

Urban Redevelopment Authority of Pittsburgh

(A Component Unit of the
City of Pittsburgh, Pennsylvania)

Financial Statements and Required
Supplementary and Other Information

Year Ended December 31, 2016 with
Independent Auditor's Report

MaherDuessel
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URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

YEAR ENDED DECEMBER 31, 2016

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Independent Auditor's Report

Board of Directors
Urban Redevelopment Authority of Pittsburgh
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Urban Redevelopment Authority of Pittsburgh (URA), a component unit of the City of Pittsburgh, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the URA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pittsburgh Housing Development Corporation, the Authority's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pittsburgh Housing Development Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the URA as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through vi be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the URA's basic financial statements. The supplementary information and other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Maher Duessel

Pittsburgh, Pennsylvania
April 28, 2017

Management's Discussion and Analysis

December 31, 2016

As management of the Urban Redevelopment Authority of Pittsburgh (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and footnotes.

Financial Highlights

- In the government-wide financial statements (page 1), Total Net Position was \$222.5 Million, of which \$40 Million represented net investment in capital assets, and \$138.4 Million was restricted by funding source or bond indenture. Of the \$44.1 Million unrestricted net position, \$20.7 Million represents property held for redevelopment under restrictions of the state redevelopment statutes and \$16.8 Million pertains to Board commitments for program funding gaps, bridge financing for projects, and property repairs and improvements in larger current projects.
- The Authority's total program revenues were \$44.2 Million for the year, of which \$26.7 Million was operating grants, \$17.3 Million was charges for services, and \$2 Million was for capital grants. The program revenue and proprietary funds consisted primarily of \$8.4 Million in repayments through lending programs, and \$7.1 Million earned through property management and rental income.
- The fund balance for all governmental funds (page 3) totaled \$67.8 Million, a decrease of \$5.3 Million from 2015 (\$73.1 Million). The Authority purchased approximately 658 acres of the Hays Woods site during 2016 for approximately \$5 Million. As the largest underdeveloped site remaining in the City of Pittsburgh, there was considerable desire to return the site to public ownership.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements are comprised of three parts: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Government-Wide Financial Statements (pages 1 and 2) present the financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting. They include all assets and liabilities, including fixed assets and long-term debt. All of the current year's revenues and expenses are taken into account regardless of when cash was received or expenses paid. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables. Governmental activities and business-type activities are presented

separately, as well as the activities of the Authority's component unit, the Pittsburgh Housing Development Corporation.

Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities. They report the Authority's net position and changes in them. Net position is the difference between assets and liabilities, which is one way to measure the Authority's financial position.

In the Statement of Position and Statement of Activities, the Authority's activities are separated as follows:

Governmental Activities – This category includes the Authority's General Fund and those development projects and programs primarily funded by federal, state, and local grants, including Community Development Block Grant funds and HOME funds.

Business-Type Activities – This category includes self-supporting activities such as the housing programs funded through tax-exempt and taxable revenue bonds, the Pittsburgh Development Fund loan program, and the Authority's owned-and-operated real estate enterprises – the Produce Terminal, Western Restoration Center, and garages at South Side Works and Pittsburgh Technology Center.

Fund Financial Statements

Fund Financial Statements begin on page 3 of this report and provide detailed information about the Authority's most significant funds – not the Authority as a whole. The Fund Financial Statements include statements for each of the two categories of activities – governmental and proprietary. Only the major funds are presented individually in the Fund Statements.

Governmental Funds – Governmental Funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending. These statements provide a detailed shorter-term view of the Authority's general operations. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs and projects. These funds are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can be readily converted to cash. Since this is a different accounting method than what is used in the Government-Wide Financial Statements, the differences between the two sets of financial statements are explained in a reconciliation following each Governmental Fund financial statement (pages 3 and 5).

Proprietary Funds – The Proprietary Funds (pages 6, 7, and 8) are the same funds included in "Business-Type Activities" in the Government-Wide statements. The accounting for the proprietary funds is the same as that of the business-type activities reported in the government-wide Financial Statements but provides more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE AUTHORITY

Our analysis below focuses on the net position of the Authority's governmental and business-type activities.

Summary of Net Position

The Authority's net position at December 31, 2016 and 2015 for governmental activities was approximately \$114.9 Million and \$114.2 Million, respectively. For the business-type activities, net position was approximately \$107.6 Million and \$106.1 Million, respectively.

	Governmental Activities		% Change	Business-type Activities		% Change
	2016	2015		2016	2015	
Assets:						
Current and other assets	\$123,548,555	\$126,544,775	-2.1%	\$95,872,321	\$97,143,432	-1.3%
Capital assets	<u>13,204,423</u>	<u>13,204,423</u>	0.0%	<u>30,581,689</u>	<u>31,903,211</u>	-4.1%
Total assets	<u>\$136,752,978</u>	<u>\$139,749,198</u>	-2.1%	<u>\$126,454,010</u>	<u>\$129,046,643</u>	-2.0%
Deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	0.0%	<u>\$ -</u>	<u>\$ -</u>	0.0%
Liabilities:						
Current and other liabilities	\$7,831,034	\$11,406,904	-31.3%	\$863,146	\$1,738,271	-50.3%
Long-term liabilities	<u>14,043,538</u>	<u>14,187,160</u>	-1.0%	<u>17,991,589</u>	<u>21,176,566</u>	-15.0%
Total liabilities	<u>\$21,874,572</u>	<u>\$25,594,064</u>	-14.5%	<u>\$18,854,735</u>	<u>\$22,914,837</u>	-17.7%
Net position:						
Net investment in capital assets	\$13,204,423	\$13,204,423	0.0%	\$26,811,573	\$27,797,593	-3.5%
Restricted for urban development	47,743,147	45,160,802	5.7%	-	-	0.0%
Restricted for lending programs	17,582,256	19,220,157	-8.5%	73,030,671	72,011,862	1.4%
Unrestricted	<u>36,348,580</u>	<u>36,569,752</u>	-0.6%	<u>7,757,031</u>	<u>6,322,351</u>	22.7%
Total net position	<u>\$114,878,406</u>	<u>\$114,155,134</u>	0.6%	<u>\$107,599,275</u>	<u>\$106,131,806</u>	1.4%

Restricted net position generally represents funds that have constraints on their use pursuant to grant agreements or bond indentures. In total, at December 31, 2016, assets of the governmental and business-type funds exceeded their liabilities by \$222.5 Million, \$40 Million of which represented the Authority's net investment in capital assets and \$138.4 Million restricted by funding source or bond indenture. Of the \$44.1 Million Unrestricted Net Position, \$20.7 Million represents property held for redevelopment under restrictions of the state redevelopment statutes and \$16.8 Million pertains to Board commitments for program funding gaps, bridge financing for projects, and property repairs and improvements in larger current projects.

Current and other liability decreases in governmental activities primarily related to a decrease in accounts payable which varies based on pass-through grant and project activity.

The decrease in business-type activities long-term liabilities primarily related to the pay down of debt in the MRBP Program through a combination of scheduled payments and prepayments resulting from \$1.3 Million received from a primary loan servicer repurchasing 29 loans in various stages of delinquency from the indenture's whole loan portfolio.

Our next analysis focuses on changes in net position of the Authority's governmental and business-type activities.

**Changes in Net Position
Year Ended December 31, 2016**

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>	
Program Revenues:						
Charges for services	\$9,165,692	\$8,232,537		\$8,123,080	\$8,027,979	
Operating grants	26,679,509	32,383,845		-	0	
Capital grants	-	-		181,935	291,000	
General Revenues:						
Unrestricted investment earnings	<u>125,655</u>	<u>56,091</u>		<u>72,647</u>	<u>208,535</u>	
Total revenues	<u>35,970,856</u>	<u>40,672,473</u>	-11.6%	<u>8,377,662</u>	<u>8,527,514</u>	-1.8%
Program expenses:						
Urban development	25,319,248	33,194,245		-	-	
General government	9,055,006	8,980,814		-	-	
Interest on long-term debt	769,313	509,756		-	-	
Lending programs	-	-		1,351,164	2,750,605	
Property management	<u>-</u>	<u>-</u>		<u>5,663,046</u>	<u>5,793,097</u>	
Total expenses	<u>35,143,567</u>	<u>42,684,815</u>	-17.7%	<u>7,014,210</u>	<u>8,543,702</u>	-17.9%
Change in net position before transfers	827,289	-2,012,342		1,363,452	-16,188	
Transfers	<u>-104,017</u>	<u>-28,515,723</u>		<u>104,017</u>	<u>28,515,723</u>	
Change in net position after transfers	<u>\$723,272</u>	<u>\$-30,528,065</u>		<u>\$1,467,469</u>	<u>\$28,499,535</u>	

Governmental Activities. Total revenues decreased by \$4.7 Million from 2015. The major variance in 2016 was \$5.7 Million decrease in Operating Grants primarily related to the Grants Fund. Grant revenue fluctuates by nature based on the status of current projects and funding patterns. Decreases from 2015 primarily relate to grant activity, TIGER discretionary grants received for the East Liberty Transit Center Project, and decreases in CDBG, the City Allocation, and the EDA.

