

ALLEGHENY COUNTY TAX INCREMENT FINANCING PROGRAM GUIDELINES



Allegheny County Economic Development
Redevelopment Authority of Allegheny County

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PURPOSE

Tax Increment Financing (TIF) has become one of the most effective tools to encourage private investment and the revitalization of blighted properties within Allegheny County (the “County”). TIF utilizes a portion of future real property tax revenues to finance improvements necessary to facilitate new development in these areas. Incremental increases in real property tax revenues within a specific area, over a term up to 20 years, can finance costs related to that development. TIF provides a means to increase investment, expand the economic base, increase employment opportunities and contribute to the redevelopment of blighted and underutilized property. The *Allegheny County TIF Program Guidelines* have been created by Allegheny County Economic Development (ACED) and the Redevelopment Authority of Allegheny County (RAAC) in order to provide an understanding of the County’s policy and requirements for developments utilizing TIF.

PROGRAM DESCRIPTION

The Allegheny County TIF Program exists pursuant to the Commonwealth of Pennsylvania Tax Increment Financing Act¹ of July 11, 1990 (the “Act”). The Act provides an additional mechanism to a municipality² to contribute to the economic development of their respective jurisdictions through the creation of a Tax Increment District. Within a TIF District, all or some of the incremental real estate tax revenue generated by the development in that District can be used to finance public or private improvements associated with that development. Generally, the incremental increase in real estate taxes resulting directly from a development are used to support a revenue bond issued by a municipal authority³ created under the Urban Redevelopment Law⁴ of Pennsylvania of May 24, 1945. However, the tax increment can also include any tax increase resulting from the increase in commercial activity as a result of the development including hotel, amusement, business privilege, and parking taxes. The increment generated by the development may be used to finance a bond issuance; however, it may also be used to underwrite a direct loan or some other appropriate financing structure.

PROCEDURE⁵

TIF Project Review Form An applicant will prepare and submit a TIF Project Review Form (Attachment A) to ACED for consideration. This form requires a written narrative

¹ P.L. 465, No. 113, 53 P.S. Section 6930.1, et seq.

² See Section 6930.3.

³ Redevelopment Authority of Allegheny County, under these circumstances.

⁴ P.L. 991, No. 385, 35 P.S. 1701, et seq.

⁵ See, generally, Section 6930.5.

of the proposed development as well as a preliminary site plan and rendering. A summary of the financing sources, proposed private and public improvements, an estimate of the amount of TIF request and a justification for TIF assistance are also included. Submission of the TIF Project Review Form must be accompanied by an indemnification letter and the application fee.

ACED Review The TIF Project Review Form will be evaluated by the ACED to determine project eligibility. If the project is deemed eligible, ACED will engage a consultant to perform a market study and development impact analysis which will estimate the anticipated impact of the development including the private investment, job creation and fiscal impacts. The applicant will be promptly notified of eligibility under requirements set forth by the Commonwealth and County.

Blight Designation. If the proposed TIF District is not located in an existing Redevelopment Area⁶, a basic conditions report will be prepared for a study area containing the proposed development. RAAC must designate and certify an area to be in need of redevelopment pursuant to the provisions of the Urban Redevelopment Law. The affected municipality will also endorse the findings of the basic conditions report and characteristics of blight within the study area described therein.

Inducement Resolution RAAC will adopt an Inducement Resolution to declare its official intent to issue a tax-exempt obligation in the future.

Resolution of Intent The County and the governing bodies of the affected municipalities and school districts will consider non-binding resolutions of intent designating representatives to the TIF Committee and authorize RAAC to prepare a detailed TIF Plan that will be presented for future consideration.

TIF Committee Representatives from RAAC, the taxing bodies, interested community groups and the developer will form the TIF Committee. RAAC will present the draft TIF Plan to the TIF Committee for review. The public approval process will be initiated if the TIF Committee decides to recommend the TIF Plan following this evaluation.

Community Engagement The developer will solicit from the governing body of the municipality a listing of all local community groups, whether incorporated or not. Notification will be sent to these groups inviting interested parties to participate in a meeting to evaluate the proposed development and TIF Plan. RAAC will facilitate the resulting meeting and incorporate any agreement concerning community engagement⁷ into the Funding and Development Agreement.

