

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

**PARKING TAX DIVERSION
PROGRAM GUIDELINES**

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Mayor
City of Pittsburgh

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Urban Redevelopment Authority of Pittsburgh

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PURPOSE

This document provides guidance on the processes and requirements related to the formation, development, and implementation of Parking Tax Diversions (PTDs) within the City of Pittsburgh.

The Urban Redevelopment Authority of Pittsburgh (URA) serves multiple roles related to administration and implementation of PTDs, including:

- Managing the application process for all proposed PTDs located within the City of Pittsburgh,
- Coordinating with all relevant parties throughout the application, creation, and implementation processes,
- Serving as the City of Pittsburgh's agent for PTDs,
- Coordinating the implementation of PTDs, and
- Serving as the conduit to enable approved applicants to take advantage of PTD related financing as permitted by the Redevelopment Cooperation Law¹ and the Intergovernmental Cooperation Law.²

PROGRAM DESCRIPTION

The URA's Parking Tax Diversion Program was created to enable the use of parking taxes to foster redevelopment within the City of Pittsburgh (the "City"). PTDs are used to leverage private development to finance projects where traditional and other types of public financing are insufficient to ensure the project's completion. PTDs utilize future increased parking tax revenues to pay for eligible project costs. As a result, PTDs enable the completion of projects that further the City's economic development goals such as:

- Producing quality, full-time jobs for City residents,
- Increasing the City's tax base,
- Leveraging substantial private investment,
- Improving the City's infrastructure, and
- Providing positive benefits to communities within the City.

The Commonwealth of Pennsylvania's Redevelopment Cooperation Law and the Intergovernmental Cooperation Law authorize the URA and the City to enter into agreements that enable the creation and management of parking tax diversions. These laws allow a portion of future parking tax revenues generated by a pledged development project to be used to finance public or private improvements associated with the pledged development project. The incremental parking tax revenues can be used to support a loan and/or pay eligible project

¹ 35 P.S. §§ 1741, et seq.

² 53 P.S. §§ 2301, et seq.

costs. Eligible project costs are determined on a case-by-case basis by the URA and the City according to the Sponsorship Requirements below.

All projects utilizing PTD funds are subject to the processes and policies described below. The URA Board of Directors reserves the right to waive any guidelines it deems appropriate to the extent permissible under the Redevelopment Cooperation Law, as amended, and the Intergovernmental Cooperation Law, as amended.

Although other legislation may allow for the leverage of tax increment from non-parking taxes, the URA will only pursue the potential diversion of real estate and parking taxes in a request to the three taxing bodies.

SPONSORSHIP REQUIREMENTS

Parking Tax Diversion is only to be used in projects where traditional private and other types of public financing are insufficient for project completion. The projects must have positive impacts on the neighborhood in which it will be built and on the City of Pittsburgh in general. The projects must complement existing commercial and residential development in the City.

The following section outlines the requirements governing the PTD program. ‘Sponsorship Requirements’ are those which govern the URA’s participation in and sponsorship of PTDs. As the agent for the City of Pittsburgh, the URA is responsible for enforcing all requirements. It is the Applicant’s responsibility to identify any change in requirements as dictated by the URA. The following requirements govern the URA’s participation in and sponsorship of PTDs:

- All development projects must comply with all applicable local plans, ordinances, and codes.
- Commercial and industrial development projects must leverage private investment, create and sustain high quality, full-time jobs for City residents, generate positive economic impacts for the City, and generate sufficient tax revenue to offset increased municipal infrastructure and service costs.
- Residential developments must increase housing options, including affordable housing, available to City residents. Additionally, the increase in housing options must create a net increase in affordable for-sale or rental housing units. Residential developments that bring new residents into the City should balance that increase in new residents with tax revenue to support additional service requirements (both municipal and educational).
- Priority will be given to projects that use PTD revenues to support public infrastructure³ improvements necessary to facilitate private investment that benefits the public where

³ 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, structured public parking facilities, public sanitary and storm water sewers, curbs, sidewalks, public water/power/cable conduits and public drainage structures. Privately owned infrastructure that serves the public interest will also be considered.

project economics are unable to secure or support the necessary financing to undertake the public infrastructure. Private parking investments are not an eligible use of PTD revenues. The Pennsylvania Prevailing Wage Act will apply to the construction of all public infrastructure supported by PTD funds.