In 2016, the cost of governmental activities decreased by \$7.6 Million from \$42.7 Million in 2015 to \$35.1 Million in 2016. This decrease in expenses is consistent with the decrease in revenue.

Business-Type Activities. The majority of the revenues for 2016 were for charges for services (\$8.1 Million), which includes funds financed by borrowers in the form of program interest income (\$2.1 Million in 2016 as compared to \$1.9 Million in 2015) and tenants of owned properties in the form of property management revenues (\$5.7 Million in 2016).

The cost of all proprietary (business-type) activities in 2016 was \$7.0 Million, as compared to \$8.5 Million in 2015, which represents an decrease of \$1.5 Million (-17.9%).

THE AUTHORITY'S FUNDS

As of December 31, 2016, the Authority's governmental funds reported total ending fund balances of \$67.8 Million, which represents a decrease of \$5.3 Million from the prior year (\$73.1 Million). Of the fund balance, \$47.7 Million was restricted to indicate that it is limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. Another \$16.8 Million has been committed for bridge funds for programs and projects, and property repairs and improvements as mentioned previously.

Major Funds

The URA's General Fund balance of \$17.1 Million at December 31, 2016 represents an decrease of \$7.3 Million from December 31, 2015 (\$24.4 Million). This decrease primarily relates to the Hays Woods land purchased described above. In connection with this purchase, the General Fund received a \$5.3 Million loan from the PDF Fund.

The Community Development Block Grant (CDBG) Fund accounts for CDBG grants passed through to the Authority from the City of Pittsburgh. The fund balance remained at approximately \$1.6 Million in 2016 and \$1.9 Million in 2015.

The HOME Fund provides loans or grants for both housing rehabilitation and new construction. The fund balance was \$1.8 Million in 2016 and 2015.

The Urban Development Action Grant (UDAG) Fund accounts for activities of a major loan and grant-making fund available for both small to large projects within the City that serve to attract new businesses, expand or retain existing businesses, and neighborhood housing development. The fund balance was \$15.3 Million in 2016 and \$14.0 in 2015.

The Grants Fund accounts for various URA projects and programs not accounted for elsewhere. This activity includes grant programs, loan programs, and housing and business development projects. All of the \$31.9 Million of fund balance in this fund in 2016 is restricted for various urban development projects and programs.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The Authority's investment in capital assets as of December 31, 2016 and 2015 equals \$13.2 Million (net of accumulated depreciation) for its governmental activities. Capital assets in business-type activities were \$30.6 Million and \$31.9 Million at December 31, 2016 and 2015, respectively (net of accumulated depreciation).

Additional information on capital assets may be found in Note 5 of the Notes to Financial Statements.

Debt Administration

At December 31, 2016, the Authority had total long-term debt outstanding of \$32.8 Million. Approximately \$8.6 Million of proprietary fund bond debt is secured solely by specified revenue sources.

The outstanding debt was comprised primarily as follows: \$8.6 Million of Mortgage Revenue Bonds, which are comprised of various issues and rated Aa1 by Moody's; \$10.0 Million of bank loans; and HUD Section 108 loans in the amount of \$13.7 Million. Additional information on outstanding long-term liabilities may be found in Note 8 of the Notes to Financial Statements.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Urban Redevelopment Authority of Pittsburgh, 200 Ross Street, Pittsburgh, Pennsylvania 15219 or (412) 255-6675.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pittsburgh Housing Development Corporation
Assets				
Cash and investments	\$ 81,540,110	\$ 49,068,191	\$ 130,608,301	\$ 344,015
Due from other governments	4,423,536	-	4,423,536	-
Other receivables	178,992	414,347	593,339	-
Internal balances	(10,882,935)	10,882,935	-	-
Loans to component units	1,300,969	-	1,300,969	-
Loans receivable, net	25,206,287	35,506,848	60,713,135	1,600,000
Property held for redevelopment	20,706,596	-	20,706,596	2,487,714
Other assets	1,075,000	-	1,075,000	200
Capital assets:				
Non-depreciable	13,204,423	-	13,204,423	-
Depreciable, net of accumulated depreciation	-	30,581,689	30,581,689	-
Total Assets	\$ 136,752,978	\$ 126,454,010	\$ 263,206,988	\$ 4,431,929
Liabilities				
Accounts payable and other accrued liabilities	\$ 5,039,419	\$ 319,619	\$ 5,359,038	\$ 320,209
Unearned revenue	2,521,615	-	2,521,615	-
Loans payable to URA	-	-	-	1,300,969
Loans payable to bank	-	-	-	64,159
Noncurrent liabilities:				
Due within one year	270,000	543,527	813,527	-
Due in more than one year	14,043,538	17,991,589	32,035,127	-
Total Liabilities	21,874,572	18,854,735	40,729,307	1,685,337
Net Position				
Net investment in capital assets	13,204,423	26,811,573	40,015,996	-
Restricted for urban development	47,743,147	-	47,743,147	-
Restricted for lending programs	17,582,256	73,030,671	90,612,927	-
Restricted for housing program	-	-	-	2,746,592
Unrestricted	36,348,580	7,757,031	44,105,611	-
Total Net Position	114,878,406	107,599,275	222,477,681	2,746,592
Total Liabilities and Net Position	\$ 136,752,978	\$ 126,454,010	\$ 263,206,988	\$ 4,431,929

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Pittsburgh Housing Development Corporation
	Direct Expenses	Charges for Services	Operating Grants	Capital Grants	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
Urban development	\$ 25,319,248	\$ 6,577,047	\$ 24,679,509	\$ -	\$ 5,937,308	\$ -	\$ 5,937,308	\$ -
General government	9,055,006	2,588,645	2,000,000	-	(4,466,361)	-	(4,466,361)	-
Interest on long-term debt	769,313	-	-	-	(769,313)	-	(769,313)	-
Total governmental activities	35,143,567	9,165,692	26,679,509	-	701,634	-	701,634	-
Business-type activities:								
Lending programs	1,351,164	2,097,924	-	-	-	746,760	746,760	-
Property management	5,663,046	6,025,156	-	181,935	-	544,045	544,045	-
Total business-type activities	7,014,210	8,123,080	-	181,935	-	1,290,805	1,290,805	-
Total primary government	\$ 42,157,777	\$ 17,288,772	\$ 26,679,509	\$ 181,935	701,634	1,290,805	1,992,439	-
Component Unit:								
Pittsburgh Housing Development Corporation	\$ 764,454	\$ 15,167	\$ 292,345	\$ -	-	-	-	(456,942)
General revenues:								
Investment earnings					125,655	72,647	198,302	-
Proceeds from sales of real estate					-	-	-	419,500
Transfers					(104,017)	104,017	-	-
Total general revenues and transfers					21,638	176,664	198,302	419,500
Change in Net Position								
Net position - beginning					114,155,134	106,131,806	220,286,940	2,784,034
Net position - ending					\$ 114,878,406	\$ 107,599,275	\$ 222,477,681	\$ 2,746,592

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

BALANCE SHEET GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	General	Community Development Block Grant	UDAG	HOME	Grants	Totals
Assets						
Cash and investments	\$ 24,983,123	\$ 2,797,766	\$ 8,771,954	\$ 259,669	\$ 44,727,598	\$ 81,540,110
Receivables (net, where applicable, of allowance for uncollectibles):						
Loans	-	-	2,522,407	575,842	23,409,007	26,507,256
Other	178,143	-	-	-	849	178,992
Due from other funds	-	-	4,275,216	-	-	4,275,216
Due from other governmental units	-	299,328	-	1,618,108	2,506,100	4,423,536
Internal loans receivable	3,373,304	-	2,274,554	-	1,343,826	6,991,684
Property held for redevelopment	10,171,890	1,348,131	190,500	-	8,996,075	20,706,596
Total Assets	\$ 38,706,460	\$ 4,445,225	\$ 18,034,631	\$ 2,453,619	\$ 80,983,455	\$ 144,623,390
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable and other accrued liabilities	\$ 3,155,189	\$ 46,090	\$ 267	\$ -	\$ 1,759,615	\$ 4,961,161
Due to other funds	827,626	1,417,368	-	124,986	3,694,840	6,064,820
Internal loans payable	5,300,000	-	-	-	10,785,015	16,085,015
Unearned revenue	2,113,629	-	-	-	407,986	2,521,615
Total Liabilities	11,396,444	1,463,458	267	124,986	16,647,456	29,632,611
Deferred Inflows of Resources:						
Unavailable revenue	10,171,890	1,348,131	2,712,907	575,842	32,405,082	47,213,852
Fund Balance:						
Restricted	-	337,982	15,321,457	152,791	31,930,917	47,743,147
Committed	13,873,304	1,295,654	-	1,600,000	-	16,768,958
Assigned	-	-	-	-	-	-
Unassigned	3,264,822	-	-	-	-	3,264,822
Total Fund Balance	17,138,126	1,633,636	15,321,457	1,752,791	31,930,917	67,776,927
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 38,706,460	\$ 4,445,225	\$ 18,034,631	\$ 2,453,619	\$ 80,983,455	\$ 144,623,390

