

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, 2018 with
Independent Auditor's Report

MaherDuessel

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URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

YEAR ENDED DECEMBER 31, 2018

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URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018, 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 vii 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.

Maier Duessel

Pittsburgh, Pennsylvania
April 29, 2019

Management's Discussion and Analysis

December 31, 2018

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, 2018. 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 \$225.3 Million, of which \$31.5 Million represented net investment in capital assets and \$147 Million was restricted by funding source or bond indenture. Of the remaining \$46.8 Million unrestricted net position, \$19.7 Million represents property held for redevelopment under restrictions of the state redevelopment statutes and \$15.1 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 \$65.4 Million for the year, of which \$48.0 Million was operating grants and \$17.4 Million was charges for services. The program revenue consisted of \$10.4 Million in repayments through lending programs and \$6.4 Million earned through property management and rental income. Remaining program revenue primarily related to administrative fees and gains on sale of property held for sale.
- The fund balance for all governmental funds (page 3) totaled \$79.5 Million, an increase of \$16.4 Million from 2017 (\$63.1 Million) predominately due to receiving the new Housing Opportunity Fund Grant of \$10 Million.

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 the current year's revenues and expenses are considered regardless of when cash was received, or expenses paid. Additionally, certain eliminations have occurred regarding 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, 2018 and 2017 for governmental activities was approximately \$120.4 Million and \$108.7 Million, respectively. For the business-type activities, net position was approximately \$104.9 Million and \$106.6 Million, respectively.

	Governmental Activities		% Change	Business-type Activities		% Change
	2018	2017		2018	2017	
Assets:						
Current and other assets	\$121,578,087	\$116,331,999	4.5%	\$86,528,867	\$94,265,896	-8.2%
Capital assets	<u>14,074,799</u>	<u>13,204,423</u>	6.6%	<u>34,116,956</u>	<u>29,485,571</u>	15.7%
Total assets	<u>\$135,652,886</u>	<u>\$129,536,422</u>	4.7%	<u>\$120,645,823</u>	<u>\$123,751,467</u>	-2.5%
Liabilities:						
Current and other liabilities	\$11,757,308	\$7,109,267	65.4%	\$3,249,310	\$1,437,928	126.0%
Long-term liabilities	<u>3,489,663</u>	<u>13,746,448</u>	-74.6%	<u>12,464,096</u>	<u>15,715,284</u>	-20.7%
Total liabilities	<u>\$15,246,971</u>	<u>\$20,855,715</u>	-26.9%	<u>\$15,713,406</u>	<u>\$17,153,212</u>	-8.4%
Net position:						
Net investment in capital assets	\$6,667,299	\$13,204,423	-49.5%	\$24,862,212	\$26,066,672	-4.6%
Restricted for urban development	56,724,207	44,489,808	27.5%	-	-	0.0%
Restricted for lending programs	18,460,641	15,878,460	16.3%	71,833,087	72,403,430	-0.8%
Unrestricted	<u>38,553,768</u>	<u>35,108,016</u>	9.8%	<u>8,237,118</u>	<u>8,128,153</u>	1.3%
Total net position	<u>\$120,405,915</u>	<u>\$108,680,707</u>	10.8%	<u>\$104,932,417</u>	<u>\$106,598,255</u>	-1.6%

Restricted net position generally represents funds that have constraints on their use pursuant to grant agreements or bond indentures. In total, at December 31, 2018, assets of the governmental and business-type funds exceeded their liabilities by \$225.3 Million, \$31.5 Million of which represented the Authority's net investment in capital assets and \$147 Million restricted by funding source or bond indenture. Of the \$46.8 Million Unrestricted Net Position, \$19.7 Million represents property held for redevelopment under restrictions of the state redevelopment statutes and \$15.1 Million pertains to Board commitments for program funding gaps, bridge financing for projects, and property repairs and improvements in larger current projects.

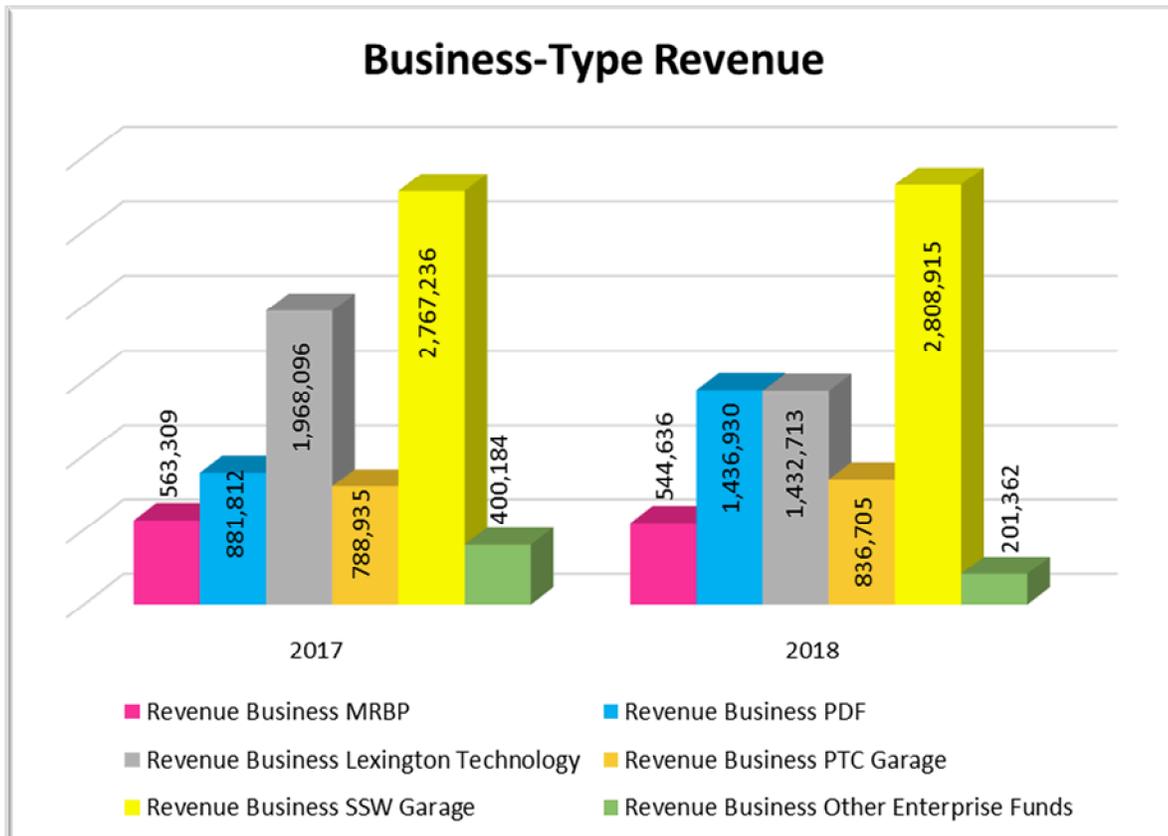
Long-term liabilities decreased in governmental activities primarily related to the early repayment of a HUD 108 loan of \$10 Million.

The decrease in business-type activities long-term liabilities primarily related to the continued pay down of debt in the MRBP Program through scheduled payments.