⁶ See Section 6930.2 (a)(1) wherein an area is defined as blighted if any one of the following conditions exist: “(i) the unsafe, unsanitary, inadequate or overcrowded conditions of the area; (ii) inadequate planning of the area or excessive land coverage by the buildings thereon; (iii) the lack of proper light and air and open space; (iv) the defective design and arrangement of the buildings; (v) faulty streets or lot layout; (vi) economically or socially undesirable land uses.”

⁷ Defined as an agreement between a project developer and one or more community groups. Such agreement will be enforceable via the Funding and Development Agreement that governs the scope of the project.

TIF Plan Per the Act and other requirements contained herein, the TIF Plan⁸ will include the following:

- Background on the project developer
- Description of the proposed development
- Estimated costs of the proposed development (including public infrastructure)
- Market analysis of the proposed development
- Economic and fiscal impact of the proposed development (during construction and at build out)
- Improvements to be financed with TIF proceeds
- TIF amount
- Pledged parcels within TIF District
- Current assessed value and tax base
- Projected assessed value
- Projected pledged revenue
- Provisions for insufficient TIF revenues and excess tax increment
- Other financial details of the TIF
- Estimated non project costs
- Maps of the TIF District and existing property conditions
- Proposed changes to all applicable local plans, ordinances and codes
- Statement on community engagement
- Statement of proposed method for relocation (if applicable)
- TIF District establishment date

Resolution to Participate The taxing bodies will by ordinance or resolution, agree to participate in or opt out of the TIF District. Such ordinance or resolution will be adopted and a copy of the ordinance or resolution must be delivered to the governing body creating the district prior to or on the date on which the public hearing is held⁹.

Public Hearing The County or the governing body of the municipality which shall create the TIF District shall hold at least one public hearing at which time interested parties are afforded a reasonable opportunity to express their views on the concept of TIF, the proposed creation of a TIF District and its boundaries, the proposed TIF Plan and the benefits to the municipality. The public hearing must adhere to the requirements of the Sunshine Act of 1986, as amended¹⁰. Notice of the public hearing shall be advertised in a newspaper of general circulation not less than 30 days before the date of the hearing and shall be provided by first class mail to the governing body of any municipality or school district that levies property taxes within the proposed TIF District¹¹.

⁸ See Section 6930.5

⁹ See Section 6930.5(a)(7)

¹⁰ 65 P.S. Section 701, et seq.

¹¹ See Section 6930.5(a)(5)

TIF District Creation Not earlier than three weeks after the public hearing, the governing body which held the public hearing will adopt a resolution which accomplishes the following:

- Describes the boundaries of the TIF District
- Creates the TIF District as of a given date
- Assigns a name to the TIF District
- Contains findings in accordance with the Act, including:
 - The TIF District is a contiguous geographical area.
 - Improvement of the area is likely to enhance the value of the real property in the TIF District.
 - The aggregate value of equalized taxable property of the TIF District, plus all existing Districts, does not exceed 10% of the total value of equalized taxable property within the sponsoring municipality.
 - The TIF District as a whole has not experienced adequate growth and development by private enterprise and would not reasonably be anticipated to be adequately developed without the adoption of the TIF Plan.
 - A feasible method exists for relocation, if necessary.
 - The project plan conforms to the Municipal or County Comprehensive Plan.
 - The TIF Plan conforms to the municipal or county master plan, if any.
 - The TIF Plan will afford maximum opportunity for the rehabilitation of the TIF District by private enterprise.
 - The TIF District is a blighted area containing characteristics of blight as described in the Urban Redevelopment Law and the project to be undertaken is necessary to eliminate such blighting conditions.

Issuance of Debt RAAC will issue the TIF obligations. A Cooperation Agreement between RAAC and the affected taxing bodies will be executed at closing of the TIF.

Annual Report For the duration of the TIF District, an annual report shall be provided by the developer, no later than the 1st of October, giving a detailed status report on the development outlined in the TIF Plan (sample included as Attachment B).