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance	\$ 67,776,927
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,204,423
Other long-term assets such as loans and property held for redevelopment are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds.	48,288,852
Long-term liabilities, including compensated absences and loans payable and related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(14,391,796)
Net position of governmental activities	<u>\$ 114,878,406</u>

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2016

	General	Community Development Block Grant	UDAG	HOME	Grants	Totals
Revenues:						
Intergovernmental	\$ 21,231	\$ 2,497,720	\$ -	\$ 1,806,488	\$ 21,254,070	\$ 25,579,509
Interest	36,455	1,251	18,814	538	68,597	125,655
Rental income	1,098,801	-	-	-	75,300	1,174,101
Loan repayments	43,041	-	365,364	888,128	8,502,192	9,798,725
Other	2,589,844	-	582	1,265	983,603	3,575,294
Total revenues	3,789,372	2,498,971	384,760	2,696,419	30,883,762	40,253,284
Expenditures:						
Current:						
Urban development	6,661,786	497,720	1,959,255	2,449,954	23,775,079	35,343,794
Administrative	4,128,888	2,000,000	39,406	255,010	1,736,404	8,159,708
Other	457,742	-	267	-	437,289	895,298
Debt service	-	-	-	-	1,031,312	1,031,312
Total expenditures	11,248,416	2,497,720	1,998,928	2,704,964	26,980,084	45,430,112
Excess (Deficiency) of Revenues Over Expenditures	(7,459,044)	1,251	(1,614,168)	(8,545)	3,903,678	(5,176,828)
Other Financing Sources (Uses):						
Transfers in (out)	159,266	(250,000)	2,946,715	-	(2,959,998)	(104,017)
Net Change in Fund Balance	(7,299,778)	(248,749)	1,332,547	(8,545)	943,680	(5,280,845)
Fund Balance:						
Beginning of year	24,437,904	1,882,385	13,988,910	1,761,336	30,987,237	73,057,772
End of year	<u>\$ 17,138,126</u>	<u>\$ 1,633,636</u>	<u>\$ 15,321,457</u>	<u>\$ 1,752,791</u>	<u>\$ 31,930,917</u>	<u>\$ 67,776,927</u>

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

Amounts reported for governmental activities in the statement of activities (page 2) are different because:

Net change in fund balance - total governmental funds (page 4)	\$ (5,280,845)
<p>In governmental funds, the issuance of loans is a current expenditure while the repayment of loans, including principal and interest, is recognized as income when received. On the statement of activities, only the interest income is reported as current revenue. Also, the change in the allowance for doubtful accounts is shown as an increase or decrease in net position on the statement of activities while it has no effect on fund balance in the governmental funds. The net change in loans receivable is shown here.</p>	(1,597,901)
<p>The repayment of principal of long-term debt is reported as a reduction in the liability on the statement of net position. On the fund statements, this transaction is recorded as an expenditure.</p>	253,000
<p>The cost of property held for redevelopment is expended in the funds when purchased but capitalized in the statement of net position. The net change in property held for redevelopment is shown here.</p>	7,466,397
<p>Compensated absences and accrued interest payable are reflected as liabilities on the statement of net position, but are not included in the fund statements. The change in these liabilities is shown here.</p>	<u>(117,379)</u>
Change in net position of governmental activities (page 2)	<u><u>\$ 723,272</u></u>

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF NET POSITION PROPRIETARY FUNDS

DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds						Totals
	Mortgage Revenue Bond Program	Pittsburgh Development Fund	Lexington Technology Park Fund	Pittsburgh Technology Center Garage Fund	South Side Works Garage Fund	Other Enterprise Funds	
Assets							
Current assets:							
Cash and investments	\$ 16,471,426	\$ 23,912,905	\$ 413,265	\$ 1,903,837	\$ 4,229,558	\$ 2,137,200	\$ 49,068,191
Receivables, net	179,159	-	-	-	235,188	-	414,347
Due from other funds	-	1,525,219	-	-	398,701	107,967	2,031,887
Noncurrent assets:							
Loans receivable, net	6,467,592	22,798,650	-	-	5,545,762	694,844	35,506,848
Internal loans receivable	-	10,345,057	-	-	-	-	10,345,057
Capital assets, net of applicable accumulated depreciation	-	-	3,694,211	10,746,735	16,140,743	-	30,581,689
Total Assets	\$ 23,118,177	\$ 58,581,831	\$ 4,107,476	\$ 12,650,572	\$ 26,549,952	\$ 2,940,011	\$ 127,948,019
Liabilities							
Current liabilities:							
Accounts payable and other accrued liabilities	\$ 104,337	\$ -	\$ 3,101	\$ 27,110	\$ 158,771	\$ 26,300	\$ 319,619
Due to other funds	-	-	10,187	227,785	-	4,311	242,283
Bonds and loans payable	185,000	-	144,837	-	213,690	-	543,527
Noncurrent liabilities:							
Internal loans payable	-	-	-	-	1,251,726	-	1,251,726
Bonds and loans payable	8,380,000	-	2,186,289	-	7,425,300	-	17,991,589
Total Liabilities	\$ 8,669,337	\$ -	\$ 2,344,414	\$ 254,895	\$ 9,049,487	\$ 30,611	\$ 20,348,744
Net Position							
Net investment in capital assets	-	-	1,363,085	10,746,735	14,701,753	-	26,811,573
Restricted for lending programs	14,448,840	58,581,831	-	-	-	-	73,030,671
Unrestricted	-	-	399,977	1,648,942	2,798,712	2,909,400	7,757,031
Total Net Position	\$ 14,448,840	\$ 58,581,831	\$ 1,763,062	\$ 12,395,677	\$ 17,500,465	\$ 2,909,400	\$ 107,599,275
Total Liabilities and Net Position	\$ 23,118,177	\$ 58,581,831	\$ 4,107,476	\$ 12,650,572	\$ 26,549,952	\$ 2,940,011	\$ 127,948,019

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds						Totals
	Mortgage Revenue Bond Program	Pittsburgh Development Fund	Lexington Technology Park Fund	Pittsburgh Technology Center Garage Fund	South Side Works Garage Fund	Other Enterprise Funds	
Operating Revenues:							
Program interest income	\$ 1,033,086	\$ 879,975	\$ -	\$ -	\$ -	\$ 43,073	\$ 1,956,134
Property management revenues	-	-	2,096,793	787,017	2,828,234	313,112	6,025,156
Other	83,643	-	-	-	-	58,147	141,790
Total operating revenues	<u>1,116,729</u>	<u>879,975</u>	<u>2,096,793</u>	<u>787,017</u>	<u>2,828,234</u>	<u>414,332</u>	<u>8,123,080</u>
Operating Expenses:							
Originating lender service fees	43,636	-	-	-	-	8,453	52,089
Administrative expenses	314,850	115,132	50,000	86,000	314,000	275,000	1,154,982
Depreciation and amortization expense	-	-	394,322	377,995	575,034	-	1,347,351
Property management and improvements	-	-	1,794,587	443,894	1,121,880	184,260	3,544,621
Provision for uncollectible loans	-	78,663	-	-	-	-	78,663
Other	27,278	319	-	-	-	23,119	50,716
Total operating expenses	<u>385,764</u>	<u>194,114</u>	<u>2,238,909</u>	<u>907,889</u>	<u>2,010,914</u>	<u>490,832</u>	<u>6,228,422</u>
Operating Income (Loss)	<u>730,965</u>	<u>685,861</u>	<u>(142,116)</u>	<u>(120,872)</u>	<u>817,320</u>	<u>(76,500)</u>	<u>1,894,658</u>
Non-Operating Revenues (Expenses):							
Earnings on investments	11,533	61,114	-	-	-	-	72,647
Interest expense	(470,664)	-	(111,754)	-	(203,370)	-	(785,788)
Intergovernmental revenue	-	-	-	-	181,935	-	181,935
Net non-operating revenues (expenses)	<u>(459,131)</u>	<u>61,114</u>	<u>(111,754)</u>	<u>-</u>	<u>(21,435)</u>	<u>-</u>	<u>(531,206)</u>
Excess (Deficiency) of Revenues Over Expenses Before Transfers	271,834	746,975	(253,870)	(120,872)	795,885	(76,500)	1,363,452
Transfers in (out)	-	-	-	74,017	-	30,000	104,017
Change in Net Position	271,834	746,975	(253,870)	(46,855)	795,885	(46,500)	1,467,469
Net Position:							
Beginning of year	14,177,006	57,834,856	2,016,932	12,442,532	16,704,580	2,955,900	106,131,806
End of year	<u>\$ 14,448,840</u>	<u>\$ 58,581,831</u>	<u>\$ 1,763,062</u>	<u>\$ 12,395,677</u>	<u>\$ 17,500,465</u>	<u>\$ 2,909,400</u>	<u>\$ 107,599,275</u>

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds						Totals
	Mortgage Revenue Bond Program	Pittsburgh Development Fund	Lexington Technology Park Fund	Pittsburgh Technology Center Garage Fund	South Side Works Garage Fund	Other Enterprise Funds	
Cash Flows From Operating Activities:							
Receipts from tenants and users	\$ -	\$ -	\$ 2,096,793	\$ 787,017	\$ 2,821,997	\$ 258,651	\$ 5,964,458
Payments from borrowers	2,957,572	3,028,962	-	-	-	332,283	6,318,817
Loan disbursements to borrowers	-	(8,164,502)	-	-	-	-	(8,164,502)
Payments for property management and administrative services	(381,297)	(115,132)	(1,844,587)	(502,783)	(1,361,781)	(410,749)	(4,616,329)
Receipts from mortgage-backed securities	775,850	-	-	-	-	-	775,850
Other receipts (payments)	-	(319)	-	-	-	(24,625)	(24,944)
Net cash provided by (used in) operating activities	3,352,125	(5,250,991)	252,206	284,234	1,460,216	155,560	253,350
Cash Flows From Non-Capital Financing Activities:							
Interest paid	(515,940)	-	-	-	-	-	(515,940)
Principal repayments-borrowings	(3,785,000)	-	-	-	-	-	(3,785,000)
Interfund receipts (payments)	-	(1)	-	-	-	30,000	29,999
Net cash provided by (used in) non-capital financing activities	(4,300,940)	(1)	-	-	-	30,000	(4,270,941)
Cash Flows From Capital and Related Financing Activities:							
Interest paid on capital related debt	-	-	(111,754)	-	(203,370)	-	(315,124)
Principal paid on capital related debt	-	-	(135,507)	-	(199,995)	-	(335,502)
Loan disbursement to borrowers	-	-	-	-	(1,329,900)	-	(1,329,900)
Capital grants received	-	-	-	-	181,935	-	181,935
Purchase of capital assets	-	-	(25,829)	-	-	-	(25,829)
Net cash provided by (used in) capital related financing activities	-	-	(273,090)	-	(1,551,330)	-	(1,824,420)
Cash Flows From Investing Activities:							
Purchase of investments	(3,571,669)	-	-	-	-	-	(3,571,669)
Proceeds from sales and maturities of investments	3,693,092	-	-	-	-	-	3,693,092
Earnings on investments	205,039	61,114	-	-	-	-	266,153
Net cash provided by (used in) investing activities	326,462	61,114	-	-	-	-	387,576
Net Increase (Decrease) in Cash and Cash Equivalents	(622,353)	(5,189,878)	(20,884)	284,234	(91,114)	185,560	(5,454,435)
Cash and Cash Equivalents:							
Beginning of year	11,662,349	29,102,783	434,149	1,619,603	4,320,672	1,951,640	49,091,196
End of year	\$ 11,039,996	\$ 23,912,905	\$ 413,265	\$ 1,903,837	\$ 4,229,558	\$ 2,137,200	\$ 43,636,761
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating income (loss)	\$ 730,965	\$ 685,861	\$ (142,116)	\$ (120,872)	\$ 817,320	\$ (76,500)	\$ 1,894,658
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	-	-	394,322	377,995	575,034	-	1,347,351
Provision for uncollectible loans receivable	(87,157)	78,663	-	-	-	(56,908)	(65,402)
Change in operating assets and liabilities:							
Loans issued	-	(8,164,502)	-	-	-	-	(8,164,502)
Loan repayments received	2,059,252	2,148,987	-	-	-	288,968	4,497,207
Mortgage-backed securities	643,352	-	-	-	-	-	643,352
Receivables	3,499	-	-	-	(6,237)	-	(2,738)
Other assets	(2,253)	-	-	-	-	-	(2,253)
Accounts payable	4,467	-	-	27,111	74,099	-	105,677
Total adjustments	2,621,160	(5,936,852)	394,322	405,106	642,896	232,060	(1,641,308)
Net cash provided by (used in) operating activities	\$ 3,352,125	\$ (5,250,991)	\$ 252,206	\$ 284,234	\$ 1,460,216	\$ 155,560	\$ 253,350
Supplemental Information:							
Cash and investments	\$ 16,471,426	\$ 23,912,905	\$ 413,265	\$ 1,903,837	\$ 4,229,558	\$ 2,137,200	\$ 49,068,191
Investments not considered to be cash and cash equivalents	(5,431,430)	-	-	-	-	-	(5,431,430)
Cash and cash equivalents	\$ 11,039,996	\$ 23,912,905	\$ 413,265	\$ 1,903,837	\$ 4,229,558	\$ 2,137,200	\$ 43,636,761

The notes to financial statements are an integral part of this statement.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Urban Redevelopment Authority of Pittsburgh (URA) was established in 1946 under the Pennsylvania Urban Redevelopment Law. The URA acquires and clears blighted property; initiates rebuilding with the private sector; negotiates with the federal, state, county, and local governments for public funds and facilities; and works to maintain and improve Pittsburgh neighborhoods and business districts. Funding for the URA projects and programs is obtained primarily through revenue bonds and intergovernmental grants.

The URA is considered to be a component unit of the City of Pittsburgh (City) as the Mayor of Pittsburgh appoints the Board of Directors of the URA and a financial benefit/burden relationship exists between the City and the URA.

The reporting entity of the URA includes the accounts of all URA operations as well as two entities that qualify as component units of the URA:

The URA appoints the Board of Directors of The Pittsburgh Housing Development Corporation (PHDC), non-profit corporation, and has the ability to impose its will upon the PHDC. The PHDC initiates, plans, finances, develops, and manages housing development throughout the City, with particular emphasis on activities in low- and moderate-income census tracts. This component unit is discretely presented on the government-wide statements.

The URA is the sole member of Pittsburgh Urban Initiatives (PUI), a limited liability company that serves and provides investment capital for low-income communities and low-income persons, consistent with the New Markets Tax Credit Program. This component unit is blended within the General Fund.

The component units operate on a fiscal year ending December 31. Separate financial statements and information for PHDC and PUI can be obtained through the Finance Department of the URA.

The Pittsburgh Economic and Industrial Development Corporation (PEIDC)

The URA provides administrative support to PEIDC. PEIDC is a non-profit corporation which was formed to formulate, implement, and promote commercial, industrial and other economic development goals, strategies, and projects in and for the City. The Board members are elected by the PEIDC membership. PEIDC is considered a related entity of the URA. Financial information is available for PEIDC at the URA's offices.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

East Liberty Transit Revitalization Investment District Revitalization Authority (ELTRIDRA)

The URA provides administrative support to ELTRIDRA. ELTRIDRA is a governmental authority which was formed to manage the East Liberty Revitalization Investment District. ELTRIDRA's five-member Board of Directors includes one representative from the URA and one representative each from the City, Pittsburgh Public Schools, Port Authority of Allegheny County, and Allegheny County. ELTRIDRA is considered a related entity of the URA. Financial information is available for ELTRIDRA at the URA's offices.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by intergovernmental grants, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences are recorded only when payment is due.

Federal, state, and local grants designated for payment of specific URA expenditures are recognized when the related expenditures are incurred. Interest earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current period. Any excess of grant-specific revenues or expenditures at year-end is recorded as unearned revenue or accounts receivable, respectively. All other revenue items are considered to be measurable and available only when cash is received by the URA.

The URA reports the following major governmental funds:

The *General Fund* is the URA's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund.

The *CDBG Fund* accounts for the URA's Community Development Block Grant program which provides grants and loans for economic development and housing in the City.

The *Urban Development Action Grant (UDAG) Fund* accounts for activities of a major loan and grant-making fund available for both small to large projects within the City that serve to attract new businesses, expand or retain existing businesses, and neighborhood housing development. The fund was established by the repayment of previous loans made from the program.