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, 2018**

	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>	
Program Revenues:						
Charges for services	\$10,483,170	\$10,090,116		\$6,940,412	\$7,245,773	
Operating grants	47,991,622	35,491,519		-	-	
Capital grants	-	-		-	-	
General Revenues:						
Unrestricted investment earnings	<u>707,748</u>	<u>272,879</u>		<u>320,849</u>	<u>123,799</u>	
Total revenues	<u>59,182,540</u>	<u>45,854,514</u>	29.1%	7,261,261	7,369,572	-1.5%
Program expenses:						
Urban development	37,095,500	41,658,362		-	-	
General government	9,832,894	10,081,112		-	-	
Interest on long-term debt	538,938	677,727		-	-	
Lending programs	-	-		2,875,831	2,275,800	
Property management	<u>-</u>	<u>-</u>		<u>6,041,268</u>	<u>5,729,804</u>	
Total expenses	<u>47,467,332</u>	<u>52,417,201</u>	-9.4%	<u>8,917,099</u>	<u>8,005,604</u>	11.4%
Change in net position before transfers	11,715,208	-6,562,687		-1,655,838	-636,032	
Transfers	<u>10,000</u>	<u>364,988</u>		<u>-10,000</u>	<u>-364,988</u>	
Change in net position after transfers	<u>\$11,725,208</u>	<u>\$-6,197,699</u>		<u>\$-1,665,838</u>	<u>\$-1,001,020</u>	



Governmental Activities. Total revenues increased by \$13.3 Million from 2017. The major variance in 2018 was \$12.5 Million increase in Operating Grants primarily related to the Grants Fund. Grant revenue fluctuates by nature based on the status of current projects and funding patterns. Increases from 2017 primarily related to new funding for the Housing Opportunity Fund (HOF) of \$10 Million and the Redevelopment Assistance Capital Grant Program (RACP) grants for which the URA serves as a conduit between the Commonwealth of Pennsylvania and a sub-awardee. The Housing Opportunity Fund is designed to fund programs that provide access to affordable housing. The RACP program is designed to fund projects that have regional impact such as job creation or increased tax base.

In 2018, the cost of governmental activities decreased by \$4.9 Million from \$52.4 Million in 2017 to \$47.5 Million in 2018. Much of this decrease in expenses is related to the Housing Opportunity Fund (HOF) being received late in 2018.

Business-Type Activities. Most of the revenues for 2018 were for charges for services (\$6.9 Million), which includes funds financed by borrowers in the form of program interest income (\$1.7 Million in 2018 as compared to \$1.4 Million in 2017) and tenants of owned properties in the form of property management revenues (\$5.2 Million in 2018 as compared to \$5.8 Million in 2017).

The cost of all proprietary (business-type) activities in 2018 was \$8.9 Million, as compared to \$8.0 Million in 2017, which represents an increase of \$0.9 Million (11.4%).

THE AUTHORITY'S FUNDS

As of December 31, 2018, the Authority's governmental funds reported total ending fund balances of \$79.5 Million, which represents an increase of \$16.4 Million from the prior year (\$63.1 Million). Of the fund balance, \$56.7 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 \$15.1 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 \$20.5 Million at December 31, 2018 represents an increase of \$4 Million from December 31, 2017 (\$16.5 Million).

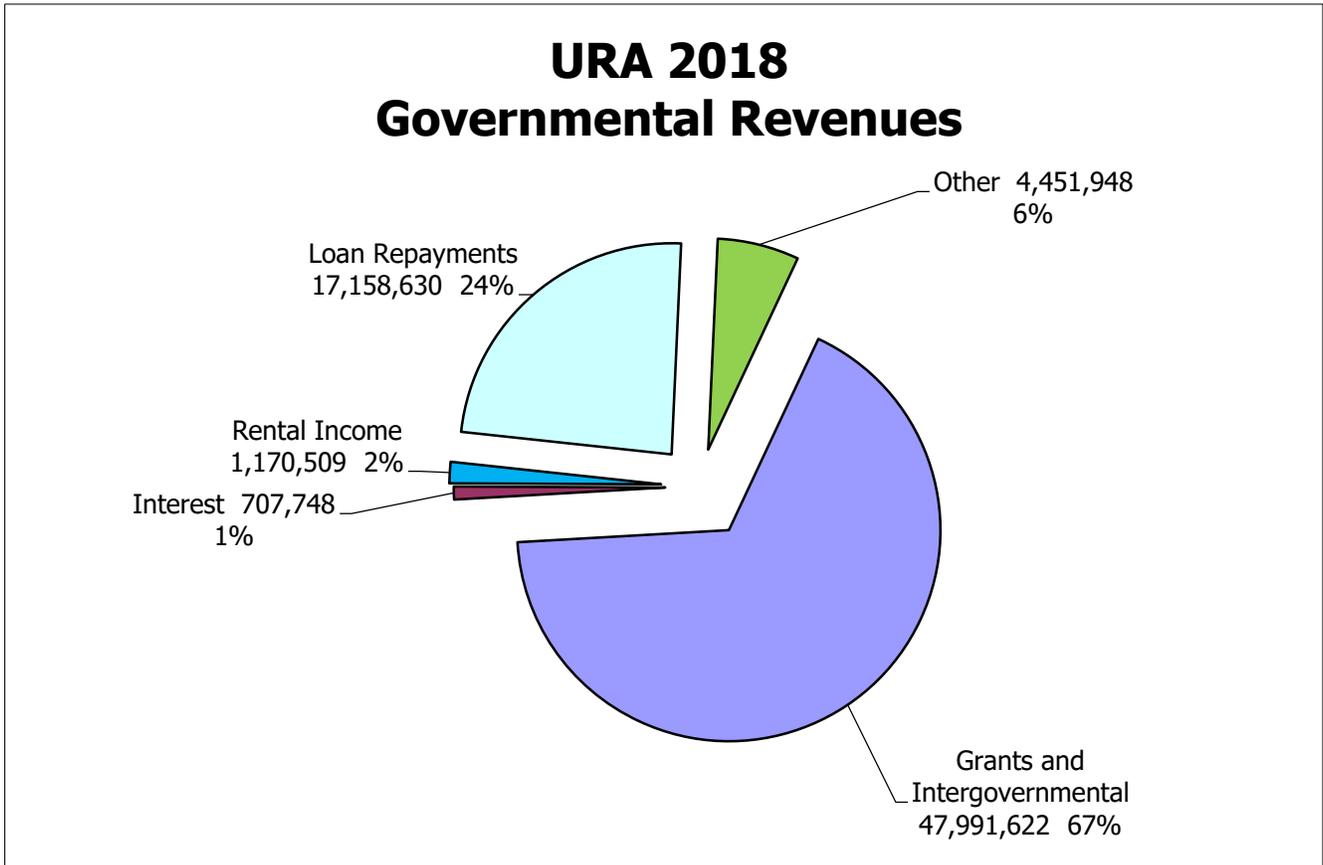
The Community Development Block Grant (CDBG) Fund accounts for CDBG grants passed through to the Authority from the City of Pittsburgh. The fund balance remained at approximately \$1.7 Million in 2018 an increase of \$0.1 Million from December 31, 2017 (\$1.6 Million).

The HOME Fund provides loans or grants for both housing rehabilitation and new construction. The fund balance was \$0.8 Million in 2018 and 2017.