- The diversion of incremental parking tax revenues will only be to the extent necessary to make a development viable and at a maximum rate of 60%. Those developments that are located in targeted areas, create significant economic impacts, or preserve or create affordable housing⁴ may be eligible to receive a maximum participation rate of 75%.
- The Applicant must include a plan detailing how it intends to meet or exceed the URA's Minority and Women-Owned Business Enterprise (MWBE) goals of 18% and 7%, respectively. MWBE participation is measured as the percentage of the overall net project costs, including pre-construction costs, design, construction, procurement and post-construction received by MWBE firms. The Applicant should submit an MWBE narrative with its PTD application.
- The Applicant must include a plan detailing how it intends to meet or exceed the URA's Minority Workforce Inclusion (MWI) goal of 12%. MWI participation is measured as the percentage of the overall net project costs, including pre-construction costs, design, construction, procurement and post-construction received by the minority workforce. The Applicant should submit an MWI narrative with its PTD application.
- The Applicant must include a plan to incorporate sustainable best practices into all aspects of the project from site preparation through construction and operation of buildings and site infrastructure.
- The Applicant must 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 applicants.
- The Applicant may be required to enter into Funding and Administrative Agreements with the URA.
- The Applicant must provide documentation of site control. This documentation must satisfy the URA's standards.

PTD CREATION PROCESS

PTD ORIENTATION MEETING

Prior to submitting a PTD Application, the Applicant should contact the URA and schedule a formal PTD Orientation Meeting so that URA staff can review the PTD process, requirements

⁴ Affordable housing will generally be defined as one of the following: (1) the new construction of housing units which will be rented to households at or below 60% of area median income; (2) the new construction of for-sale units to be sold to owner-occupied households at or below 80% of the area median income; (3) the rehabilitation of existing rental units to be rented to households at or below 60% of the area median income; (4) the rehabilitation of for-sale units to be sold to owner-occupied households at or below 80% of the area median income.

and related taxing body ordinances, as well as answer any questions the Applicant may have about the PTD program. This meeting is not required for URA-initiated PTDs.

PTD APPLICATION

The Applicant will prepare and submit a PTD Application to the URA for consideration. This form requires a written narrative describing the proposed development project(s), including but not limited to key details such as:

- An overview of the development project(s),
- An overview of the proposed private and public improvements to be financed/funded by the PTD,
- A summary of all financing/funding sources, including the amount of PTD financing/funding requested,
- A Sources and Uses budget for the overall development project(s),
- A Sources and Uses budget for the private and public improvements to be financed/funded through PTD, and
- Justification for PTD financing/funding, including a “but-for” financial analysis demonstrating need for the PTD.

The PTD application must be accompanied by:

- A narrative detailing how the Applicant intends to meet or exceed the URA’s Minority- and Women-Owned Business Enterprise (M/WBE) participation goals,
- A narrative detailing how the Applicant intends to meet or exceed the URA’s Minority Workforce Inclusion (MWI) goals,
- An indemnification letter (*see* Appendix B),
- The non-refundable administrative fee (*see* Appendix A), and
- The URA counsel legal fee (*see* Appendix A).

URA REVIEW

The PTD Application will be evaluated by the URA to determine project eligibility. In addition to these guidelines, the Applicant is expected to comply with any PTD policy or guideline adopted by the City of Pittsburgh.

CITY SUPPORT

The Applicant must obtain the support of the Mayor’s Office and City Council before the URA will advance the authorization of a PTD.

COMMUNITY ENGAGEMENT

The Applicant is expected to coordinate with local community groups regarding support for their project. Furthermore, PTD projects should work to achieve goals articulated in

neighborhood plans, as applicable. Additionally, the Applicant is encouraged to obtain and submit letters of support from local community groups.

COMMITMENT LETTER

Upon approval of a PTD application, the URA will issue a commitment letter specifying the terms by which the URA will advance the PTD.

PTD COUNSEL

The Applicant is responsible for legal costs incurred by the URA in advancing the PTD, including outside legal counsel. The applicant is also encouraged to retain separate PTD Counsel during the PTD process.

URA BOARD RESOLUTION

The URA Board will adopt a resolution authorizing the URA to:

- Enter into a Cooperation Agreement with the City of Pittsburgh related to the PTD,
- Enter into a Funding Agreement and Administrative Fee Agreement with the Applicant related to the PTD,
- Administer or enter into a contract with a trustee to administer the parking tax fund related to the PTD, and
- Execute all related agreements.

PTD PARCEL PLEDGING

The City of Pittsburgh will adopt a resolution that defines:

- The parcels pledged to the PTD,
- The parking tax participation/diversion rate,
- The maximum amount of parking taxes that may be diverted, and
- The term and duration of the PTD

COOPERATION AGREEMENT

A Cooperation Agreement between the URA and the City of Pittsburgh to divert parking taxes for a fixed term will be authorized and executed before the closing of the PTD debt.