Through funding provided by the Department of Housing and Urban Development, the URA uses its *HOME Fund* to provide financial assistance specifically to meet the housing related needs of the City. HOME money is utilized for both rehabilitation and new construction through existing URA housing programs. Assistance may be in the form of loans or grants to individual borrowers or developers.

The *Grants Fund* accounts for various URA projects and programs not accounted for elsewhere. This activity includes grant programs, loan programs, and housing and business development projects.

Loan Programs – the URA offers a variety of loan products for real estate and business development and housing development.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Grant Programs - the URA receives various grants from state, federal, and local sources. Among them, the URA administers various Redevelopment Assistance Capital Program (RACP) grants for which the URA serves as a conduit between the Commonwealth of Pennsylvania and a grant sub-awardee. The State Budget Office of the Commonwealth of Pennsylvania administers the RACP program which is designed to fund projects that have regional impact such as job creation or increased tax base.

The URA reports the following major proprietary funds:

The *Mortgage Revenue Bond Program* accounts for the issuance of tax-exempt bonds to finance below-market rate mortgages for the purchase and rehabilitation of residential property within the City.

The *Pittsburgh Development Fund* accounts for the activities of a major loan fund making funds available for large initiatives and projects within the City that serve to attract new businesses, expand and retain existing businesses, and encourage downtown, riverfront, infrastructure, housing, and neighborhood development. The fund was established by the issuance of redevelopment bonds which were repaid from a pledged portion of the City's RAD tax.

The *Lexington Technology Park Fund* accounts for the activities of URA-owned property that houses mixed-use light industrial facilities, the Allegheny County 911 facilities, and other County offices. It is located in the City's North Point Breeze neighborhood.

The *Pittsburgh Technology Center Garage Fund* accounts for parking garage operations which are owned and operated by the URA and located at The Pittsburgh Technology Center office park.

The *South Side Works Garage Fund* accounts for parking garage operations which are owned and operated by the URA and located at the South Side Works, a significant development on the City's South Side, including office, housing, entertainment, and recreation components.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the URA's governmental and business-type funds and its component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers for rents, property management services, interest on loans in its lending programs and investment interest earned which is to be used to further the programs, 2) operating grants, and 3) capital grants.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the URA's loan program enterprise funds (Mortgage Revenue Bond Program, Home Improvement Loan Program, and Pittsburgh Development Fund) are interest earned on loans and mortgage-backed securities and for the Lexington Technology Park Fund, Pittsburgh Technology Center Garage Fund, and South Side Works Garage Fund are property management revenues which include lease/rental income and parking income. Operating expenses for the enterprise funds include originating lender service fees, bad debt expenses, administrative expenses, depreciation expense on capital assets and property management and improvement costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the URA's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

The URA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Use of cash and cash equivalents is generally limited to the related programs.

Investments

Investments are recorded at fair value.

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Interfund Receivables and Payables

Activity between funds that is representative lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "internal loans receivable/payable." Due to/from other funds is generally used to account for routine movements of cash between funds while internal loans receivable/payable represents a formal loan arrangement between funds. Internal fronting between funds is established when fully executed grant agreements are in place for reimbursement-type grants (the URA must pay the expense before receiving grant funds); board approval is required under URA policy.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Loans Receivable

In the governmental funds, loans receivable are recognized when the loan is established for loans with terms of thirty years or less. In the governmental funds, the loan balances are fully offset by unavailable revenue as loan repayments are not considered to be available as current resources. Loans with amortization terms greater than thirty years or which are repayable on a contingent basis such as the sale of the property or completion of development are treated as grants for accounting purposes and recorded as expenditures when disbursed, or are fully reserved.

It is the URA's policy to provide for future losses on loans based on an evaluation of the current loan portfolio, current economic conditions, and such other factors which, in the URA's judgment, may impact collectability. At December 31, 2016, the total allowance for uncollectible loans in governmental funds, including those only repayable on a contingent basis and fully reserved at the time of issuance, was \$162 million.

In the proprietary funds, amortizing loans are recorded at their principal balance due less an allowance for uncollectible accounts. Proprietary fund allowances for uncollectible accounts are disclosed in Note 4.

Property Held for Redevelopment

Property held for redevelopment relates mainly to land and buildings held by the URA that is available for redevelopment. Depending on the nature of the redevelopment activity, the transfer of this property may consist of many forms: grant, subsidized or below-market sale, or an independent, market-based sale. This property is held at cost or estimated net realizable value, if less than cost, and is offset by unavailable revenue in the governmental funds, as this property is not considered to be available as current resources. Estimated net realizable value is calculated once plans or disposition agreements are in place to dispose of the property at less than cost. When assets are sold, the proceeds are either returned to the program to further its purposes or returned to the grantor agency that funded the original purchase.

Capital Assets

Capital assets, which include land, land improvements, and buildings are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the URA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives are expensed as incurred.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities would be included as part of the capitalized value of the assets constructed if the projects were financed. No capital assets were constructed using external, interest-bearing financing during 2016 in the URA's business-type funds; accordingly, no interest was capitalized.

Buildings and improvements are depreciated using the straight-line method. Buildings are assigned a useful life of 30-40 years and building improvements are amortized over 15 years or the remaining building life as of the year of completion.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Issuance costs are reported as current period costs in both the fund financial statements and government-wide financial statements.

Compensated Absences

The URA's compensated absences consist of accumulated unpaid vacation pay and unpaid accumulated sick leave which can be converted to a termination benefit provided certain criteria are met.

Other Income

Included in other income on the governmental fund statement of revenues, expenditures, and changes in fund balance is approximately \$1.6 million of charges for services, \$1 million in contributions, and approximately \$800,000 of land sale proceeds.

Urban Development Expenditures

Urban development expenditures include construction costs incurred for the creation of infrastructure assets on behalf of the City as part of various development projects. At certain points during the projects, the URA dedicates these infrastructure assets to the City. As the URA will not own or maintain the assets, these assets are not capitalized on the URA's financial statements.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Budgets

Formal legal budgetary accounting is not employed for the governmental funds of the URA. Budgetary control for the General Fund is achieved through management-designed analyses. Budgetary control for the Special Revenue Funds is achieved via compliance with grant agreements related to the special revenue activities. Accordingly, budget-to-actual statements are not presented.

Tax Increment Financing

The Authority is involved with Tax Increment Financing (TIF) transactions. As described in Note 9, the Authority has no obligation for repayment of such debt, and, accordingly, the debt has been excluded from the financial statements. To the extent TIF transactions involve proceeds available for use by the Authority; the related proceeds are recorded in special revenue funds.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The URA does not have any items that qualify for reporting as deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The URA has only one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues related to long-term loans receivable and property held for redevelopment. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

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Classification of Net Position

The government-wide and proprietary fund financial statements are required to report three components of net position:

- Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net position consists of constraints placed on net position use through external restrictions. The URA’s restricted net position is outlined on the statement of net position.
- Unrestricted – This component of net position consists of assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of constraint placed upon the funds. The levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form. As of December 31, 2016, the URA has no nonspendable fund balance.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are restricted for specific expenditure under agreement with grantors. At December 31, 2016, the URA’s restricted fund balance related to various urban development projects and programs restricted primarily by grant agreements or other intergovernmental agreements.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board of Directors (Board) by resolution. Such a commitment is made via a Board resolution and must be made prior to the end of the fiscal year. Removal of this commitment also requires a Board resolution. As of December 31, 2016, the URA had committed fund balances of \$16.8 million for temporary funding for projects in advance of the Authority’s receipts of permanent financing.
- Assigned – This category represents intentions of the URA to use the funds for specific purposes. The authority to make assignments of fund balance may only be

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

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YEAR ENDED DECEMBER 31, 2016

made by the Board and remains in place until the Board releases the assignments. The assignment cannot exceed the available spendable unassigned fund balance in any particular fund. The URA had no assigned fund balances as of December 31, 2016.

- Unassigned – This category includes the residual classification for the URA’s General Fund and includes all spendable amounts not contained in other classifications.

The URA’s policy is to use funds in the order of the most restrictive to the least restrictive.

Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in future years including Statement Nos. 73 (Pensions not in Scope of GASB 68), 74 (OPEB Plans), 75 (OPEB Employer), 80 (Component Units), 81 (Split-Interest Agreements), 82 (Pensions), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), and 85 (Omnibus 2017). Management has not yet determined the impact of these statements on the financial statements.

Adopted Pronouncements

The requirements of the following GASB Statements were adopted for the URA’s financial statements:

GASB Statement No. 72, “*Fair Value Measurement and Application.*” This statement addresses accounting and financial reporting issues related to fair value measurements. The disclosure requirements of this statement have been incorporated into these financial statements.

