



County of Allegheny

Office of the Controller

PERFORMANCE AUDIT REPORT
ON PROPERTIES DEVELOPED IN
ALLEGHENY COUNTY WITH TAX SUBSIDIES
FOR THE PERIOD JANUARY 1, 2018
THROUGH DECEMBER 31, 2021

January 10, 2023

Corey O'Connor
Controller

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County of Allegheny Office of the Controller

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January 10, 2023

Mr. Lance Chimka, Director
Allegheny County Economic Development
Koppers Building
436 Seventh Avenue, Suite 600
Pittsburgh, PA 15219

PERFORMANCE AUDIT REPORT
ON PROPERTIES DEVELOPED IN
ALLEGHENY COUNTY WITH TAX SUBSIDIES
FOR THE PERIOD JANUARY 1, 2018
THROUGH DECEMBER 31, 2021

Dear Mr. Chimka:

We have conducted a performance audit to assess Allegheny County's compliance with statutory requirements applicable to the use of Tax Increment Financing (TIF) and Local Economic Revitalization Tax Assistance (LERTA). Our procedures were applied to the period from January 1, 2018, through December 31, 2021. Our engagement was performed in accordance with *Government Auditing Standards*.

As we conducted our audit, we determined that the Pennsylvania Prevailing Wage Act is not being enforced, that LERTA is not being utilized to address deteriorated areas within most municipalities in Allegheny County, and that TIF and LERTA evaluations have not been made available to taxpayers in recent years. We have offered recommendations to assist in remediating the conditions noted, which if implemented, should improve the manner in which TIF and LERTA are administered in Allegheny County. The results of our procedures are included in the attached report.

Mr. Lance Chimka
January 10, 2023

We would like to thank the management and staff of Allegheny County Economic Development as well as the Allegheny County Treasurer's Office and Office of Property Assessment for their courtesy and cooperation during our engagement.

Kind regards,



Corey O'Connor
Controller



Lori A. Churilla
Assistant Deputy Controller, Auditing

cc: Honorable Patrick Catena, President, County Council
Honorable John F. Palmiere, Vice-President, County Council
Honorable Rich Fitzgerald, Allegheny County Executive
Mr. William McKain, County Manager, Allegheny County
Ms. Jennifer Liptak, Chief of Staff, County Executive
Mr. Kenneth J. Varhola, Chief of Staff, County Council
Ms. Sarah Roka, Budget Manager, County Council
Ms. Mary C. Soroka, Director, Budget and Finance

I. Introduction

Allegheny County offers tax incentives to individuals and businesses wanting to develop and redevelop real property within the County. Tax incentives help to promote increased investment, (re)development of blighted areas and underutilized properties, expansion of the economic base, and increased employment opportunities. Allegheny County Economic Development (ACED) with assistance from the Office of Property Assessment and Treasurer's Office administers Allegheny County's Tax Increment Financing (TIF) and Local Economic Revitalization Tax Assistance (LERTA) programs.

Tax Increment Financing (TIF)

TIF involves taxing jurisdictions diverting a portion of the real property tax revenues collected in future years to finance public improvements necessary to facilitate development in blighted or underutilized areas. A typical TIF has a term of up to 20 years.

Within Allegheny County, the TIF process begins when a developer contacts ACED with a preliminary TIF proposal. After discussion with the developer and review of the preliminary proposal, ACED may approve the project for consideration. Subsequent to ACED approval, the developer must meet with local taxing bodies to present the project. After all three taxing bodies (municipality, school district, and Allegheny County) pass resolutions of intent to participate in the TIF, an official TIF Committee is formed and TIF parameters are negotiated with the developer. If the proposed TIF district is not located in an existing redevelopment area, a Basic Conditions Report must be prepared for the area. Through the Basic Conditions Report, the Redevelopment Authority of Allegheny County (RAAC) designates and certifies the area to be in need of redevelopment pursuant to the provisions of the Urban Redevelopment Law. After the area has been determined to be blighted, and RAAC has prepared the TIF Plan, non-sponsoring taxing bodies will pass a Resolution to participate in the TIF. A public hearing is conducted and the sponsoring taxing body creates a TIF district. All three taxing bodies enter into a Cooperation Agreement and RAAC will then issue the TIF bonds. For more on the TIF process, see the flowchart at Exhibit 1 on page 15.

The Pennsylvania TIF Act of 1990 allows TIF proceeds to be expended on a wide variety of project costs such as capital costs, financing costs, professional service and administrative costs, relocation costs and any other cost deemed necessary for the development of the designated area. In 2015 ACED published its TIF Program Guidelines, outlining County-specific requirements for TIFs. Unlike the PA TIF Act, the Guidelines state that the County's portion of real estate tax revenues diverted to repay TIF obligations will only be utilized to support public infrastructure. Public infrastructure is defined by the TIF Program Guidelines as, "those publicly owned and dedicated structures and facilities on which the continuance and growth of a community depend, including, but not strictly limited to, streets, roadways, road surfaces, bridges, tunnels, easements, right-of-ways, parking facilities, sanitary and stormwater sewers, curbs, sidewalks, water/power/cable conduits and drainage structures." The TIF Program Guidelines also state that all potential commercial and/or industrial developments must leverage private investment and create and sustain quality jobs for County residents. Residential developments must increase housing options available to County residents and increase home ownership in the County by providing affordable housing opportunities.

I. Introduction

As of January 1, 2021, there were six active County-sponsored TIFs and ten active non-County sponsored TIFs in Allegheny County. For more information on TIFs in Allegheny County, see the schedule of County real estate payments diverted to TIF repayment at Exhibit 3 on page 17, and the maps of the County-sponsored and non-County-sponsored TIFs within Allegheny County at Exhibits 5 and 6 on pages 20 and 21, respectively.

Local Economic Revitalization Tax Assistance (LERTA)

Administration of LERTA within Allegheny County is governed by the Pennsylvania LERTA Act of 1977. The PA LERTA Act allows each local taxing authority to exempt from real property taxation the assessed valuation of improvements to deteriorated properties and the assessed valuation of new construction within designated deteriorated areas. LERTA typically has a term of 5 to 10 years with amounts exempted dependent on the specifics of each individual development.

The LERTA process begins when a developer or a municipality submits a LERTA application and associated fee to ACED for consideration. After ACED evaluates the project and determines eligibility, the developer must participate in public meetings with members of the local community to allow for public input regarding the proposed development. Prior to the adoption of a resolution authorizing the LERTA exemption, boundaries of the deteriorated area must be determined and tax parcels within the area should be identified. By ordinance or resolution, the taxing bodies participating in the LERTA will then agree to exempt the assessment attributable to all or a portion of the incremental increase in assessed value of new construction or improvements. For more on the LERTA process, see the flowchart at Exhibit 2 on page 16.

As of January 1, 2021, there were 62 active LERTA developments that Allegheny County was participating in. For more information on LERTA in Allegheny County, see the schedule of County tax abated by year (attributable to LERTA) at Exhibit 4 on page 18, and the map of LERTA developments within Allegheny County at Exhibit 7 on page 22.

II. Objectives, Scope, and Methodology

Objectives

Our performance audit objectives were to:

- Determine whether during our audit period Allegheny County administered Tax TIF in compliance with the requirements of the PA TIF Act and administered LERTA in compliance with the requirements of the PA LERTA Act.
- Determine for a sample of Allegheny County tax-subsidized development projects (TIFs and LERTAs) whether Allegheny County Economic Development (ACED) has followed up to ensure that applicable developer commitments, including the payment of prevailing wages, have been met.
- Determine for a sample of TIFs whether the agreed-upon portion of future County incremental property tax revenues for a period of up to 20 years and only that agreed-upon portion of tax revenues has been diverted to pay the TIF debt by reviewing the TIF agreement and the County's accounting records.
- Determine for a sample of LERTA properties that the approved tax exemption schedule was adhered to, and that taxation was fully restored at the end of the approved LERTA period, if applicable.
- Determine for a sample of TIFs and LERTAs whether the property owners/developers have appealed the assessed real property values of TIF and LERTA properties and garnered reduced assessments (thereby eliminating or reducing the future economic benefits to Allegheny County).
- Determine whether ACED has a process in place to evaluate the extent to which the use of tax subsidies to stimulate property development has actually resulted in economic benefits to Allegheny County.

