

THE URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

**GUIDELINES: DEVELOPERS' OBLIGATION FOR PUBLIC
INFRASTRUCTURE AND OTHER IMPROVEMENTS UTILIZING THE
LOWER HILL LERTA RETAINED AMOUNT**

Sam Williamson
Board Chair

Guidelines: Developers’ obligation for public infrastructure and other improvements utilizing the Lower Hill LERTA Retained Amount

These Guidelines are provided in accordance with the Cooperation Agreement regarding the Lower Hill Local Economic Revitalization Tax Assistance (“LERTA”) District by and among the Urban Redevelopment Authority of Pittsburgh (“URA”), the Sports & Exhibition Authority of Pittsburgh and Allegheny County (“SEA”), the City of Pittsburgh (“City”), the County of Allegheny (“County”) and the Pittsburgh School District (“School District”), dated December 7, 2015 (the “Original Agreement”), as supplemented by the letter of the URA dated November 21, 2019 consented to by the SEA, City, County and School District (the “Letter Agreement”). (The Original Agreement together with the Letter Agreement herein collectively referred to as the “Cooperation Agreement”.) All capitalized terms used herein that are defined in the Cooperation Agreement are used with the meaning set forth in the Cooperation Agreement unless otherwise defined herein.

Under the Original Agreement, property owners receiving abatements of real estate taxes pursuant to the Lower Hill LERTA District (capped at \$250,000 per Taxing Body per parcel), were initially required, among other things, to make annual payments (the “Owner Payments”) that were to be deposited 50% to the Greater Hill District Reinvestment Fund and 50% to the Lower Hill Development Fund.¹

Pursuant to the Letter Agreement, the structure is changed. Now, Pittsburgh Arena Real Estate Redevelopment LP (the “Optionee” or “PAR”) shall retain the 50% of the Owner Payments that were to be deposited into the Lower Hill Development Fund (the “Retained Amount”). As such, there will be no Lower Hill Development Fund.

These Guidelines establish PAR’s obligations relating to the infrastructure and other improvements to the Lower Hill Site and the Greater Hill District that were originally to be paid using the Lower Hill Development Fund. The permitted uses and the requirement of approval by URA apply to the Retained Amount as they would have applied to the expenditure of amounts from the Lower Hill Development Fund. The use, approval and oversight of the Retained Amount shall be in accordance with the LERTA legislation, the Cooperation Agreement and these Guidelines.

In accordance with the Cooperation Agreement, PAR must utilize the Retained Amount to invest in public infrastructure improvements and various redevelopment activities on the Lower Hill Site and in the Greater Hill District, subject to approval of the URA (the “Retained Amount Investment”). Public infrastructure improvements will generally be defined as those publicly owned and dedicated structures and facilities on which the continuance and growth of a community depend, and which provide community impacts including but not strictly limited to: streets, roadways, road surfaces, bridges, tunnels, easements, rights-of-ways, structured public parking facilities, public sanitary and storm water sewers, curbs, parks, sidewalks, public water/ power/ cable conduits, public drainage structures, and

¹ The Lower Hill LERTA District shall run for 24-years, commencing in 2015 and existing through 2039, terminating in 2040. In order to capture the full ten-year increment, a project must be completed no later than calendar year 2029.

public realm enhancements. Privately owned infrastructure and redevelopment activities, such as affordable housing, and urban open space that serve the public interest will also be eligible for consideration before the Board.

Under these Guidelines PAR must come to the URA Board twice seeking approval of the Retained Amount Investment. The first approval must occur during the design phase, prior to the start of construction. Sixty days prior to the start of construction, PAR shall provide the URA with an application, detailing PAR's proposed Retained Amount Investments (the "Proposed Retained Amount Investment").² If PAR's Proposed Retained Amount Investments are not submitted to the URA and/or not subsequently approved by the URA Board, the URA will withhold action on property conveyances and/or additional financing requests (relating to federal, state, non-profit, and foundation sources).

The second time PAR must seek the approval of the URA Board is with a bi-annual detailed accounting of the Retained Amount Investment. In June and December of each calendar year, PAR shall prepare a report of all Retained Amount Investment that took place in the preceding six-month period.³ These bi-annual reports shall match PAR's Proposed Retained Amount Investment presented to the URA Board. If PAR's Proposed Retained Amount Investment does not match its actual Retained Amount Investment then the URA will withhold action on property conveyances or additional financing requests (relating to federal, state, non-profit, and foundation sources). In addition to providing the bi-annual report to the URA, PAR shall also circulate the bi-annual report to the Taxing Bodies and the SEA.

PAR will be required to attend the URA board meeting where the approval of the application is being considered. An administrative fee will be charged by the URA to the applicant in order to pay for legal, staff time and other costs. On or before May 1 of each year, in accordance with the Cooperation Agreement, PAR shall ensure that 1% of the Retained Amount is paid to the School District to cover a portion of the School District's Annual Fee (see form of transmittal letter attached hereto as **Exhibit "A"**).⁴ This payment shall be made prior to any other payments from the Retained Amount.

² The application process is explained in more detail below.

³ The requirements for bi-annual reporting are explained in more detail below.

⁴ Section 9 of the Original Agreement states: "[T]he URA shall direct the Trustee to pay one half of the School District's Annual Fee from amounts on deposit in the Reinvestment Fund and to pay one half of the School District's Annual Fee from amounts on deposit in the Lower Hill Development Fund." *Half of the School District's Annual Fee is equivalent to 1% of the Retained Amount. For example, if the total annual abated School District tax is \$100, the School District's Annual Fee would be \$1 or 1% of \$100. Half of the School District's Annual Fee must be collected from the Retained Amount, which in this example is \$50. One percent of \$50 is 50 cents. Thus, 1% of the Retained Amount will be half of the School District's Annual Fee and thereby, in compliance with the Cooperation Agreement.*

Application Process

1. Prior to Formal Application, Convene Introductory Meeting with URA Staff

Before the preparation of a formal application, PAR should request a meeting with the appropriate URA staff to discuss the concept of the Proposed Retained Amount Investment and its scope. Follow up meetings may occur before the official proposal is submitted. No payment is required at this time.

