



RIDC

Regional Industrial Development Corporation

Mayor Phil Krivacek, Board Chair
Redevelopment Authority of the City of Duquesne
12 South Second Street
Duquesne, PA 15110

June 6, 2014

Dear Mayor Phil Krivacek,

RIDC is planning to build a 30,000 square-foot speculative "flex" industrial building in the City Center of Duquesne park. The building would sit on a 2.6-acre parcel behind Sarclad and could accommodate up to three tenants. RIDC currently has no available industrial space in the Duquesne park and sees a shortage of industrial space in the entire region. Private developers and financial institutions have been largely unwilling to take on speculative industrial construction. RIDC is currently conducting the architecture and engineering for the project and plans to be in construction later in the summer of 2014 and available for occupancy in 2015.

RIDC anticipates that the building could house 45 to 75 new employees in the park. Construction of the building would create an additional 40 temporary jobs.

Because of the higher costs due to the brownfield site and the lower rents in the Mon Valley submarket, the returns on the building do not support the full construction costs. The current project budget is over \$5 million, which includes site infrastructure, parking and driveway access, building construction, and tenant build-outs. RIDC plans to contribute over \$1.6 million of its own equity into the project.

Analysis of comparable property assessments reveal that the Duquesne flex building would likely generate \$27,000 in increment in the first year after construction is completed, with a total tax bill of \$40,000 annually. This assumes a building value of \$35 per square foot and a land value of \$45,000 per acre.

RIDC is requesting support from the Redevelopment Authority of the City of Duquesne, as well as the taxing bodies of the City of Duquesne, the Duquesne School District, and Allegheny County for **\$300,000 in tax-increment financing (TIF)**. RIDC is proposing a **15-year term for the TIF at 70% diversion**, which would allow for ample time for tax increment to cover the Authority's financing. The flex building TIF project would expire either **after \$300,000 of tax increment has been generated OR after 15 years, whichever occurs first**.

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Exhibit B



RIDC

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RIDC is asking that the Redevelopment Authority take the formal steps under the existing TIF district to approve the flex industrial building as a TIF project and extend the life of the TIF for 15 years. Upon approval from the Redevelopment Authority, RIDC is requesting that TIF-eligible costs begin to be incurred for the project.

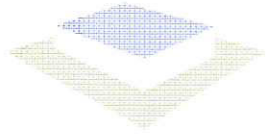
We appreciate your continued support on this project. We are excited for this opportunity and are eager to continue the TIF process with you.

Sincerely,

Donald F. Smith, Jr., PhD

cc: Charles Starrett, Administrator
Ronald Brown, Solicitor
Frank Piccolino, City Manager