Scope

Our performance audit covered the period from January 1, 2018 through December 31, 2021. We conducted the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

II. Objectives, Scope, and Methodology

Methodology

The methodology used to accomplish our audit objectives included, but was not limited to, the following procedures:

- Reviewed the PA TIF Act, the PA LERTA Act, the ACED TIF Guidelines and LERTA Guidelines to gain a better understanding of the requirements applicable to TIFs and LERTAs.
- Interviewed the Director, Senior Deputy Director, and Deputy Director of Allegheny County Economic Development to gain an understanding of its involvement in the administration of TIF and LERTA in Allegheny County.
- Identified the significant compliance requirements for TIFs and LERTAs contained in the applicable regulations and guidelines and determined whether those compliance requirements were met for a sample of TIFs and LERTAs by reviewing the TIF closing books and LERTA Ordinances and Resolutions.
- Identified the significant TIF and LERTA developer commitments contained in the corresponding Allegheny County ordinances and resolutions and applied procedures to determine whether those commitments have been met for a sample of TIFs and LERTAs.
- Obtained historical real property tax records for a sample of TIF and LERTA properties from the Treasurer's Office and used that information to determine whether taxes on TIF and LERTA properties have been paid, and whether the taxes diverted for the payment of TIF financing obligations are consistent with the terms of the TIF agreements.
- Obtained historical assessed property values for a sample of TIF and LERTA properties from the Department of Administrative Services' Office of Property Assessment and used that information to determine whether the assessed property values had been appealed, and whether such appeals violated the terms of the applicable TIF and LERTA agreements.
- Applied procedures to assess whether tax subsidies were actually necessary to induce a sample of developments for which Allegheny County has approved tax subsidies. This involved, for example, determining whether there were any recent unsubsidized developments in the immediate area.
- Reviewed the TIF and LERTA evaluations prepared by ACED for 2018 and thereafter and assessed the extent to which the evaluations accurately portray the long-term economic benefits Allegheny County has attained through the awarding of the tax subsidies.

We conducted our procedures from September through December of 2022. We provided a draft copy of this report to the Director of Allegheny County Economic Development for comment. His response begins on page 23.

III. Findings and Recommendations

Finding #1

The Pennsylvania Prevailing Wage Act is Not Being Enforced

- Criteria:** The Pennsylvania Prevailing Wage Act requires that prevailing wages be paid to all workmen employed on public work. Public work is defined in the Act as construction, reconstruction, demolition, alteration, and/or repair work other than maintenance work done under contract and paid in whole or in part out of the funds of a public body where the estimated cost of the total project is in excess of \$25,000. TIF involves the awarding of tax subsidies that directly finance development, which means that compliance with the PA Prevailing Wage Act is required for TIF developments to the extent that the projected development costs exceed \$25,000. This is supported by section 5-915.02 of the Allegheny County Administrative Code, which indicates that “it shall be County policy that in any Tax Increment Financing (T.I.F.) in which the County is a participant, the County’s portion of the TIF shall only be used to finance and build the public works infrastructure portion of the project. Infrastructure construction is subject to the provisions of the Act of August 15, 1961 (P.L. 987) as amended, known as the ‘Pennsylvania Prevailing Wage Act’”. The PA Prevailing Wage Act could also be applicable to LERTA developments to the extent that government grants or other government funding is involved, provided that the projected development costs exceed \$25,000.
- Condition:** We noted that only one TIF development was initiated in Allegheny County during our audit period, and that it was not sponsored by the County. Although the Urban Redevelopment Authority of Pittsburgh (URA) monitored for developer compliance with the PA Prevailing Wage Act on behalf of the City of Pittsburgh (the sponsor), ACED had no assurance that such monitoring had occurred because it had not communicated with the City of Pittsburgh or the URA until we requested ACED to do so. While the Allegheny County TIF Program Guidelines indicate that the PA Prevailing Wage Act will apply to the construction of all public infrastructure supported by County funds, we noted that ACED does not have any procedures in place to monitor TIF project developer compliance (or when applicable LERTA developer compliance) with the PA Prevailing Wage Act.
- Cause:** ACED management has indicated that the language in the PA Prevailing Wage Act is ambiguous, and that based on its interpretation of the Act, the Act is not applicable to wages paid in connection with TIF developments. ACED management has not inquired of the Pennsylvania Department of Labor and Industry regarding the applicability of the PA Prevailing Wage Act to TIF developments. Had ACED contacted the Pennsylvania Department of Labor and Industry, the Department would have confirmed (as it did for us) that the PA Prevailing Wage Act is applicable to TIF

III. Findings and Recommendations

developments (and could be applicable to LERTA developments where other government funding is also subsidizing the developments) to the extent that the projected development costs exceed \$25,000.

Effect: Because ACED is not monitoring to ensure TIF project developer compliance with the PA Prevailing Wage Act (or LERTA developer compliance when applicable), it is possible that developers may not comply with the Act and that workmen working on the County-funded development projects may be paid less than the prevailing wages, in violation of the Act.

Recommendations: We recommend that ACED management assign staff to monitor developer compliance with the Pennsylvania Prevailing Wage Act for all TIF projects (and when applicable LERTA projects) with projected development costs exceeding \$25,000.

In addition, ACED should work with the County Executive, County Manager, and County Council to amend County Ordinance #07-10-OR, which addresses County service contracts, to require the payment of prevailing wages in connection with all TIF developments (and LERTA developments when applicable).

**Management's
Response:**

Management's response begins on page 23.

III. Findings and Recommendations

Finding #2

Local Economic Revitalization Tax Assistance is Not Being Utilized to Address Deteriorated Areas Within Most Municipalities in Allegheny County

Criteria:	<p>The PA LERTA Act enables all local taxing jurisdictions to identify deteriorated areas and grant LERTA for development in those areas. Deteriorated areas may be blighted (as defined in the Urban Redevelopment Law), impoverished (as defined in the Neighborhood Assistance Act), unsafe, unsanitary and overcrowded, vacant and overgrown with unsightly lots of ground, containing a disproportionate number of tax delinquent properties, subject to excessive land coverage, poorly designed, or subject to economically and socially undesirable land uses. There are 130 different municipalities within Allegheny County. It is likely that many local taxing authorities would benefit by working with Allegheny County to identify deteriorated areas in their jurisdictions and jointly awarding LERTA for property development.</p>
Condition:	<p>The LERTA developments within Allegheny County for which property owners received County property tax abatements for the 2021 tax year are located within just six municipalities, including the City of Pittsburgh and the Townships of Findlay, McCandless, North Fayette, South Fayette, and Neville. The property tax abatements granted by Allegheny County for LERTA developments have generally matched the percentages of property tax abatements offered by the municipalities. Because some municipalities have granted larger tax abatements for new development than others, the percentages of property tax abatements granted by Allegheny County have not been consistent across its municipalities.</p>
Cause:	<p>ACED management indicated to us that while LERTA can be an effective economic development tool, there are a variety of tools available and that given the circumstances, utilizing LERTA may often not be the best option. Some other development strategies enable municipalities in dire need of financial resources to avoid providing tax abatements, which enables them to fully realize the benefits of the increased tax base that the development provides. This appears to be a reasonable claim. However, the concentration of County LERTA property tax abatements in such a limited number of municipalities is also attributable to other factors.</p> <p>ACED's current strategy is to wait until property developers identify potential developments that have a funding gap, where the provision of tax subsidies or the use of other economic development techniques would be necessary to make the project viable. If the project is consistent with the County's economic development objectives, ACED works with the local taxing authorities (municipalities and school districts) to identify and, if possible, implement the best financing solution. ACED management indicated that ACED intentionally does not widely communicate the</p>

III. Findings and Recommendations

availability of tax subsidies for development because doing so would likely result in a large number of requests for tax subsidies from developers simply looking for tax breaks, developers that either do not intend to undertake developments in deteriorated areas, or intend to undertake developments in deteriorated areas but the planned developments are not consistent with the County's economic development objectives or otherwise do not meet development program requirements. Unfortunately, reluctance to communicate the availability of tax subsidies for development is likely leading to some viable economic development opportunities being missed.

