	0.00984

2018 Assessment			
Lot - Block	2018 Assessed Values	Current Tax-Exempt Ownership Values	Owner ⁵
9-G-80	\$1,700,000	\$1,700,000	Keicher Bros. Enterprises
9-D-200	\$1,800,000	\$0	Urban Redevelopment Authority of Pittsburgh
		\$1,800,000	Value, if McCaffery signs Ground lease
TOTAL	\$3,500,000	\$3,500,000	

⁵ Parcel 9-G-80 will be sold to the Developer. URA will lease Parcel 9-D-200 to the Developer for 99 years.

Exhibit C: Estimated Costs of Smallman Street Public Improvement Project**Smallman Street Public Improvement Project - Cost Estimates**

[Department of Mobility and Infrastructure, City of Pittsburgh
and the Urban Redevelopment Authority of Pittsburgh]

Revised 4-11-18

	PWSA (District-Wide)	Public (TIF Eligible Expenses)	Total
Public Space Improvements	-	\$ 4,957,709	\$ 4,957,709
Street (ROW) Improvements	-	\$ 691,923	\$ 691,923
Storm Sewers, Sanitary Sewers, and Water Distribution System	\$ 13,000,000		\$ 13,000,000
CONSTRUCTION TOTAL	\$ 13,000,000	\$ 5,649,632	\$ 18,649,632
Engineering:	\$ -	\$ 948,448	\$ 948,448
Inspection:	\$ -	\$ 2,516,379	\$ 2,516,379
TOTAL COST:	\$ 13,000,000	\$ 9,114,459	\$ 22,114,459

Notes:

1. "Public Space Improvements" includes lighting, landscaping, trash cans, stair/ramp improvements, and other enhancements to the sidewalk. Also includes a 7% mobilization. Cost estimates were provided by DOMI.
2. "Street and Related ROW Expenses" includes street mill and overlay, sealant, street markers, parking bollards, and other street-related infrastructure improvements. Also includes 7% for Maintenance and Protection of Traffic (MPT) during construction. Cost estimates were provided by DOMI.
3. Storm Sewers, Sanitary Sewers, and Water Distribution System will be covered by PWSA scope of work. Cost estimates are preliminary and expected to be further revised by PWSA.

