

TAX INCREMENTAL FINANCING (TIF)

PLAN AND PROPOSAL

FOR

RIVERPLACE - CITY CENTER

OF DUQUESNE

SEPTEMBER 1999

Prepared by:

Redevelopment Authority of the City of Duquesne

for

City of Duquesne  
Duquesne School District  
County of Allegheny

EXHIBIT "A"

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## **INTRODUCTION**

The TIF Project and Proposal Plan is prepared in accordance with Act 113 of 1990 for consideration and approval by the three local taxing bodies. The three taxing bodies are the City of Duquesne, Duquesne School District and Allegheny County.

The objective of the TIF project is to revitalize and develop the former USX property located along the Monongahela River. The project district was designated as blighted by the Duquesne Planning Commission in accordance with the Urban Redevelopment Law of 1985, as amended. Revitalization is to be accomplished by utilizing a portion of this increased tax yield after new private investment for a defined period to offset public costs required for site preparation and improvements.

In accordance with Act 113 the City of Duquesne, "shall hold at least one public hearing at which interested parties are afforded a reasonable opportunity to express their views on the concept of tax increment financing, on the proposed creation of a tax increment district and its proposed boundaries, on the proposed adoption of a project plan for the district and the benefits to the municipality."

The TIF Plan and Proposal will be formally presented to the City, School District and County for approval following a properly advertised public hearing. The Redevelopment Authority of the City of Duquesne will administer the project on behalf of the approving taxing bodies.

## **PROJECT BOUNDARY - TAX INCREMENTAL DISTRICT**

The Riverplace - City Center of Duquesne TIF area is located wholly within the City of Duquesne and is generally bounded by:

Monongahela River on the East; a point adjacent to Library Street and Former Ore Pit on the South; the Union Railroad property on the North and the Norfolk Southern Railroad right of way on the West.

The District is further defined on the TIF District Boundary Map included as Exhibit "A". The District comprises approximately 150 acres with primary access by East Grant Avenue with North and South Linden Street bisecting the TIF District.

## **APPROVAL PROCESS FOR TAX INCREMENT DISTRICT**

The provisions of the TIF legislation, Act 113 of 1990, specify that a tax increment district shall be created in the following manner:

1. The Redevelopment Authority of the City of Duquesne shall prepare a formal presentation to the governing bodies; City of Duquesne (City), County of Allegheny (County) and Duquesne School District (School District) which levy taxes within the tax increment district.
2. Each taxing body shall designate representative(s) to meet with the Redevelopment Authority for detailed planning of project and the formula and use of tax increment financing.
3. The Redevelopment Authority recommends the boundaries of the TIF District with a TIF Plan and Proposal for consideration by the participating taxing bodies.
4. Upon affirmative action by the County and School District, the City shall hold at least one public hearing at which interested parties are afforded a reasonable opportunity to express their views on the concept of tax increment financing, on the proposed adoption of a project plan for the tax increment district, and the benefits to the taxing bodies.

Notice of the hearing shall be published in accordance with the terms of July 3, (P.L.388, No. 84), known as the Sunshine Act, and said notice shall be provided by first class mail, postage prepaid, to the City, County and School District. This notice shall be provided not less than 30 days before date of the hearing. The School District and County shall notify the City of its acceptance of the TIF District and the proposed TIF Plan and Proposal prior to the public hearing.

5. In order to create a TIF District and an approved TIF Plan and Proposal, the City shall adopt, not earlier than three weeks after the public hearing described in 4. above, a resolution approving the TIF District and TIF Plan and Proposal pursuant to Section 5 (6) (i) through (iv) of the Act 113.
6. The City may, at any time, subject to the provisions of Section 6 (c) of Act 113, adopt amendment(s) to a TIF Plan and Proposal. The initial approval by all taxing bodies establishes the boundaries of the TIF District, method for establishing the tax base upon which the tax increment is determined and procedure to review and approve developer plans, supporting improvements and confirmed commitments which are to be presented as a Developer Package.
7. The amount of estimated new tax yield is determined from the Developer Package and said new tax yield shall control the amount of financing identified for necessary supporting improvements.
8. Any Tax Increment Financing of seven (7) years or less will not require the approval of the governing bodies. The use of such a TIF of seven (7) years or less will be reviewed by the TIF Committee for consistency with the plan and referred to the Redevelopment Authority for approval. Any TIF in excess of seven (7) years will require the approval of the governing bodies.