ISSUANCE OF DEBT AND DEBT SECURITY

While the URA serves in the role of a conduit which enables the Applicant to take advantage of the PTD financing structure, the URA is not responsible for securing the financing and its credit is not pledged as security for the financing. It is the responsibility of the Applicant to identify (1) the nature of the financing (whether a bank loan, bond issue or some other type of financing) and (2) the specific provider of the financing (the bank, bond purchaser, underwriter or some other type of provider).

ECONOMIC IMPACT STUDY

The URA may engage a consultant at the Applicant's expense to perform an Economic Impact Study which will estimate the anticipated impact of the development including the private investment, job creation and fiscal impacts. This expense may be reimbursable to the Applicant upon closing of PTD financing from the proceeds of that financing.

FINANCIAL ADVISOR

At the URA's discretion, a financial advisor may be solicited by the URA at the Applicant's expense. This expense may be reimbursable to the Applicant upon closing of PTD financing from the proceeds of that financing.

PTD COUNSEL

The URA will retain at the Applicant's expense legal counsel to handle PTD related matters. This expense may be reimbursable to the Applicant upon closing of the PTD financing from the proceeds of that financing. Similarly, the Applicant is encouraged to retain legal counsel experienced in matters of real estate and tax law for PTD related matters.

ISSUANCE OF DEBT

The URA will not issue the PTD obligations. Although the URA is the conduit through which the Applicant is able to take advantage of PTD financing, **the URA is not responsible for securing the financing and its credit is not pledged as security for the financing.** The Applicant is responsible for securing financing. If the Applicant intends to self-finance a PTD, an origination fee of 3% of the gross note proceeds will apply, in lieu of a debt issuance fee. It is the responsibility of the Applicant to identify (1) the nature of the financing (whether a bank loan, bond issue or some other type of financing) and (2) the specific provider of the financing (the bank, bond purchaser, underwriter or some other type of provider). The URA will review the terms and determine if the terms are favorable enough to be presented to the URA Board of Directors for approval.

TERMINATION

A PTD will terminate when the positive tax increments are no longer allocable to the PTD or the City, by resolution, dissolves the PTD, providing no bonds or notes for the PTD remain outstanding. If the PTD is fully amortized prior to the end of the PTD term, the City will apply the diverted parking taxes toward an affordable housing fund that will last the duration of the PTD's term.

APPLICATION REVIEW & EVALUATION PROCESSES

APPLICATION

A complete PTD Application package shall include:

- The PTD Application Form,
- An MWBE narrative,
- An MWI narrative,
- An executed indemnification letter,
- Payment of \$10,000 for the PTD creation administrative fee, and
- Payment of up to \$45,000 for the URA Legal Counsel Fee.

EVALUATION CRITERIA

The following criteria will be used to evaluate the PTD Application:

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.

Demonstration of Need for PTD Financing

The Applicant must submit a signed affidavit with the PTD Application certifying that the project cannot proceed without PTD financing 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. The Applicant 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 City. Also, the Applicant must quantify the extent to which the development satisfies an unmet demand for a product or service in the region.

Private Investment Leveraged

The ratio of private to public investment must be such that the use of public funds is justified for private development.

Development Type (e.g., Commercial, Industrial, and Residential)

Development types that will be given higher preference include those featuring: 1) The development of new office, high technology, manufacturing facilities that are more likely to create high wage jobs, and therefore have a significant economic impact on the regional economy and 2) Those that embrace sustainable design practices. The URA will take into consideration the number and types of jobs the Project is expected to generate within the City and the degree to which the Applicant will hire workers living in the City.

Development Location

The development must be consistent with the goals and objectives outlined in the all applicable municipal and neighborhood plans, ordinances and codes. Developments within City strategic investment areas or those featuring significant elements of sustainable design will receive greater weight during the evaluation. Developments demonstrating greater levels of accessibility to public transportation facilities will be given higher priority.

The Applicant's Relevant Development Experience

The ability of the Applicant to undertake and complete the project, provide the relevant PTD 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. The URA will also consider whether the Applicant would be able to secure additional funding for the Project should there be cost overruns or if additional phases of the Project are contemplated.

Certified Minority or Women Business Enterprise (MBE/WBE) Participation

Preference will be given to applicants that are MBE/WBE certified in the Commonwealth or use MBE/WBE certified subcontractors in the construction of the Project.

Minority Workforce Inclusion Participation

The Applicant should provide information detailing how it will meet or exceed the City's MWI goals.

