

# Allegheny County Council

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## Meeting Minutes

**Wednesday, January 27, 2016**

**5:00 PM**

**Conference Room 1**

## **Committee on Economic Development & Housing**

*Dewitt Walton, Chair*

*Members; Tom Baker, Sam DeMarco, Mike Finnerty, Nick Futules, Ed Kress, Bob Macey, John Palmiere*

## I. Call to Order

*The meeting was called to order at 5:19.*

### Invited Guests:

**William D. McKain, CPA-County Manager or Designee**

**Robert D. Hurley-Director, Economic Development**

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

*Mr. Exler, Mr. Earley and Mr. Struhl were present from the Department of Economic Development.*

*Ms. Hicks was present from the Hospital Development Authority.*

*Mr. Mahr was present from Cohen & Grigsby.*

*Mr. Bland was present from Concordia Lutheran.*

*Mr. Castonguay was present from Oxford Development.*

*Mr. Reidbord was present from Walnut Capital.*

*Mr. Barker and Mr. Szymanski were present from the Office of County Council.*

## II. Roll Call

**Members Present:** 6 - Walton, Sam DeMarco, Michael Finnerty, Ed Kress, Bob Macey and John Palmiere

**Members Absent:** 1 - Nick Futules

**Members Phone:** 1 - Tom Baker

**Members** 2 - Cindy Kirk and Sue Means

**Non-Members:**

## III. Approval of Minutes

[9401-16](#)

**A motion was made by Finnerty, seconded by DeMarco, that this matter be Passed. The motion carried by a unanimous vote.**

## IV. Agenda Items

### Resolutions

[9395-16](#)

A Resolution approving a Project for the benefit of Rebecca Residence (the "Borrower") and its affiliates: Concordia of Monroeville, Concordia Lutheran Health and Human Care, Concordia Lutheran Ministries Foundation, Concordia of Ohio, and Concordia Lutheran Ministries of Pittsburgh to be financed by the Allegheny County Hospital Development Authority by the issuance of the Authority's tax-exempt bonds, to be issued in one or more series, in the aggregate principal

amount not expected to exceed \$45,000,000, provided that the taxing power of the County of Allegheny, Pennsylvania (the "*County*"), shall not be obligated in any way with respect to the Bonds (hereinafter defined), and determining that the purpose of the financing will be to benefit the health and welfare of the citizens of Allegheny County, Pennsylvania

**Sponsors:** Chief Executive

*The Chair discussed protocol to be followed within the Committee's proceedings, noting that requests for staff assistance made during the course of the Committee's proceedings are to be processed through the Chair, in a fashion similar to the procedure employed by Mr. Finnerty in the Committee on Budget & Finance.*

*At the request of the Chair, the clerk read the title of the bill and Ms. Hicks summarized its provisions and the uses to which the proposed bond financing would be put.*

*Mr. Mahr discussed the mechanics of the bond issuance transaction, noting that the Hospital Development Authority would in no way be obligated to repay any portion of the bond issuance. Mr. Mahr also described the services provided by Concordia, indicating that the care provided is geared more toward middle income individuals, which is somewhat atypical as most entities providing the same type of care tend to target more affluent patients.*

*In response to a question from Mr. Macey, Mr. Mahr discussed the tax exempt status of the Concordia entities that would be involved.*

*In response to questions from Mr. Finnerty, Mr. Bland described the entities that are part of Concordia within the County and discussed the allocation of the proposed bond proceeds among the participating entities.*

*In response to a question from Mr. DeMarco, Mr. Mahr discussed what would happen in the event of a default on the bonds by the borrower, noting that the indenture does not allow for any legal recourse for any party against the County or Hospital Development Authority.*

*Ms. Means and Mr. Bland discussed the location of the former Cedars facility in Monroeville.*

*In response to a question from Ms. Means, Mr. Mahr described the provisions of the Municipality Authorities Act relating bond issuances by the Hospital Development Authority, noting that the health and welfare declaration is a necessary precondition of the bond issuance by the Authority.*

*Ms. Kirk noted that she had observed Concordia's work, and regarded their services as valuable to the County's residents.*

*In response to a question from the Chair, Mr. Bland discussed Concordia's activities to date with regard to project design, and noted that the \$24 million estimate for the independent living community was based on the architect's estimates.*

*In response to questions from the Chair, Mr. Bland indicated that M/W/DBE participation rates would not be possible to describe at the present, as a general contractor has not yet been selected. The Chair expressed an interest in M/W/DBE participation in the*

*workforce once the project is completed.*

*In response to a question from the Chair, Mr. Earley expressed a belief that the work that would be performed would be subject to prevailing wage requirements, but that he could not say that with certainty at the present time. The Chair discussed his feelings with regard to prevailing wage issues. Mr. Exler noted that the Department of Economic Development has had discussions with the borrower regarding the County's desires regarding M/W/DBE participation, and Mr. Mahr noted that the County's participation goals are the same as the borrower's, so compliance with one will by definition include compliance with the other.*

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

[9396-16](#)

A Resolution of the Council of Allegheny County, Pennsylvania, made pursuant to the Local Economic Revitalization Tax Assistance Act ("LERTA"), Pa. Stat. Ann. tit. 72, § 4722 *et seq.* (1995), as amended, providing for: a program of temporary exemption from increases in Allegheny County Real Property Taxes, for specified time periods, resulting from improvements made by an owner of property located within Ward 8, the East Liberty neighborhood within the City of Pittsburgh, County of Allegheny, Commonwealth of Pennsylvania, previously determined to be a deteriorated area; establishing a schedule for exempting increases in Allegheny County property taxes resulting from such improvements; and prescribing the requirements and procedures by which an owner of property located within the deteriorated area can secure the temporary exemption resulting from such improvements.