Termination A TIF District will terminate when the positive tax increments are no longer allocable to the TIF District or the governing body of the municipality which created the TIF District, by resolution, dissolves the TIF District, providing no bonds or notes for the District remain outstanding¹².

FINANCIAL TERMS

Rate of Participation In order to permit the taxing bodies to realize some immediate benefit from the development and to divert only that portion of the tax increment which is

¹² See Section 6930.8

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necessary to support a proposed project, the affected taxing bodies will be requested to participate in the TIF by pledging a limited percentage of the anticipated tax increment to the TIF. The rate of participation, or diversion rate, will contribute to the amount of TIF that will be provided to a project. Another factor affecting the amount of TIF is the anticipated incremental assessed value of the proposed development. The diversion rate which is established for a project will depend upon the anticipated impact of the project and will be set after ACED is satisfied that the developer has exhausted attempts at securing other funding.

Term Per the Act, TIF Districts may exist for a maximum of 20 years. Any debt obligations financed with the tax increments must be retired within this time period.

Interest Rate The interest rate is dependent upon the conditions of the capital markets and the credit enhancement provided for debt obligations.

Security The developer will be required to guarantee a minimum tax payment of 100% of the estimated increment irrespective of the percentage of participation in the project by the taxing bodies. Letters of credit, bond insurance or some other acceptable form of credit enhancement may be required as additional security for the obligation. TIF Bonds will not be supported by general obligations of the County or RAAC. Other taxing bodies may choose to support the bond issue.

Minimum project size/bond issue Because of the costs associated with the TIF process and the issuance of debt obligations, the minimum project size is \$5 million and the minimum TIF financing is \$1 million. The Director of ACED may approve exceptions in cases where alternative financing is unavailable.

Taxable and Tax-Exempt issues The improvements financed with the proceeds of a TIF Bond may be publicly owned. If publicly owned and considered to be public improvements (benefiting more than one property owner), the project may qualify for tax-exempt financing.

Fees Various fees apply for deliverables throughout the process. A schedule is attached to the TIF Project Review Form that outlines the fees incurred.

POLICY

The following section outlines the requirements governing the Allegheny County TIF Program. ‘General Requirements’ are those of the Act. ‘Specific Requirements’ are those which govern County sponsored TIF projects. ‘Evaluation Requirements’ are requirements addressed through the ACED TIF Project Review Form (Attachment A) for all projects in which RAAC is the issuing authority.

GENERAL REQUIREMENTS

TIF Districts must be contiguous geographic areas¹³ within certified Redevelopment Areas through the process set forth in the Urban Redevelopment Law. The boundaries of the TIF District must contain whole units of property assessed for general property tax purposes. Prior to the dissolution of a TIF district, no governing body may grant exemptions under the Local Economic Revitalization Tax Assistance (LERTA) Act of 1977¹⁴.

Under the Act, eligible TIF projects include commercial, industrial, and residential development. Any costs associated with the development of these projects are eligible to be financed with TIF including capital costs (construction, rehabilitation, demolition, acquisition of land, buildings and machinery), financing costs, professional services, administrative costs, relocation, organizational costs and costs associated with the creation and implementation of the TIF project¹⁵.

SPECIFIC REQUIREMENTS

For TIF District's sponsored by Allegheny County the following requirements will govern the County's participation:

- All developments must be consistent with the goals and objectives outlined in *Allegheny Places*, the Allegheny County comprehensive land use and growth management plan. Developments must also comply with all applicable local plans, ordinances and codes per the requirements of the Act.
- Commercial/Industrial developments must leverage private investment (particularly in distressed communities), create and sustain quality jobs for County residents, generate a net increase in consumption by both creating new jobs and filling an unmet demand for commercial/industrial activity in the County and generate sufficient revenue to support additional service requirements.
- Residential developments must increase housing options available to County residents, bring new residents into the County, balance an increase in new residents with tax revenue to support additional service requirements (both municipal and educational), and increase home ownership in the County by providing affordable housing opportunities.
- The County's portion of revenues diverted to the TIF will only be utilized to support public infrastructure¹⁶ improvements necessary to facilitate private investment that benefits the public where project economics are unable to

¹³ See Section 6930.3.

¹⁴ See Section 6930.9.