GASB Statement No. 76, “*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*” This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

2. CASH AND INVESTMENTS

The URA is authorized to make investments of the following types pursuant to the Redevelopment Act which requires investments meet a “reasonable man” standard. Under the URA’s policy, authorized investments include (1) United States Treasury bills, (2) short-term obligations of the United States government or its agencies or instrumentalities, (3) deposits in savings accounts or time deposits or share accounts of institutions which are insured, (4) obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political subdivision thereof, and (5) shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the investments of that company meet the criteria of (1) through (4) above.

The deposit and investment practices of the URA and its component unit adhere to statutory and contractual requirements and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, and certificates of deposit. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the trust indentures.

GASB guidance requires disclosures related to the following deposit and investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The following is a description of the URA’s and their component unit’s deposit and investment risks:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the URA’s deposits may not be returned to it. The URA does not have a formal policy for custodial credit risk. As of December 31, 2016, \$79,073,929 of the URA’s bank balance of \$86,690,098 was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution’s name. As of December 31, 2016, the carrying amounts of the URA’s deposits were \$85,977,308.

As of December 31, 2016, \$95,685 of the component unit’s bank balance of \$345,685 was exposed to custodial credit risk. As of December 31, 2016, the carrying amounts of the component unit’s deposits were \$344,015.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

In addition to the deposits noted above, included in the cash and investments were the following:

	Fair market value	Maturity in years				
		Less than 1 year	1-5 years	6-10 years	11-15 years	16-20 years
Money Market Funds	\$ 39,199,563	\$ 39,199,563	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Bonds	2,856,457	-	2,856,457	-	-	-
Freddie Mac	417,156	-	-	-	-	417,156
GNMA	1,862,421	-	31,649	-	-	1,830,772
FNMA	295,396	-	-	106,209	-	189,187
Total	\$ 44,630,993	\$ 39,199,563	\$ 2,888,106	\$ 106,209	\$ -	\$ 2,437,115

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of the URA's investments. The URA's policy is to attempt to match its investments with anticipated cash flow requirements. Unless matched to specific cash flow requirements, the URA will not directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances.

Freddie Mac, GNMA, and FNMA are comprised of assets securitized in the secondary market from loans issued from the loan programs. The maturities noted in the table above reflect the final maturity of the respective security and does not take into consideration non-routine repayments on principal as it is not possible to forecast these repayments. It is management's intention to hold these securities until maturity. Interest rates on these investments are fixed and principal and interest repayments from these investments will be used to repay the related debt service.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The URA has an investment policy that limits its investment choices based on credit qualifications by investment type. As of December 31, 2016, the URA's investments in U.S. Government Money Market Funds and U.S. Treasury Bond Funds were rated Aaa by Moody's. The URA's remaining investments were not rated as of December 31, 2016.

Concentration of Credit Risk – There is no limit on the amount that may be invested in any one issuer. None of the URA's investments are more than 5% with the same issuer.

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NOTES TO FINANCIAL STATEMENTS

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Money Market Funds and U.S. Treasury Bond Funds are valued using quoted market prices (Level 1 inputs). The fair values of Freddie Mac, GNMA, and FNMA securities are priced by third party pricing services using observable market data and are included in the Level 2 fair value hierarchy.

Reconciliation of cash and investments to financial statements:

Cash and investment footnote:

Deposits	\$	85,977,308
Investments		44,630,993
		130,608,301
		\$ 130,608,301

Cash and investments per financial statements:

Governmental funds	\$	81,540,110
Proprietary funds		49,068,191
		130,608,301
		\$ 130,608,301

3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables, payables, and transfers as of December 31, 2016 consisted of:

Fund	Internal Loans		Due to/from	
	Receivables	Payables	Receivables	Payables
Major Funds:				
General	\$ 3,373,304	\$ 5,300,000	\$ -	\$ 827,626
Community Development Block Grant	-	-	-	1,417,368
HOME	-	-	-	124,986
UDAG	2,274,554	-	4,275,216	-
Grants	1,343,826	10,785,015	-	3,694,840
Pittsburgh Development Fund	10,345,057	-	1,525,219	-
Lexington Technology Park Fund	-	-	-	10,187
Pittsburgh Technology Park Garage Fund	-	-	-	227,785
South Side Works Garage Fund	-	1,251,726	398,701	-
Other Enterprise Funds	-	-	107,967	4,311
	\$ 17,336,741	\$ 17,336,741	\$ 6,307,103	\$ 6,307,103

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NOTES TO FINANCIAL STATEMENTS

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Fund	Transfers In	Transfers Out
Major Funds:		
General	\$ 159,266	\$ -
Community Development Block Grant	-	250,000
UDAG	2,946,715	-
Grants	-	2,959,998
Pittsburgh Technology Center Garage	74,017	-
Other Enterprise	30,000	-
	<u>\$ 3,209,998</u>	<u>\$ 3,209,998</u>

Transfers between funds in 2016 primarily relate to the movement of activity from the Grants Fund to the UDAG fund representing reimbursement of grant-funded expenses initially paid by the UDAG fund.

4. LOANS RECEIVABLE

Governmental funds report total loans receivable, net of allowance for uncollectible loans, of approximately \$26.5 million at December 31, 2016. The most significant of the governmental fund loans relates to the UDAG Program, HOME, and various loan programs funded by the Community Development Block Grant (CDBG). UDAG loans are made for business and housing development and also act as a bridge source for secured funding. HOME loans are made for both single and multifamily housing development. The CDBG loans are made to residential housing development as well as to businesses.

Loans receivable include \$1.3 million due from PHDC, the URA's discretely-presented component unit, as described at Note 8, and \$1.2 million due from PEIDC, a related entity.

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NOTES TO FINANCIAL STATEMENTS

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Enterprise funds and component unit loans receivable from individual property-owners and enterprises within the City are reported net of any applicable allowances for uncollectible loans in the following funds at December 31, 2016 (excludes internal loans receivable):

<u>Enterprise Funds:</u>	<u>Amount</u>
Mortgage Revenue Bond Program, net of allowance of \$71,980	\$ 6,467,592
South Side Works Garage Fund, no allowance deemed necessary	5,545,762
Pittsburgh Development Fund, net of allowance of \$13.9 million	22,798,650
Other Enterprise: Home Improvement Loan Program, net of allowance of \$419,728	<u>694,844</u>
	<u>\$ 35,506,848</u>
<u>Component Unit:</u>	
Pittsburgh Housing Development Corporation	<u>\$ 1,300,969</u>

The Mortgage Revenue Bond Program provides below market rate mortgages for the purchase and rehabilitation of residential property. Funds to finance the mortgages have been provided principally through the issuance of tax-exempt bonds. The Home Improvement Loan program also finances the rehabilitation of residential housing. The Pittsburgh Development Fund loans were made to targeted and strategic commercial development ventures to encourage and expand economic development within the City. The Pittsburgh Development Fund loans receivable balance includes \$1.5 million in loans to ELTRIDRA, a related entity. The South Side Works Garage Fund loan amount represents a single loan to provide financing for the Open Hearth Garage in the South Side Works.

As of December 31, 2016, the URA had approved \$1.9 million of PDF loans to various borrowers. These loans will close and begin to be paid out to the borrowers in 2017. Additionally, there was approximately \$660,000 in remaining disbursements available to borrowers on closed PDF loans as of December 31, 2016.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

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5. CAPITAL ASSETS

Capital Assets

Activity for the year was as follows for the URA's governmental activities:

	Balance at December 31, 2015	Additions	Deletions	Balance at December 31, 2016
Non-Depreciable Assets:				
Land and improvements	\$ 13,204,423	\$ -	\$ -	\$ 13,204,423
Governmental activities capital assets, net	<u>\$ 13,204,423</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,204,423</u>

Business-Type Capital Assets

The business-type funds' capital assets are valued at cost less accumulated depreciation determined using the straight-line method. The capital assets are included in the Lexington Technology Park Fund, the Pittsburgh Technology Center Garage Fund, and the South Side Works Garage Fund, which reported depreciation expense of \$394,322, \$377,995, and \$575,034, respectively.

