



Text File

Introduced: 6/4/2013

Bill No: 2013-1564, **Version:** 1

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

Presented by Mr. Dowd

Resolution adopting the Summerset at Frick Park Tax Increment Financing Plan presented by the Urban Redevelopment Authority of Pittsburgh and making certain findings. (Council District 5)

Whereas, the Tax Increment Financing Act, 53 P.S. §6930.1 *et. seq.* (“Act”), provides local taxing bodies with authority to cooperate in providing financing for development of blighted areas, as defined in the Act, within their respective jurisdictions to increase the tax base and improve the general economy; and

Whereas, pursuant to the Act, the Urban Redevelopment Authority of Pittsburgh (“Authority”) is legally empowered to prepare tax increment financing (“TIF”) plans to provide financing for the elimination and prevention of blight within specified tax increment districts located in the City of Pittsburgh (“City”) and to present TIF plans to the City, the School District of Pittsburgh (“School District”), and Allegheny County (“County”) for consideration; and

Whereas, the County, the School District and the City each adopted resolutions on September 21, 2010, September 29, 2010 and September 21, 2010 respectively, endorsing the concept of a TIF plan to fund a portion of the costs of construction of public infrastructure and other necessary public improvements (the “TIF Project”) to facilitate the redevelopment of portions of the Summerset at Frick Park Project located in the Squirrel Hill South and Swisshelm Park neighborhoods of the City and authorizing the Authority to prepare a detailed TIF plan in connection with the same; and

Whereas, the Authority, working with the designated representatives of the City, the County and the School District, prepared and adopted the “Summerset at Frick Park TIF Plan” (the “TIF Plan”) in accordance with the requirements of the Act, providing for the creation of the Summerset at Frick Park Tax Increment Financing District (the “TIF District”), recommending the boundaries of the TIF District and the financing of a portion of the costs of the TIF District project costs as set forth in the TIF Plan; and

Whereas, the School District and County either have adopted or are expected to adopt prior to the public hearing required by Section 5(a)(5) of the Act, Resolutions indicating their commitments to participate in a TIF Plan for development of the TIF District; and

Whereas, the proposed TIF District is located entirely within the Nine Mile Run Redevelopment Area (#67), which was designated as a redevelopment area by the City Planning Commission in accordance with the Urban Redevelopment Law, 35 P.S. §1701, *et. seq.*; and

Whereas, creation of the TIF District is necessary to eliminate conditions of blight within the TIF District; and

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

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

Whereas, the Council of the City (“Council”) believes that adoption of and participation in the TIF Plan and designation of the TIF District will benefit the health, safety and welfare of the citizens of the City of Pittsburgh.

Now, therefore, be it resolved by the Council of the City of Pittsburgh as follows:

Section 1. The TIF Plan, attached hereto as “Exhibit A”, prepared by the Authority for financing certain costs of construction of the Summerset at Frick Park Tax Increment Financing District is hereby adopted, and the TIF District specifically described in the TIF Plan is hereby created.

Section 2. The boundaries of the TIF District shall be as identified in the TIF Plan and shall include only those whole units of property assessed or to be assessable for general property tax purposes.

Section 3. The TIF District shall be created as of July 30, 2013 and shall continue in existence for a period of twenty (20) years from the date of its creation unless sooner terminated in accordance with the provisions of the Act.

Section 4. The name of the TIF District shall be the “Summerset at Frick Park Tax Increment Financing District.”

Section 5. After due consideration, the City finds as follows:

(a) the TIF District is a contiguous geographic area that satisfies the requirements of the Act and is located within a redevelopment area;

(b) the improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the TIF District;

(c) the aggregate value of equalized taxable property of the TIF District, plus all existing tax increment districts, does not exceed 10% of the total value of equalized taxable property within the City;

(d) the area comprising the TIF District as a whole has not been subject to adequate growth and development through investment by private enterprise and would not reasonably be anticipated to be adequately developed or further developed without the adoption of the TIF Plan;

(e) no individuals, families and small businesses will be displaced by the TIF Plan and there

exists no need for relocation;

(f) the TIF Plan will afford maximum opportunity, consistent with the sound needs of the community as a whole, for the rehabilitation or the redevelopment of the TIF District by private enterprise; and

(g) the TIF District is a blighted area containing characteristics of blight as described in the Urban Redevelopment Law and the TIF Project to be undertaken is necessary to eliminate such conditions of blight.

Section 6. The City shall not, in the implementation of the TIF Plan and within the TIF District, as described herein, exercise its authority or power of eminent domain.

Section 7. The City shall participate in the TIF District in accordance with the TIF Plan and based upon the tax increments set forth in the TIF Plan for a period of twenty (20) years, commencing on the date of TIF District creation by the City, the City will allocate seventy-five percent (75%) of the tax increment from properties within the Phase 2B and 2C areas of the TIF District and forty-five percent (45%) of the tax increment within the Phase 3 area of the TIF District to the Authority for the purpose of financing TIF District project costs to the extent and as provided in the TIF Plan.

Section 8. The appropriate public officials of the City are hereby authorized and empowered to execute and deliver in the name of and on behalf of the City all documents required in connection with the creation of the TIF District and administration of the TIF Plan, including, without limitation, a TIF cooperation agreement (the "Cooperation Agreement") by and among the Authority, the City, the School District and the County, and the City's obligations under such documents are hereby, in all respects, approved.

Section 9. All acts and actions taken by City officials and/or by City staff prior to the date hereof with respect to the TIF District and the TIF Plan are hereby in all respects confirmed, approved and ratified.

Section 10. The real estate tax revenues due or owed to, or received by the City from the TIF District, subject to the percentage limitation and time requirement set forth in the TIF Plan are hereby pledged, and a security interest is hereby granted, to the extent of those specific revenues to secure the repayment of any debt incurred by the Authority for the purpose of financing TIF District project costs.