Exhibit D: Lower Strip District Redevelopment Area #68



Exhibit E: Smallman Street TIF District Boundary

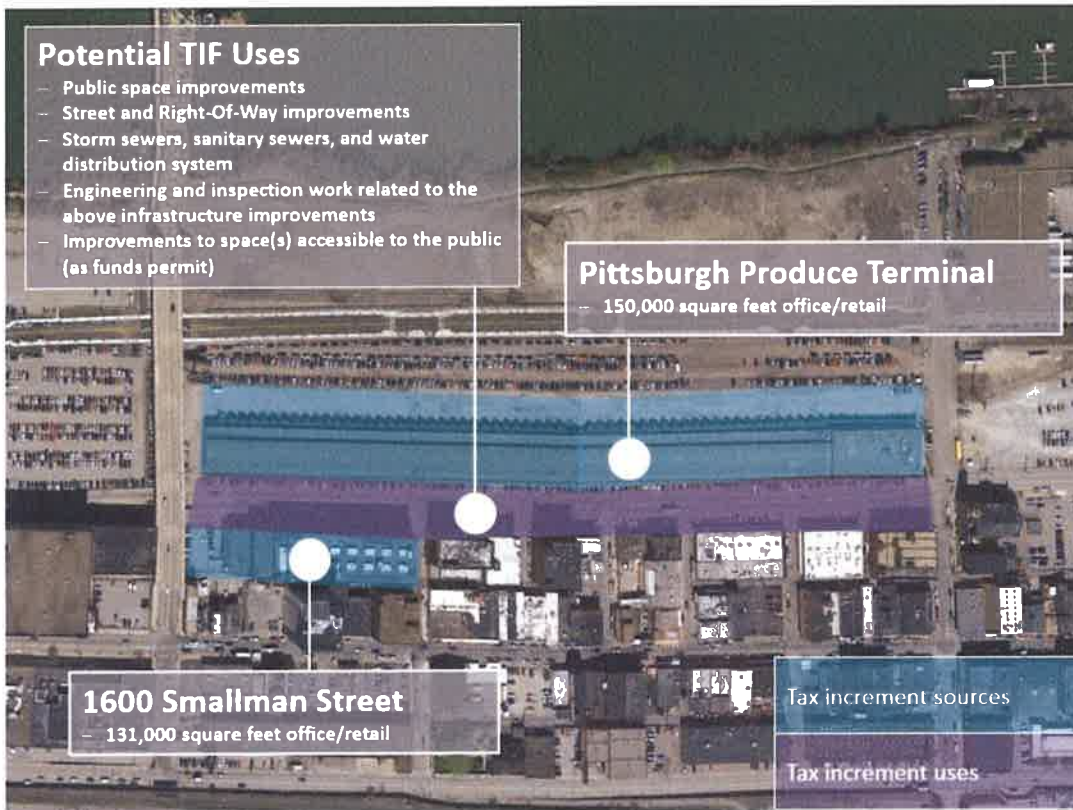


Exhibit F: Economic Impact Study

Prepared by Fourth Economy Consulting, April 2018



Impact Analysis Report
Produce Terminal & 1600 Smallman
Street
April 9, 2018

Background

The Urban Redevelopment Authority contracted Fourth Economy to provide an economic impact analysis for the redevelopment of the Produce Terminal and 1600 Smallman Street in Pittsburgh's Strip District. McCaffery Interests began the process of redevelopment with the Produce Terminal in 2014.

Located in Pittsburgh's bustling Strip District neighborhood, the iconic Produce Terminal was the central hub for the regional wholesale produce industry. McCaffery Interests has crafted a mixed-use vision for the historic five-block long building that will restore its energy and vitality as a commercial, people-centric destination.

While the designs and plans are evolving, the developer expects the development will include the following elements:

- Revitalization and restoration of historic building
- Close to the river and downtown
- ~160,000 SF of new retail, restaurants and office with parking
- Improved pedestrian access
- Interior rebuild targeting LEED Silver standards
- See <https://www.mccafferyinc.com/portfolio/produce-terminal> for more information.

Adjacent to the iconic Produce Terminal, 1600 Smallman is the revitalization of the historic Standard Underground Cable Company Building. Built in 1921, McCaffery aims to preserve the building's distinguishing features, including its rare American chestnut wood floors and ceilings, exposed brick walls and large warehouse windows, as well as modernize the building's mechanical systems and improve energy efficiency. McCaffery Interests envisions offering 35,000 SF of ground floor retail, 85,000 SF of open office space, and a 217-stall attached parking facility with unobstructed views of the Allegheny River and direct access to all that the Strip District has to offer.

While the designs and plans are evolving, the developer expects the development will include the following elements:

- Historic redevelopment of 1921 structure
- 35,000 SF ground level retail
- 85,000 SF office space
- Unique architectural and design features
- Attached 217-stall parking facility
- See <https://www.mccafferyinc.com/portfolio/1600-smallman> for more information.

Executive Summary

The impact analysis is based on an estimated development budget of \$100 million for the Produce Terminal and 1600 Smallman. The investment will bring to market 106,228 square feet of office space, 171,395 square feet of retail space, and 217 space of garage parking.

Construction Impacts

The construction phase at the Produce Terminal and 1600 Smallman will generate the following impacts in terms of employment, labor income (wages), output and taxes.

CONSTRUCTION	EMPLOYMENT	LABOR INCOME			OUTPUT
Direct Effect	639	\$43,256,904			\$100,922,178
Indirect Effect	130	\$9,691,912			\$23,444,100
Induced Effect	270	\$14,129,289			\$39,078,423
Total Effect	1,039	\$67,078,106			\$163,444,702

CONSTRUCTION & ONE TIME TAXES	CITY	SCHOOL	COUNTY	STATE	TOTAL
Construction Total	\$1,165,173	\$868,145	\$1,009,222	\$8,431,714	\$11,474,255

Operations Impacts

The operations phase at the Produce Terminal and 1600 Smallman will generate the following impacts in terms of employment, labor income (wages), output and taxes.

OFFICE JOBS	EMPLOYMENT	LABOR INCOME		OUTPUT
Direct Effect	315	\$41,858,788		\$87,466,387
Indirect Effect	225	\$17,231,975		\$41,310,833
Induced Effect	297	\$15,589,144		\$43,116,363
Total Effect	837	\$74,679,907		\$171,893,583

RETAIL JOBS	EMPLOYMENT	LABOR INCOME		OUTPUT
Direct Effect	330	\$7,456,891		\$14,557,136
Indirect Effect	27	\$2,005,445		\$5,483,582
Induced Effect	48	\$2,516,443		\$6,959,928
Total Effect	405	\$11,978,779		\$27,000,645

NET ANNUAL OPERATING TAXES (@ \$35M EST AV)	CITY	SCHOOL	COUNTY	STATE	TOTAL
Total	\$1,377,299	\$1,297,239	\$294,566	\$2,565,906	\$5,535,010

Impact Estimate

The impact analysis is based on the following estimated construction costs for the Produce Terminal and 1600 Smallman with a total development budget of \$100 million.

	PERCENT	ESTIMATED DEVELOPMENT BUDGET
Acquisition	11%	\$ 11,114,950
Hard Costs	77%	\$ 76,891,098
Soft Costs	12%	\$ 11,993,952
Total	100%	\$ 100,000,000

The operations estimates at the Produce Terminal and 1600 Smallman are based on the following end uses.

USE TYPE	PRODUCE TERMINAL	1600 SMALLMAN STREET	TOTAL SQUARE FOOTAGE
Office	20,501	85,727	106,228
Retail	136,083	25,934	162,017
Parking Garage – 1 st Floor Retail	0	9,378	9,378
Parking Garage Spaces	0	217	217

The tax estimates at the Produce Terminal and 1600 Smallman are based on the estimated pre and post development real estate values, as well as the outputs from the impact model. The Produce Terminal is expected to become taxable but currently it is tax exempt and generates no property tax revenue. The Post-Development Value was based on an income approach based on the potential rental rates for the development. Several estimates were examined and compared for their impact on the tax generation. We used the mid-point estimate for our main findings.

ESTIMATED VALUES	MCCAFFERY	INCOME APPROACH	URA ESTIMATE
Existing	\$3,500,000	\$3,500,000	\$3,500,000
Post-Development Value	\$ 28,755,165	\$ 35,000,000	\$41,600,000
Incremental Value	\$ 25,255,165	\$ 31,500,000	\$38,100,000

Valuation Methods and Caveats

These impact estimates are based on an estimated development budget for the Produce Terminal and 1600 Smallman and projected uses of the space. Small changes in the development plans or budgets will not influence these results. Significant changes

on the order of a 20 percent change in the investment or the space allocation would definitely alter the results of this analysis.

In order to estimate the tax generation, Fourth Economy generated alternative estimates of the post-development value of the properties. This not a formal appraisal, but an estimate based on the proposed development plans. Changes in the development budget, design or execution would ultimately affect the final valuation and related tax generation of the property. In addition to the speculative and limited information available at this time, this development represents a unique product that presents a significant challenge for any valuation.

The value of commercial real estate is usually determined using one or more of three standard valuation techniques. One approach is the use of **comparable properties**, which in this case is complicated by the uniqueness of the development and the location in the Strip District. A second approach is the **cost approach**, which is based on the development budget, adjusted for design, construction, functional utility, grade of materials and depreciation. A third approach is the **income approach** which is most used with commercial properties that generate annual income. To estimate the commercial real estate value for this project, Fourth Economy used the income approach to provide an estimate.

Income Approach

The income approach values a property based on its potential to generate income. This method is generally used for commercial structures such as apartments, office buildings, malls, etc. The property value is estimated according to the following steps:

Estimate the annual gross income based on market rental rates and the square footage in the proposed development. From this gross income, subtract any losses from vacancy or other occupancy costs to get the effective gross income. For our purposes we assumed an occupancy rate of 75 percent to reflect the scale up of leasing and to provide a more conservative estimate than assume a 90 or 95 percent occupancy.