Although the PA LERTA Act enables local taxing authorities to initiate the use of LERTA in their jurisdictions, many may not be aware of LERTA or fully understand how it can be used effectively. When a local taxing authority grants LERTA tax abatement for property development, it is basically giving up future tax dollars that would not have been collected if the development had not taken place. Some local taxing authorities within Allegheny County may incorrectly believe that granting LERTA means that they will lose current tax dollars. While the Allegheny County LERTA Program Guidelines and the LERTA Application are available on the County website, ACED has not taken any significant steps to educate local taxing authorities about LERTA and has generally not promoted its use. The Allegheny County LERTA Program Guidelines also indicate that "the County will only take legislative action on a LERTA following approval by the participating local taxing bodies." Even if they fully understand how to use LERTA effectively, some local taxing authorities, especially smaller ones with limited resources, may find it difficult to initiate the use of LERTA. Given the approach that has been taken, it appears that only the largest and/or most capable local taxing authorities within Allegheny County are likely to benefit from LERTA.

Effect: Deteriorated areas within Allegheny County municipalities that do not award their own LERTA may remain deteriorated or underdeveloped.

Recommendations: We recommend that ACED should:

- Take proactive measures to make local taxing jurisdictions within Allegheny County aware of LERTA and educate them regarding how it can be used effectively.
- Work with each of the local taxing authorities to identify deteriorated areas where the utilization of LERTA is likely to be beneficial.

III. Findings and Recommendations

- Assist the local taxing authorities with the implementation of LERTA or serve as the sponsor if the local taxing jurisdictions are unable to do so.

Management's

Response:

Management's response begins on page 23.

III. Findings and Recommendations

Finding #3

TIF and LERTA Evaluations Have Not Been Made Available to Taxpayers Since 2015 and 2016

Criteria:	<p>The awarding of County tax subsidies to induce property development results in an economic cost to County taxpayers which should be expected to generate net economic benefits to the County (taxpayers) over the long term. The actual economic costs and benefits over time associated with the awarding of tax subsidies may differ from the costs and benefits that were initially projected. Consequently, an evaluation of the actual costs and benefits associated with each tax subsidy awarded by Allegheny County for development should be conducted to determine whether each has truly resulted in a net economic benefit to the County. This would enable ACED to better assess the extent to which future tax subsidies might bring about long-term economic benefits for Allegheny County. The evaluation results should also be shared with County taxpayers so that they can assess whether the tax subsidies served their best interests.</p>
Condition:	<p>ACED has drafted TIF evaluation reports for 2018 and 2020, but these reports are currently still not complete and have not been released to the public. We noted that the draft TIF evaluation reports only include data on County-sponsored TIF developments. A brief footnote makes reference to TIF developments sponsored by the City of Pittsburgh but makes no mention of the large amount of County tax subsidies provided in connection with the City-sponsored TIF developments. Had these draft TIF evaluation reports actually been released to the public, they would have been somewhat misleading.</p> <p>ACED has also completed a 2018 LERTA evaluation report and assembled limited LERTA data for 2020 and 2021, none of which have been released to the public. We noted that even the completed 2018 LERTA evaluation report does not always indicate the reasons that tax subsidies were necessary to induce the developments and does not enable readers to easily assess the net economic benefits to the County.</p> <p>TIF and LERTA evaluations have not been made available to taxpayers since 2015 and 2016, respectively.</p>
Cause:	<p>Allegheny County is not obligated to evaluate or report on its evaluation of TIF or LERTA in any particular way. While ACED has worked on evaluating and may periodically issue reports on its evaluation of TIF and LERTA development projects, its reporting formats should be modified to generate more useful information for County taxpayers. We were advised that the most recent evaluation reports have not been completed because a contract to source job creation and other data used to prepare the reports has expired and has not been renewed. The contract has not been renewed</p>

III. Findings and Recommendations

because ACED management has concerns about the accuracy/reliability of the data being provided as well as the cost of sourcing the data. ACED is attempting to find a less costly way to source accurate/reliable data but has not yet made a decision regarding the sourcing of the data.

Effect:

By not providing data that enables readers of the evaluation reports to clearly assess the extent to which the tax subsidies awarded have truly provided net long-term economic benefits to the County, ACED creates an opportunity for the County to award future tax subsidies that may not provide net long-term economic benefits to the County. Because the evaluation reports were not shared with County taxpayers, County taxpayers do not know how much in tax subsidies have actually been awarded and whether the tax subsidies served their best interests.

Recommendations: We recommend that ACED should:

- Improve the formats of its TIF and LERTA evaluation reports to provide taxpayers with more useful information about the tax subsidies.
- Make a decision regarding the sourcing of the data to be used in the evaluation reports in the near term to facilitate timely preparation of the reports.
- Release the TIF and LERTA evaluation reports to the public when they are completed to increase transparency.

Management's

Response:

Management's response begins on page 23.