¹⁵ See Section 6930.3.

¹⁶ For purposes of this document, "public infrastructure" will be generally defined as those publicly owned and dedicated structures and facilities on which the continuance and growth of a community depend, including, but not strictly limited to, streets, roadways, road surfaces, bridges, tunnels, easements, right-of-ways, parking facilities, sanitary and stormwater sewers, curbs, sidewalks, water/power/cable conduits and drainage structures.

secure or support the necessary financing to undertake such improvements. The Pennsylvania Prevailing Wage Act will apply to the construction of all public infrastructure supported by County funds.

- Allegheny County Prevailing Wage Legislation¹⁷ applies to all TIFs where the County is a participant .
- The diversion of incremental County real property tax revenues will only be to the extent necessary to make a development viable and at a maximum rate of 60%. Those developments located in County strategic investment areas¹⁸, create significant economic impact or feature significant elements of sustainable design can have a maximum participation rate of 75%.
- Project developers are encouraged to engage local community groups, whether incorporated or not, to participate in the evaluation of proposed developments. Where applicable, meetings will be held to provide the opportunity for community groups to interact directly with project developers. Execution of any agreement on community engagement will be incorporated as an addendum to the Funding and Development Agreement with RAAC.
- The developer will be required to enter into a Funding and Development Agreement with RAAC whereby RAAC agrees to finance the TIF public improvements constructed by the developer and the developer agrees to incorporate project elements agreed to with RAAC. Any agreement that results from the developer's interaction with local community groups will be attached as addendum to this agreement. The Funding and Development Agreement may also include an indication of the developer's willingness to guarantee a minimum tax payment during the term of the TIF to support the obligation, irrespective of the completed assessment of the development and the millage rates (or changes thereto) of the affected taxing bodies.

EVALUATION REQUIREMENTS

As described above, applicants must submit a completed TIF Project Review Form along with an indemnification letter and application fee to ACED prior to consideration of a TIF. The form will provide the ACED with the information necessary to determine the eligibility of the development and establish terms for the structure of the proposed TIF. The requirements of the submission include agreement to fund an independent market study and development impact analysis upon completion of initial review of the form.

In general, the following criteria will be used to complete this evaluation:

Economic and fiscal impact of the new development. The number, type, and wages of the employment to be created, impact on competition and neighboring businesses and projected tax revenue.

¹⁷ See Allegheny County Bill No. 5506-10 within Appendix D of the TIF Project Review Form.

¹⁸ County strategic investment areas include distressed communities, brownfield redevelopment sites and the PIT Airport Corridor.

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Demonstration of need for TIF. A developer must submit a signed affidavit to the TIF Project Review Form certifying that the project cannot proceed without the TIF and provide supporting documentation justifying the need for and the amount of financing requested. The amount of public infrastructure required to facilitate the development must be provided. Developers may be required to provide a justification based on profit, return on investment or other measure deemed appropriate.

Value Added. The extent to which the development will add value to the local economy and avoid shifting of resources within the County. Also, the extent to which the development satisfies an unmet demand for a product or service in the region.

Private investment leverage. The ratio of private to public investment.

Development type (commercial, industrial, residential). Developments which involve the development of new office, high technology, manufacturing facilities are more likely to create high wage jobs, and therefore have a significant economic impact on the regional economy. TIF for retail developments, which generally create large numbers of lower wage jobs compared to other sectors, will be avoided.

Development location. The development must be consistent with the goals and objectives outlined in *Allegheny Places*, the Allegheny County comprehensive land use and growth management plan, and all applicable local plans, ordinances and codes. Developments within county strategic investment areas (distressed communities, brownfield redevelopment sites and the PIT Airport Corridor) or those featuring significant elements of sustainable design will receive greater weight during the evaluation.

Project developer experience. The ability of the developer to undertake and complete the project, provide the guarantees or credit enhancements necessary to support the requested financing and the risk associated with the overall development of the project (i.e. amount of pre-leased space, the market feasibility of the project) will also be considered.

Other Relevant Criteria. Additional development criteria will be considered at the discretion of ACED. One such criteria is sustainable development which is referenced in Appendix C of the TIF Project Review Form.