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 \$13.5 Million in 2018 and \$13.1 in 2017.

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. The majority of the \$42.9 Million of fund balance in this fund in 2018 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, 2018 is \$14.1 Million an increase of \$.9 Million from December 31, 2017 (\$13.2 Million) for its governmental activities. Capital assets in business-type activities were \$34.1 Million and \$29.5 Million at December 31, 2018 and 2017, 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, 2018, the Authority had total long-term debt outstanding of \$26.7 Million. Approximately \$6.2 Million of proprietary fund bond debt is secured solely by specified revenue sources.

The outstanding debt was comprised primarily as follows: \$6.2 Million of Mortgage Revenue Bonds, which are comprised of various issues and rated Aa1 by Moody's; \$9.3 Million of bank loans; and HUD Section 108 loans in the amount of \$3.1 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 requests 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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pittsburgh Housing Development Corporation
Assets				
Cash and investments	\$ 89,894,129	\$ 48,138,290	\$ 138,032,419	\$ 15,449
Due from other governments	1,518,777	-	1,518,777	-
Other receivables	314,132	401,394	715,526	4,860
Internal balances	(8,277,667)	8,277,667	-	-
Loans to component units	1,717,514	-	1,717,514	-
Loans receivable, net	14,377,080	29,711,516	44,088,596	1,600,000
Property held for redevelopment	19,668,075	-	19,668,075	2,948,670
Other assets	2,366,047	-	2,366,047	200
Capital assets:				
Non-depreciable	14,074,799	-	14,074,799	-
Depreciable, net of accumulated depreciation	-	34,116,956	34,116,956	-
Total Assets	\$ 135,652,886	\$ 120,645,823	\$ 256,298,709	\$ 4,569,179
Liabilities				
Accounts payable and other accrued liabilities	\$ 3,792,203	\$ 233,662	\$ 4,025,865	\$ 156,617
Unearned revenue	249,605	-	249,605	-
Loans payable to URA	-	-	-	1,717,514
Loans payable to bank	-	-	-	243,949
Loans payable to Schenley Heights Collaborative	-	-	-	30,754
Noncurrent liabilities:				
Due to primary government	7,407,500	-	7,407,500	-
Bonds and loans, Due within one year	308,000	3,015,648	3,323,648	-
Bonds and loans, Due in more than one year	3,489,663	12,464,096	15,953,759	-
Total Liabilities	15,246,971	15,713,406	30,960,377	2,148,834
Net Position				
Net investment in capital assets	6,667,299	24,862,212	31,529,511	-
Restricted for urban development	56,724,207	-	56,724,207	-
Restricted for lending programs	18,460,641	71,833,087	90,293,728	-
Restricted for housing program	-	-	-	2,420,345
Unrestricted	38,553,768	8,237,118	46,790,886	-
Total Net Position	120,405,915	104,932,417	225,338,332	2,420,345
Total Liabilities and Net Position	\$ 135,652,886	\$ 120,645,823	\$ 256,298,709	\$ 4,569,179

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

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Pittsburgh Housing Development Corporation
					Primary Government			
	Direct Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
Urban development	\$ 37,095,500	\$ 6,279,921	\$ 45,942,354	\$ -	\$ 15,126,775	\$ -	\$ 15,126,775	\$ -
General government	9,832,894	4,203,249	2,049,268	-	(3,580,377)	-	(3,580,377)	-
Interest on long-term debt	538,938	-	-	-	(538,938)	-	(538,938)	-
Total governmental activities	47,467,332	10,483,170	47,991,622	-	11,007,460	-	11,007,460	-
Business-type activities:								
Lending programs	2,875,831	1,744,340	-	-	-	(1,131,491)	(1,131,491)	-
Property management	6,041,268	5,196,072	-	-	-	(845,196)	(845,196)	-
Total business-type activities	8,917,099	6,940,412	-	-	-	(1,976,687)	(1,976,687)	-
Total primary government	\$ 56,384,431	\$ 17,423,582	\$ 47,991,622	\$ -	11,007,460	(1,976,687)	9,030,773	-
Component Unit:								
Pittsburgh Housing Development Corporation	\$ 809,673	\$ 20,139	\$ 50,458	\$ -	-	-	-	(739,076)
General revenues:								
Investment earnings					707,748	320,849	1,028,597	-
Proceeds from sales of real estate					-	-	-	469,300
Transfers					10,000	(10,000)	-	-
Total general revenues and transfers					717,748	310,849	1,028,597	469,300
Change in Net Position					11,725,208	(1,665,838)	10,059,370	(269,776)
Net position - beginning					108,680,707	106,598,255	215,278,962	2,690,121
Net position - ending					\$ 120,405,915	\$ 104,932,417	\$ 225,338,332	\$ 2,420,345

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

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

**BALANCE SHEET
GOVERNMENTAL FUNDS**

DECEMBER 31, 2018

	General	Community Development Block Grant	UDAG	HOME	Grants	Totals
Assets						
Cash and investments	\$ 23,366,500	\$ 4,837,729	\$ 6,268,545	\$ 913,103	\$ 54,508,252	\$ 89,894,129
Receivables (net, where applicable, of allowance for uncollectibles):						
Loans	68,250	-	2,457,168	878,978	12,690,198	16,094,594
Other	313,369	-	-	-	763	314,132
Due from other funds	159,080	-	4,397,496	-	-	4,556,576
Due from other governmental units	-	138,291	-	104,462	1,276,024	1,518,777
Internal loans receivable	2,361,827	-	2,827,219	-	1,343,826	6,532,872
Property held for redevelopment	10,363,270	1,345,392	-	-	7,959,413	19,668,075
Total Assets	\$ 36,632,296	\$ 6,321,412	\$ 15,950,428	\$ 1,896,543	\$ 77,778,476	\$ 138,579,155
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities:						
Accounts payable and other accrued liabilities	\$ 1,812,924	\$ 977	\$ 13,112	\$ -	\$ 1,886,498	\$ 3,713,511
Due to other funds	-	3,231,686	-	176,662	2,831,913	6,240,261
Internal loans payable	3,800,000	-	-	-	9,326,854	13,126,854
Unearned revenue	86,002	-	-	-	163,350	249,352
Total Liabilities	5,698,926	3,232,663	13,112	176,662	14,208,615	23,329,978
Deferred Inflows of Resources:						
Unavailable revenue	10,431,520	1,345,392	2,457,168	878,978	20,649,611	35,762,669
Fund Balance:						
Restricted	-	337,982	13,480,148	40,903	42,865,174	56,724,207
Committed	12,861,827	1,405,375	-	800,000	-	15,067,202
Assigned	-	-	-	-	55,076	55,076
Unassigned	7,640,023	-	-	-	-	7,640,023
Total Fund Balance	20,501,850	1,743,357	13,480,148	840,903	42,920,250	79,486,508
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 36,632,296	\$ 6,321,412	\$ 15,950,428	\$ 1,896,543	\$ 77,778,476	\$ 138,579,155

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

Fund balance	\$ 79,486,508
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,074,799
Loans converted to equity participation are reported in governmental activities as other assets but are not reported in the funds.	2,366,047
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.	35,762,669
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.	<u>(11,284,108)</u>
Net position of governmental activities	<u>\$ 120,405,915</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, 2018