IV. Conclusions

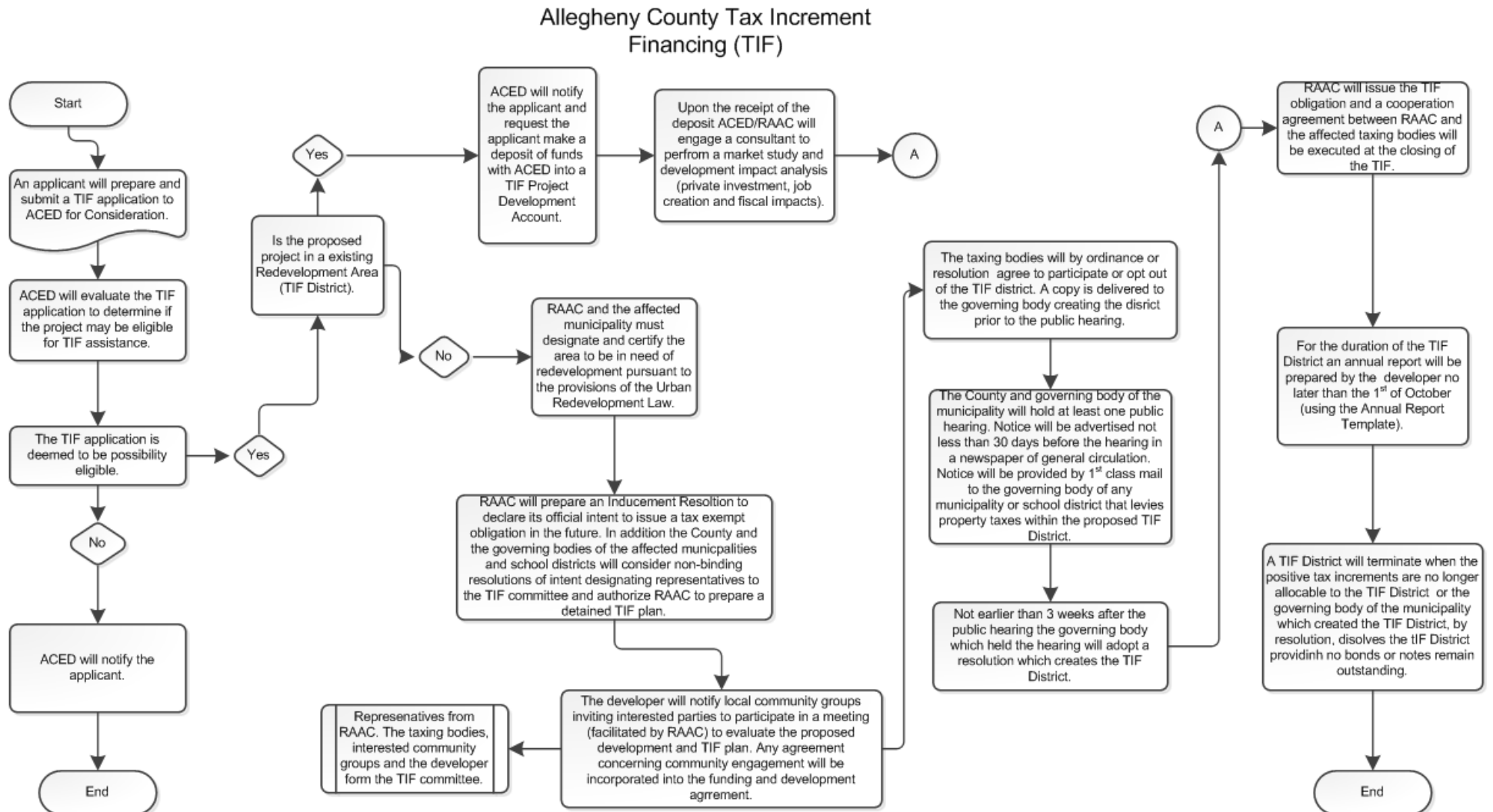
ACED does not currently have a staff member that focuses a significant portion of their time on TIF and LERTA developments. There has also been turnover in the other departments that ACED ordinarily communicates with about TIF and LERTA developments. It appears that this may have led to less effective interdepartmental communication, such that there may be a lack of clarity regarding who is responsible for each step of the process. If ACED were able to hire a qualified candidate or train a current employee to address TIF and LERTA developments, and that staff member were able to develop extensive job knowledge and build the necessary interdepartmental relationships, it would likely help to resolve a significant number of the issues that were identified during our audit. ACED has been attempting to hire to fill that role but has been unsuccessful as of yet. ACED should consider exerting greater efforts to secure a staff member to serve in that role.

We are aware that some developers may dispute the effectiveness of prevailing wage regulations. Notwithstanding, the Pennsylvania Prevailing Wage Act was passed in 1961 to protect local construction workers from out-of-state competition. The Act has not been repealed, which suggests that Pennsylvania legislators believe that local construction workers still need such protection. Because TIF developer compliance with the Act is mandatory (to the extent that projected development costs exceed \$25,000), not optional, and because the County is providing tax subsidies that finance these development projects, ACED should be monitoring the developers to ensure that they are in fact complying with the Pennsylvania Prevailing Wage Act.

It appears that many County municipalities and the County itself could benefit from a more proactive approach to the application of LERTA. ACED should consider developing, during this time when property development has generally not yet returned to pre-pandemic levels, a strong educational program for officials of local taxing authorities. Doing so and communicating the information would help to ensure that local taxing authorities, if they elect to do so, will initiate LERTA in a beneficial way.

Although ACED is technically not required to issue TIF and LERTA evaluation reports, it should consider doing so. While taxpayers may be able to attend public meetings where these tax subsidies are discussed, it may not be practical for all to attend. Audited financial statements and various programmatic reports are already prepared and disseminated to the public to demonstrate accountability for County government expenditures. There is no reason the County should refrain from demonstrating accountability and transparency in connection with tax subsidies that have been awarded.

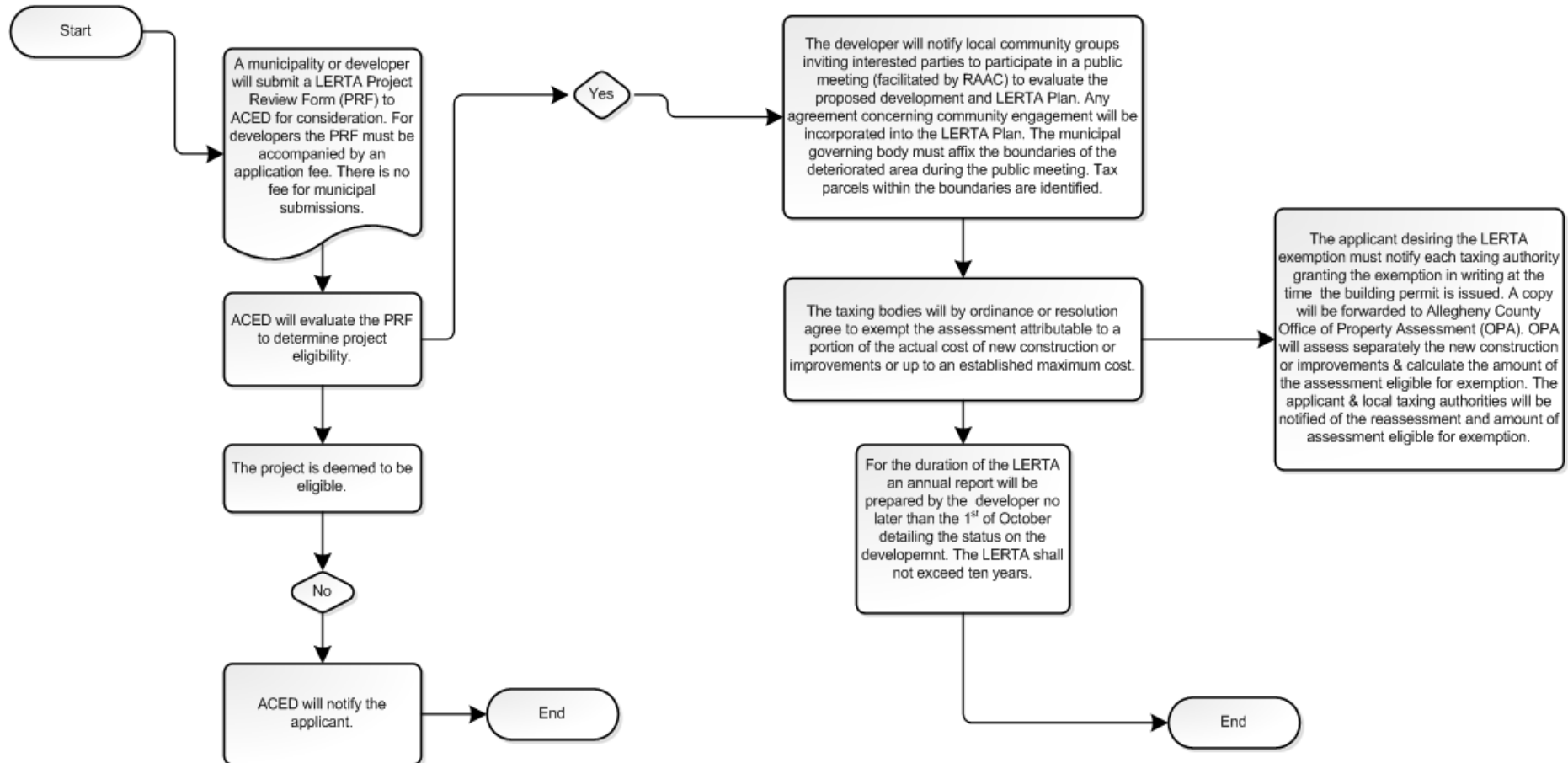
Exhibit #1: Flowchart of the TIF Process