9. After approval of the TIF Plan and Proposal by all parties; City, School District, and County the Redevelopment Authority shall execute a Cooperation Agreement. The Agreement will specify that the TIF Plan will initially be in place for fifteen (15) years and the TIF Committee, comprised of two (2) representatives from each of the governing bodies and the Redevelopment Authority of the City of Duquesne, will remain in place during that time.

## **TIF PLAN**

The TIF District was initially studied by a number of advisors and consultants to provide direction for dismantling the structures, equipment and machinery at the mill site. Environmental conditions, demolition and site preparation have been proceeding for approximately 12 years. Over one-half of the former mill site is cleared of obsolete, non-productive structures and environmental assessments and remediation are in final stages and the land remaining structures are ready for sale and new development. Marketing and developer identification is being emphasized to stimulate new private investors which will develop facilities for product/service oriented enterprises and new job creation. The ultimate public benefit is jobs and payroll along with new taxables and increased tax yield.

1. **Statement Listing the Kind, Number and Location of all Proposed Public Improvements Within the District**

The public effort to develop the TIF District is divided into two phases:

**First**, Clearance; remediation; installation of utilities, and roadways and preliminary land subdivision. The Regional Industrial Development Corporation (RIDC) has addressed these improvements with non-TIF funds. East Grant Avenue and portions of South Linden and North Linden are constructed or under construction. As of July 1999 RIDC has expended in excess of \$20 million dollars on the site.

**Second**, Specific improvements to support developer proposals; such as, service road, utility service on site, fencing, lighting, parking, storage, drainage on-site, building improvements will be identified for inclusion with each Developer Package. Cost estimates for proposed improvements to be undertaken are identified in a report by the Riverplace engineer. Improvements financed by Tax Increments shall be limited by the estimated positive tax yield for debt amortization or availability of other sources.

2. **Economic Feasibility Study of the Project and the Fiscal Efforts on the Municipal Tax Base**

The TIF District will generate new development as the negative impediments are removed and general supporting improvements are in place. The site offers a number of advantages for industrial operators; namely river, rail and level thoroughfares to interstate highways. The area is served by adequate water, sewer, electric, gas utilities.

The former Machine Shop, Roll Shop and Brick Shed buildings have been

rehabilitated/retrofitted, taxable and occupied by three (3) enterprises. A fourth building, the Store House Building, is being rehabilitated and the former Ore Pit is taxable and being utilized by Allegheny Recovery Corporation. These properties are assessed taxable and RIDC in 1998 remitted the following tax payments: - City of Duquesne \$13,777.22 - Duquesne School District \$27,114.20 - Allegheny County \$6,901.79 a total of \$47,793.21.

The property assessment was appealed by USX reducing the tax yield in 1987. The taxing bodies and USX agreed to a 1988 "in lieu of tax" payment based on the 1987 tax assessment and 1988 millage. It is estimated that the development of 50% of the mill site will achieve an assessment in excess of the 1987 assessment.

In 1999 the total "in lieu of tax" payment is \$192,411 to the City, County and School. As land is sold off for development, the "in lieu of tax" payment will be reduced. In calculating the adjusted tax base a \$2,000 per acre is used. If 100 acres are sold to a private party and assessed, the full \$192,411 will have been matched. In calculating the tax increment, the three taxing bodies will be assured a tax payment equal to the "in lieu of taxes" payment. Thus, thirty percent (30%) of the new tax yield will be retained by the taxing bodies with the balance seventy percent (70%) used for Tax Increment financed improvements.

3. Detailed List of Estimated Project Costs

It is estimated that development parcels will range in size from three to eight acres with an average of four acres per development. Twenty (20) development packages are anticipated over a ten year period. The average public improvement cost is estimated as \$250,000 per package or \$5,000,000 for 20 development packages.

The cost per development package shall be controlled by the projected increased tax increment. Each development package shall be independent and free-standing in regard to incurring of debt and debt service.

The Authority may include up to 10% of the project cost for planning, legal, engineering and administration.

4. Description of the Methods of Financing All Estimated Project Costs and the Time When Related Costs on Monetary Obligations are to be Incurred

Each development package will be independently financed through a negotiated line of credit or loan based on the estimated increased tax yield. As a number of development packages are financed, the Authority may consider a long term bond.

Administrative costs may be paid on a "pay as you go" basis. To the extent feasible, the developer will guarantee the line-of-credit or loan during construction and that portion of the debt service not available for repayment from the tax increment.

Calculating the Tax Increment for each development package.

EXAMPLE:

	Market	Assessed
a. Four Acres of land	\$ 100,000	\$ 25,000
b. Building construction and other on site	<u>2,000,000</u>	
		<u>500,000</u>
c. TOTAL	\$2,100,000	\$525,000
d. Millage (1998)		
City - Land	80	
Improvements	38	
School -	99	
County -	<u>25.2</u>	
TOTAL (less City Land)	242.2	
e. Tax Assessment - 25% of Market Value		\$525,000
f. Tax Payment after Development		
Land (City) 25,000 @ 100 Mills	2,000	
Improvements due 500,000 @143.6 Mills	<u>81,000</u>	83,000
g. Less base (in lieu of tax) (30%)		<u>24,900</u>
h. Positive (increased) Tax Increment Yield for Debt Service (70%)		58,100
i. Potential loan maximum for Public Improvements (assume 7 year amortization)(Approximately \$300,000 principal plus interest)		\$406,700

If a Developers Package averages \$2,000,000 the projected 20 packages will equal a market value of approximately \$40,000,000 and assessment of \$10,000,000. As the tax millage is adjusted, the positive tax yield will also increase. Total estimated property tax yield would be \$1,000,000 to \$1,200,000 annually.

After the public improvement loan related to a Development Package is repaid (7 years or less) the total new tax increment will be paid to the respective taxing bodies. Each loan will be reliant on the positive tax increment from the new private taxable development included in the Developer Package.

5. Map Showing Existing Uses and Conditions of Real Property in the Tax Incremental District

A map of the TIF District showing buildings to remain and main roadways is attached as an

exhibit. A preliminary subdivision of the district is also included which will guide and direct Developer Packages.

6. Proposed Changes of Any Zoning Ordinance, Master Plan, Map, Building Code or Ordinance

The City of Duquesne has adopted a Zoning Ordinance and other building related codes to control the development of the TIF District. The District is zoned for multiple uses with emphasis on environmentally acceptable standards for industrial type uses.