A summary of capital asset activity in the Enterprise Funds is as follows:

	Balance at December 31, 2015	Additions	Deletions	Balance at December 31, 2016
Buildings and improvements	\$56,950,041	\$ 25,829	\$ -	\$ 56,975,870
Less: accumulated depreciation	(25,046,830)	(1,347,351)	-	(26,394,181)
	<u>\$31,903,211</u>	<u>\$ (1,321,522)</u>	<u>\$ -</u>	<u>\$ 30,581,689</u>

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

6. PROPERTY HELD FOR REDEVELOPMENT

The URA holds property for redevelopment which is valued at cost or net realizable value, if less than cost. A summary of the property held for redevelopment by project/neighborhood at December 31, 2016 is as follows:

<u>Valued at cost:</u>	<u>Number of properties</u>	<u>Amount</u>
62nd Street	2	\$ 2,100,500
Mellon Orchard	1	1,000,000
Hays Park	11	5,107,751
Hill District	605	1,836,529
Chateau	86	1,275,469
Central Business District	67	884,786
Southside	19	842,479
Fairywood	36	700,635
Larimer	87	690,075
Homewood	170	571,354
Northside	28	540,535
Shadyside	3	468,754
Elliot	3	346,432
Garfield	38	341,596
Perry	48	278,484
Morningside	1	277,125
Troy Hill	8	200,006
Lawrenceville	13	180,633
East Allegheny	7	165,005
Other	513	490,296
	<u>1,746</u>	<u>18,298,444</u>
<u>Valued at Estimated Net Realizable Value:</u>		
Central Business District	1	2,250,000
South Side Works	34	158,152
	<u>35</u>	<u>2,408,152</u>
Total property held for redevelopment	<u>1,781</u>	<u>\$ 20,706,596</u>

The first section includes property held for redevelopment which is valued at cost, as there are no current plans or disposition agreements in place to dispose of the property at less than cost. However, an amount less than the recorded value may be realized in the future due to the purpose for the transfer of the asset.

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The second section includes property held for redevelopment which is valued at estimated net realizable value based on management's estimate at December 31, 2016 because of the URA's active plan to dispose of these properties.

In 2016, the URA Board of Directors authorized the purchase of approximately 658 acres of the Hays Woods site. As the largest underdeveloped site remaining in the City of Pittsburgh there was considerable desire to return the site to public ownership.

Hays Woods is heavily forested, includes six streams, a waterfall and has significant importance as an environmental resource to the City of Pittsburgh residents.

7. DEFINED CONTRIBUTION PLAN

The URA provides a defined contribution retirement plan covering all employees who have completed one year of service. This plan was amended effective March 14, 2013. The total contribution for any plan participant is 10% of their base salary. Participants who were employed on or after January 1, 1985, and were not participants in the URA Employee's Pension Trust on December 31, 1997, contribute 5% of their base salary and receive a matching contribution by the URA. Participants hired before January 1, 1985, or were participants in the URA Employees' Pension Trust on December 31, 1997 and became participants in this plan on January 1, 1998, make no contribution to the plan as the URA funds the entire 10% contribution. Employer contributions, net of forfeitures, for the year ended December 31, 2016 were \$311,472 and employee contributions were \$191,454.

Under the defined contribution plan, the participants become vested at 25% per year in the second year of service. Upon termination of employment, the non-vested portion of a participant's account is returned to the URA and credited against current expenses. Upon attainment of age 65, the participants become 100% vested regardless of the number of years of service.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

8. LONG-TERM DEBT

The following is a summary of changes in long-term obligations of the URA for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Retirements	Balance at December 31, 2016
<u>Primary Government:</u>				
<i>Governmental:</i>				
HUD Section 108 loans	\$ 13,955,000	\$ -	\$ 253,000	\$ 13,702,000
Compensated absences	485,160	126,378	-	611,538
Total Governmental Fund Debt	14,440,160	126,378	253,000	14,313,538
<i>Proprietary:</i>				
Mortgage Revenue Bond Program	12,350,000	-	3,785,000	8,565,000
Bank loan	10,305,618	-	335,502	9,970,116
Total Proprietary Fund Debt	22,655,618	-	4,120,502	18,535,116
Total Debt and Other Long-Term Obligations - Primary Government	\$ 37,095,778	\$ 126,378	\$ 4,373,502	32,848,654
<u>Component Unit:</u>				
Pittsburgh Housing Development Corporation:				
Loans payable to the URA	\$ 1,428,701	\$ 216,655	\$ 344,387	1,300,969
Bank construction loans	34,500	110,546	80,887	64,159
Total Component Unit Debt	\$ 1,463,201	\$ 327,201	\$ 425,274	1,365,128
Total Debt and Other Long-Term Obligations - Reporting Entity				\$ 34,213,782

Proprietary Fund debt at December 31, 2016 is composed of the following individual issues:

Mortgage Revenue Bonds

The Mortgage Revenue Bond Program was created to provide below market rate mortgages for the purchase and rehabilitation of residential property within the City. The 2006 A, B, & C Series bonds, including various serial and term bonds, bear interest at rates from 4.25% to 4.60% and mature through 2028. At December 31, 2016, \$8,565,000 is outstanding. \$185,000 is due on these bonds in 2017.

Bank Loan

The URA received a loan to finance renovations to the Lexington Technology Park buildings. The loan is fixed at an interest rate of 4.57%. At December 31, 2016, \$2,331,126

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is outstanding. Final maturity is February 28, 2019. Monthly payments are based on a twenty-year amortization with a balloon payment due at maturity. \$144,837 is due on this loan in 2017.

During 2014, the URA received a bank loan totaling \$8,005,000. The proceeds of the loan were used to partially consolidate and refinance the debt on the South Side Works garages' loans and to provide financing for the Open Hearth Garage in the South Side Works. The loan is fixed at an interest rate of 3.83%. At December 31, 2016, \$7,638,990 is outstanding. Final maturity is January 1, 2025. Monthly payments are based on a 10-year amortization with a balloon payment due at maturity. \$213,690 is due on this loan in 2017.

General long-term debt loans payable are described below:

HUD Section 108 Loans

During 2008, the URA received two HUD Section 108 loans to provide funding for the Pittsburgh Technology Center. The first loan, in the original principal amount of \$3 million is for site improvements and streets and utilities relocation. The loan bears interest at 4.8% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2026. At December 31, 2016, \$2.221 million is outstanding. \$162,000 is due in 2017.

The second loan, in the original principal amount of \$2 million is for the construction of a 160-space parking condominium. The loan bears interest at 4.8% with semiannual principal and interest payments due February 1 and August 1. The loan matures on August 1, 2026. At December 31, 2016, \$1.481 million is outstanding. \$108,000 is due in 2017.

The 2008 loans are secured by future Community Development Block Grant grants, the pledged increment for the Pittsburgh Technology Center Tax Increment Financing District, and payments under the minimum payment agreement.

In 2010, the URA received a \$10,000,000 HUD Section 108 loan to provide funding for the East Liberty Portal Project (the Project). The loan bears interest at 3.30% and is interest only until maturity on August 1, 2019. The proceeds of the loan were used to provide a portion of the financing for the Project through certain qualified community development entities (CDEs). The loan is secured by a note receivable and a Pledge and assignment of CDE membership interest to URA which is expected to generate proceeds to repay the note receivable and HUD 108 loan once the property is sold. Additional collateral includes a partial personal guarantee from the developer and two pledged reserve accounts. The loan is also secured by the URA's future Community Development Block Grant grants. The note receivable bears interest at 5% and principal is due on August 1, 2018. Any excess of

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interest received on the note receivable over interest paid on the HUD 108 loan must be held in trust until the HUD 108 loan is repaid in full.

Annual debt service requirements on outstanding bonds and loans of the URA are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 813,527	\$ 1,325,627	\$ 2,139,154
2018	1,657,615	1,280,191	2,937,806
2019	13,453,366	1,470,447	14,923,813
2020	1,409,665	722,799	2,132,464
2021	1,461,007	656,822	2,117,829
2022-2026	12,871,936	1,780,450	14,652,386
2027-2028	570,000	38,280	608,280
	<u>\$ 32,237,116</u>	<u>\$ 7,274,616</u>	<u>\$ 39,511,732</u>

Enterprise fund debt is payable from those respective funds. Governmental fund debt is payable from the Grants Fund.

Component unit debt consists of the following:

PHDC-URA Loans

PHDC had outstanding construction loans payable to the URA of \$1,300,969. The loans are non-interest bearing. The loans are due upon the sale of related project units but are not scheduled to mature past 2017. The loans are secured by a third lien position on real property and improvements.

PHDC-Bank Construction Loans

The PHDC had outstanding construction loans payable to banks of \$64,159. Interest accrues on the loans at 4.00%. Loans are due on demand.

Future Maturities

Principal payments of \$1,365,128 for the component unit are classified as current as they are generally due upon sale of related property.

All interest expense on loans of the primary government and its component unit is reported as program expense as the borrowings are essential to the programs and the financial statements would be misleading to exclude these charges as direct expenses.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

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9. NO-COMMITMENT DEBT

The URA is involved in a number of debt transactions for which the URA issued debt in its name but retained no obligation for the repayment of the debt. The responsibility for repayment belongs either to the City, other taxing authorities, or to private borrowers. As of December 31, 2016, the aggregate amount of no-commitment debt outstanding was \$70 million. The amount is comprised of \$16 million Multi-Family Revenue Bonds and \$54 million Tax Increment Financing Bonds and Notes and Parking Tax Diversion (TIF debt).