Project's Demand Upon City Services

The Applicant should provide information detailing how it will offset the increased demand for City services such as utilities, public safety, and public works required for its Project as well as the impact on the Pittsburgh Public School District.

Locally or Domestically Sourced Materials

Preference will be given to Applicants whose project plans involve the use of local or domestically sourced materials.

Other Relevant Criteria

Additional development criteria will be considered at the discretion of the URA.

FINANCIAL TERMS

PARTICIPATION/DIVERSION RATE

In order to permit the City of Pittsburgh to realize some immediate benefit from the development and to divert only that portion of the parking tax increment which is necessary to

support a proposed project, the City of Pittsburgh will be requested to participate in the PTD by pledging a limited percentage of the anticipated parking tax increment to the PTD. The rate of participation, or diversion rate, is one factor that will determine the amount of PTD that will be provided to a project. Another factor affecting the amount of parking taxes diverted is the anticipated incremental parking taxes generated by the proposed development. The Participation or Diversion rate which is established for a project will depend upon the anticipated impact of the project and will be set after the URA is satisfied that the Applicant has exhausted attempts at securing other funding.

TERM

The term of any and all borrowing shall be at maximum the length of the PTD designation, which is a maximum of 19 years. Any debt obligations financed with the parking tax increment must be retired within this time period. Shorter loan terms are encouraged to the extent financially feasible.

INTEREST RATE

The interest rate is dependent upon the conditions of the capital and/or financial markets and the credit enhancement, if any, provided for debt obligations. Any PTD debt that is self-financed by the Applicant must have an interest rate that does not exceed prevailing commercial rates.

SECURITY & DEBT SERVICE

The Applicant will be required to execute a Funding Agreement wherein, among other things, the Applicant's parent company or other guarantor of sufficient net worth will serve as security for the PTD financing. Letters of credit, bond insurance or some other acceptable form of credit enhancement may be required as additional security for the obligation. PTD debt will not be supported by general obligations of the City or the URA.

FEES

Multiple fees apply for deliverables throughout the process. The PTD Fee Schedule is provided in Appendix A to these guidelines.

EXCESS PARKING TAX INCREMENT

If the amount of pledged parking tax increment exceeds the amount necessary to service the PTD debt instrument in any period, the excess amount will be deposited into a debt service reserve account to be held by the PTD loan's lender. The amount of excess parking tax increment held in this debt service reserve account will not exceed the amount necessary to service one year of debt. Any remaining parking tax increment in excess of this one-year of debt service must be used to pay down the PTD loan balance.

REPORTING COMMITMENTS

URA JOBS REPORT

For the duration of the PTD, the Applicant must submit an annual update on jobs within the development and must provide up to date job information upon the URA's request. Upon the completion of the project, the Applicant will have five years to meet its pre-development employment goals. The Applicant and/or related entity shall be required to submit a plan to the City of Pittsburgh for achieving a workforce which is comprised of at least 35% City Residents within the five year period following the commencement of business operations, and an affidavit of commitment to achieve this employment plan.⁵ The PTD Recipient must utilize CareerLink prior to PTD implementation. If PTD funds are used in the private development, any shortfall in actual versus estimated jobs may result in monetary damages. These are to be specified in the Funding Agreement. For a blank copy of the report, see Appendix C.

CITY OF PITTSBURGH ORDINANCES

The Applicant is responsible for reviewing all relevant City of Pittsburgh ordinances and legislation related to the development process and the PTD. The Applicant should direct questions related to the ordinances and legislation to the City of Pittsburgh.

⁵ See City of Pittsburgh Code 201.11 Ordinance 27

APPENDICES

APPENDIX A. FEE SCHEDULE

Fees Incurred During the PTD Creation Process	
Administrative Fee	\$10,000; non-refundable <i>Due with submission of PTD application</i>
Economic Impact Study	Determined by responses to an RFP and subsequent agreement with the consultant performing the requested services
Financial Advisor	Determined by responses to an RFP and subsequent agreement with the consultant performing the requested services
Outside Counsel	Final cost will be determined by responses to an RFP and subsequent agreement with the outside legal counsel performing the requested services, however, a \$15,000 deposit is applicable, of which <i>\$7,500 is due upon approval by City Council and \$7,500 is due at Closing</i>
URA Counsel Fee	\$45,000 <i>Due with submission of PTD application</i>
Issuance Fees	3% of the Issuance Amount <i>Due at closing</i>

Fees Incurred During the PTD Implementation Process	
Annual Admin. Fee	Years 1 through 5: \$35,000 Years 6 through 20: amount determined at closing
Trustee Fee	This fee is determined by the rates charged by the URA's tax diversion trustee

NOTES:

- Payment of any fee does not guarantee project approval by the URA.
- The fees notated above are standard fees but may be subject to change for a nonstandard request.