The net operating income (NOI) is calculated by subtracting the annual operating expenses from the effective gross income. Annual operating expenses include real estate taxes, insurance, utilities, maintenance, repairs, advertising and management expenses.

1. Gross Income = Space * Rental Rates
 - a. Colliers reported office rental rates for the greater downtown of \$22.71 per SF as of Q4 2017 * 106,228 SF of total office space
 - b. Colliers reported retail rates of \$16.32 per SF as of Q4 2017 * 162,017 of total retail space
2. Effective Gross Income = Gross Income - Vacancy Loss
 - a. Assumed a 25 percent vacancy (75 percent occupancy)
3. Net Operating Income = Effective Gross Income - Operating Expenses

- a. Assumed operating expenses of 40 percent¹
 - b. The NOI therefore equals \$2,451,220
4. Capitalization Rate = Net Operating Income / Purchase Price or Property Value

In this case the purchase price does not reflect the value of the development, and the property value is unknown. However, we can estimate the NOI, and if we have an estimate of the cap rate we can solve for the property value.

If

Capitalization Rate = Net Operating Income / Purchase Price or Property Value

Then

Property Value = Net Operating Income / Capitalization Rate

The capitalization rate (cap rate) is the rate of return, or yield, that other investors of property are getting in the local market. The cap rate is similar to the interest rate for bonds or the earnings to price ratio for stocks. Cap rates are lower for more desirable properties than less desirable properties, for the same reason that Treasuries have lower interest rates than junk bonds because of the higher quality and lower risk of a Treasury investment.

CBRE conducts an annual survey of investor cap rates in markets across the United States. The CBRE North America Cap Rate Survey for the Second Half of 2017 provided cap rates for the Pittsburgh market.

Cap Rates	Class AA	Class A
Office - CDB	6.5 to 7	6.75 to 7.25
Industrial		6.75 to 7.5
Retail		6 to 7

Therefore, we can take our estimate of the NOI divided by the Cap Rate to estimate the property value.

- 5. NOI = \$2,451,220, divided by
 - a. Cap Rate of 6.5 = Property Value of \$37,711,075
 - b. Cap Rate of 7 = Property Value of \$35,017,427**

The tax estimates generated for this report rounded the value down to \$35 million.

¹ The ratio of operating expenses for large complexes was assumed in this case. See <http://www.realestateinvestmentsoftwareblog.com/operating-expenses-ratio/>

The tax generation estimates for all of the potential post-development values are included below:

\$28.76 M Property Value					
Net Annual Operating Taxes	City	School	County	State	Total
Real Estate	\$203,557	\$248,511	\$119,457	NA	\$571,524
Total	\$1,325,404	\$1,235,789	\$265,028	\$2,565,906	\$5,392,128
\$35M Property Value					
Net Annual Operating Taxes	City	School	County	State	Total
Real Estate	\$253,890	\$309,960	\$148,995	NA	\$712,845
Total	\$1,377,299	\$1,297,239	\$294,566	\$2,565,906	\$5,535,010
\$41.6 M Property Value					
Net Annual Operating Taxes	City	School	County	State	Total
Real Estate	\$307,086	\$374,904	\$180,213	NA	\$862,203
Total	\$1,432,145	\$1,362,183	\$325,784	\$2,565,906	\$5,686,018

Construction Impacts

The construction phase at the Produce Terminal and 1600 Smallman will generate the following impacts in terms of employment, labor income (wages) and output. The construction will support nearly 639 direct jobs and another 130 indirect jobs in supplier industries. An additional 270 induced jobs will be supported by the household spending from the direct and indirect jobs. The total jobs supported by the construction phase is approximately 1,039 jobs. The total increase in labor income will amount to approximately \$67 million and total boost to the economic output of the economy of more than \$163 million. More information about direct, indirect and induced impacts is provided on page 11.