Source: Allegheny County Economic Development

Exhibit #2: Flowchart of the LERTA Process

Allegheny County LERTA



Source: Allegheny County Economic Development

Exhibit #3: Historical Schedule of County TIFs

County Real Estate Tax Payments Diverted to TIF Repayment - Includes All TIFs Active in 2021

Millage Rate by
Year:
2017-2013: 4.73
2012: 5.69

Source: Allegheny County Treasurer's Office

#	TIF Project	Proposed Year of TIF Expiration	2021 County Pledged Increment %	County Real Estate Tax Paid (since inception)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011 & Earlier	Total Amount Diverted
1	Bakery Square	2027	60%	\$ 2,292,687	\$ 131,464	\$ 132,311	\$ 132,311	\$ 132,311	\$ 132,311	\$ 132,311	\$ 132,311	\$ 132,311	\$ 132,311	\$ 49,279	\$ 6,333	\$ 1,245,564
2	Centre Negley	2024	50%	\$ 1,678,867	\$ 45,148	\$ 45,180	\$ 45,290	\$ 45,364	\$ 45,323	\$ 45,295	\$ 44,856	\$ 43,982	\$ 38,626	\$ 36,566	\$ 173,478	\$ 609,108
3	Clinton I	2025	75%	\$ 1,389,319	\$ 91,474	\$ 91,832	\$ 91,473	\$ 89,695	\$ 89,695	\$ 96,573	\$ 96,623	\$ 86,817	\$ 96,817	\$ 100,972	\$ 100,017	\$ 1,031,988
4	Clinton II	2035	70%	\$ 967,244	\$ 212,807	\$ 166,355	\$ 118,483	\$ 122,044	\$ 57,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 677,069
5	East Liberty Gateway	2029	75%	\$ 716,669	\$ 48,390	\$ 48,390	\$ 47,838	\$ 49,457	\$ 48,642	\$ 50,475	\$ 50,475	\$ 50,475	\$ 50,475	\$ 35,652	\$ 1,626	\$ 481,895
6	Frazer Mills	2023	75%	\$ 16,425,813	\$ 312,098	\$ 313,411	\$ 313,411	\$ 806,632	\$ 815,025	\$ 827,119	\$ 860,852	\$ 861,045	\$ 860,227	\$ 989,884	\$ 5,279,357	\$ 12,239,061
7	Gardens at Market Square	2032	65%	\$ 1,293,950	\$ 158,986	\$ 158,986	\$ 158,986	\$ 154,132	\$ 194,213	\$ 3,378	\$ 3,378	\$ 3,378	\$ -	\$ -	\$ -	\$ 835,437
8	Hazelwood-Almono	2033	65%	\$ 298,244	\$ 20,358	\$ 15,288	\$ 4,020	\$ 5,958	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ -	\$ 45,632
9	Mt. Nebo Pointe	2022	60%	\$ 2,592,973	\$ 92,623	\$ 92,530	\$ 92,520	\$ 91,311	\$ 89,623	\$ 97,471	\$ 97,471	\$ 103,539	\$ 100,760	\$ 117,568	\$ 427,101	\$ 1,402,517
10	Northfield	2027	75%	\$ 570,910	\$ -	\$ 55,028	\$ 61,982	\$ 61,982	\$ 61,982	\$ 61,982	\$ 61,982	\$ 63,247	\$ -	\$ -	\$ -	\$ 428,185
11	Panther Hollow	2022	60%	\$ 1,898,691	\$ 74,789	\$ 74,789	\$ 74,789	\$ 74,789	\$ 74,789	\$ 74,789	\$ 74,789	\$ 74,789	\$ 74,789	\$ 67,713	\$ 392,658	\$ 1,133,472
12	Pittsburgh Technology Center II	2026	60%	\$ 1,853,000	\$ 120,515	\$ 80,749	\$ 60,569	\$ 58,740	\$ 58,740	\$ 55,992	\$ 55,992	\$ 50,318	\$ 50,318	\$ 63,518	\$ 115,500	\$ 770,951
13	Smallman Street	2038	75%	\$ 109,173	\$ 31,814	\$ 32,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,149
14	Summerset at Frick Park	2033	75%	\$ 1,819,338	\$ 243,240	\$ 239,138	\$ 229,711	\$ 216,720	\$ 186,126	\$ -	\$ 95,907	\$ 70,868	\$ -	\$ -	\$ -	\$ 1,281,710
15	Three PNC Plaza (5th & Market)	2026	60%	\$ 4,882,638	\$ 242,438	\$ 242,438	\$ 242,438	\$ 242,438	\$ 242,438	\$ 242,438	\$ 242,438	\$ 242,438	\$ 242,438	\$ 220,751	\$ 225,256	\$ 2,627,949
16	Westport	2034	60%	\$ 2,930,788	TBD*	\$ 266,342	\$ 211,044	\$ 197,287	\$ 263,571	\$ 245,942	\$ 10,266	\$ 7,541	\$ -	\$ -	\$ -	\$ 1,201,993
	Totals			\$ 41,720,304	\$ 1,826,144	\$ 2,055,102	\$ 1,884,865	\$ 2,348,860	\$ 2,359,858	\$ 1,933,765	\$ 1,827,348	\$ 1,790,748	\$ 1,646,761	\$ 1,681,903	\$ 6,721,326	\$ 26,076,680

* The Westport TIF bonds have been repaid in their entirety, but the trustee has not yet provided a final determination of the taxes diverted in 2021 or returned the unused portion of the funds that were advanced to it.