	General	Community Development Block Grant	UDAG	HOME	Grants	Totals
Revenues:						
Grants and Intergovernmental	\$ 2,130,401	\$ 4,276,777	\$ -	\$ 2,371,870	\$ 39,212,574	\$ 47,991,622
Interest	273,829	20,314	95,601	7,408	310,596	707,748
Rental income	1,123,184	-	-	-	47,325	1,170,509
Loan repayments	613	-	1,495,548	683,871	14,978,598	17,158,630
Other	3,080,065	-	-	-	1,371,883	4,451,948
Total revenues	6,608,092	4,297,091	1,591,149	3,063,149	55,920,976	71,480,457
Expenditures:						
Current:						
Urban development	832,209	2,242,102	1,071,528	2,803,857	27,524,484	34,474,180
Administrative	4,166,999	2,049,268	43,726	244,844	2,127,050	8,631,887
Other	483,400	-	8,269	-	709,338	1,201,007
Capital outlay	7,407,500	-	-	-	-	7,407,500
Debt service	-	-	-	-	10,822,374	10,822,374
Total expenditures	12,890,108	4,291,370	1,123,523	3,048,701	41,183,246	62,536,948
Excess (Deficiency) of Revenues Over Expenditures	(6,282,016)	5,721	467,626	14,448	14,737,730	8,943,509
Other Financing Sources (Uses):						
Debt proceeds	7,407,500	-	-	-	-	7,407,500
Transfers in (out)	2,846,847	100,000	(95,000)	-	(2,841,847)	10,000
Total other financing sources (uses)	10,254,347	100,000	(95,000)	-	(2,841,847)	7,417,500
Net Change in Fund Balance	3,972,331	105,721	372,626	14,448	11,895,883	16,361,009
Fund Balance:						
Beginning of year	16,529,519	1,637,636	13,107,522	826,455	31,024,367	63,125,499
End of year	<u>\$ 20,501,850</u>	<u>\$ 1,743,357</u>	<u>\$ 13,480,148</u>	<u>\$ 840,903</u>	<u>\$ 42,920,250</u>	<u>\$ 79,486,508</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, 2018

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)	\$	16,361,009
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.		(8,483,866)
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.		10,289,000
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.		152,968
The issuance of long-term debt is reported as a liability on the statement of net position. On the fund statements, this transaction is recorded as an other financing source.		(7,407,500)
In governmental funds, the acquisition of capital assets is a capital outlay expenditure. In the government-wide statements, this activity is capitalized and depreciated over the useful life of the related asset. Accordingly, gains or losses on dispositions of capital assets are reported on the government-wide statements as the difference between the sale proceeds and the carrying amount. The net effect of capital asset activity is shown here.		870,376
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.		<u>(56,779)</u>
Change in net position of governmental activities (page 2)	\$	<u><u>11,725,208</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, 2018

	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	\$ 15,499,521	\$ 23,815,561	\$ 33,333	\$ 2,584,671	\$ 4,419,186	\$ 1,786,018	\$ 48,138,290
Receivables, net	128,202	-	35,700	-	237,492	-	401,394
Due from other funds	-	1,419,300	-	-	398,701	107,967	1,925,968
Noncurrent assets:							
Loans receivable, net	4,672,887	24,737,988	-	-	-	300,641	29,711,516
Internal loans receivable	-	7,845,708	-	-	-	-	7,845,708
Capital assets, net of applicable accumulated depreciation	-	-	2,902,124	9,990,745	21,224,087	-	34,116,956
Total Assets	\$ 20,300,610	\$ 57,818,557	\$ 2,971,157	\$ 12,575,416	\$ 26,279,466	\$ 2,194,626	\$ 122,139,832
Liabilities							
Current liabilities:							
Accounts payable and other accrued liabilities	\$ 60,780	\$ 300	\$ 5,888	\$ -	\$ 151,694	\$ 15,000	\$ 233,662
Due to other funds	-	-	10,187	227,785	-	4,311	242,283
Bonds and loans payable	745,000	-	2,039,975	-	230,673	-	3,015,648
Noncurrent liabilities:							
Internal loans payable	-	-	-	-	1,251,726	-	1,251,726
Bonds and loans payable	5,480,000	-	-	-	6,984,096	-	12,464,096
Total Liabilities	6,285,780	300	2,056,050	227,785	8,618,189	19,311	17,207,415
Net Position							
Net investment in capital assets	-	-	862,149	9,990,745	14,009,318	-	24,862,212
Restricted for lending programs	14,014,830	57,818,257	-	-	-	-	71,833,087
Unrestricted	-	-	52,958	2,356,886	3,651,959	2,175,315	8,237,118
Total Net Position	14,014,830	57,818,257	915,107	12,347,631	17,661,277	2,175,315	104,932,417
Total Liabilities and Net Position	\$ 20,300,610	\$ 57,818,557	\$ 2,971,157	\$ 12,575,416	\$ 26,279,466	\$ 2,194,626	\$ 122,139,832

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, 2018

	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	\$ 380,664	\$ 1,260,539	\$ -	\$ -	\$ -	\$ 43,019	\$ 1,684,222
Property management revenues	-	-	1,432,713	836,705	2,808,915	117,739	5,196,072
Other	19,514	-	-	-	-	40,604	60,118
Total operating revenues	400,178	1,260,539	1,432,713	836,705	2,808,915	201,362	6,940,412
Operating Expenses:							
Originating lender service fees	13,906	-	-	-	-	2,577	16,483
Administrative expenses	333,000	127,318	-	131,312	443,688	478,675	1,513,993
Depreciation and amortization expense	-	-	396,044	377,995	575,034	-	1,349,073
Property management and improvements	-	-	1,588,168	346,944	1,470,242	165,149	3,570,503
Provision for uncollectible loans	-	1,725,200	-	-	-	-	1,725,200
Other	48,067	4,546	-	-	-	4,539	57,152
Total operating expenses	394,973	1,857,064	1,984,212	856,251	2,488,964	650,940	8,232,404
Operating Income (Loss)	5,205	(596,525)	(551,499)	(19,546)	319,951	(449,578)	(1,291,992)
Non-Operating Revenues (Expenses):							
Investment income	144,458	176,391	-	-	-	-	320,849
Interest expense	(299,872)	-	(98,575)	-	(286,248)	-	(684,695)
Net non-operating revenues (expenses)	(155,414)	176,391	(98,575)	-	(286,248)	-	(363,846)
Excess (Deficiency) of Revenues Over Expenses Before Transfers	(150,209)	(420,134)	(650,074)	(19,546)	33,703	(449,578)	(1,655,838)
Transfers in (out)	-	-	60,000	-	-	(70,000)	(10,000)
Change in Net Position	(150,209)	(420,134)	(590,074)	(19,546)	33,703	(519,578)	(1,665,838)
Net Position:							
Beginning of year	14,165,039	58,238,391	1,505,181	12,367,177	17,627,574	2,694,893	106,598,255
End of year	<u>\$ 14,014,830</u>	<u>\$ 57,818,257</u>	<u>\$ 915,107</u>	<u>\$ 12,347,631</u>	<u>\$ 17,661,277</u>	<u>\$ 2,175,315</u>	<u>\$ 104,932,417</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, 2018

	Business-type Activities - Enterprise Funds						
	Mortgage Revenue Bond Program	Pittsburgh Development Fund	Lexington Technology Park Fund	Pittsburgh Technology Center Garage Fund	South Side Works Garage Fund	Other Enterprise Funds	Totals
Cash Flows From Operating Activities:							
Receipts from tenants and users	\$ -	\$ -	\$ 1,407,513	\$ 836,705	\$ 2,811,336	\$ 117,739	\$ 5,173,293
Payments from borrowers	1,075,328	9,139,637	-	-	-	265,061	10,480,026
Loan disbursements to borrowers	-	(7,881,717)	-	-	-	-	(7,881,717)
Payments for property management and administrative services	(395,538)	(127,318)	(1,585,975)	(478,256)	(2,098,074)	(655,124)	(5,340,285)
Receipts from mortgage-backed securities	51,345	-	-	-	-	-	51,345
Other receipts (payments)	-	(4,546)	-	-	-	10,004	5,458
Net cash provided by (used in) operating activities	<u>731,135</u>	<u>1,126,056</u>	<u>(178,462)</u>	<u>358,449</u>	<u>713,262</u>	<u>(262,320)</u>	<u>2,488,120</u>
Cash Flows From Investing Activities:							
Purchase of investments	(1,106,272)	-	-	-	-	-	(1,106,272)
Proceeds from sales and maturities of investments	1,258,566	-	-	-	-	-	1,258,566
Earnings on investments	356,535	176,391	-	-	-	-	532,926
Net cash provided by (used in) investing activities	<u>508,829</u>	<u>176,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>685,220</u>
Cash Flows From Non-Capital Financing Activities:							
Interest paid	(324,811)	-	-	-	-	-	(324,811)
Principal repayments-borrowings	(1,110,000)	-	-	-	-	-	(1,110,000)
Interfund receipts (payments)	-	(5,610)	60,000	-	-	(70,000)	(15,610)
Net cash provided by (used in) non-capital financing activities	<u>(1,434,811)</u>	<u>(5,610)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>(70,000)</u>	<u>(1,450,421)</u>
Cash Flows From Capital and Related Financing Activities:							
Interest paid on capital related debt	-	-	(98,575)	-	(286,248)	-	(384,823)
Principal paid on capital related debt	-	-	(148,685)	-	(215,470)	-	(364,155)
Purchase of capital assets	-	150	-	-	(107,723)	-	(107,573)
Net cash provided by (used in) capital related financing activities	<u>-</u>	<u>150</u>	<u>(247,260)</u>	<u>-</u>	<u>(609,441)</u>	<u>-</u>	<u>(856,551)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(194,847)</u>	<u>1,296,987</u>	<u>(365,722)</u>	<u>358,449</u>	<u>103,821</u>	<u>(332,320)</u>	<u>866,368</u>
Cash and Cash Equivalents:							
Beginning of year	11,098,525	22,518,574	399,055	2,226,222	4,315,365	2,118,338	42,676,079
End of year	<u>\$ 10,903,678</u>	<u>\$ 23,815,561</u>	<u>\$ 33,333</u>	<u>\$ 2,584,671</u>	<u>\$ 4,419,186</u>	<u>\$ 1,786,018</u>	<u>\$ 43,542,447</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Operating income (loss)	\$ 5,205	\$ (596,525)	\$ (551,499)	\$ (19,546)	\$ 319,951	\$ (449,578)	\$ (1,291,992)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	-	-	396,044	377,995	575,034	-	1,349,073
Provision for uncollectible loans receivable	(4,959)	1,725,200	-	-	-	(23,484)	1,696,757
Change in operating assets and liabilities:							
Loans issued	-	(7,881,717)	-	-	-	-	(7,881,717)
Loan repayments received	728,758	7,879,098	-	-	-	222,042	8,829,898
Mortgage-backed securities	(42,507)	-	-	-	-	-	(42,507)
Receivables	(800)	-	(25,200)	-	2,421	-	(23,579)
Other assets	46,003	-	-	-	-	-	46,003
Accounts payable	(565)	-	2,193	-	(184,144)	(11,300)	(193,816)
Total adjustments	<u>725,930</u>	<u>1,722,581</u>	<u>373,037</u>	<u>377,995</u>	<u>393,311</u>	<u>187,258</u>	<u>3,780,112</u>
Net cash provided by (used in) operating activities	<u>\$ 731,135</u>	<u>\$ 1,126,056</u>	<u>\$ (178,462)</u>	<u>\$ 358,449</u>	<u>\$ 713,262</u>	<u>\$ (262,320)</u>	<u>\$ 2,488,120</u>
Supplemental Information:							
Cash and investments	\$ 15,499,521	\$ 23,815,561	\$ 33,333	\$ 2,584,671	\$ 4,419,186	\$ 1,786,018	\$ 48,138,290
Investments not considered to be cash and cash equivalents	(4,595,843)	-	-	-	-	-	(4,595,843)
Cash and cash equivalents	<u>\$ 10,903,678</u>	<u>\$ 23,815,561</u>	<u>\$ 33,333</u>	<u>\$ 2,584,671</u>	<u>\$ 4,419,186</u>	<u>\$ 1,786,018</u>	<u>\$ 43,542,447</u>
Noncash transaction - loan receivable converted to capital asset	\$ -	\$ -	\$ -	\$ -	\$ 5,872,735	\$ -	\$ 5,872,735

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, 2018

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 which provides PUI the actual tax credit allocation. 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

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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.

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. 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.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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 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.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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.

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.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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. 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

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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.

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, 2018, 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 \$174 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.

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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 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 2018 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

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

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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 \$3.2 million of charges for services and approximately \$1.2 million 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.

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

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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 or balance sheet will sometimes report 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 or balance sheet 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.

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.

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- 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, 2018, 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, 2018, 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, 2018, the URA had committed fund balances of \$15.1 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 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. Assigned fund balances as of December 31, 2018 represent funds assigned for housing development projects.
- Unassigned – This category includes the residual classification for the URA’s General Fund and includes all spendable amounts not contained in other classifications.

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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. 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 87 (Leases), 88 (Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), and 90 (Majority Equity Interests – an amendment of GASB Statements No. 14 and No.61). Management has not yet determined the impact of these statements on the financial statements.

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

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for custodial credit risk. As of December 31, 2018, \$85,455,157 of the URA's bank balance of \$98,601,186 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, 2018, the carrying amounts of the URA's deposits were \$98,389,926.

As of December 31, 2018, none of the component unit's bank balance was exposed to custodial credit risk. As of December 31, 2018, the carrying amounts of the component unit's deposits were \$15,449.

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	\$ 35,046,650	\$ 35,046,650	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Bonds	2,562,582	-	2,562,582	-	-	-
Freddie Mac	357,695	-	-	-	-	357,695
GNMA	1,505,811	-	11,330	-	-	1,494,481
FNMA	169,755	-	-	70,767	-	98,988
Total	\$ 39,642,493	\$ 35,046,650	\$ 2,573,912	\$ 70,767	\$ -	\$ 1,951,164

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.

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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, 2018, the URA's investments in U.S. Government Money Market Funds and U.S. Treasury Bonds were rated Aaa by Moody's. The URA's remaining investments were not rated as of December 31, 2018.

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.

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	\$	98,389,926
Investments		39,642,493
	\$	<u>138,032,419</u>

Cash and investments per financial statements:

Governmental funds	\$	89,894,129
Proprietary funds		48,138,290
	\$	<u>138,032,419</u>

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3. Interfund Receivables, Payables, and Transfers

Interfund receivables, payables, and transfers as of December 31, 2018 consisted of:

Fund	Internal Loans		Due to/from	
	Receivables	Payables	Receivables	Payables
Major Funds:				
General	\$ 2,361,827	\$ 3,800,000	\$ 159,080	\$ -
Community Development Block Grant	-	-	-	3,231,686
HOME	-	-	-	176,662
UDAG	2,827,219	-	4,397,496	-
Grants	1,343,826	9,326,854	-	2,831,913
Pittsburgh Development Fund	7,845,708	-	1,419,300	-
Lexington Technology Park Fund	-	-	-	10,187
Pittsburgh Technology Center Garage Fund	-	-	-	227,785
South Side Works Garage Fund	-	1,251,726	398,701	-
Other Enterprise Funds	-	-	107,967	4,311
	<u>\$ 14,378,580</u>	<u>\$ 14,378,580</u>	<u>\$ 6,482,544</u>	<u>\$ 6,482,544</u>

Fund	Transfers In	Transfers Out
Major Funds:		
General	\$ 2,846,847	\$ -
Community Development Block Grant	100,000	-
UDAG	-	95,000
HOME	-	-
Grants	-	2,841,847
Pittsburgh Development Fund	-	-
Lexington Technology Park Fund	60,000	-
Pittsburgh Technology Center Garage	-	-
South Side Works Garage	-	-
Other Enterprise	-	70,000
	<u>\$ 3,006,847</u>	<u>\$ 3,006,847</u>

Transfers between funds in 2018 primarily relate to the movement of grant funding from the Grants Fund to the General Fund for the repayment of internal loans related to the Hays Project.

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4. Loans Receivable

Governmental funds report total loans receivable, net of allowance for uncollectible loans, of approximately \$16.1 million at December 31, 2018. 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 and grants are made for business and housing development and also act as a bridge source for secured funding. HOME loans and grants are made for both single and multifamily housing development. The CDBG loans and grants are made to residential housing development as well as to businesses.

Loans receivable include \$1.7 million due from PHDC, the URA's discretely-presented component unit, as described at Note 8.

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, 2018 (excludes internal loans receivable):

<u>Enterprise Funds:</u>	<u>Amount</u>
Mortgage Revenue Bond Program, net of allowance of \$36,346	\$ 4,672,887
Pittsburgh Development Fund, net of allowance of \$16.6 million	24,737,988
Other Enterprise: Home Improvement Loan Program, net of allowance of \$348,898	<u>300,641</u>
	<u>\$ 29,711,516</u>
Component Unit:	
Pittsburgh Housing Development Corporation	<u>\$ 1,717,514</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 \$6.6 million in loans to ELTRIDRA, a related entity.

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As of December 31, 2018, the URA had approved \$3.2 million of PDF loans to various borrowers. These loans will close and begin to be paid out to the borrowers in 2019. Additionally, there was approximately \$1.8 million in remaining disbursements available to borrowers on closed PDF loans as of December 31, 2018.

5. Capital Assets

Capital Assets

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

	Balance at December 31, 2017	Additions	Deletions	Balance at December 31, 2018
Non-Depreciable Assets:				
Land and improvements	\$ 13,204,423	\$ -	\$ 6,537,124	\$ 6,667,299
Construction in progress	-	7,407,500	-	7,407,500
Governmental activities capital assets, net	<u>\$ 13,204,423</u>	<u>\$ 7,407,500</u>	<u>\$ 6,537,124</u>	<u>\$ 14,074,799</u>

Construction in progress relates to building acquisition costs described in Note 12. Deletions of capital assets relate to the Lexington Technology Park.

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 \$396,044, \$377,995, and \$575,034, respectively.

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

	Balance at December 31, 2017	Additions	Deletions	Balance at December 31, 2018
Buildings and improvements	\$ 56,975,870	\$ 6,233,412	\$ -	\$ 63,209,282
Construction in progress	252,954	-	(252,954)	-
Less: accumulated depreciation	<u>(27,743,253)</u>	<u>(1,349,073)</u>	<u>-</u>	<u>(29,092,326)</u>
	<u>\$ 29,485,571</u>	<u>\$ 4,884,339</u>	<u>\$ (252,954)</u>	<u>\$ 34,116,956</u>

During 2018, a previously reported \$5.8 million loan to the developer of the Open Hearth Garage in the South Side Works was converted to URA ownership in the garage as provided for via options outlined in the related agreements. This garage is reported in the South Side Works Garage Fund.

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, 2018 is as follows:

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<u>Valued at cost:</u>	<u>Number of properties</u>	<u>Amount</u>
Hays Park	11	\$ 5,121,753
62nd Street	1	2,000,000
Hill District	604	1,975,743
Chateau	77	1,275,460
East Liberty	24	1,000,272
Central Business District	65	2,068,735
Larimer	97	1,159,771
Southside	34	722,478
Fairywood	36	700,635
Homewood	186	871,040
Other	516	502,277
Elliot	3	346,432
Garfield	38	341,596
Federal North	5	511,492
Point Breeze	5	278,483
Sheraden	1	468,752
East Allegheny	7	165,005
	<u>1,710</u>	<u>19,509,924</u>
<u>Valued at Estimated Net Realizable Value:</u>		
South Side Works	<u>32</u>	<u>158,151</u>
Total property held for redevelopment	<u><u>1,742</u></u>	<u><u>\$ 19,668,075</u></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.

The second section includes property held for redevelopment which is valued at estimated net realizable value based on management's estimate at December 31, 2018 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.

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7. Defined Contribution Plan

The URA provides a defined contribution retirement plan, the Urban Redevelopment Authority of Pittsburgh Retirement Savings Plan (Plan), covering all employees who have completed one year of service. The Plan is administered by ICMA Retirement Corporation. All plan provisions were approved by the URA Board of Directors and any significant changes to those provisions will be made via Board approval and Resolution. 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 in the amount of \$17,461, for the year ended December 31, 2018 were \$320,896 and employee contributions were \$228,337.

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

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8. Long-Term Debt

The following is a summary of changes in long-term obligations of the URA for the year ended December 31, 2018:

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018
Primary Government:				
<i>Governmental:</i>				
HUD Section 108 loans	\$ 13,432,000	\$ -	\$ 10,289,000	\$ 3,143,000
Compensated absences	603,448	51,215		654,663
Total Governmental Fund Debt	<u>14,035,448</u>	<u>51,215</u>	<u>10,289,000</u>	<u>3,797,663</u>
<i>Proprietary:</i>				
Mortgage Revenue Bond Program	7,335,000	-	1,110,000	6,225,000
Bank loan	9,618,899	-	364,155	9,254,744
Total Proprietary Fund Debt	<u>16,953,899</u>	<u>-</u>	<u>1,474,155</u>	<u>15,479,744</u>
Total Debt and Other Long-Term Obligations - Primary Government	<u>\$ 30,989,347</u>	<u>\$ 51,215</u>	<u>\$ 11,763,155</u>	<u>19,277,407</u>
Component Unit:				
Pittsburgh Housing Development Corporation:				
Loans payable to the URA	\$ 1,710,777	\$ 85,399	\$ 78,662	1,717,514
Loans payable to Schenley Heights Collaborative	30,754	-	-	30,754
Bank construction loans	172,245	173,673	101,969	243,949
Total Component Unit Debt	<u>\$ 1,913,776</u>	<u>\$ 259,072</u>	<u>\$ 180,631</u>	<u>1,992,217</u>
Total Debt and Other Long-Term Obligations - Reporting Entity				<u>\$ 21,269,624</u>