CONSTRUCTION	EMPLOYMENT	LABOR INCOME	OUTPUT
Direct Effect	639	\$43,256,904	\$100,922,178
Indirect Effect	130	\$9,691,912	\$23,444,100
Induced Effect	270	\$14,129,289	\$39,078,423
Total Effect	1,039	\$67,078,106	\$163,444,702

Taxes generated by the construction activity at the Produce Terminal and 1600 Smallman are total or one-time taxes generated in the development phase of the project. These are not annual or recurring taxes. The construction activity will generate nearly \$11.5 million in city, school district, county and state taxes. The city will yield approximately \$1.2 million in one-time taxes, the school district will receive more than \$868,000. The state could receive more than \$8.4 million from the construction phase.

CONSTRUCTION & ONE TIME TAXES	CITY	SCHOOL	COUNTY	STATE	TOTAL
Sales and Use Taxes	NA	NA	\$1,009,222	\$6,055,331	\$7,064,552
Earned Income	\$540,711	\$756,996	NA	\$2,012,343	\$3,310,050
Emergency Service	\$33,233	NA	NA	NA	\$33,233
Payroll Prep	\$368,930	NA	NA	NA	\$368,930
Transfer Tax	\$222,299	\$111,149	NA	\$111,149	\$444,598
Other Taxes and Fees	NA	NA	NA	\$252,891	\$252,891
Construction Total	\$1,165,173	\$868,145	\$1,009,222	\$8,431,714	\$11,474,255

Operations Impacts

The operations phase will generate the following impacts in terms of employment, labor income (wages) and output. The impact from operations will results from office development and retail development at the Produce Terminal and 1600 Smallman.

The office operations at the Produce Terminal and 1600 Smallman will support 315 direct jobs, 225 indirect jobs in supplier industries and 297 induced jobs supported by the household spending from the direct and indirect jobs. The total annual jobs supported by office operations at the site is 837 jobs. The total increase in labor income

will amount to approximately \$75 million and total boost to the economic output of the economy of nearly \$172 million.

OFFICE JOBS	EMPLOYMENT	LABOR INCOME	OUTPUT
Direct Effect	315	\$41,858,788	\$87,466,387
Indirect Effect	225	\$17,231,975	\$41,310,833
Induced Effect	297	\$15,589,144	\$43,116,363
Total Effect	837	\$74,679,907	\$171,893,583

The retail operations at the Produce Terminal and 1600 Smallman will support 330 direct jobs, 27 indirect jobs in supplier industries and 48 induced jobs supported by the household spending from the direct and indirect jobs. The total annual jobs supported by office operations at the site is more than 405 jobs. The total increase in labor income will amount to approximately \$12 million and total boost to the economic output of the economy of nearly \$27 million.

RETAIL JOBS	EMPLOYMENT	LABOR INCOME	OUTPUT
Direct Effect	330	\$7,456,891	\$14,557,136
Indirect Effect	27	\$2,005,445	\$5,483,582
Induced Effect	48	\$2,516,443	\$6,959,928
Total Effect	405	\$11,978,779	\$27,000,645

The taxes generated by the operations phase of the Produce Terminal and 1600 Smallman are annual recurring taxes that will accrue over the operational life of the project. The existing annual operating taxes are excluded from the net operating. These existing taxes are detailed below.

EXISTING ANNUAL OPERATING TAXES	CITY	SCHOOL	COUNTY	STATE	TOTAL
Real Estate	\$28,210	\$34,440	\$16,555	NA	\$79,205
Library Tax	\$875				\$875
Parking	\$50,204		NA	NA	\$50,204
Total	\$79,289	\$34,440	\$16,555	\$0	\$130,284

The new annual operating taxes from the Produce Terminal and 1600 Smallman with a \$35 million post-development value are detailed below:

NEW ANNUAL OPERATING TAXES	CITY	SCHOOL	COUNTY	STATE	TOTAL
Real Estate	\$282,100	\$344,400	\$165,550	NA	\$792,050
Library Tax	\$8,750	NA	NA	NA	\$8,750
Parking	\$116,711	NA	NA	NA	\$116,711
Hotel Occupancy	NA	NA	\$0	NA	\$0
Sales and Use Taxes	NA	NA	\$145,571	\$873,428	\$1,019,000
Earned Income	\$705,199	\$987,279	NA	\$1,692,478	\$3,384,955
Emergency Service Tax	\$33,540	NA	NA	NA	\$33,540
Payroll Prep	\$310,288	NA	NA	NA	\$310,288
Total	\$1,456,588	\$1,331,679	\$311,121	\$2,565,906	\$5,665,294

The Produce Terminal and 1600 Smallman are expected to generate net annual operating taxes of \$1.38 million for the City of Pittsburgh, nearly \$1.3 million for the Pittsburgh School District and \$294,566 for Allegheny County. The development could generate nearly \$2.6 million in annual taxes for the state of Pennsylvania.