Exhibit #4: Historical Schedule of County LERTA Developments

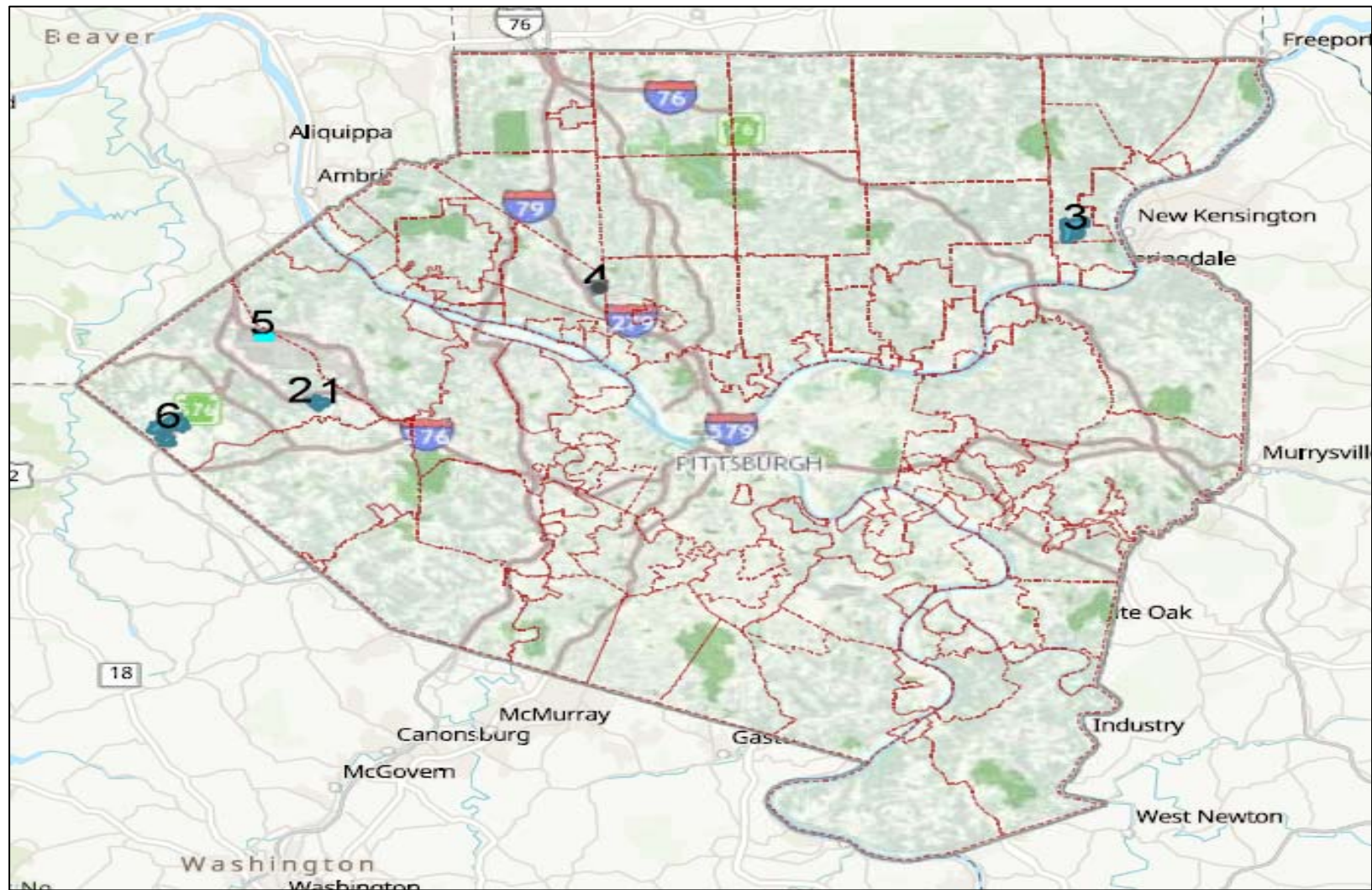
County Property Tax Abatements by Year - Includes All LERTA Developments With 2021 Abatements														Millage Rate by Year: 2013-2021: 4.73 2012: 5.69
#	Property Address	Municipality	Lot & Block Number	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Total Tax Abated
1	526 Penn Ave	Pittsburgh	1-D-24	\$ 1,242	\$ 1,242	\$ 1,419	\$ 1,419	\$ 1,596	\$ 1,596	\$ 1,774	\$ 1,774	\$ -	\$ -	\$ 12,062
2	703-717 Liberty Ave	Pittsburgh	1-D-66	\$ 77,154	\$ 88,176	\$ 88,176	\$ 99,198	\$ 99,198	\$ 110,220	\$ 110,220	\$ -	\$ -	\$ -	\$ 672,342
3	300 Liberty Ave	Pittsburgh	1-G-43	\$ 41,139	\$ 47,996	\$ 47,996	\$ 54,852	\$ 54,852	\$ 61,709	\$ 61,709	\$ 68,566	\$ 68,566	\$ -	\$ 507,385
4	201 Stanwix St	Pittsburgh	1-G-75	\$ 35,052	\$ 35,052	\$ 40,059	\$ 40,059	\$ 45,066	\$ 45,066	\$ 50,074	\$ 50,074	\$ -	\$ -	\$ 340,502
5	308 Forbes Ave	Pittsburgh	1-H-286	\$ 363	\$ 363	\$ 424	\$ 424	\$ 485	\$ 485	\$ 545	\$ 545	\$ 606	\$ 729	\$ 4,969
6	1008 5th Ave	Pittsburgh	2-G-6	\$ 1,851	\$ 2,116	\$ 2,116	\$ 2,380	\$ 2,380	\$ 2,645	\$ 2,596	\$ -	\$ -	\$ -	\$ 16,084
7	121 7th St	Pittsburgh	8-S-132	\$ 6,269	\$ 7,053	\$ 7,053	\$ 7,837	\$ 7,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,049
8	131 15th St	Pittsburgh	9-G-160-B	\$ 58,323	\$ 58,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,646
9	1410 Smallman St	Pittsburgh	9-G-9	\$ 48,496	\$ 48,496	\$ 54,558	\$ 54,558	\$ 60,620	\$ 60,620	\$ -	\$ -	\$ -	\$ -	\$ 327,348
10	907 Penn Ave	Pittsburgh	9-N-158	\$ 9,293	\$ 10,621	\$ 10,621	\$ 11,948	\$ 11,948	\$ 13,276	\$ 13,276	\$ -	\$ -	\$ -	\$ 80,983
11	1635 5th Ave	Pittsburgh	11-E-44	\$ 37,750	\$ 37,750	\$ 37,750	\$ 37,750	\$ 35,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,750
12	1800 5th Ave	Pittsburgh	11-J-2	\$ 17,741	\$ 20,698	\$ 20,698	\$ 23,655	\$ 23,655	\$ 26,612	\$ 26,612	\$ 29,569	\$ 29,569	\$ -	\$ 218,809
13	1819 Forbes Ave	Pittsburgh	11-J-68	\$ 9,312	\$ 9,312	\$ 10,642	\$ 10,642	\$ 11,972	\$ 11,972	\$ 13,303	\$ 13,303	\$ -	\$ -	\$ 90,458
14	950 Progress St	Pittsburgh	24-P-216	\$ 44,539	\$ 44,539	\$ 49,488	\$ 49,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,054
15	2645 Railroad St	Pittsburgh	25-J-102	\$ 54,995	\$ 61,869	\$ 61,869	\$ 68,743	\$ 68,743	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,219
16	114 27th St	Pittsburgh	25-J-138	\$ 35,455	\$ 35,455	\$ 39,394	\$ 39,394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,698
17	2555 Smallman St	Pittsburgh	25-J-160	\$ 52,141	\$ 58,659	\$ 58,659	\$ 65,177	\$ 65,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 299,813
18	2501 Smallman St	Pittsburgh	25-J-164	\$ 23,873	\$ 23,873	\$ 26,857	\$ 26,857	\$ 29,842	\$ 29,842	\$ -	\$ -	\$ -	\$ -	\$ 161,144
19	2545 Railroad St	Pittsburgh	25-J-49	\$ 92,233	\$ 102,481	\$ 102,481	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 297,195
20	48 26th St	Pittsburgh	25-J-51	\$ 78,902	\$ 78,902	\$ 87,669	\$ 87,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 333,142
21	2404 Railroad St	Pittsburgh	25-N-13	\$ 30,101	\$ 30,101	\$ 34,401	\$ 34,401	\$ 38,701	\$ 38,701	\$ 43,001	\$ 43,001	\$ -	\$ -	\$ 292,408
22	4500 Centre Ave	Pittsburgh	27-D-60	\$ 156,050	\$ 173,389	\$ 173,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 502,828
23	4420 Bayard St	Pittsburgh	27-M-44-B	\$ 53,122	\$ 59,762	\$ 59,762	\$ 66,403	\$ 66,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 305,452
24	5126 Bigelow Blvd	Pittsburgh	27-R-110	\$ 85,002	\$ 85,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,004
25	3413 Forbes Ave	Pittsburgh	28-F-185	\$ 118,373	\$ 118,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 236,746
26	2915 Sidney St	Pittsburgh	29-J-200	\$ 51,397	\$ 51,397	\$ 57,822	\$ 57,822	\$ 64,247	\$ 64,247	\$ -	\$ -	\$ -	\$ -	\$ 346,932
27	3434-3443 Butler St	Pittsburgh	48-S-221	\$ 561	\$ 561	\$ 641	\$ 641	\$ 722	\$ 722	\$ 802	\$ 802	\$ -	\$ -	\$ 5,452
28	3451-3473 Butler St	Pittsburgh	48-S-231	\$ 18,895	\$ 21,594	\$ 21,594	\$ 24,293	\$ 24,293	\$ 26,993	\$ 26,993	\$ -	\$ -	\$ -	\$ 164,655
29	4107 Willow St	Pittsburgh	49-A-322	\$ 91,413	\$ 91,413	\$ 101,570	\$ 101,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385,966
30	5250 Liberty Ave	Pittsburgh	51-L-270	\$ 154,845	\$ 171,545	\$ 101,874	\$ 113,193	\$ 113,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 654,650
31	5502 Baum Blvd	Pittsburgh	51-M-15	\$ 81,921	\$ 81,921	\$ 91,023	\$ 91,023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 345,888
32	6002-6018 Penn Ave	Pittsburgh	84-B-59	\$ 32,432	\$ 36,486	\$ 36,486	\$ 40,540	\$ 40,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,484
33	5765 Centre Ave	Pittsburgh	84-E-266	\$ 53,545	\$ 59,494	\$ 59,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,533
34	6454 Living Pl	Pittsburgh	84-M-130-B	\$ 92,565	\$ 104,136	\$ 104,136	\$ 115,707	\$ 115,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 532,251
35	6480-6526 Living Pl	Pittsburgh	84-M-206-A	\$ 76,550	\$ 87,486	\$ 87,486	\$ 98,421	\$ 98,421	\$ 109,357	\$ 109,357	\$ -	\$ -	\$ -	\$ 667,078
36	400 Industry Drive	Findlay	696-D-396-B-8	\$ 9,952	\$ 9,952	\$ 13,160	\$ 13,160	\$ 13,160	\$ 13,160	\$ -	\$ -	\$ -	\$ -	\$ 72,544
37	8900 Duncan Ave	McCandless	715-B-75	\$ 3,794	\$ 3,794	\$ -	\$ 7,016	\$ 7,016	\$ 7,016	\$ 7,016	\$ 7,016	\$ -	\$ -	\$ 42,668
38	9020-9038 Saint Simon Way	McCandless	715-C-1	\$ 6,368	\$ 6,368	\$ -	\$ 11,777	\$ 11,777	\$ 11,777	\$ 11,777	\$ 11,777	\$ 11,777	\$ -	\$ 83,398
39	8800 Covenant Ave	McCandless	715-C-21	\$ 2,352	\$ 2,352	\$ -	\$ 4,350	\$ 4,350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,404
40	617 Duncan Ave	McCandless	715-C-50-B	\$ 1,642	\$ 1,642	\$ -	\$ 3,038	\$ 3,038	\$ 3,038	\$ 3,038	\$ 3,038	\$ 3,038	\$ 1,796	\$ 23,308
41	611 Duncan Ave	McCandless	715-C-75-B	\$ 4,582	\$ 4,582	\$ -	\$ 8,474	\$ 8,474	\$ 8,474	\$ -	\$ -	\$ -	\$ -	\$ 34,586