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RIDDC

Regional Industrial Development Corporation

Tax-Increment Financing

June 2014

Duquesne Flex Building

Tim White

VP, Development

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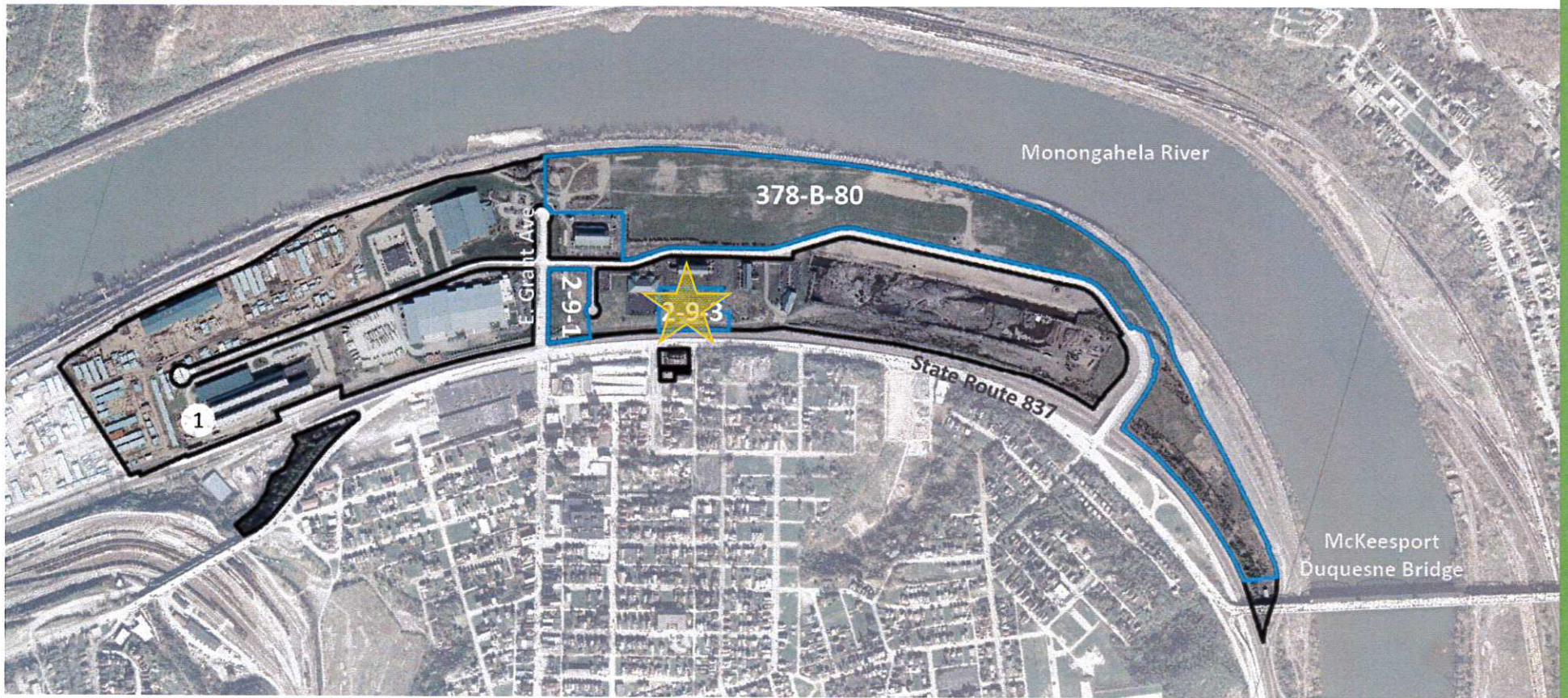
Sarah Stroney

Development & Policy Analyst

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BUILDING LOCATION



OVERVIEW OF PROJECT

BUILDING

30,000 sq ft building
On a 2.6-acre parcel of land
Flex building
Designed to hold three tenants
Built speculatively

IMPACTS

Estimated \$40,000 initial annual property taxes
Estimated 45 to 75 jobs in the building