SEE ATTACHMENT

EXHIBIT A

Urban Redevelopment Authority of Pittsburgh
Summerset at Frick Park TIF District

Tax Increment Financing Plan

1. Summerset Tax Increment Financing (TIF) District
2. Proposed Improvements in Summerset TIF project with estimated units and / or square footage (Phases 2B, C and 3)
 - Single Family Homes 185 units
 - Townhouses 78 units
 - Condominiums / Apartments 210 units
 - Commercial / Retail Space One (1) unit at 30,000 square feet
 - Public Streets and Infrastructure, Public Parks and Trails
3. Estimated Total Project Costs (Phase 2B, C and 3)
 - Site Acquisition \$ 100,000
 - Sitework, Remediation and Grading \$ 5,537,914
 - Stormwater, Sanitary and Utilities \$ 1,822,022
 - Public Streets, Access Roads, Bridge \$ 29,050,889
 - Frick Park Extension, Trails and Amenities \$ 2,050,000
 - Private Parks and Alleys \$ 3,008,437
 - Buildings - Homes, Apartments, Commercial \$152,742,855
 - Soft Costs - Design, Inspection \$ 8,330,088
 - Interest, TIF Expenses \$ 1,909,858
 - Debt Service Reserve Fund (if required) \$ 1,350,565
 - Contingency \$ 4,078,869

Total Project Costs \$ 209,981,497
4. Estimated Total Project Sources (Phase 2B, C and 3)
 - Residential Lot Revenues \$ 21,921,779
 - Home and Building Sales \$ 152,742,855
 - TIF Proceeds (par amount of borrowings) \$ 24,000,000
 - PWSA Reimbursement \$ 4,563,591
 - Federal Grants \$ 3,100,000
 - State Grants \$ 1,770,208
 - Equity Contribution \$ 532,500
 - Debt Service Reserve Fund (if required) \$ 1,350,565

Total Project Sources \$ 209,981,497

5.	TIF Financing	\$ 24,000,000
	– TIF Proceeds (par amount of borrowings)	\$ 18,000,000
	– TIF Revenue (PAYGO Financing)	\$ 6,000,000
6.	Estimated Cost of Public Infrastructure Improvements (to be partially funded with TIF proceeds): (Phase 3)	
	– Site Acquisition	\$ 100,000
	– Sitework, Remediation and Grading	\$ 5,622,400
	– Public Streets, Access Roads, Bridge, Utilities	\$ 21,843,255
	– Frick Park Extension, Trails and Amenities	\$ 2,050,000
	– Soft Costs - Assessment, Design, Engineering	\$ 5,561,889
	– Interest, TIF Expenses	\$ 937,573
	– Debt Service Reserve (if required)	\$ 1,350,565
	– Contingency	<u>\$ 3,718,969</u>
	Total Public Infrastructure	\$ 41,184,651
7.	Estimated Source of Funds for Public Infrastructure Improvements:	
	– Residential Lot Revenues	\$ 11,693,061
	– TIF Proceeds	\$ 24,000,000
	– PWSA Reimbursement	\$ 3,143,525
	– State and Federal Grants	\$ 465,000
	– Debt Service Reserve (if required)	\$ 1,350,565
	– Developer Equity	<u>\$ 532,500</u>
	Total Public Infrastructure	\$ 41,184,651
8.	Use of TIF Proceeds	
	– Design Engineering	\$ 2,000,000
	– Remediation	\$ 4,622,400
	– Infrastructure	\$ 12,601,082
	– Permits	\$ 70,000
	– Land Acquisition	\$ 100,000
	– Contingency	\$ 2,867,092
	– Administration: Inspection & Monitoring	\$ 1,289,809
	– Legal	\$ 150,000
	– Financial / Accounting	<u>\$ 299,617</u>
	Total Use of TIF Proceeds	\$ 24,000,000

- 9. a. Assessed as of February 2013 value of Taxable Real Property in the proposed Summerset TIF District \$ 5,657,766
- b. Projected assessed value of Taxable Real Property following Improvements in the Summerset TIF District \$128,066,908
- 10. Proposed Term of the TIF District - 20 years
- 11. Proposed Pledge of Real Estate Tax Increment
 - Phase 2B and 2C Distribution
 - 75% Pledged to TIF Financing(s) or to pay costs of the TIF Project
 - 25% Distributed Pro Rata to the Three Taxing Bodies
 - Phase 3 Pledge
 - 45% Pledged to TIF Financing(s) or to pay costs of the TIF Project
 - 55% Distributed Pro Rata to the Three Taxing Bodies
 - Average Pledge during term 65%
- 12. a. Current Annual Real Estate Tax Revenue of the proposed Summerset TIF District at 2% discount (as of February 2013): \$ 121,648
- b. Projected Annual Real Estate Tax Revenue within the TIF District Following Improvements at 2% discount (as of February 2013) at full build out: \$ 2,753,592

(a)

- 13. Estimated Annual Real Estate Taxes Generated After Full Development based on current millage at 2% discount (as of February 2013)

	Current	Tax Increment	Total
City (7.56 mills - 34.5%)	\$41,917	\$906,932	\$948,849
School District (9.65 mills - 44.0%)	\$53,505	\$1,157,584	\$1,211,089
County (4.73 mills - 21.5%)	\$26,226	\$567,428	\$593,654
Total Taxes (100%)	\$121,648	\$2,631,944	\$2,753,592

14. Estimated Annual Real Estate Tax Increment Amounts to TIF Project and Taxing Bodies

Phase 2B/2C

	Pro Rata Share	TIF Project 75%		Taxing Bodies 25%	Total
City	34.5%	\$313,571		\$104,531	\$418,102
School District	44.0%	\$400,259		\$133,409	\$533,668
County	21.5%	\$196,189		\$65,400	\$261,589
Total Taxes	100.00%	\$910,019		\$303,340	\$1,213,359

Phase 3

	Pro Rata Share	TIF Project 45%		Taxing Bodies 55%	Total
City	34.5%	\$219,965		\$268,865	\$488,830
School District	44.0%	\$280,775		\$343,141	\$623,916
County	21.5%	\$137,623		\$168,216	\$305,839
Total Taxes	100.00%	\$638,363		\$780,222	\$1,418,585

15. Estimate of other incremental taxes to be retained by Taxing bodies:
- a. Annual Wage taxes \$ 1,096,000
 - b. One-time Transfer Taxes \$ 4,147,000

16. Estimated Jobs Created and New Residents:
- a. Construction Phase Total Full-Time Jobs Created: 582
 - b. Projected Number of Permanent On-Site Jobs: 30
 - c. Projected Number of Single Family Home Residents 389
 - d. Projected Number of Townhouse Residents 179
 - e. Projected Number of Condominium/Apartment Residents 386

17. Estimated TIF District Creation Date: July 23, 2013

18. Parcels Included in Proposed TIF District (as of March 2013): See next page

<u>Phase 2C</u>			<u>Phase 2B</u>	<u>Phase 3</u>
Parcel #	Parcel #	Parcel #	Parcel #	Parcel #
88H-214	88M-142	88M-50	88R-110	129J-150
88H-212	88M-144	88M-52	88R-115	129F-1
88H-210	88M-146	88M-54	88R-120	129A-160
88M-56	88M-148	88H-226	88R-125	129J125
88M-58	88M-150	88R-200		129J-175
88M-60	88M-152	88M-200	88H-161	129F-15
88M-62	88M-154	88S-15	88L-150	129J-100
88M-78	88H-216	88M-158		
88M-80	88H-218	88G-375		Note: Parcels
88M-82	88H-220	88M-160		in Phase 3
88M-84	88H-222	88M-162		to be further
88M-86	88H-224	88M-164		subdivided.
88M-88	88L-75	88H-250		Approximately
88M-90	88L-83			200 additional
88M-92	88L-93	Note: Parcels		parcels.
88M-94	88L-95	in Phase 2C		
88M-96	88L-97	to be further		
88M-98	88L-99	subdivided.		
88M-100	88L-101	Approximately		
88M-102	88L-103	38 additional		
88M-104	88L-105	parcels.		
88M-106	88L-107			
88M-108	88L-109			
88M-110	88L-111			
88M-112	88L-113			
88M-114	88L-115			
88M-116	88R-96			
88M-118	88R-86			
88M-120	88S-2			
88M-122	88M-30			
88M-124	88M-32			

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

88M-126	88M-34			
88M-128	88M-36			
88M-130	88M-38			
88M-132	88M-40			
88M-134	88M-42			
88M-136	88M-44			
88M-138	88M-46			
88M-140	88M-48			

INITIAL RESOLUTIONS

<u>Legislative Action</u>	<u>Date</u>	<u>Attendance Required</u>
URA Inducement Resolution	Thu, July 8, 2010 at 2PM	URA Staff & Developer
County First Reading Econ. Dev. Committee Second Reading	Tue, August 31, 2010 at 5PM Tue, September 14, 2010 at 5PM Tue, September 21, 2010 at 5PM	URA Staff URA Staff URA Staff
School Committee Agenda Review Legislative Meeting	Tue, September 7, 2010 at 5:30PM Wed, September 15, 2010 at 6:30PM Wed, September 29, 2010 at 7PM	URA Staff URA Staff
City Send Legislation Introduce Legislation City Council Briefings Committee Discussion Final Vote	Tue, August 31, 2010 Tue, September 7, 2010 at 10AM Wed, September 8, 2010 at 1:30PM Wed, September 15, 2010 at 10AM Tue, September 21, 2010 at 10AM	URA Staff & Developer
Draft PLAN CIRCULATED TIF Committee Meeting Revised Draft to 3TBs & URA Board Send final plan to School and County along with draft resolutions	Tue, April 16, 2013 Thu, April 18, 2013 Wed, May 1, 2013 Tue, May 7, 2013	URA Staff & 3TB Reps

Introduced: 6/4/2013

Bill No: 2013-1564, **Version:** 1

Committee: Committee on Intergovernmental
Affairs

Status: Passed Finally

FINAL RESOLUTIONS

<u>Legislative Action</u>	<u>Date</u>	<u>Attendance Required</u>
URA Board Approval of TIF Plan		Thu, May 9, 2013 at 2PM URA Staff & Developer & Community
County First Reading Economic Dev. Committee #1 Economic Dev. Committee #2 Second Reading and Vote	Tue, May 22, 2013 at 7:00PM Tue, June 11, 2013 (tentative) at 4:00PM Tue, June 25, 2013 (tentative) at 4:00PM Thu July 9, 2013 at 7:00PM	URA Staff URA Staff & Developer URA Staff & Developer URA Staff & Developer
School Business Finance Committee Agenda Review Legislative Meeting	Mon, June 3, 2013 at 5:30PM Wed, June 12, 2013 at 6:30PM Wed, June 26, 2013 at 7PM	URA Staff
City Send Legislation Introduce Legislation Committee Discussion (hold for hearing) Hearing Advertisement Hearing Committee Discussion Final Vote	Tue, May 21, 2013 Tue, May 28, 2013 at 10AM Wed, June 5, 2013 at 10AM Thu, June 6, 2013 Tue, July 9, 2013 at 1PM Wed, July 16, 2013 at 10AM Tue, July 30, 2013 at 10AM	URA Staff URA Staff & Developer URA Staff & Developer
Resolution creating the TIF District	Tue July 30, 2013	
Cooperation Agreement		

TIF Counsel drafts Cooperation Agreement
Circulate Draft Cooperation Agreement for Comment
Circulate Final Cooperation Agreement for Signature
Execution of Cooperation Agreement

Thu, May 30, 2013
Wed, July 10, 2013
Wed, July 31, 2013
Wed, August 21, 2013

Urban Redevelopment Authority of Pittsburgh Summerset Tax Increment Financing Plan

May 2013

I. Introduction

A. Overview of Summerset:

The Summerset at Frick Park Phase 3 project consists of three development components: 1) site preparation and remediation; 2) public / private infrastructure development and 3) residential housing construction. The public portion of the infrastructure components, 1 and 2 above, constitutes the “TIF Project”. The TIF proceeds will fund the public infrastructure improvements while other funding sources will be used for the private infrastructure and the housing construction.

The Urban Redevelopment Authority of Pittsburgh (URA) acquired the 278 acre Nine Mile Run site in October 1995. For much of the early 20th century, the land was used by local steel companies as a dumping ground for slag, a by-product of metal smelting. In 1997, the URA began the transformative process of converting the slag portion of Nine Mile Run into a new traditional neighborhood, now known as Summerset at Frick Park (“Summerset”) located in the Squirrel Hill South neighborhood of the City.

Summerset Land Development Associates was selected by the Urban Redevelopment Authority (URA) as developer of the Nine Mile Run site in 1997. SLDA entered into a Development Agreement (the “URA-SLDA Agreement”) dated January 29, 1999 with the URA. This URA-SLDA Agreement provides the exclusive option to SLDA to purchase improved property from URA and delineates responsibilities between the URA and

Committee: Committee on Intergovernmental Affairs**Status:** Passed Finally

SLDA relative to completing the public and private improvements. The terms of the URA-SLDA Agreement allow for the transfer of the right to purchase by SLDA to residential homebuilders (Builders). Separate Builders purchase the improved property subject to an agreement between SLDA and the Builder. The terms and conditions of the Builder-SLDA Agreement obligate the Builders to purchase lots at established prices and to comply with the SLDA-URA Agreement relative to the performance of the work, environmental obligations etc. The phase 2B and 2C area of the Project has agreements in place between the URA and SLDA as well as three Builders and SLDA. The URA-SLDA Agreement contemplates that the parties will endeavor to secure financing and create a development plan for the Phase 3 area.

To date, approximately 256 of the 710 units planned for the site have been built and rented/sold in Phases 1 and 2A. Infrastructure financing for Phases 2B & 2C has been finalized and is not being financed with the proposed TIF. This financing will fund site development cost to support the development of 124 single family homes, 132 condominiums or apartment units and one 30,000 square foot commercial parcel.

The proposed TIF project will allow for the necessary site preparation and public infrastructure improvements to support approximately 102 single family homes, 37 townhomes and 78 condominium or apartment units associated with Phase 3. The public infrastructure improvements include grading, road and bridge construction, environmental remediation, and construction of new water, sewer and stormwater infrastructure.

The proposed TIF Plan would allow for the collection of a real property tax increment associated with Phases 2B, 2C and 3 of the Summerset project to pay for the Phase 3 site preparation and infrastructure. To maximize borrowing capacity sufficient to pay for infrastructure costs related to the project, the URA will create a single TIF District but may divide the borrowing and repayment schedule into two components. Under the financing plan, the taxing bodies will dedicate 75% of their increased real estate tax revenues from properties located within the Phase 2B and 2C area of the TIF District to facilitate a borrowing by the URA of up to \$17 million. The taxing bodies will also dedicate 45% of their increased tax revenues from the Phase 3 TIF District to facilitate an additional borrowing of approximately \$7 million. The TIF district, under this structure, would generate approximately \$24 million in TIF proceeds. At this time, alternative funding strategies have been identified to finance \$18 million of this amount for the initial site preparation and public infrastructure work. The remaining estimated TIF proceeds of \$6 million would be used for enhancements to Frick Park including trails, recreational facilities and additional public infrastructure in the project area during the term of the district. These enhancements will directly benefit the Summerset project. See table on page 10 showing the economic feasibility of the Project and Appendix F showing the fiscal effects on the municipal tax base.

B. Proposed Financing Overview:

The name of the TIF District is “Summerset at Frick Park Tax Increment Financing District”. The method of financing being proposed to fund certain portions of the Project is a Tax Increment Financing (“TIF”) Plan. Under this structure the Project can leverage the tax revenue collections from the properties included under the

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

Plan as a means to fund necessary site remediation, improvements and infrastructure needs. The TIF District created under the Plan will include parcels within Phase 2B, Phase 2C and Phase 3 of the Summerset at the Frick Project. It has been determined that this site, and these projects, are integral to the redevelopment efforts within the City of Pittsburgh, and thusly the sponsorship by the URA for the creation of the TIF District.

C. TIF District Structure:

The District will be a single Tax Increment Financing District comprised of all the parcels within Phase 2B, all of Phase 2C and all of Phase 3 as defined in the master site plan (Appendix A). The tax revenues that will support the District are derived from the single-family residential parcels within those phases of the Project, as well as multi-family structures and a commercial site. The District will be in existence for a term of twenty (20) years, maintaining the allowable maturity under the TIF statutes, with an estimated creation date in the third quarter of 2013 (est. July) and an estimated expiration date in July 2033. The URA will oversee the creation and annual auditing of the TIF District over the term.

The taxing bodies that comprise the District include the City of Pittsburgh, the School District of the City of Pittsburgh and Allegheny County.

D. Financing Structure / Methods of Financing:

The URA is currently evaluating alternatives for financing the costs of the TIF Project.

(a) One alternative would involve borrowing under the TIF Plan in multiple phases. The first phase Note (the "2013 Note") could be issued in the third quarter of 2013 (est. September 2013) and be amortized over a term of twenty (20) years. The second phase Note (the "2014 Note") could be issued in the fourth quarter of 2014 (est. November 2014) and be amortized over a term of ten (10) years. At this juncture, a third phase of borrowing is being projected for the residual infrastructure need which will utilize the Phase 3 revenues as security. The third borrowing is estimated to be drawn in 2018-2019 (the 2018/19 Note) as the Phase 3 development begins.

If the URA funds the Project by issuing the 2013, 2014 and the 2018/19 Notes described above, the URA may utilize differing participation percentages from the three taxing bodies. At this point, the 2013 Note and the 2014 Note would be secured by a tax pledge of 75% of the increased taxes attributable to properties located within Phase 2B and 2C of the TIF District. The 2018/19 Note would be secured by a tax pledge of 45% of the increased taxes attributable to properties located within Phase 3 of the TIF District. These rates of participation would be applicable to all three taxing bodies. In aggregate, the three borrowings result in a blended tax pledge of approximately 65% for the term of the TIF District.

The estimated borrowings are summarized in the tables below:

2013 PV Note	
Issuance	September 2013

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

Parcels	Phases 2B & 2C
Par Amount	\$11,000,000 (est.)
First Payment	July 2014
Term	June 2033 (20 years)
Interest Rate	1.408% for 5 years; 1.837% for 18 years
Tax Pledge	75% (from all 3 taxing bodies)
Estimated Annual Tax Collections (at Peak)	
Gross, Less 2% Discount	\$1,335,000 (est.)
@ Pledge %	\$910,000 (est.)
Annual Debt Service	\$752,000 (est.)
Gross D/S Coverage	1.21X (est.)

2014 PIB Note	
Issuance	November 2014
Parcels	Phases 2B & 2C
Par Amount	\$1,750,000 (est.)
First Payment	July 2015
Term	June 2025 (10 years)
Interest Rate	50% of current Prime Rate (1.625%) for Term
Tax Pledge	75% (from all 3 taxing bodies)
Estimated Annual Tax Collections (at Peak)	
Net Revenues After 2013 Note	\$230,000 (est.)
Annual Debt Service	\$156,000 (est.)
Gross D/S Coverage	1.46X (est.)

2018/19 Note (PIB)	
Issuance	November 2019
Parcels	Phase 3
Par Amount	\$5,250,000 (est.)
First Payment	July 2020
Term	June 2030 (10 years)
Interest Rate	50% of Prime Rate (2.500% projected) for Term
Tax Pledge	45% (from all 3 taxing bodies)
Estimated Annual Tax Collections (at Peak)	

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

Gross, Less 2% Discount	\$1,418,600 (est.)
@ Pledge %	\$638,400 (est.)
Annual Debt Service	\$628,000 (est.)
Gross D/S Coverage	1.01X (est.)

Under this scenario bridge/interim financing will be required to be secured in advance of 2018/2019 and which will be repaid from the third borrowing.

(b) The URA is evaluating other possible methods of financing the costs of the TIF Project, with the objective of achieving the lowest possible borrowing costs. Any such alternatives will be structured in the manner that preserves the economic intent of the TIF Plan; specifically, any alternative financing plan must work without changing the amounts pledged to support the borrowing(s) by the taxing bodies, the parcels included within the TIF District, the bifurcation of Phases 2B and 2C from Phase 3 and the percentage of increment pledged from each of these areas within the TIF District, the term of the TIF District and the use of the proceeds derived from any borrowings secured by TIF revenues.

All borrowings, as briefly described above, will be supported by the property tax collections of the three taxing bodies. The basis utilized for projecting the future real estate tax revenue is derived from 2013 assessed values along with the eight (8) year property absorption history from earlier phases of the Summerset at Frick Park development. This basis allows for projected sale prices to be derived for the units included within each phase to be developed. The proposed financing structure utilizes eighty-five percent (85%) of those projected sale prices as the assessed valuations for tax purposes.

In any case, TIF proceeds will not be drawn until sales or development of parcels within the TIF District are adequate to support the repayment of the outstanding TIF debt.

The proposed timing and amount of the borrowings in the financing structure described on pages 10-11 and 16 of the TIF Plan are based on the project's projected ability to repay the debt in accordance with stated loan terms from specific sources and the available TIF increment (based on the financing assumptions included in the TIF plan). These loan terms may require the Developer to obtain interim or bridge financing pending satisfaction of conditions to drawing TIF loan proceeds.

E. Security for the TIF borrowing:

The borrowings will be supported from the anticipated real estate tax collections on the pledged parcels included in the TIF District. As additional security, the TIF debt is anticipated to be secured by a debt service reserve fund, to be held by the Trustee. Also funded upfront will be a capitalized interest fund to cover a portion of the interest due on the TIF debt during the respective construction periods. The capitalized interest fund will also be held by the Trustee.

To provide additional security for a borrowing secured by the TIF revenues generated from the TIF District, the City may be asked to create a neighborhood improvement district ("NID") within the boundaries of

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

the TIF District. Under the Pennsylvania NID law, special assessments can be imposed by the NID Management Association on properties within a NID. These statutory special assessments have lien priority that is equivalent to a municipal tax lien. The NID assessments will be available in the event that TIF revenues generated from the TIF District are inadequate to pay 100% of debt service on the outstanding balance of the TIF note at any time. If TIF revenues are sufficient to fully pay the debt service in any particular year, the special assessments for that year will be zero; similarly, if there is a deficiency of TIF revenues in a particular year, an allocation of that deficiency will be imposed upon properties within the NID.