Exhibit #4: Historical Schedule of County LERTA Developments (continued)

#	Property Address	Municipality	Lot & Block Number	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Total Tax Abated
42	8850-8900 Covenant Ave	McCandless	715-C-9	\$ 22,184	\$ 22,184	\$ -	\$ 41,026	\$ 41,026	\$ 110,597	\$ -	\$ -	\$ -	\$ -	\$ 237,017
43	700-850 Providence Blvd	McCandless	715-D-70	\$ 28,135	\$ 28,135	\$ -	\$ 52,030	\$ 52,030	\$ 52,030	\$ -	\$ -	\$ -	\$ -	\$ 212,360
44	8700 Duncan Ave	McCandless	715-K-1	\$ 17,313	\$ 17,313	\$ -	\$ 25,061	\$ 25,061	\$ 25,061	\$ 25,061	\$ 25,061	\$ 25,061	\$ -	\$ 184,992
45	8630 Duncan Ave	McCandless	715-K-25	\$ 21,457	\$ 21,457	\$ -	\$ 39,680	\$ 39,680	\$ 39,680	\$ 39,680	\$ 39,680	\$ -	\$ -	\$ 241,314
46	8650 Duncan Ave	McCandless	715-K-45	\$ 1,748	\$ 1,748	\$ -	\$ 3,233	\$ 3,233	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,962
47	9051 Saint Simon Way	McCandless	826-P-100-B	\$ 20,196	\$ 20,196	\$ -	\$ 37,349	\$ 37,349	\$ 37,349	\$ 37,349	\$ 37,349	\$ 37,349	\$ 37,349	\$ 301,835
48	701-791 Providence Blvd	McCandless	826-R-34	\$ 5,746	\$ 5,746	\$ -	\$ 10,626	\$ 10,626	\$ 10,626	\$ -	\$ -	\$ -	\$ -	\$ 43,370
49	900 Providence Blvd	McCandless	826-R-44	\$ 10,643	\$ 10,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,286
50	9150 Covenant Ave	McCandless	826-R-50	\$ 3,230	\$ 3,230	\$ -	\$ 5,972	\$ 5,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,404
51	9100 Covenant Ave	McCandless	826-R-55	\$ 2,860	\$ 2,860	\$ -	\$ 5,289	\$ 5,289	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,298
52	8970 Covenant Ave	McCandless	826-R-60	\$ 4,101	\$ 4,101	\$ -	\$ 7,584	\$ 7,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,370
53	8950 Covenant Ave	McCandless	826-R-70	\$ 3,129	\$ 3,129	\$ -	\$ 5,787	\$ 5,787	\$ 5,787	\$ -	\$ -	\$ -	\$ -	\$ 23,619
54	9000-9190 Covenant Ave	McCandless	826-R-75	\$ 21,948	\$ 21,948	\$ -	\$ 40,589	\$ 40,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,074
55	851 Providence Blvd	McCandless	826-S-32	\$ 14,799	\$ 14,799	\$ -	\$ 27,368	\$ 27,368	\$ 27,368	\$ 27,368	\$ -	\$ -	\$ -	\$ 139,070
56	901 Providence Blvd	McCandless	826-S-52	\$ 23,771	\$ 23,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,542
57	3802 Neville Rd	Neville	212-J-127	\$ 1,845	\$ 2,306	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,151
58	410 Crown Ct	North Fayette	798-H-10	\$ 18,067	\$ 18,067	\$ 18,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,201
59	400 Presto Sygan Rd	South Fayette	197-R-25	\$ 23,970	\$ 23,970	\$ 31,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,900
60	160 Millers Run Rd	South Fayette	256-S-6	\$ 1,400	\$ 2,801	\$ 5,601	\$ 8,402	\$ 11,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,407
61	3031-3039 Washington Pike	South Fayette	322-A-11	\$ 938	\$ 1,875	\$ 3,750	\$ 5,625	\$ 7,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,689
62	3127 Washington Pike	South Fayette	322-N-11	\$ 3,926	\$ 5,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,161
Totals				\$ 2,102,991	\$ 2,229,840	\$ 1,750,145	\$ 1,789,500	\$ 1,449,461	\$ 956,026	\$ 611,551	\$ 331,555	\$ 175,966	\$ 39,874	\$ 11,436,909