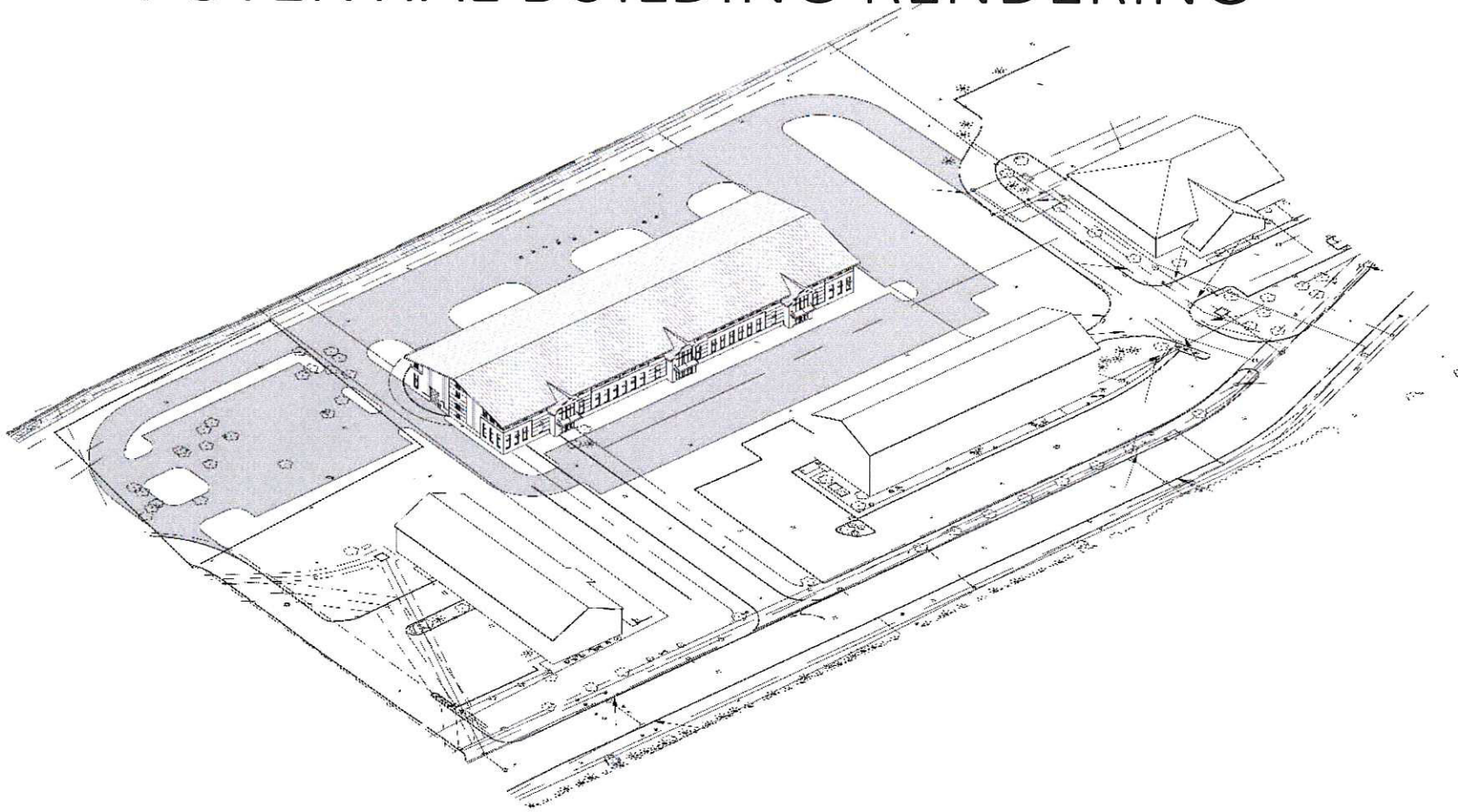
TIMELINE

Currently in Architecture & Engineering
Planned construction start summer 2014
Occupancy spring 2015


WHY SPEC?

- No available industrial space in RIDC Duquesne park.
- Shortage of inventory of industrial space in the entire region.
- Business cycle has shortened. Companies are not willing to wait 2-3 years for a new building.
- Private developers/financial institutions unwilling to take on risk

POTENTIAL BUILDING RENDERING



3D View - Option 2a


**DESMONE
&
ASSOCIATES
ARCHITECTS**
OFFICE: 1000 MARKET STREET, SUITE 1000
PHILADELPHIA, PA 19102
TEL: 215.575.1234
WWW.DESMONE.COM

New Building
RIDC Duquesne Flex Building
1001 S. Union Street, Duquesne, PA 15110

Scale:

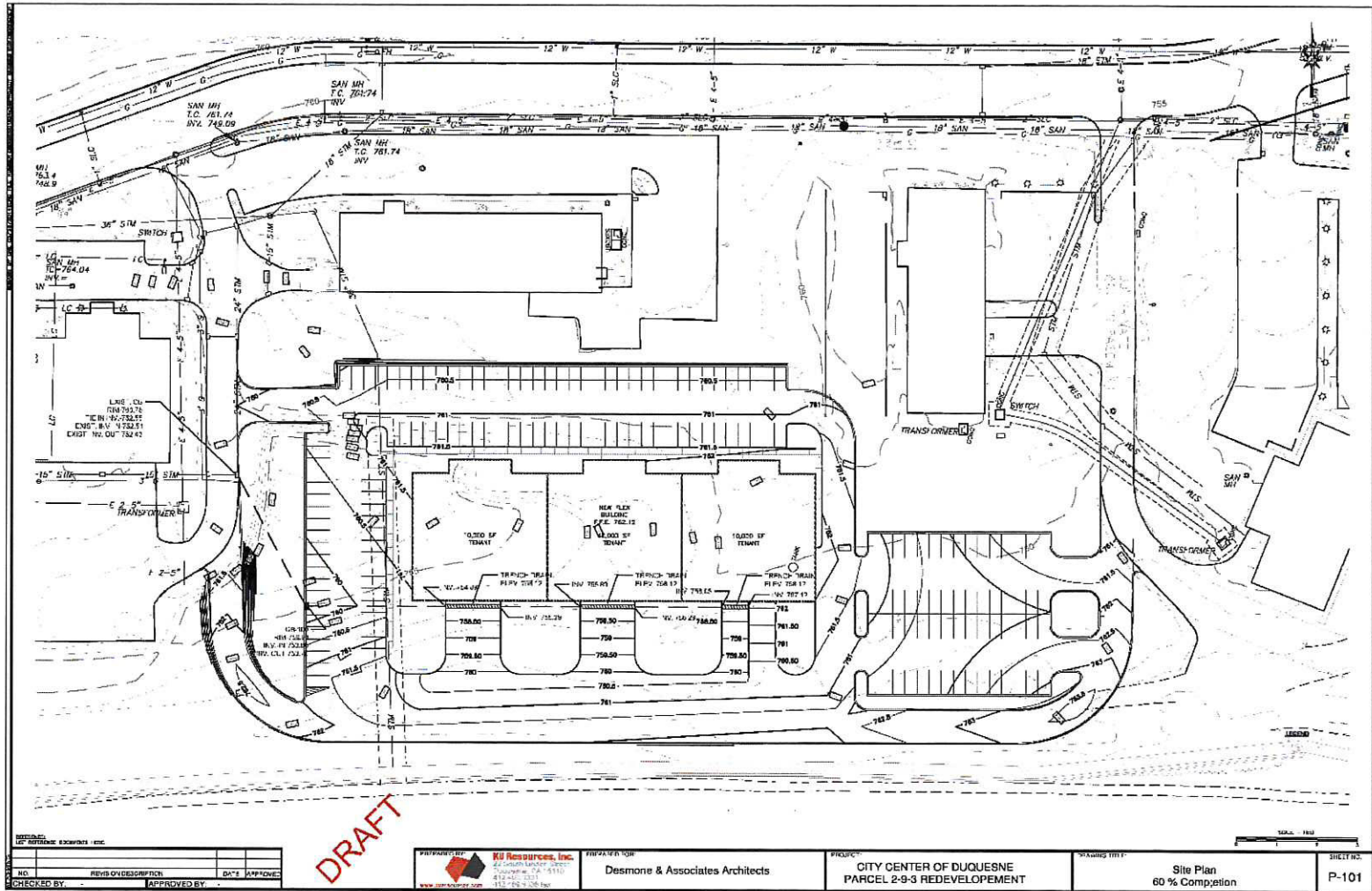
*Schematic Design
Package*

Revisions:



Date:
09-08-2014

SITE PLAN AND CHALLENGES



PROJECT BUDGET

This project has a total investment of over \$5 million. RIDC is leveraging public support combined with equity.

USES		
Land Cost	\$158,000	\$60,000/acre
Building construction	\$2,475,000	\$82/SF
Site Work	\$175,000	\$6/SF
Stormwater infrastructure	\$420,000	\$14/SF
Parking and Access Road	\$860,000	\$29/SF
Base Building	\$430,000	\$14/SF
Tenant Improvements (est)	\$550,000	\$18/SF
Total Project Cost	\$5,068,000	\$167/SF

SOURCES	
RIDC equity	\$1,666,054
State support	\$3,101,946
TIF	\$300,000
Total Project Cost	\$5,068,000

JUSTIFICATIONS FOR TIF



PUBLIC INFRASTRUCTURE NEED: The stormwater work involved in the project creates a financial gap in the project. The TIF will support this piece of the public infrastructure.



RENTS DO NOT JUSTIFY COSTS: Rents do not support the full construction costs of a new industrial building in the private market, especially on a brownfield site. However, RIDC is seeing demand for this type of product in the Mon Valley.



INVENTORY SHORTAGE: The building will be able to attract companies who are not willing or able to wait 2-3 years for a new building.

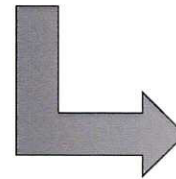


MORE WORKERS: Bringing new companies and employees into the park will increase fiscal revenue and will bring additional demand for businesses that seek to service workers, such as a restaurant

COMPARABLE PROPERTIES

Lot-Block	Municipality	Owner Name	Acreage	Sq Ft	Land	Value			Price per SF	Price per Acre
						Building	Total			
304-H-29	Duquesne	DURA BOND COATING INC	29.93	55,000	1,047,900	2,580,500	3,628,400	\$46.92	\$35,012	
378-B-015	Duquesne	GREATER PITTSBURGH COMMUNITY FOOD BANK	10.93	80,000	983,700	3,770,900	4,754,600	\$47.14	\$90,000	
380-A-106	McKeesport	EQUITABLE GAS COMPANY LLC	3.6	32,000	144,300	1,645,800	1,790,100	\$51.43	\$40,083	
378-B-30	Duquesne	RIDC (Industrial Manor)	3.11	32,665	85,800	1,122,600	1,208,400	\$34.37	\$27,588	
						AVERAGE		\$44.96	\$48,171	

- ❑ Comparable properties are either owner-occupied or have steady long-term tenants.
- ❑ The new RIDC building is not pre-leased, resulting in a lower assessment value than these comparable properties.



Assumptions:
Building Value: \$35.00 per sq ft
Land Value: \$45,000 per acre

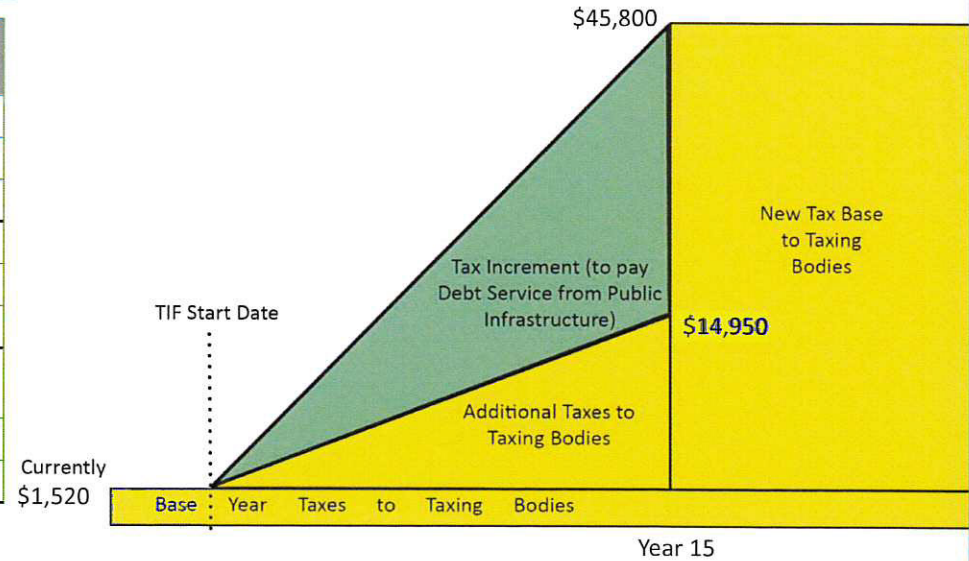
INCREMENT ANALYSIS

	Total	Land	Building	
Current (base) assessment	\$42,200	\$42,200	\$0	Annual increase: 1%
Probable first assessment	\$1,168,800	\$118,800	\$1,050,000	

	Base Year	Year 1*	Year 2	Year 15**
Total County Tax	\$200	\$2,764	\$5,528	\$6,292
Total City Tax	\$781	\$7,136	\$14,273	\$16,244
Total School Tax	\$739	\$10,227	\$20,454	\$23,279
County Tax Increment		\$2,565	\$5,329	\$6,092
City Tax Increment		\$6,356	\$13,492	\$15,463
School Tax Increment		\$9,489	\$19,716	\$22,540
County Tax Increment for TIF		\$1,795	\$3,730	\$4,265
City Tax Increment for TIF		\$4,449	\$9,444	\$10,824
School Tax Increment for TIF		\$6,642	\$13,801	\$15,778

Total Base Taxes: \$25,782
 Total Increment: \$596,057 --
70% available toward TIF is \$417,240
Total Tax: \$621,839

A 15-year TIF provides ample increment to cover \$300,000 in funding. The taxing bodies are provided with 100% of the tax after the 15-year period, which is an estimated annual increase of over \$44,000



*Year 1 assumed construction period

** Year 15 includes 1% average annual increase in assessment