



Pittsburgh Moves to Further Reduce the Role of Market Economics

Summary: On October 11th, Pittsburgh’s Mayor announced his intention to revise dramatically the City’s process for approving publically subsidized development projects. In short, the new procedure would institute an extensive list of new guidelines projects must meet before the City will allow them to go forward. This *Policy Brief* explains the changes and the many problems the proposed changes will create and the obstacles they will face in implementation.

Essentially, the Mayor wants to severely reduce the importance of the economic benefits arising from a prospective project in favor of criteria focused on numerous social and environmental desiderata. The new scheme would follow a rubric known as the P4 program —people, planet, place, performance. Under each of those categories there are a number of measures that would become the principal guidelines for approving new publically subsidized projects.

According to newspaper reports on October 12th, the Mayor was quoted as saying “We are not simply looking for projects to make money and jobs.” And further that he wants to be sure that projects are “environmentally sustainable and inclusive and accessible to a wide population.”

The new system will use twelve metrics to evaluate proposed development. Based on media accounts, these metrics will include expected effects on “air quality, use of renewable energy sources, benefits to low income individuals, and access to transportation.”

An October report prepared for the City’s P4 program listed the twelve measures to be used to evaluate proposed projects that use public financial support. The twelve measures along with their desired intent are presented in the following list.

- 1) Community: Understand needs and align development;
- 2) Economy: Leverage investment to strengthen weak markets;

- 3) Opportunity: Drive prosperity through equitable development that produces wealth and ownership for disadvantaged populations;
- 4) Public: Activate and extend public realm to provide indoor and outdoor spaces for all to use;
- 5) Housing: Provide diverse affordable housing that creates affordable, and healthy housing options to prevent displacement and create diverse, stable, and healthy communities;
- 6) Land: reactivate abandoned properties and return to productive use;
- 7) Air: provide high quality air to create healthy ecological system;
- 8) Rainwater: manage to minimize impacts and reuse;
- 9) Connect: Development that enhances and expands transportation options to improve public access to jobs and community resources;
- 10) Design: promote excellence in design that instills local identity, and lasting quality;
- 11) Innovation: Advance and foster new ideas to drive market leadership and stimulate creative solutions to urban challenges;
- 12) Energy: Reduce the built environment's energy consumption and climate impacts by improving performance and providing renewable resources.

According to the P4 report, each measure is allocated ten points. But the point distribution within each measure is flexible in order to be adaptable or reassigned based on the priorities of the evaluating entities. In short, it will depend on the preferences of the evaluators. This would seem to promise no end of controversy and argument.

Then too, the report goes on to say that all twelve measures will have equal weight unless the evaluation team chooses to customize the weights for specific funding agencies. Then the report further complicates the whole process by stating that “none of the measures are intended to be individually required—they are all optional.” How can that be consistent with the Mayor's plan to dramatically alter the project approval criteria?

To say the least, this set of project evaluation and approval criteria will face many obstacles and create costly complications for project planners and the approval process. Given the difficulty of the comparatively easier estimations of the dollar costs and benefits of a proposed project inherent in the need to make many assumptions and take into account political influences, project evaluation will become exponentially more difficult when twelve guidelines must be taken into account. Some of these will not lend themselves to numerical measurement and will have to be done judgmentally—which leads to the next problem, whose judgement?

The report discusses the weighting and how it is to be applied. But as noted that discussion leaves a lot of room for variation in application and will almost certainly make the process of actual evaluation a virtually ad hoc exercise. To wit: inevitably, decisions will have to be made about how to weight the evaluation measures and how to score the individual measures. And that has the potential to create very serious disagreements among the different constituencies represented by the twelve metrics.

In short, the evaluation and approval of a project using twelve metrics that cover issues related to the environment, diversity, access to transportation, health, recreation and all the other desiderata underlying the twelve metrics will require far more time and resources than the City's current project approval system. It will also impose much higher costs on the developer for design and construction, of say, a high rise apartment or condo building.

Then there is the problem the City will have if the new set of guidelines are not required by state development grant or loan programs that are primarily designed to promote job growth and economic development. There are already laws on the books regarding safety, environment, discrimination, etc. that must be factored into state supported projects. The City's imposition of a slew of new tougher and wide ranging criteria that will add substantially to costs and time delays could easily make the economic returns and new jobs benefits stemming from the expenditure of state dollars fall to unacceptable levels. And if the project evaluators decide to conform to state criteria and in effect choose to drop the twelve measure plan, what will the P4 approval wish list exercise have accomplished?

State taxpayers who provide the funds for the grant and loan programs need to be assured that the projects supported are working to improve the state tax base and creating enough jobs to justify the use of state tax dollars. The state's record of using tax dollars to subsidize job creation is already not very good. Over the years very few projects receiving state grants or low cost loans have produced the numbers of jobs the applications promised or the state agreed were necessary to justify the funding. Adding new, expensive layers to planning and approval that diminish job and income benefits might well force the state to deny the assistance requested.

Whether Federal funds will be at similar risk is less certain. It probably depends on the political leanings of decisions makers in DC.

If Pittsburgh can only provide public funds the City can generate, it will be quite limited in the amounts it can offer. TIF based financing using only the City share is not a major source of funds. TIF plans would need Pittsburgh schools and County participation to raise significant funding. Obtaining their support could be problematic unless the project promises to be a significant job and tax base creator. LERTA is an option but the City is limited in how many millions of dollars of those it can safely have on the books. And the option of borrowing substantial amounts to fund projects not primarily designed to boost

tax base will be difficult in light of the underfunded pension plans and other ongoing financial problems facing the City.

Briefly stated, Pittsburgh needs to reconsider this dramatic change or, at the very least, introduce it very slowly to see how it will work in the real world. It is highly likely that the effort to deemphasize the economic benefits of development in favor of promoting a long list of social, ecological and other goals will end up wasting a lot of taxpayer money. Given the long and sad history of failures of social engineering in Pittsburgh, one would think that the visionaries who now think they can mold the world in a certain way through imposing a laundry list of desirable outcomes on development, many of which conflict with each other, and that adds enormously to costs and time to get projects approved and completed would be a little less sure of themselves.

The last 25 years have seen population in the City fall, no net increase in employment and a school system that has gone from bad to worse. The City has financial problems; it spends too much, it taxes too much and it chases development schemes that do not produce the desired outcomes. More reliance on market competition, a friendlier business climate and fewer efforts to control the businesses already in the City would be a much better approach for the future of Pittsburgh.

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