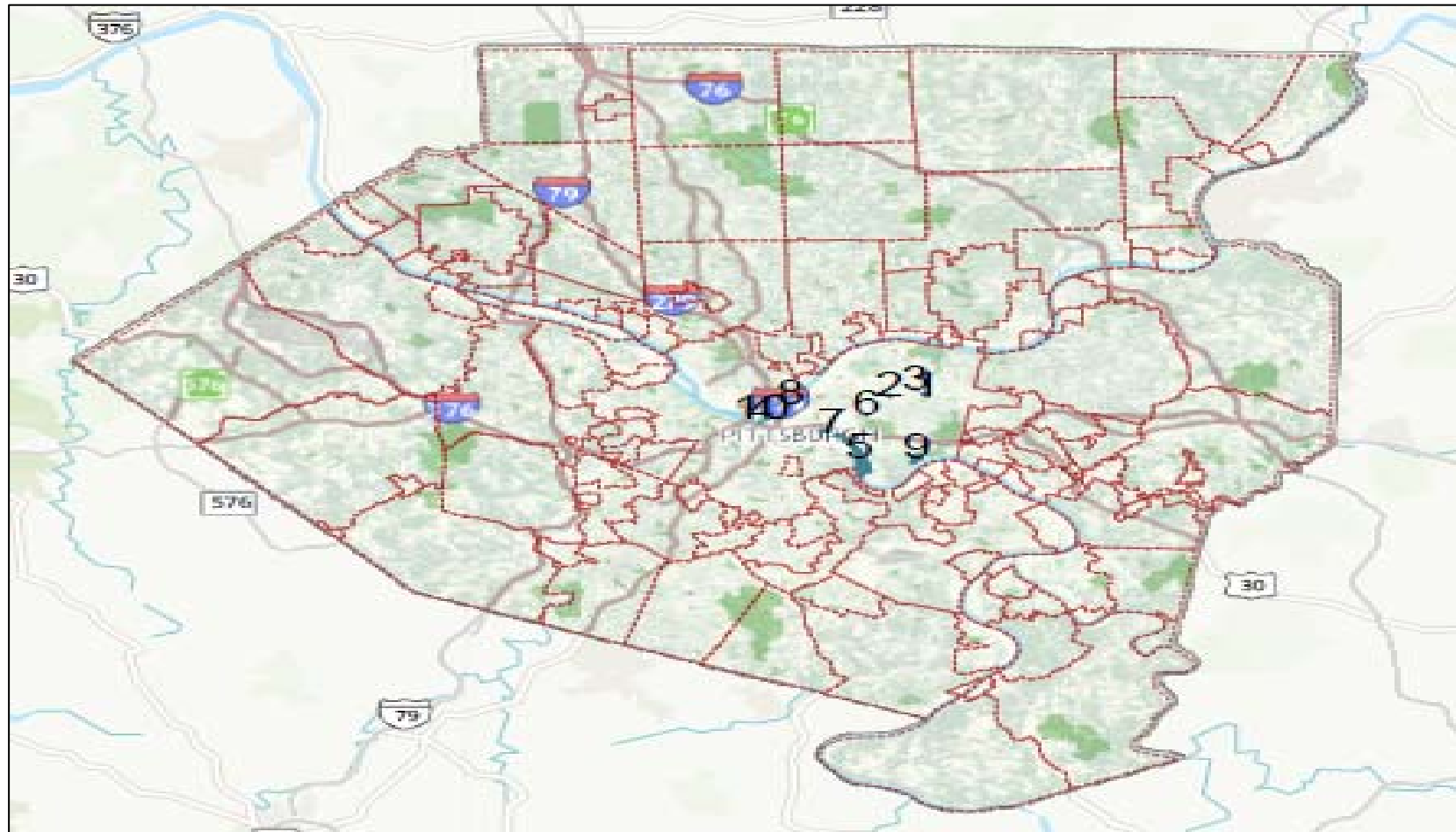
Source: Allegheny County Office of Property Assessment

Exhibit #5: Map of County-Sponsored TIF Districts



- | | | | | | |
|--------------|---------------|-----------------|--------------------|---------------|-------------|
| 1. Clinton I | 2. Clinton II | 3. Frazer Mills | 4. Mt. Nebo Pointe | 5. Northfield | 6. Westport |
|--------------|---------------|-----------------|--------------------|---------------|-------------|

Exhibit #6: Map of Non-County-Sponsored TIF Districts



1. Bakery Square
2. Centre Negley
3. East Liberty Gateway
4. Gardens at Market Square
5. Hazelwood-Almona
6. Panther Hollow
7. Pittsburgh Technology Center II
8. Smallman Street
9. Summerset at Frick Park
10. Three PNC Plaza (5th and Market)

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COUNTY OF



ALLEGHENY

RICH FITZGERALD
COUNTY EXECUTIVE

January 9, 2022

Honorable Corey O'Connor
Allegheny County Controller
Allegheny County Courthouse, Room 104
436 Grant Street
Pittsburgh, PA 15219

Sent via email: corey.o'connor@alleghenycounty.us

RE: Performance Audit Report on Properties Developed in Allegheny County with Tax Subsidies for the period of January 1, 2018, to December 31, 2021

Controller O'Connor:

Allegheny County Economic Development received your document entitled "Performance Audit Report on Properties Developed in Allegheny County with Tax Subsidies for the period of January 1, 2018, to December 31, 2021".

The staff at the Economic Development Department appreciate your dedication to ensuring that tax subsidies are appropriately administered. We have and will continue to follow all state and local legislation guiding these programs and utilize them to benefit the regional economy. We offer the following responses to the findings and recommendations included in the audit:

1) Audit Finding #1: "The Pennsylvania Prevailing Wage Act is Not Being Enforced"

Allegheny County Economic Development Response:

Very recently, in August of 2022, the Pennsylvania Commonwealth Court reversed 32 years of standard practice by ruling that, in some instances, Pennsylvania Prevailing Wages are required to be paid on projects that receive TIF benefit (Ursinus Coll. V. Prevailing Wage Appeals Bd. 280 A.3d 1113). While this ruling has no material impacts on any existing projects, the Economic Development Department will do the following to react to this legal change appropriately:

- a. Update guidelines to clearly state that PA prevailing wages may be required to be paid on projects constructed with proceeds from TIF
- b. Verify payroll information to ensure that PA prevailing wages are paid when applicable

The language chosen in the audit to discuss the applicability of PA prevailing wage to LERTA is misleading. Simply put, prevailing wage is not required to be paid to projects receiving LERTA benefits. The PA Supreme Court's 2002 Penn National II ruling decided this issue a decade ago.

2) Audit Finding #2: "Local Economic Revitalization Tax Assistance is Not Being Utilized to Address Deteriorated Areas Within Most Municipalities in Allegheny County"

Allegheny County Economic Development Response:

While I respect the jurisdiction of the Office of the Controller to comment on the accuracy of LERTA administration, I do not believe critiques of Economic Development policy or when this tool is applied are within the scope of this audit.

Since assuming the role of director in 2018, 5 pieces of LERTA legislation have been passed:

- a. Industrial development and job creation in Clairton
- b. Industrial development and job creation in Etna
- c. Affordable housing in the Strip District
- d. Tech development and job creation in the Strip District
- e. Repeal of a 20-year-old automatic LERTA in South Fayette

It may seem that development in a strong real estate market should not require tax subsidies, and development in weak real estate markets should; however, the truth is much more nuanced than that. Tax subsidies can help increase the availability of affordable housing or alleviate extraordinary environmental remediation costs in strong real estate markets, for example. In soft real estate markets, there are frequently other subsidy tools available that will allow the project to be completed and financially distressed taxing bodies to keep all of the new, incremental tax base stemming from new development. Economic Development will continue to work with developers and taxing bodies to structure appropriate subsidies that optimize outcomes for all stakeholders.

3) Audit Finding #3: "TIF and LERTA Evaluations Have Not Been Made Available to Taxpayers Since 2015 and 2016"

Allegheny County Economic Development Response:

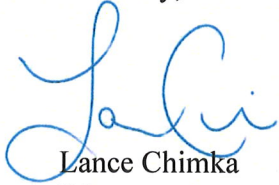
Any state or local statute does not require a standalone TIF and LERTA evaluation. While past directors may have chosen to do so, the current leadership at Economic Development plans to report on TIF and LERTA investments within its Annual Report published on its website.

The Economic Development Department is very proud of our work to bring increased investment, tax base, and job opportunities to the region through the TIF and LERTA programs.

lori.churilla@alleghenycounty.us

We will continue to utilize and administer these programs in a way that is in accordance with multiple regulatory documents and to the demonstrable benefit of the regional economy.

Sincerely,



Lance Chimka
Director

LC/lc

CC: Lori Churilla, lori.churilla@alleghenycounty.us