F. Financing Assumptions:

The sources for the key inputs utilized in the preliminary financing structure have been internally provided as follows:

- **Summerset at the Frick Project Plan** (Master site plan detailing construction schedule, timing, parcels, etc.) - Summerset Land Development Associates
 - **Property Tax History** - Urban Redevelopment Authority of Pittsburgh, Summerset Land Development Associates and Allegheny County
 - **Projected Property Tax Assessed Values** - Summerset Land Development Associates, as described herein (subject to independent verification)
 - **Funding Program**
2013 Note: PENNVEST has provided a preliminary commitment under its Brownfields Remediation Loan Program, with an assumed interest rate of one point four zero eight percent (1.408%) for years 1 to 5 and one point eight three seven percent (1.837%) during years 6 to 20.

2014 Note: Pennsylvania Infrastructure Bank (PIB) loan will have a 10-year repayment term and bear interest at one half of the prime rate set at closing. Currently the rate would be one point six two five percent (1.625%) during the term of the loan.

2018/19 Note: Pennsylvania Infrastructure Bank (PIB) loan will have a 10-year repayment term and bear interest at one half of the prime rate set at closing. Currently the projected rate would be two point five zero percent (2.500%) during the term of the loan.
- In the event that the URA determines that it is more cost effective to issue some or all of the TIF debt with different terms and to different investors or lenders, the funding program participation described above would change.
- **Property Absorption Rate** - assumes two (2) units are absorbed per month upon completion which is consistent with a 8 year pattern in earlier phases of Summerset at Frick Park

- **Property Tax Collections** (at a 2% discount) - assumes properties are assessed one year after absorption (completion and subsequent sale)

2. **Summerset Tax Increment Financing Project**

The Summerset TIF district is expected to generate approximately \$24 million in proceeds for use towards \$41 million needed for public infrastructure improvements to support Phase 3 of the Summerset at Frick Park project. The total estimated cost of Phase 3 public and private improvements is \$115 million including residential construction. Phase 3 of the project is expected to include approximately 102 single family residential units, 37 townhomes and 78 condominiums or apartments.

Project Scope for TIF Project: Infrastructure Improvements

Environmental characterization of the Phase 3 site is currently underway, and its findings reflect similar sub-surface results found in Phases 1 and 2 of the site. Phases 1 and 2 have been remediated to Pennsylvania Department of Environmental Protection (PaDEP) standards under a Consent Order Agreement between PaDEP, City of Pittsburgh, URA and the Developer. TIF proceeds will be utilized to meet those same remediation standards on the Phase 3 portion of the site. Construction of new systems to manage stormwater runoff will enhance water quality standards as it relates to the stormwater entering the Nine Mile Run watershed. New construction of public streets and alleys and improvements to the neighboring Frick Park will enhance the quality of life for City residents.

The public infrastructure improvements will include:

- Site Acquisition
- Sitework, Remediation and Grading
- Stormwater Management Systems
- Public Streets, Access Roads, Bridge and Utilities
- Frick Park Extension, Trails and Amenities
- Soft Costs related to Public Infrastructure
- Financing Costs related to Public Infrastructure

TIF District Details

The approximate \$122 million projected increase from the base year real estate assessed value in the proposed TIF district (after full build-out) will yield projected annual real estate taxes of approximately \$2.6 million. The URA proposes that approximately 65% (75% for Phase 2B and 2C and 45% for Phase 3), or approximately

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

\$1.5 million, of the real estate tax increment be pledged to support debt that would help fill financing gaps for public infrastructure improvements including: Site acquisition, sitework remediation and grading, public streets, access roads and bridge, Frick Park improvements and other soft cost and financing cost related to the construction of the public infrastructure. The pledged real estate tax increment of approximately \$24 million will benefit the immediate neighborhoods, Frick Park and support the completion of the residential development of which \$18 million is being financed initially.

Summerset at Frick Park is a Traditional Neighborhood Development (TND), utilizing small lots, interconnected streets, sidewalks, diverse housing types and approximately 30,000 square feet of neighborhood retail. Phase 3 of the project will remain consistent with the previous two phases and will create a dense, urban, walkable, community integrated within established neighborhoods and near major employment centers. Overall unit density is greater than 10 units per acre. The projected assessed value, based upon the Allegheny County Office of Property Assessment estimate (subject to change), of taxable real property following the completion of all improvements in the Summerset TIF District is approximately \$128 million.

B. Summerset / Nine Mile Run Redevelopment Area #67

Phase 3 of the Summerset project is located in the Swisshelm Park neighborhood in Council District 5 of the City of Pittsburgh. The site is entirely within the proposed Nine Mile Run Redevelopment Area #67 (Appendix B.1). The Planning Commission of the City of Pittsburgh certified this study area as blighted on November 9, 2010 as a result of findings in the Nine Mile Run Basic Conditions Report.

II. Projected Budget for Improvements Financed with TIF Proceeds

The proceeds from the TIF Financing(s) will be used to partially fund the public infrastructure improvements related to the Phase 3 portion of the development. TIF proceeds would be used to fund a portion of the public infrastructure improvements needed to support the new construction of approximately 102 single family homes, 37 townhomes and 78 condominiums or apartments for the Summerset Project.

Estimated Cost of Phase 3 Public Infrastructure Improvements (to be partially funded with TIF proceeds):

– Site Acquisition	\$ 100,000
– Sitework, Remediation and Grading	\$ 5,622,400
– Public Streets, Access Roads, Bridge, Utilities	\$ 21,843,255
– Frick Park Extension, Trails and Amenities	\$ 2,050,000

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

– Soft Costs - Assessment, Design, Engineering	\$ 5,561,889
– Interest, TIF Expenses	\$ 937,573
– Debt Service Reserve (if required)	\$ 1,350,565
– Contingency	\$ <u>3,718,969</u>
Total Public Infrastructure	\$ 41,184,651

Estimated Sources of Funds for Phase 3 Public Infrastructure Improvements:

– Residential Lot Revenues	\$ 11,693,061
– TIF Proceeds	\$ 24,000,000
– PWSA Reimbursement	\$ 3,143,525
– State and Federal Grants	\$ 465,000
– Debt Service Reserve (if required)	\$ 1,350,565
– Developer Equity	\$ <u>532,500</u>
Total Public Infrastructure	\$ 41,184,651