**Sponsors:** Chief Executive

*At the request of the Chair, the clerk read the title of the bill and Mr. Struhl summarized its provisions and discussed the abatement schedule included within the bill and noted that the abatement amount would be capped at no more than \$250,000 in any tax year.*

*Mr. Struhl provided a brief overview of LERTA tax abatements in general, noting that the taxes on the assessed value of the property will remain in place during the LERTA term, but that Commonwealth law allows for abatement of up to 100% of the assessed value of any improvements to that property for up to 10 years.*

*Mr. Struhl indicated that the City and School District are participating in the LERTA.*

*In response to a question from Mr. Macey, Mr. Castonguay noted that something on the order of 5 or 10 permanent jobs would result from the development.*

*In response to a question from Mr. DeMarco, Mr. Struhl noted that the abatement would come into effect when the improvement is assessed and added to the County's tax rolls.*

*In response to a question from Mr. DeMarco, Mr. Castonguay indicated that rents for the units would be between \$1,000 to \$1,300 monthly and noted that they project an occupancy rate of about 65% in the first few years before it stabilizes at closer to 95%.*

*Mr. DeMarco and Mr. Castonguay discussed parking at the completed project.*

*Mr. DeMarco and MR. Struhl discussed the assessed values of the parcels contained*

*within the development.*

*In response to a question from Mr. Kress, Mr. Castonguay indicated that the project would be 100% union, and that there should therefore be no e-verification issues.*

*In response to a question from Ms. Means, Mr. Castonguay noted that this LERTA would be the only subsidy in place for this development.*

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

[9397-16](#)

A Resolution of the Council of Allegheny County, Pennsylvania, made pursuant to the Local Economic Revitalization Tax Assistance Act ("LERTA"), Pa. Stat. Ann. tit. 72, § 4722 *et seq.* (1995), as amended, providing for: a program of temporary exemption from increases in Allegheny County Real Property Taxes, for specified time periods, resulting from improvements made by an owner of property located within Ward 2, the Strip District neighborhood within the City of Pittsburgh, County of Allegheny, Commonwealth of Pennsylvania, previously determined to be a deteriorated area; establishing a schedule for exempting increases in Allegheny County property taxes resulting from such improvements; and prescribing the requirements and procedures by which an owner of property located within the deteriorated area can secure the temporary exemption resulting from such improvements.

**Sponsors:** Chief Executive

*At the request of the Chair, the clerk read the title of the bill and Mr. Struhl summarized its provisions, with a discussion of the abatement schedule contained within the bill and noted that the abatement would be capped at \$150,000 per tax year.*

*Mr. Reidbord described the project, noting that the hotel is completed and open, and that it relies primarily upon business and convention traffic for occupancy.*

*In response to a question from Mr. Macey, Mr. Reidbord indicated that the project has resulted in approximately 20-22 new jobs.*

*In response to a question from Mr. Finnerty, Mr. Reidbord indicated that the hotel contains 150 rooms, and is an 8 story structure.*

*In response to a question from Mr. Finnerty, Mr. Struhl noted that the LERTA is being sought at this time because he did not have 100% confirmation that the Pittsburgh School District was participating in the LERTA prior to the completion of the project.*

*In response to a question from Mr. DeMarco, Mr. Reidbord noted that occupancy is projected at approximately 80% for the first year.*

*Mr. DeMarco expressed concerns that the abatement may not be necessary insofar as the hotel is currently operating. Mr. Struhl noted that the abatement is not necessarily only about construction, and that the assistance may be necessary for the hotel to remain viable through its startup.*

*In response to a question from Mr. Kress, Mr. Reidbord noted that the primary contractor for the project was P.J. Dick and that the majority of the labor employed during*

construction was unionized, so he would not expect any e-verification issues during construction.

Mr. Palmiere and Mr. Reidbord discussed the difference between the development company (Walnut Capital) and the company that actually operates the hotel (Concord).

In response to questions from Ms. Means, Mr. Reidbord confirmed that the hotel is located in the Strip District, and Mr. Struhl noted that the completed hotel would likely not appear on the County's tax rolls until this year. Mr. Struhl also discussed the intricacies of the City's tax abatement programs for these types of developments, noting that eligibility requirements, abatement amounts and schedules vary from one to the next, and that County participation depends on which City program is applied and to what extent.

In response to a question from Ms. Means, Mr. Reidbord noted that 600 or 800 room hotels are not being built anymore because the industry is changing, and that smaller market shares now tend to be taken up by more hotels as a result, but that this is not evidence of market saturation.

In response to questions from the Chair, Mr. Reidbord noted that 80% or 90% of the work was performed by union workers, with the primary exceptions being plumbing and electrical work due to cost of the work. Mr. Reidbord noted that Walnut Capital attempts to use union labor as much as possible.

The Chair and Mr. Reidbord discussed M/W/DBE participation in the construction as being approximately 9% for individuals employed by Walnut Capital, but that he was not aware of the participation rates for P.J. Dick. The Chair noted that this is below the County participation goals, and expressed a desire to see the participation rates at all phases of design and construction.

The Chair, Mr. Finnerty and Mr. Reidbord discussed the interplay between prevailing wage and the employment of union labor vs. non-union labor.

**A motion was made by Finnerty, seconded by Macey, that this matter be Affirmatively Recommended. The motion carried by the following vote:**

**Members Yes:** 4 - Walton, Finnerty, Macey and Palmiere

**Members No:** 1 - DeMarco

**Members Abstain:** 1 - Kress

**Members Absent:** 1 - Futules

**Members Yes Phone:** 1 - Baker

**Members** 2 - Kirk and Means

**Non-Member:**

## V. Adjournment

*The meeting was adjourned at 6:14.*