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LTV Site Redevelopment Edging Toward Reality?

Recent announcements from the URA and the RIDC indicate that progress is being made on the long and winding road toward a redevelopment of the LTV Hazelwood site that was idled in the late 1990s just before LTV filed for bankruptcy. The 178 acre site was purchased by a consortium of foundations calling itself Almono for nearly $10 million in 2002 after a squabble with the Mayor who wanted to use eminent domain to acquire the site. The Mayor relented after the foundations agreed to hire a private developer.

Bear in mind that a Philadelphia company had attempted to gain approval to construct a new coke plant and electricity generating facility on the site. Of course, that effort was denied because of concerns that coke production would pose an environmental setback for the City. The refusal of taxing bodies to approve a KOZ designation for the site did not help.

In 2003, a preliminary plan was laid out that called for 1,000 housing units, half a million to a million square feet of office and research space along with retail, trails and a sports complex. The plan faced serious obstacles beginning with the estimated $200 million that would be needed to prepare the land for new development. Raising that sum presented a daunting prospect. On top of that was the issue of the route the Mon-Fayette Expressway would take and how that might affect the site.

Moving ahead to early 2005, the LTV site redevelopment was still mostly on the drawing boards. At that time the preliminary proposed plan was projected to cost $399 million. The state gave the URA a $6 million grant to be used for infrastructure work at the site. No master developer had been chosen at the time.

There was a moment of excitement in 2009 when Bombardier Transportation announced it would seek approval to build a people mover test track on the LTV site. That plan was suspended in 2010. The Bombardier test facility would have joined the CMU's Robotic vehicle test facility that had arrived a couple of years earlier.

Fast forward to December 2011. The project manager announced the effort to facilitate development was finally going to move forward. Fund raising to build new infrastructure at the 178 acre site had begun. A first phase of $25 million would seek funds from a variety of sources including Federal and state coffers. The possibility of the Mon-Fayette Expressway coming into the area would no longer deter the site's redevelopment. In a follow up news report in April 2012, it was stated that $60 would be needed for the infrastructure work to be completed, with only $15 million raised to date. Note: that figure is considerably lower than the $200 million estimate in 2003. It could reflect spending in the interim such as the $6 million from 2005. Then too, because of the massive in- fill of dirt from the North Shore Connector project, the land had been leveled and raised above the flood plain.

Apparently, efforts to raise the needed funds through grants were not as successful as hoped so the URA has put together a tax increment package to present to the City, County and Pittsburgh School District for approval. Note that Almono's plan now calls for a $900 million mixed use development (it was $399 million in 2005) with 1,200 housing units and two million square feet of office and research space.

The proposed TIF would raise $80 to $90 million to pay for utilities, roads and other improvements on the site—well above the $60 million estimate of last April. But to the credit of Almono and its partner at RIDC, the TIF would use an innovative approach wherein Almono would loan the developer funds needed to carry out the infrastructure improvements and would be paid back from the incrementally higher tax revenue generated by the developments on the site. Under the proposal, 65 percent of the tax increment (the amount the tax revenue after development exceeds the tax revenue currently collected) would go to service the debt with taxing bodies retaining 35 percent. In the event the development fails to produce adequate revenue to retire the debt, Almono would absorb the loss.

This does not mean tax dollars are not being used for the project. The TIF will require collection of taxes to repay the loan. That is to say, the owner (Almono) is still asking for taxes to be spent on infrastructure as happens with all TIFs. They could have just put the money up for infrastructure without the TIF in hopes that its earnings from the development—sales or lease of properties–would more than justify the investment. However, it will be argued that because the taxing bodies, especially the City, stand to gain so much from a successful redevelopment, they ought to have some skin in the game and thereby reduce the risk being undertaken by Almono.

The question must be asked: Would the redevelopment project not occur but for the TIF? That has been the standard test as to whether or not a TIF is justified. It needs to be asked. And that raises the next question. Could this redevelopment have been done in smaller pieces instead of attempting the entire 178 acres at the same time? By adopting the all-at-once strategy, the number and scope of issues that must be dealt with have been multiplied many fold and made more difficult to resolve.

Still, after all these years since acquiring the site, Almono has put forth a singularly innovative approach to the use of TIF and one which other developers might agree to employ. After all, if the payoff from a proposed project is as big as developers are wont to predict, they should be comfortable with loaning the project money that could be recouped from a tax increment financing package—thereby sharing in the risk associated with its projections.

In short, has the LTV site redevelopment effort finally reached a point of inevitability where plans will definitely be implemented? Depending on a lot of details that presumably still need to be worked out, it appears the odds have improved significantly.

**Information cited in this *Brief* taken from numerous newspaper accounts covering the last twelve years of activity involving the LTV Hazelwood site.

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