2. Submission of Application

The URA requires the submission of a formal application in order to consider Optionee's Proposed Retained Amount Investment in the Lower Hill District. Optionee's application must include project development costs for purposes consistent with the LERTA legislation and these Guidelines. The application shall contain infrastructure costs, contractor estimates, and a construction contract containing a detailed scope of work. Optionee must also submit a preliminary P4 Narrative, a MWBE Plan, and a Workforce Initiative Plan. The application shall be submitted 60-days before the desired URA approval and prior to construction commencing. The application may be submitted as part of the Take Down process under the Amended and Restated Comprehensive Option Agreement dated as of June 20, 2018, and shall qualify as a formal application for the Proposed Retained Amount.

The completed application should be returned to:

Urban Redevelopment Authority of Pittsburgh
Development Department
Attention: Director of Development
412 Boulevard of the Allies, Suite 901
Pittsburgh, PA 15219
Phone: 412 255-6612

3. Review of Application and Meeting with URA's Development Department to Discuss Application

The URA's Development Department and Engineering and Construction Department will review the application. If changes are needed to the proposal, multiple meetings may be necessary. If work is proposed in the City's Right of Way, then an approval letter from the City of Pittsburgh Department of Mobility and Infrastructure (DOMI) shall be included. Approval letters from other agencies as appropriate may be included in the review.

4. Fees

The following fee should be made at the time of application submittal:

Application Fee – \$5,000.00 payable upon submission of application; non-refundable.

Bi-Annual Reporting Requirements

1. After URA Board approval of the Proposed Retained Amount Investments, PAR shall submit a bi-annual report in June and December of each year. That report shall include a detailed accounting of the actual Retained Amount Investments, substantiated by invoices paid. The bi-annual reporting shall also include related inspection reports. Each bi-annual report shall include a comprehensive accounting of cumulative LERTA benefits.

In addition, please submit a commitment letter with the language found below with both your application and your bi-annual reporting:

I/We certify:

1. That all information in this application and the Exhibits is true and complete to the best of my/our knowledge and is submitted to URA, for the purpose of obtaining approval of project development costs for purposes consistent with the Lower Hill District LERTA legislation and the Guidelines with respect to the use of the Retained Amount.
2. That I/we have received a copy of the Guidelines with respect to use of the Retained Amount.
3. That I/we will not discriminate on the basis of race, color, sex, religion, marital status, disability, age, sexual orientation or national origin.
4. That I/we do not have a business relationship (as stockholder, partner, member, agent, representative or employee) or family relationship with any person who is or who was, within one (1) year prior to the date of this application, an employee of the URA.

All applicants for loans or grants from the Urban Redevelopment Authority of Pittsburgh are requested to disclose if they are employees or related to employees of the URA or the City of Pittsburgh.

If you are an employee or related to a City or URA employee, a formal Conflict of Interest waiver must be presented to the URA's Board of Directors. If the source of funding for your URA financing is the U.S. Department of Housing and Urban Development (HUD), then you must also submit a formal Conflict of Interest waiver to City Planning and to HUD for approval.

EXHIBIT A

[Payor Letterhead]

**Lower Hill LERTA District – PAYMENT VOUCHER
School District Annual Fee related to Retained Amount
AMOUNT ENCLOSED – \$-----**

Regarding Parcel – [Lot/ Block] and Tax Year (beginning January 1) – [20 ---]

Amount of School District Real Estate Taxes Abated for the Parcel for the Tax Year – [---]

Retained Amount for the Parcel for the Tax Year –

Annual Fee Due to School District for the Parcel – [1% of Abated Tax Amount]

Portion of Annual Fee Due from Retained Amount for the Parcel – [50% of 1% of Abated Tax Amount, which is 1% of Retained Amount]

Abatement Year – [1, 2, 3, ... or 10]

[Date (on or before May 1 of the Tax Year)]

Chief Financial Officer
School District of Pittsburgh
341 S. Bellefield Avenue
Pittsburgh, PA 15213

Re: Lower Hill LERTA Cooperation Agreement dated December 7, 2015, as supplemented by Letter Agreement dated November 21, 2019 (collectively, the “Cooperation Agreement”) by and among the Urban Redevelopment Authority of Pittsburgh, the Sports & Exhibition Authority of Pittsburgh and Allegheny County, the City of Pittsburgh, the County of Allegheny and the Pittsburgh School District (“School District”)

Dear Chief Financial Officer,

Pursuant to the terms and conditions of the Cooperation Agreement and the supporting legislation, School District real estate taxes are abated on the above referenced Parcel for a 10 year period beginning with the first January 1 following the completion of improvements to such Parcel, in accordance with the Option Agreement, and the assignment of a new real estate assessment for such improvements by the Allegheny County Office of Property Assessments.

In accordance with the Cooperation Agreement, a School District Annual Fee in the amount of 1% of all School District real estate taxes abated for the Parcel is owed. One-half (50%) of that Annual Fee is due from the Retained Amount for the Parcel.

In accordance therewith, enclosed please find payment in the amount of \$ -----.

All capitalized terms used herein and not otherwise defined herein have the meaning set forth in the Cooperation Agreement.

Sincerely,

Cc: Director of Development, URA