

# ***POLICY BRIEF***

An electronic publication of  
The Allegheny Institute for Public Policy

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October 16, 2002

Volume 2, Number 52

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## **Mt. Lebanon: Let the Blighters Beware**

The circumstances surrounding redevelopment of the Galleria mall in Mt. Lebanon have undergone substantial changes since Continental Real Estate purchased the mall in November of 2001. For instance, when the developer announced plans to seek tax increment financing to assist with a fix up of the mall, a consultant's report found four conditions of blight to justify the finance package; those conditions were later revised to two. In addition, the original amount of the bond was to total \$4 million; that has now been reduced to \$3 million according to a recent report in the Pittsburgh Tribune-Review.

What is most interesting is the change in attention to detail on the part of the municipality and the developer, who are now working on agreements to describe the development of the property and set up a process to handle the repayment on the bonds. These details should have been dealt with at the outset of a development plan that is to be funded with some public assistance, not as an afterthought.

Whether these changes will make the process easier for the developer and the taxing bodies is unclear. However, there are many troublesome aspects of the proceedings to date.

First, the development of the Galleria TIF proposal did not proceed with the involvement of, or direction by, an authority. Section 5 of the Pennsylvania tax increment finance law (Act 113 of 1990) states that in order to create a TIF district "an authority *shall* make a formal presentation to the governing bodies of all municipalities and school districts" of the development plan. (Legally, *shall* does not mean *may*.) Such a presentation has not occurred. Indeed, an attorney for the development company made the TIF district proposal presentation to the municipal commissioners. The law also requires that the authority be the primary agent for recommending the boundaries of the TIF district and the project plan. To date, there has been no such direction from any authority.

Second, proponents of the development insist that the mall needs a dedicated traffic light and new intersection on U.S. Route 19, and that the absence of such a light "confuses" patrons of the mall. It is important to note that previous owners of the Galleria requested and received a dedicated traffic light on Gilkeson Road to facilitate entry and exit of customers. Furthermore, the Pennsylvania Department of Transportation already has traffic flow headaches on Route 19 and it is very unlikely another traffic light will be

approved for installation less than two hundred yards from an extremely busy and often congested intersection.

Third, such a departure from development policy in the municipality (this is Mt. Lebanon's first TIF) should not occur without a clear and overwhelming show of support from its designated planning body. Yet in a vote of the five-member planning commission back in July, the result was only two to one to accept the consultant's study of the area recommending blight. There were two "non-votes" since one member abstained and one member was absent. This is a far cry from a ringing endorsement from a group that supposedly represents the interests of Mt. Lebanon's taxpayers, businesses and residents.

Fourth, there are serious unintended consequences that can arise from public subsidies to retail and entertainment venues. This public support creates an unfair competitive advantage for the subsidized retail establishment over others in the community and in neighboring communities. This could easily lead to a spate of TIF projects as other communities try to shore up their current retail venues or create space for new ones.

Lastly, the developer and the municipal commissioners must bear in mind the fact that a blight designation is a permanent mark upon the community. Once a site is legally declared blighted it remains blighted forever. This is true regardless of what happens to the site in terms of development. Moreover, a blight designation grants the power of eminent domain to development authorities and municipalities over all properties in a blighted area. Thus, any near term improvements on the site could be overturned in the future if another developer with more "desirable" plans comes along and convinces the municipality to play ball with them.

The developer of the mall has great ideas and potential to transform the Galleria. What would be very refreshing is for the transformation to happen without public subsidies for private repairs and ill-advised changes to traffic flow on a major roadway.

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