The projected costs for the Phase 3 TIF funded Public Infrastructure Improvements are as follows:

– Design Engineering	\$ 2,000,000
– Remediation	\$ 4,622,400
– Infrastructure	\$ 12,601,082
– Permits	\$ 70,000
– Land Acquisition	\$ 100,000
– Contingency	\$ 2,867,092
– Administration: Inspection & Monitoring	\$ 1,289,809
– Legal	\$ 150,000
– Financial / Accounting	\$ <u>299,617</u>
Total cost of improvements (TIF funded)	\$ 24,000,000

The amount of incremental taxes shall be applied either: (a) directly toward the Capital Costs (as defined in the Tax Increment Financing Act (53 P.S. §6930.1 et seq.) 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, incremental taxes will be applied so long as and until 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.

III. Economic Impact Analysis

Refer to Economic and Market Impact Study Summerset at Frick Park as Appendix F of the TIF Plan for the Economic Impact Analysis including the fiscal effects on the municipal tax base.

IV. Economic Feasibility Analysis

A. Project Sources and Uses

Estimated Total Project Costs (Phase 2B, C and 3)

– Site Acquisition	\$ 100,000
– Sitework, Remediation and Grading	\$ 5,537,914
– Stormwater, Sanitary and Utilities	\$ 1,822,022
– Public Streets, Access Roads, Bridge	\$ 29,050,889
– Frick Park Extension, Trails and Amenities	\$ 2,050,000
– Private Parks and Alleys	\$ 3,008,437
– Buildings - Homes, Apartments, Commercial	\$152,742,855
– Soft Costs - Design, Inspection	\$ 8,330,088
– Interest, TIF Expenses	\$ 1,909,858
– Debt Service Reserve Fund (if required)	\$ 1,350,565
– Contingency	<u>\$ 4,078,869</u>

Total Project Costs \$ 209,981,497

Estimated Total Project Sources (Phase 2B, C and 3)

– Residential Lot Revenues	\$ 21,921,779
– Home and Building Sales	\$152,742,855
– TIF Proceeds (par amount of borrowings)	\$ 24,000,000
– PWSA Reimbursement	\$ 4,563,591
– Federal Grants	\$ 3,100,000
– State Grants	\$ 1,770,208
– Equity Contribution	\$ 532,500
– Debt Service Reserve Fund (if required)	<u>\$ 1,350,565</u>

Total Project Sources \$ 209,981,497

B. Tax Increment Financing

1. Note Amount(s)

The Tax Increment Financing (TIF) Financing(s) to be issued to fund a portion of the infrastructure costs in Summerset at Frick Park Phase 3 will be serviced by 75% of the School District, City and County incremental real estate taxes on all parcels within the Phase 2B and 2C area and 45% of incremental real estate taxes on all parcels within the Phase 3 area within the TIF District.

The URA has received a funding commitment in the amount of \$11,000,000 from the Commonwealth of Pennsylvania through its PENNVEST Brownfield Remediation Loan Program. The goal of the program is to facilitate the remediation of sites that are contaminated by past industrial or commercial activity and pose a threat to local groundwater or surface water sources (i.e. "brownfields"). The purpose of the financing is to encourage the cleanup and reuse of contaminated properties. It is anticipated the PENNVEST loan will have a 20-year repayment term and bear interest at one point four zero eight percent (1.408%) for years 1 to 5 and one point eight three seven percent (1.837%) during years 6 to 20.

The URA is anticipating funding awards in the aggregate amount of \$7,000,000 from the State of Pennsylvania through its Pennsylvania Infrastructure Bank Program (PIB). The PIB program is a PennDOT-operated program that provides low-interest loans to help fund transportation projects within the Commonwealth. The goal of the PIB is to leverage state and federal funds, accelerate priority transportation projects, spur economic development, and assist local governments with their transportation needs. It is anticipated that the PIB financing will be provided in two (2) separate borrowings. Each PIB loan will have a 10-year repayment term and bear interest at one half of the prime rate set at closing. Currently the rate would be one point six two five percent (1.625%) during the term of the loan. We have estimated the interest rate on the second portion of the PIB loan to be two point five percent (2.5%) during the term of the loan. Under this scenario bridge/interim financing will be required to be secured in advance of the second PIB borrowing (which will be repaid from the second PIB borrowing).

The URA is also considering alternatives to the financing proposals submitted by PENNVEST and PIB. The URA will finance the TIF costs in the most cost effective manner possible. Among the alternative financing methods under consideration is the public sale, or private placement, of TIF bonds or notes supported by a Neighborhood Improvement District (NID) as described in Section IE hereof.

Introduced: 6/4/2013

Bill No: 2013-1564, **Version:** 1

Committee: Committee on Intergovernmental
Affairs

Status: Passed Finally

2. Pledged Revenues

With respect to the School District, City and County, 75% of the real estate tax increment from the Phase 2B and 2C Pledged Parcels and 45% of the real estate tax increments from the Phase 3 Pledged Parcels, as defined by the lot & block designations below, will be used to support the TIF Financing(s) or to fund the infrastructure costs.