- The application will not be accepted or reviewed until the Administrative Fee is received.
- Other fees may be applicable depending on the complexity of the PTD projects.

APPENDIX B. INDEMNIFICATION LETTER

<<TO BE PRINTED ON APPLICANT LETTERHEAD>>

DATE

Ms. Susheela Nemani-Stanger
Executive Director, Urban Redevelopment Authority of Pittsburgh
412 Boulevard of the Allies, Suite 901
Pittsburgh, PA 15219

Re: Parking Tax Diversion Application for _____(the "Project")

Dear Ms. Nemani-Stanger:

On behalf of _____(the "Applicant"), I am submitting a Parking Tax Diversion ("PTD") Application for the above referenced project.

The Applicant understands that many of the terms and conditions of the Urban Redevelopment Authority's (the "Authority") respective rights and responsibilities are set forth in the PTD Program Guidelines, the various agreements between the Authority and the City of Pittsburgh, the financing documents and the Developer's Agreement between the Authority and the Applicant.

By submitting the PTD Application, the Applicant is asking the Authority to consider the issuance of its bonds or other debt instruments (the "Obligations") to assist in the financing for our anticipated project. We acknowledge that the proposed financing will be of substantial benefit to our company as the Applicant. As a consequence, we agree to the following conditions, which are in addition to those set forth in the PTD Program guidelines and the other documents named above. Provided the URA has not acted with gross negligence or willful misconduct, the Applicant shall protect, exonerate, defend, indemnify and save the URA and its members, officers, employees, agents and attorneys, harmless from and against any and all costs or liabilities which may arise or have arisen out of this Agreement, the PTD Note and the Development Project, and from all costs, counsel fees, expenses and liabilities incurred in or about the defense of any such claims or actions or proceedings brought thereon, and from and against any and all losses, damages, costs, expenses or liabilities based on personal injury, death or loss or damage to property suffered or incurred by any person, firm or corporation arising out of or attributable to the construction, use, operation or maintenance of the Development Project, from any breach or default on the part of the Developer in the performance of any covenant to be performed pursuant to the terms of this Agreement, or any construction contract, or arising from any act of negligence of any of the Developer or any of the Developer's agents, contractors, subcontractors or employees performing work on or about

the Development Project; and from and against all costs, counsel fees, expenses and liabilities incurred in or about the defense of any such claims or actions or proceedings brought thereon.

For the purposes of this letter,

- (a) "Authority" shall mean the Authority, its Board Members, Officers, Agents, and employees and the Urban Redevelopment Authority of Pittsburgh, its officers, employees and agents.
- (b) "Applicant" shall mean the Applicant, its successors and assigns, parent or subsidiary entities, directors, members, officers, employees and agents.

Thank you for the Authority's consideration of this PTD Application.

Very truly yours, APPLICANT/BORROWER

By: Authorized Representative

Enclosure: Check # _____ in the amount of \$10,000 (Non-refundable PTD Administrative Fee).

APPENDIX C. ANNUAL JOBS REPORT

PTD Projects Annual Jobs Report*

Date:

Years after build-out:

Projected Employment

Full Time Equivalent Jobs*			
	Created	Retained	Total
Construction (if known)			
After Build Out			
Retail			
Manufacturing			
Office/Management			
Other (please identify):			
Total			
Total number of jobs:			
Number of jobs considered high-tech:			

Actual Employment as of: _____

Full Time Equivalent Jobs*				
	Created	Retained	Total	# Jobs filled by City residents
Construction (if known)				
After Build Out				
Retail				
Manufacturing				
Office/Management				
Other (please identify):				
Total				
Total number of jobs:				
Number of jobs considered high-tech:				

Please comment on any discrepancies between projected and actual employment numbers and provide reasoning for those discrepancies.

Total number of full-time employees plus number of employees on part-time schedules converted to a full-time basis.

APPENDIX D. POST-DEVELOPMENT/ANNUAL REPORT TEMPLATE

Urban Redevelopment Authority of Pittsburgh
Post-Development Annual Report Template

Total Project Costs listed by Use: (include private development costs & infrastructure costs beyond PTD)
Final Sources of Funds:
Total Square Feet Developed (by product type):
If Different than Projections within PTD application, Please Explain:
Current Rent Roll:
Planned Future Development & Cost (include available acreage):
Additional Comments:

