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## South Side Works: A Progress Report

For the third year in a row, the South Side Works (SSW) has fallen short of achieving the incremental property tax collections projected in the 1999 development plan. This year, tax collections are close to $1 million behind schedule. The original prospectus estimated revenues of a little over $4 million for 2005, whereas only about $3 million has been collected. A detailed analysis of all the parcels in the development area indicates only $110 million in assessed value of taxable property and $24 million of assessed value for exempt properties.

One reason for the tax revenue shortfall is that the Urban Redevelopment Authority (URA) still owns the four parking garages within the SSW project's footprint, rendering them tax exempt. The estimated loss of taxes from the tax exemption is calculated to be around $700,000. Presently, the URA is still waiting for private sector bids on the parking garages, but to date none have been made.

The 760,000 square feet of office space within the development is experiencing relatively high vacancies, which could be a big part of the reason the parking garages remain under URA ownership. Quantum II, the largest office complex thus far on the SSW site, is nearing completion. The owner of the complex, Soffer Organization, is still working to lease the 187,000 square foot structure. The amount of success, or lack thereof, experienced by Quantum II will determine whether Soffer purchases the nearby parking facility. However, with Pittsburgh's office vacancy rates near twenty percent, the likelihood that the vacant SSW office spaces will be fully leased anytime soon seems remote.

Soffer-owned Quantum I has experienced success in leasing its 160,000 square feet of office space to UPMC. Even so, Soffer has yet to purchase the adjoining parking garage as had been expected by the URA. Built with public dollars, the parking garage remains tax-exempt while Soffer tenants take full advantage of the structure. Why should Soffer purchase the structure if it can reap the benefits of the nearby parking garage without having to pay taxes and liability costs?

The SSW Development has shown some success in certain aspects of the project. It has boosted the annual taxes generated on the TIFed property from its original $26,236 to $3 million; of which, only $1.2 million will go to the three taxing bodies, with the remainder

of the tax increment going to the URA to pay off the $25 million TIF the URA provided for the project.

On the plus side, SSW has brought some new business to the area with sixteen retail stores, seven restaurants, and a ten-screen cinema complex. In addition, the project currently offers 760,000 square feet of flex office space and close to three hundred and fifty newly constructed up-scale residential units.

Fear of an exodus of businesses and residents from lower East Carson to the SSW Development has so far been unjustified. The only two businesses to move up Carson to the new development have been Rynn's Luggage and Citizens Bank. Meanwhile, the SSW apartment complexes have not seen an influx of lower East Carson residents.

This project was intended to renew the former LTV's blighted property and to create job growth. The SSW development has accomplished one of its objectives by creating a pleasing environment, but the same effect could have been achieved by creating a park or a green space, saving taxpayers millions of dollars.

Retail jobs do not create the type of growth needed to advance Pittsburgh economically. At the same time moving non-retail jobs around within the City does not add to job totals. The Quantum I building is a prime example of how the SSW is filling up its new office spaces. New jobs are not being created or brought into the region. For example, UPMC has expanded as it would have done whether or not the heavily subsidized new office spaces at SSW were built. Then too, the recently constructed FBI and IBEW buildings merely provide office space for agencies already in the region.

As presented in 1999, the Southside Works development project was to spend $66 million for public improvements, with $18.6 million of that scheduled to come from private garage money. By 2004, public improvement costs had jumped to $103 million, a $37 million or 56 percent increase. Even if an eventual build out pushes the assessed taxable value of property to the $190 million level anticipated in the original plan, one must question the spending of $86 million of taxpayer dollars to achieve such a meager result. The return to taxpayers is simply inadequate, especially owing to the fact that a large fraction of the jobs at SSW are not net new jobs and retail development for the most part depends on taking business from other retailers in the City or region.

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