3. Pledged Parcels (see next page)

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

<u>Phase 2C</u>			<u>Phase 2B</u>	<u>Phase 3</u>
<u>Parcel #</u>	<u>Parcel #</u>	<u>Parcel #</u>	<u>Parcel #</u>	<u>Parcel #</u>
88H-214	88M-142	88M-50	88R-110	129J-150
88H-212	88M-144	88M-52	88R-115	129F-1
88H-210	88M-146	88M-54	88R-120	129A-160
88M-56	88M-148	88H-226	88R-125	129J125
88M-58	88M-150	88R-200		129J-175
88M-60	88M-152	88M-200	88H-161	129F-15
88M-62	88M-154	88S-15	88L-150	129J-100
88M-78	88H-216	88M-158		
88M-80	88H-218	88G-375		Note: Parcels
88M-82	88H-220	88M-160		in Phase 3
88M-84	88H-222	88M-162		to be further
88M-86	88H-224	88M-164		subdivided.
88M-88	88L-75	88H-250		Approximately
88M-90	88L-83			200 additional
88M-92	88L-93	Note: Parcels		parcels.
88M-94	88L-95	in Phase 2C		
88M-96	88L-97	to be further		
88M-98	88L-99	subdivided.		
88M-100	88L-101	Approximately		
88M-102	88L-103	38 additional		
88M-104	88L-105	parcels.		
88M-106	88L-107			
88M-108	88L-109			
88M-110	88L-111			
88M-112	88L-113			
88M-114	88L-115			
88M-116	88R-96			
88M-118	88R-86			
88M-120	88S-2			
88M-122	88M-30			
88M-124	88M-32			

Committee: Committee on Intergovernmental Affairs

Status: Passed Finally

88M-126	88M-34			
88M-128	88M-36			
88M-130	88M-38			
88M-132	88M-40			
88M-134	88M-42			
88M-136	88M-44			
88M-138	88M-46			
88M-140	88M-48			

4. Provisions for Unused TIF Bond/Note Proceeds

Any TIF Financing(s) proceeds which remain after financing the capital costs may be used for any other Public Infrastructure Improvements servicing the TIF district subject to the Tax Increment Financing Act.

Additional public improvements within the TIF District could include:

- Trail enhancements along Nine Mile Run Stream
- Trail enhancements and slope stabilization at the edge of the bluff above the Monongahela River in the Phase 3 area.
- Playground and ball-fields adjacent to Commercial Road
- Commercial Road pedestrian enhancements
- Reconstruction of causeway/culvert at the Nine Mile Run stream and Commercial Road/Forward Avenue
- Enhancements to Frick Park Extension area in Phase 2C
- Enhancements to Frick Park Extension area in Phase 3
- Pedestrian connections to Swisshelm Park from Phase 3
- Plantings and re-vegetation and the removal of invasive plants in Nine Mile Run stream and Phase 3 unimproved areas.

5. Tax Base for Purpose of Increment Calculation

Subject to the provision of the Tax Increment Financing Act, 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 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 and are found in Appendix C of the TIF plan.

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 (and possibly certain of the documents executed in connection with the issuance of any TIF Financing(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 Financing(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. Actual Tax Increment in Excess of Assumed Increment

Annual excess increment is critical to the leveraging aspect of the financing allowing for coverage and reserves. Any "excess" funds shall remain in the project account maintained by the trustee and can be used for public infrastructure costs, including capital expenditures, design, engineering, soft costs, management as well as additional financing expenses.

8. Interest Earnings

Any interest earnings on TIF revenues or trustee held funds will be used towards debt service, including payment of capitalized interest and prepayment of the TIF Financing(s) as permitted.

9. Financial Details

It is anticipated that the Summerset TIF District will be established effective in July 2013.

The specific terms and structure of the TIF Financing(s) will be determined at the time of issuance. However, it is contemplated that the first TIF Financing(s) will be issued in 2013 and amortized over an approximate 20 year term. All TIF Bonds(s)/Note(s) issued for the Summerset project will be required to be retired no later than 20 years past the creation date of the TIF district.

TIF Financing(s) proceeds may be used to pay construction period interest.

The specific uses for various sources of funds may be interchanged as necessary to efficiently fund the total project. It is currently anticipated that TIF Financing(s) proceeds will be used to fund construction of off-site infrastructure improvements and other public infrastructure which will directly benefit the Summerset project.

10. Community Engagement

Since the inception of the project in 1998 a group of community representatives have met regularly to discuss the project. This group is identified as the Nine Mile Run Task Force; a current list of participants is included as Appendix G.

An overview of the Phase 3 project, and the proposed TIF financing concept, was been presented to the following community organizations, representatives and residents:

Pittsburgh Parks Conservancy	November 9, 2012
Residents of Swisshelm Park	November 14, 2012
Nine Mile Run Watershed Association	December 1, 2012
Squirrel Hill Urban Coalition	December 10, 2012
Nine Mile Run Task Force	December 18, 2012

V. **Appendices**

Appendix A: Summerset at Frick Park Master Site Plan

Appendix B.1: Boundaries of the proposed Summerset Redevelopment Area #67

Appendix B.2: Existing Conditions

Appendix C: Base assessments of Pledged Parcels

Appendix D: Probable costs for the TIF Project (infrastructure improvements)

Appendix E: Summerset TIF District boundaries and infrastructure improvement areas

Appendix F: Economic and Market Impact Study: Summerset at Frick Park

Appendix G: Nine Mile Run Task Force members

VI. **Proposed Zoning Changes**

The site is currently zoned RP and no further zoning changes are required. Individual Final Land Development Plans will be submitted for portions of the project in advance of construction.

VII. Estimated Non-Project Costs

The TIF supported infrastructure project is expected to complement and stimulate ongoing development and property value appreciation in the area. Other non-project costs listed under “issuance costs” include capitalized interest (estimated), URA issues fee, TIF counsel fee, Trustee fee, and fees for preparing the Basic Condition and Impact Analysis Reports. The estimated cost of constructing private parks, alleys, individual homes and multi-family residential units and commercial building are projected to be approximately \$150-\$155 million.

VIII. Proposed Relocation Statement

No businesses or residences will be displaced by this development.

IX. 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 par amount of borrowings) to be expended by the Urban Redevelopment Authority and to be used for neighborhood development in the City of Pittsburgh.

X. 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 par amount of borrowings) to be expended by the Pittsburgh School Board and to be used for school development in the City of Pittsburgh.