Proprietary Fund debt at December 31, 2018 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 C Series bonds, including various serial and term bonds, bear interest at rates from 4.40% to 4.80% and mature through 2028. At December 31, 2018, \$6,225,000 is outstanding. \$745,000 is due on these bonds in 2019.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

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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, 2018, \$2,039,975 is outstanding. Final maturity is February 28, 2019. Monthly payments are based on a twenty-year amortization with a balloon payment due at maturity. \$2,039,975 is due on this loan in 2019. Subsequent to year-end, the loan maturity was extended to provide for interest-only payments through December 31, 2019. The URA has approved the sale of the property which is anticipated to occur during 2019, the proceeds of which will be used to repay the loan.

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, 2018, \$7,214,769 is outstanding. Final maturity is January 1, 2025. Monthly payments are based on a 10-year amortization with a balloon payment due at maturity. \$230,673 is due on this loan in 2019.

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, 2018, \$1,886,000 is outstanding. \$185,000 is due in 2019.

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, 2018, \$1,257,000 is outstanding. \$123,000 is due in 2019.

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.

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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 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 was secured by a note receivable and a Pledge and assignment of CDE membership interest to URA which generated proceeds to repay the note receivable during 2018. Accordingly, the HUD Section 108 loan, which carried interest at 3.30%, was repaid in full during 2018.

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>
2019	\$ 3,323,648	\$ 740,800	\$ 4,064,448
2020	1,284,665	660,935	1,945,600
2021	1,326,007	602,487	1,928,494
2022	1,403,713	540,695	1,944,408
2023	1,439,798	474,416	1,914,214
2024 - 2028	9,844,913	656,500	10,501,413
	<u>\$ 18,622,744</u>	<u>\$ 3,675,833</u>	<u>\$ 22,298,577</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 \$1,717,514. The loans are non-interest bearing. The loans are due upon the sale of related project units but are not scheduled to mature past 2019. 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 \$243,949. Interest accrues on the loans at 4.25% to 5.00%. Loans are due on demand.

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NOTES TO FINANCIAL STATEMENTS

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PHDC-Schenley Heights Collaborative Construction Loans

The PHDC had outstanding construction loans payable to Schenley Heights Collaborative of \$30,754. Interest accrues on the loans at 0.00%. Loans are due on when units are sold or August 2019, whichever occurs first. The loan is secured by the mortgage on the property.

Future Maturities

Principal payments of \$1,992,217 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.

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, 2018, the aggregate amount of no-commitment debt outstanding was \$104 million. The amount is comprised of \$63 million Multi-Family Revenue Bonds and \$41 million Tax Increment Financing Bonds and Notes and Parking Tax Diversion (TIF/PTD debt).

Responsibility for repayment of the Multi-Family Revenue Bonds rests with private borrowers. TIF/PTD 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/PTD 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

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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.

Contract Commitments

At December 31, 2018, the URA had entered into contracts for professional services and construction totaling approximately \$2.2 million. There was committed approximately \$2.1 million for the Nine Mile Run 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 (the "Agreement") with the Sports & Exhibition Authority of Pittsburgh and Allegheny County (the "SEA") and Pittsburgh Arena Real Estate Redevelopment LP (the "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 are owned by the URA. On June 20, 2018, the parties to the Agreement executed an amended and restated Option Agreement which amends and replaces the Agreement. Pursuant to the "Amended Agreement", the URA and the SEA have certain joint development Obligations. If those obligations are not met, the URA and SEA have a maximum joint liability of \$6,000,000.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

12. Due to Primary Government

In September of 2018 the URA, City, and the Housing Authority of the City of Pittsburgh (the "HACP") purchased 412 Boulevard of the Allies ("412 BotA") for the relocation of the occupants of the John P. Robin Civic Building, at 200 Ross Street, and certain other City departments, for \$27,500,000. URA, the City, and HACP currently own 412 BotA as tenants in common, with the URA holding an approximately 23.46% ownership percentage. The City, the URA, and the HACP intend to subject to building to a condominium agreement in 2019 whereby the URA will obtain fee simple ownership of a condominium unit that occupies approximately 23.46% of 412 BotA. This ownership percentage may be subject to a small adjustment based on a survey that will be completed following condominiumization and buildout. The City issued general obligation notes to finance the purchase and build out of 412 BotA, but the URA will be responsible for making debt service payments starting in September 2019.

13. Housing Opportunity Fund

In December 2017, the City committed \$10 million per year for 12 years to source a Housing Opportunity Fund (HOF). The Mayor appointed a 17-person Advisory Board to administer the fund in June 2018 and entered into a cooperation agreement with the URA to hold and manage the fund. The URA created a new department, the Housing Opportunity Fund Department, to staff this initiative. The HOF staff and Advisory Board created an allocation plan for the 2018 funding and new programs and program guidelines. The new HOF programs established are:

- Down Payment and Closing Cost Assistance (DPCCAP) provides financing to first-time homebuyers in the City to help make the purchase of a home affordable. This program is designed to help stimulate housing investment in the City by providing financial assistance to potential homebuyers for the purpose of purchasing an existing or newly constructed residential unit.
- Homeowner Assistance Program (HAP) provides financial and technical assistance to eligible homeowners for rehabilitating and improving residential owner-occupied properties citywide
- Rental Gap Program (RGP) will be used to help fund the creation of new affordable housing and/or preserve existing affordable housing in the City. The HOF RGP provides loans to developers for the creation and/or preservation of affordable units.
- Housing Stabilization Program (HSP) provides one-time or short-term (no more than

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

12 months) funding to help with emergency housing expenses such as rent and utilities. It is designed to assist participants to stabilize their current housing, or facilitate access to appropriate housing, and prevent homelessness. The program will also allow for legal eviction prevention services, including legal consultation and representation for eviction defense and/or related supportive services.

- For-Sale Development Program (FSDP) provides construction financing to developers with non-profit applicants for the substantial rehabilitation or new construction of for-sale housing.

The URA recognized \$10 million of intergovernmental revenue received from the City in 2018 related to the HOF. At December 31, 2018, approximately \$9.9 million remained available for program spending and is included in restricted fund balance/net position. This activity is included in the Grants Fund.

14. Subsequent Events

Pittsburgh Technology Center

The URA has agreed to convey Block 28-N, Lot 315 in the Pittsburgh Technology Center (PTC), which is a 4.055-acre vacant parcel located at 511-575 Technology Drive, to Elmhurst Development, LLC (Elmhurst) for \$1,027,500.00. Elmhurst plans to construct a 175,000-square-foot two-phase building on a speculative basis. Approximately 60 percent will be office and 40 percent will be flex tech, light manufacturing, or research. Elmhurst plans to construct 116 enclosed parking spaces on site. The URA expects this transaction to close in 2019.