7. List of Estimated Non-Project Costs

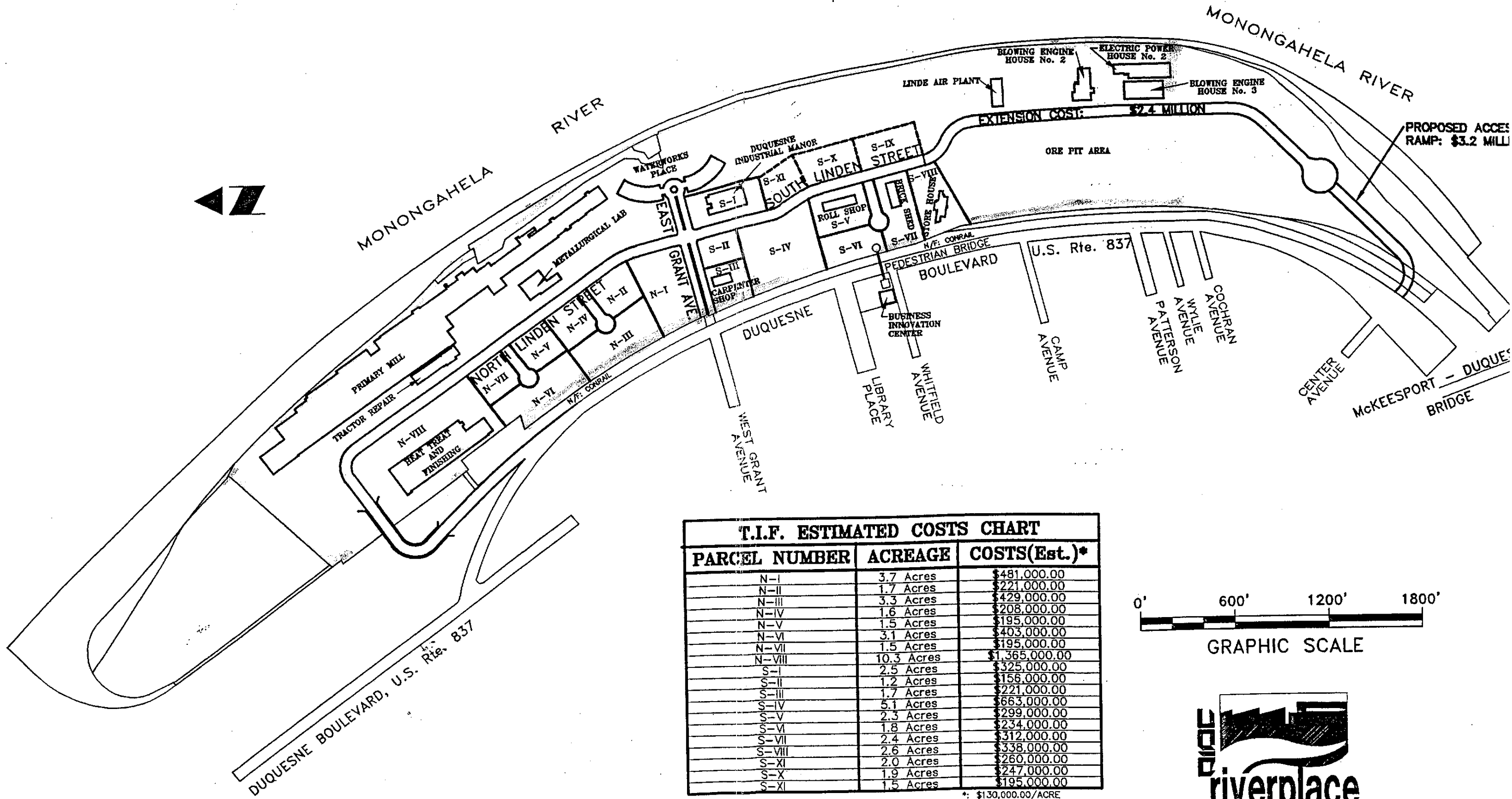
It is estimated that tax increments will finance up to \$5,000,000 of public improvements directly supporting Developer Packages. In addition site reclamation and construction/installation of major roadways and utility distribution/collection systems will continue. Funds from sale of scrap and equipment, resale value of land and governmental loans/grants will be used along with new tax yield to finance improvements.

8. Statement of a Proposed Method for the Relocation of Families, Persons and Business

There will be no displacement of on-site families, persons or businesses.

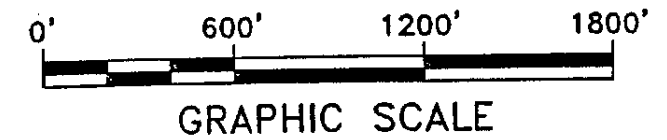


NOTE: ESTIMATED DEVELOPMENT COST PER ACRE ASSUMES NEED FOR ROADWAY ACCESS, ALL UTILITY SERVICE, BASE SITE GRADING AND PREPARATION (EXCLUDING ENVIRONMENTAL



T.I.F. ESTIMATED COSTS CHART		
PARCEL NUMBER	ACREAGE	COSTS(Est.)*
N-I	3.7 Acres	\$481,000.00
N-II	1.7 Acres	\$221,000.00
N-III	3.3 Acres	\$429,000.00
N-IV	1.6 Acres	\$208,000.00
N-V	1.5 Acres	\$195,000.00
N-VI	3.1 Acres	\$403,000.00
N-VII	1.5 Acres	\$195,000.00
N-VIII	10.3 Acres	\$1,365,000.00
S-I	2.5 Acres	\$325,000.00
S-II	1.2 Acres	\$156,000.00
S-III	1.7 Acres	\$221,000.00
S-IV	5.1 Acres	\$663,000.00
S-V	2.3 Acres	\$299,000.00
S-VI	1.8 Acres	\$234,000.00
S-VII	2.4 Acres	\$312,000.00
S-VIII	2.6 Acres	\$338,000.00
S-IX	2.0 Acres	\$260,000.00
S-X	1.9 Acres	\$247,000.00
S-XI	1.5 Acres	\$195,000.00

\*: \$130,000.00/ACRE



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