NET ANNUAL OPERATING TAXES	CITY	SCHOOL	COUNTY	STATE	TOTAL
Real Estate	\$253,890	\$309,960	\$148,995	NA	\$712,845
Library Tax	\$7,875	NA	NA	NA	\$7,875
Parking	\$66,507	NA	NA	NA	\$66,507
Hotel Occupancy	NA	NA	\$0	NA	\$0
Sales and Use Taxes	NA	NA	\$145,571	\$873,428	\$1,019,000
Earned Income	\$705,199	\$987,279	NA	\$1,692,478	\$3,384,955
Emergency Service Tax	\$33,540	NA	NA	NA	\$33,540
Total	\$1,377,299	\$1,297,239	\$294,566	\$2,565,906	\$5,535,010

General Notes about the Impact Model

Impact model prepared with IMPLAN Pro © 2015.

IMPLAN provides an input/output model of economic activity that can be used to identify the effects of a specific stimulus, such as employment in a specific industry or investment in the construction of new facilities or even the impact of the expenditures from a firm or industry. An input/output model estimates the interactions between industries and households in an economy to identify how transactions impact the production and consumption of goods and services in an economy (see Figure 1).

Figure 1: Types of Economic Impact Effects



A type SAM model includes multipliers that estimate the direct, indirect, and induced effects based on the Social Account Matrix that includes industries, institutions, and households. Type SAM models account for social security and income tax leakage, institution savings, commuting, and inter-institutional transfers.

Indirect effects take account of everything that an industry needs to produce a unit of commodity. For example, the production of \$100 worth of paper will require inputs from a variety of supplier industries such as chemicals, toolmakers, trucking companies, and more. Furthermore, that \$100 worth of paper may then be inputs for other goods and services in schools, hospitals, architects, manufacturing plants and so on. Induced effects are the Impacts that result from household expenditures for goods and services as a result of earnings from the direct and indirect expenditures.

Caution is required in interpreting the estimates of input-output models. These models estimate the resources required to produce given quantities of different kinds of output. In other words, what amount of concrete and other supplies does it take to produce \$1 million worth of new roads? For these new roads to have a net impact on the economy, we have to assume that the businesses providing those goods and services are at capacity and cannot produce them without additional workers and resources. If there is slack capacity, then the \$1 million helps to retain existing jobs. The input-output model is therefore more like an accounting tool that describes the allocation of resource requirements, but it does not tell us if they are new resources or substitutions.

Minnesota IMPLAN Group, Inc (MIG, Inc) are the developers of the IMPLAN® economic impact modeling system. IMPLAN® is used to create complete, extremely detailed Social Accounting Matrices and Multiplier Models of local economies. MIG, Inc. provides software tools, region-specific data, and outstanding technical support to enable users to make in-depth examinations of state, multi-county, county or sub-county, and metropolitan regional economies.

See:

http://implan.com/index.php?option=com_content&task=blogcategory&id=83&Itemid=28.

MEMORANDUM

OFFICE OF THE COUNTY MANAGER

TO: Jared E. Barker
Allegheny County Council

FROM: William D. McKain CPA
County Manager

DATE: September 6, 2018

RE: Proposed Resolution

Attached is a Resolution of the Council of the County of Allegheny adopting and authorizing participation in the Smallman Street Tax Increment Financing Plan, as presented by the Urban Redevelopment Authority of Pittsburgh, and authorizing related agreements.

The Allegheny County Law Department has reviewed this legislation prior to submitting it to Council.

I am requesting that this item be placed on the agenda at the next Regular Meeting of Council.

RECEIVED
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2018 AUG 31 AM 11:01