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**LAZARUS: More Bad News for Taxpayers**

The political tug-of-war over how much private money went into the downtown Lazarus department store is over. Lazarus, and its corporate parent, Federated Department Stores, contributed the agreed to amount of \$22 million to the project. Their contribution represents about 40 percent of the entire \$56 million store development cost. Whether the expenditures, public and private, will eventually produce returns for the taxpayers remains to be seen. But one thing is clear, as of now the payoff for taxpayers is a dud.

In the summer of 2000, we reported that the increase in real estate value resulting from the store's development and the corresponding rise in tax collections were well below the level necessary to cover the payments on the Tax Increment Financing (TIF) bonds used to fund the project. After the recent important tax system changes--a countywide reassessment and the City's amending of their real estate tax rates to a unified one-tier system--it would be useful to revisit the tax collections arising from the Lazarus development.

Although the Lazarus project consisted of a store and a garage, the garage was removed from the tax rolls when the Pittsburgh Parking Authority assumed ownership. Therefore, this analysis will concentrate on the store.

The table below presents the market value for tax purposes assigned by the County to the site of the Lazarus store prior to development and its current post-reassessment valuation (2001).

**Lazarus Site Market Values**

Predevelopment	2001
\$13,431,000	\$21,520,000

The market value of the Lazarus store property at \$21 million is still only 40 percent of the \$56 million total cost to build, including site acquisition and preparation. Moreover, while the development of the entire Lazarus project topped \$78 million, the value of the site for property tax purposes has increased by only \$8 million.

**Lazarus Site Total Property Tax Levy**

Predevelopment	2001
\$515,926	\$606,430*

\*The 2001 estimate does not take into account the school district tax increase since the TIF increment is based only on property valuation changes.

In its development prospectus the URA had forecast the tax revenue increase produced by higher property values following construction at \$446,000. Thus, the current tax levy at \$606,430 is \$370,000 short of the amount URA said is needed to meet TIF bond payments.

The bottom line: after a \$78 million development project with roughly \$56 million in public funding, we have the preposterous situation wherein property tax collections are only \$90,000 higher than the predevelopment level.

Obviously, the taxpayers cannot afford many more projects like Lazarus.

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