Responsibility for repayment of the Multi-Family Revenue Bonds rests with private borrowers. TIF debt is repaid from incremental Allegheny County, City, and School District of the City tax revenues. Generally, third parties are responsible for the repayment of TIF debt to the extent incremental tax revenues are not sufficient to meet debt service requirements.

10. RISK MANAGEMENT

The URA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not significantly exceeded commercial insurance coverage in the past. There were no significant changes in insurance coverage during the year.

11. COMMITMENTS AND CONTINGENCIES

Grants

Grants received or receivable are subject to audit and adjustment by grantor agencies, principally the state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

Litigation

There are various matters of pending litigation in which the URA is involved. The URA believes it has meritorious defenses and intends to contest these matters. The amount of liability, if any, related to these matters is not subject to determination. Accordingly, the financial statements do not include any adjustment for possible effects of these cases.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

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Contract Commitments

At December 31, 2016, the URA had entered into contracts for professional services and construction totaling approximately \$6.0 million. There was committed: approximately \$2.2 million for the East Liberty project, approximately \$1.3 million for the South Side Works project, approximately \$900,000 for the Lawrenceville/Strip District project, approximately \$300,000 for the Downtown Preservation project, and the remaining contract commitments are for various smaller projects.

Arena Land Agreement

On September 11, 2014, the URA entered into a Comprehensive Option Agreement with the Sports & Exhibition Authority of Pittsburgh and Allegheny County (“SEA”) and Pittsburgh Arena Real Estate Redevelopment LP (“Redeveloper”) that replaced previous agreements regarding the redevelopment of the approximately 28 acre site comprised of the former Civic Arena and surrounding parking lots. Approximately 9 acres of the site is owned by the URA. The Redeveloper is entitled to an aggregate of \$15 million of credits which may be applied to the appraised value purchase price of any property on the site purchased during the term of the Option Agreement. The term of the Option Agreement expires on October 22, 2024, subject to certain extension provisions contained in the Option Agreement. As of December 31, 2016, the balance of credits was \$14.225 million. At the expiration of the Option Agreement term, any URA property on the site that was not purchased by the Redeveloper will remain with the URA, and the Redeveloper will be entitled to the amount of any unused credits, either as a lump sum payment from the URA and SEA or through the payment to the Redeveloper of parking revenues generated on any remaining portion of the site that is used as surface parking.

Supplementary Information

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS - GRANT FUND - BY ACTIVITY

YEAR ENDED DECEMBER 31, 2016

	Commercial Loan Repayments	Housing Revolving Repayments	Industrial Land Reserve	Landlord Loan Escrow Account	Grants	Loan Repayments	Major Development & Other	PNC Firstside	Residential Land Reserve	Total
Revenues:										
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 19,408,506	\$ 116,490	\$ 1,232,608	\$ 496,466	\$ -	\$ 21,254,070
Interest	713	299	675	624	3,328	4,876	53,280	4,668	134	68,597
Rental income	9,000	-	-	-	-	-	66,300	-	-	75,300
Loan repayments	2,862,953	1,284,085	-	443,452	-	2,525,544	1,372,108	-	14,050	8,502,192
Other	-	19,708	39,192	12,800	70,600	3,802	827,480	-	10,021	983,603
Total revenues	2,872,666	1,304,092	39,867	456,876	19,482,434	2,650,712	3,551,776	501,134	24,205	30,883,762
Expenditures:										
Current:										
Urban development	1,046,587	199,174	492,912	424,274	18,477,964	1,873,873	1,168,099	-	92,196	23,775,079
Administrative	575,000	647,472	-	45,328	404,325	11,700	52,579	-	-	1,736,404
Other	49,085	3,476	83,100	5,984	215,452	3,260	74,919	2,013	-	437,289
Debt service	-	-	-	-	234,535	10,552	786,225	-	-	1,031,312
Total expenditures	1,670,672	850,122	576,012	475,586	19,332,276	1,899,385	2,081,822	2,013	92,196	26,980,084
Excess (Deficiency) of Revenues Over Expenditures	1,201,994	453,970	(536,145)	(18,710)	150,158	751,327	1,469,954	499,121	(67,991)	3,903,678
Other Financing Sources (Uses):										
Transfers in (out)	-	-	-	(523,708)	(2,747,677)	-	425,087	-	(113,700)	(2,959,998)
Net Change in Fund Balance	\$ 1,201,994	\$ 453,970	\$ (536,145)	\$ (542,418)	\$ (2,597,519)	\$ 751,327	\$ 1,895,041	\$ 499,121	\$ (181,691)	\$ 943,680

Other Information

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

**TAX INCREMENT FINANCING AND PARKING TAX DIVERSION ACTIVITY
(Unaudited)**

YEAR ENDED DECEMBER 31, 2016

	Year of Expiration	Actual Cash Account Activity							Debt		
		Beginning Balance	Increment Collected	Minimum Payment Agreement Receipts	Other Income/ Expense	Fees Paid	Interest Payments	Principal Payments	Ending Balance	Beginning Principal	Ending Principal
Tax Increment Financing District:											
South Side Works	2015	\$ 2,949,650	\$ -	\$ -	\$ (2,932,480)	\$ 17,000	\$ -	\$ -	\$ 170	\$ -	\$ -
Grant Street Transportation Center	2016	-	433,940	-	-	20,000	-	-	-	-	-
Federal North	2017	1,837,901	704,803	-	377,560	16,875	-	-	2,903,389	-	-
Broadhead Fording	2018	104,010	149,245	276,047	-	11,000	75,486	339,757	103,059	1,105,400	765,643
BONY Mellon Client Services Center	2018	86,357	1,551,789	36,846	3,199	12,500	185,971	1,340,000	139,720	4,450,000	3,110,000
Home Depot	2019	-	115,035	-	-	11,000	13,885	90,150	-	795,479	705,329
PNC Firstside	2019	1,573,091	1,548,817	-	1,508,878	14,864	147,468	890,000	3,578,454	3,830,000	2,940,000
Fulton Building	2019	1,897	491,410	-	(871)	20,000	7,999	228,555	235,882	228,555	-
Heinz North Shore	2019	117,783	76,357	401,457	(70,369)	22,500	80,729	295,000	126,999	1,275,000	980,000
Station Square	2019	1,068,558	700,486	124,980	444	17,000	183,231	665,000	1,029,237	3,570,000	2,905,000
Panther Hollow	2022	398,680	416,486	40,112	6,715	16,505	187,988	245,000	412,500	2,480,000	2,235,000
Centre Negley	2024	154,028	213,491	-	(93,521)	19,500	97,613	115,000	41,885	1,450,000	1,335,000
Three PNC Plaza	2026	736,706	1,392,441	479,858	3,492	22,500	763,692	1,005,000	821,305	13,070,000	12,065,000
Bakery Square	2027	488,010	804,115	289,541	5,628	22,500	623,110	456,024	485,660	8,491,383	8,035,359
East Liberty Gateway	2029	331,506	230,050	-	(119,908)	20,000	96,346	110,704	214,598	2,022,821	1,912,117
Pittsburgh Technology Center II	2026	397,673	304,396	187,807	923	5,454	199,155	253,000	433,190	3,955,000	3,702,000
Gardens at Market Square	2032	2,877	132,689	412,177	131,825	23,000	183,676	377,317	95,575	4,745,833	5,891,722
Summerset at Frick Park	2033	445,536	627,170	-	(24,579)	50,000	-	-	998,127	-	-
Hazelwood-Almono	2033	58	1,043	-	(73)	-	-	-	1,028	-	-
Totals		<u>\$ 10,694,321</u>	<u>\$ 9,893,763</u>	<u>\$ 2,248,825</u>	<u>\$ (1,203,137)</u>	<u>\$ 342,198</u>	<u>\$ 2,846,349</u>	<u>\$ 6,410,507</u>	<u>\$ 11,620,778</u>	<u>\$ 51,469,471</u>	<u>\$ 46,582,170</u>
Parking Tax Diversion:											
Theatre Square	2021	\$ 9	\$ 568,893	\$ -	\$ (563,888)	\$ 5,000	\$ -	\$ -	\$ 14	\$ -	\$ -
350 Oliver Avenue	2033	-	-	-	-	-	-	-	-	3,639,204	6,968,422
Totals		<u>\$ 9</u>	<u>\$ 568,893</u>	<u>\$ -</u>	<u>\$ (563,888)</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 3,639,204</u>	<u>\$ 6,968,422</u>