The URA Board has approved the conveyance of Block 11-S, Lot 62, in PTC, which is a 2.55-acre parcel containing a 577-space parking garage and an 85-space surface parking lot with an address of 3000 Technology Drive, to Hitachi Rail STS USA, Inc. for \$6,600,000. Pursuant to the agreed-upon conveyance terms, the URA will retain development rights above the surface lot portion of the property. In addition, the URA will receive \$100,000 from RIDC as compensation for increased rent that the URA did not collect during the negotiation period. The URA expects this transaction to close in 2019.

Lexington Technology Center

The URA is in the process of obtaining Planning Commission approval for a subdivision that would create two parcels at Lexington Technology Park. The dividing line of the two parcels

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

is North Lexington Avenue. Lot 1B is the "Commercial" portion and will be 11.468 acres. There are two existing commercial structures on Lot 1B, and this is the location of all current commercial leases associated with Lexington Technology Park. Lot 1A is the "Residential" portion and will be 5.072 acres. Lot 1A currently consists mostly of surface parking. There are also two vacant dwelling structures on Lot 1A.

The URA expects to convey Lot 1B to Lexington Partners of Pittsburgh, LP in 2019 for \$3,275,000. The URA also expects to convey Lot 1A to LPP Lexington Partners of Pittsburgh, LP in 2020 for \$750,000. The conveyance of Lot 1A is contingent on the residential development receiving a low-income tax credit award in 2019.

During 2018, the carrying amount of the related land and building has been reduced to expected disposition amount; this resulted in an urban development expense on the government-wide financial statements of approximately \$6.5 million.

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, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ 28,056,292	\$ -	\$ 10,599,195	\$ 557,087	\$ -	\$ 39,212,574
Interest	2,022	795	2,233	1,436	10,785	17,925	213,123	61,763	514	310,596
Rental income	-	-	-	-	-	-	47,325	-	-	47,325
Loan repayments	1,754,124	847,330	49,247	114,093	-	1,893,377	10,310,777	-	9,650	14,978,598
Other	-	-	45,115	-	-	211,275	1,085,400	-	30,093	1,371,883
Total revenues	1,756,146	848,125	96,595	115,529	28,067,077	2,122,577	22,255,820	618,850	40,257	55,920,976
Expenditures:										
Current:										
Urban development	1,759,251	152,030	555,805	45,258	21,375,467	(10,332)	2,358,901	1,252,010	36,094	27,524,484
Administrative	710,495	769,986	93,000	14,993	408,000	80,576	50,000	-	-	2,127,050
Other	62,455	4,870	-	6,720	354,910	33,594	242,609	-	4,180	709,338
Debt service	-	-	-	-	27,756	2,795	10,791,823	-	-	10,822,374
Total expenditures	2,532,201	926,886	648,805	66,971	22,166,133	106,633	13,443,333	1,252,010	40,274	41,183,246
Excess (Deficiency) of Revenues Over Expenditures	(776,055)	(78,761)	(552,210)	48,558	5,900,944	2,015,944	8,812,487	(633,160)	(17)	14,737,730
Other Financing Sources (Uses):										
Transfers in (out)	-	-	(60,000)	-	(2,500,000)	-	(281,847)	-	-	(2,841,847)
Total other financing sources (uses)	-	-	(60,000)	-	(2,500,000)	-	(281,847)	-	-	(2,841,847)
Net Change in Fund Balance	\$ (776,055)	\$ (78,761)	\$ (612,210)	\$ 48,558	\$ 3,400,944	\$ 2,015,944	\$ 8,530,640	\$ (633,160)	\$ (17)	\$ 11,895,883

OTHER INFORMATION

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

TAX INCREMENT FINANCING AND PARKING TAX DIVERSION ACTIVITY (Unaudited)

YEAR ENDED DECEMBER 31, 2018

	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	\$ 170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170	\$ -	\$ -
Federal North	2017	1,564,173	-	-	(1,549,673)	14,500	-	-	-	-	-
Broadhead Fording	2018	97,318	150,725	284,557	(3,200)	11,000	17,302	397,941	103,157	397,941	-
BNY Mellon Client Service Center	2018	207,568	1,541,154	95,132	(35,941)	13,750	48,602	1,500,000	245,561	1,690,000	190,000
Home Depot	2019	8,229	117,367	503,156	-	11,000	-	609,523	8,229	609,523	-
PNC Firstside	2019	4,156,014	1,614,813	-	(1,186,773)	13,071	68,025	975,000	3,527,958	2,010,000	1,035,000
Heinz North Shore	2019	140,186	77,064	335,270	(2,452)	23,750	35,084	340,000	151,234	660,000	320,000
Station Square	2019	1,102,796	831,144	68,697	1,923	18,000	103,884	725,000	1,157,676	2,205,000	1,480,000
Panther Hollow	2022	371,392	414,732	-	86,909	13,000	156,188	285,000	418,845	1,980,000	1,695,000
Centre Negley	2024	76,179	200,830	-	99	22,000	80,448	130,000	44,660	1,215,000	1,085,000
Three PNC Plaza	2026	408,610	1,232,337	-	17,304	24,250	310,891	1,270,000	53,110	11,050,000	9,780,000
Bakery Square	2027	489,983	725,391	345,093	10,845	23,750	547,585	531,549	468,428	7,542,103	7,010,555
East Liberty Gateway	2029	204,009	230,049	-	(132,192)	21,000	86,425	120,625	73,816	1,795,894	1,674,273
Pittsburgh Technology Center II	2026	288,595	295,837	303,347	5,655	41,000	175,509	289,000	387,925	3,432,000	3,143,000
Gardens at Market Square	2032	251,081	1,028,175	-	4,298	21,000	445,959	388,018	428,577	7,986,695	7,598,678
Summerset at Frick Park	2033	1,551,074	1,285,823	-	4,425	23,000	-	-	2,818,322	-	-
Hazelwood-Almono	2036	-	18,645	-	-	2,000	-	-	16,645	-	-
Totals		<u>\$ 10,917,377</u>	<u>\$ 9,764,086</u>	<u>\$ 1,935,252</u>	<u>\$ (2,778,773)</u>	<u>\$ 296,071</u>	<u>\$ 2,075,902</u>	<u>\$ 7,561,656</u>	<u>\$ 9,904,313</u>	<u>\$ 42,574,156</u>	<u>\$ 35,011,506</u>
Parking Tax Diversion:											
Theatre Square	2021	\$ 54	\$ 421,080	\$ -	\$ (415,133)	\$ 6,000	\$ -	\$ -	\$ 1	\$ -	\$ -
3 Crossings	2034	17,765	106,146	-	865	21,000	-	-	103,776	-	-
Union Trust	2033	13,273	142,301	57,776	118	22,000	153,966	22,875	14,627	2,808,400	2,785,525
350 Oliver Avenue	2033	1,651	385,048	82,821	281	41,250	188,913	208,322	31,316	6,771,473	6,563,151
Totals		<u>\$ 32,743</u>	<u>\$ 1,054,575</u>	<u>\$ 140,597</u>	<u>\$ (413,869)</u>	<u>\$ 90,250</u>	<u>\$ 342,879</u>	<u>\$ 231,197</u>	<u>\$ 149,720</u>	<u>\$ 9,579,873</u>	<u>\$ 9,348,676</u>