

### **Tax diversion to follow tax hikes?**

**Summary:** Allegheny County increased property taxes for 2025. The City of Pittsburgh and Pittsburgh Public Schools (PPS) increased property taxes for 2026. The taxing bodies are considering a measure that could divert close to \$17 million a year of not-yet-realized incremental property taxes to pay off bonds aimed at revitalizing downtown Pittsburgh.

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According to meeting documents of Pittsburgh’s Urban Redevelopment Authority (URA), the Downtown Transit Revitalization Investment District (TRID) “represents an initial step toward implementing a long-term, sustainable funding strategy to support Downtown Pittsburgh’s revitalization, consistent with the recommendations of the 2024 Downtown Revitalization Plan.”

A 2025 *Policy Brief* analyzed the Manchester-Chateau TRID—the Esplanade project—and discussed the state’s TRID law. A TRID dedicates all or part of future incremental property taxes to finance development close to or related to public transportation.

Since January, the URA approved resolutions to engage the taxing bodies, seek financial and legal services related to bond issuance, be designated as the management entity and approve a cooperation agreement between itself, the taxing bodies and Pittsburgh Regional Transit.

Based on an outline of the implementation plan dated May 22, the boundaries of the TRID would encompass Downtown, the Strip District and part of the North Shore (the “value capture area”). It won’t include the Manchester-Chateau TRID or existing tax-increment financing districts. Proposed uses of an initial \$50 million borrowing include \$40 million for affordable and mixed-income housing; site assembly; and storefronts and \$10 million for public transit infrastructure; road and streetscape and public space improvements, in Downtown (the “investment area”).

If the taxing bodies approve, the TRID will capture incremental property tax revenues from “Qualifying Development Projects,” which are defined as “an identified project listed to support initial borrowing ... or potential future development projects which

exceed a minimum threshold of \$5 [million] in construction value.” Total borrowing could reach \$200 million over the 40-year duration of the TRID.

The current assessed value of 29 identified and potential developments (covering 48 parcels) within the boundary totals \$104.7 million. At current millage rates, the taxing bodies receive and would retain \$2.8 million. Of the 15 parcels comprising eight developments in what is called “Tranche 1,” most are in Ward 2 (Downtown/Part of Lower Hill District/Strip District), all but one are commercial and 11 have the use code “vacant commercial land,” according to the county’s real estate website.

The total projected assessed value of identified and potential developments by 2029 would be \$958.2 million. That would result in \$25.4 million in property taxes at 2026 millage rates.

Of the \$22.7 million in incremental taxes, \$5.7 million (25 percent) would stay with the taxing bodies; the remaining \$16.99 million (75 percent) would go toward debt. Incremental taxes from pledged parcels last 20 years.

Pittsburgh City Council began deliberations at its standing committee meeting on June 3. The resolution to adopt the implementation plan states findings of why the TRID should be adopted, including the passage that “the area comprising the TRID District as a whole has not been subject to adequate growth and development through investment by private enterprise and would not reasonably be anticipated to be adequately developed or further developed without the adoption of the TRID plan.”

One member raised concerns about diverting such a large percentage of future dollars and using this tool for a development that would not be revitalizing a brownfield—where the current collection of taxes would be close to zero and the private sector is reluctant to undertake development activity.

Another expressed concerns about not collecting all dollars from new developments given budget problems. The city would serve as the guarantor of the tax-exempt portion of the bonds as well as a backstop should incremental revenues fall short. At its June 10 meeting, the resolution was held for a public hearing and a post-agenda conference.

PPS’ budget and finance committee heard a presentation at its June 8 meeting. One member pointed out the lack of a reassessment, appeals by property owners that may have participated in other incentive programs and the use of incentives on properties that are producing property tax revenue currently (similar to the brownfield comment at City Council).

The URA noted that 13 tax-increment financing projects have been retired. There are currently seven others and two phases of a TRID in East Liberty that will retire in the next decade.

The questions elected officials need to ask are when is enough enough? Why haven't the retired tax-increment financing projects, along with grants from the state and other tax abatements, set the stage for private developers to develop without additional incentives and tax diversions? At the June 3 meeting, a member of City Council said that is the goal. When is the goal achieved? What policy obstacles can be alleviated to spur private sector growth?

Recall that City Council members spoke plenty about belt-tightening and essential services like fleet maintenance when passing the 2026 budget and the tax increase, and even more when the budget was amended. The same holds for members of Allegheny County Council and the PPS board after enacting tax increases as they deliberate on the TRID. A bad message is sent by embarking on a development district that could last four decades with additional borrowings that divert property tax revenues, particularly after tax hikes. There could even be competition with aspects in the Esplanade development.

Taxpayers have heard promises on what publicly funded stadiums, an arena, a convention center and the myriad additional projects—like department stores and retail developments—could achieve for jobs and population in the city and county. This plan to “enhance the quality of life and boost economic opportunities, making downtown Pittsburgh a world class destination and economic hub” rings familiar and hollow.

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