

2023 Public Policy Agenda



State Level

- **Economic Incentive Competitiveness:** NAIOP Pittsburgh believes that the Commonwealth should seek bolster our economic development tools to pushback against competitor states. We need to invest in competitive incentive and economic grant programs. We believe the Governor and the legislature should pursue a bipartisan agenda to restore and increase funding to critical agency budgets.
- **Economic Incentive Recommendations:**
 - **Business in Our Sites Grants/Loans (BOS):** This program should be recapitalized and should offer both grants and loans for job creating private sector projects. The program should maintain its current requirements, but it should allow private developers access to the grant program for portions of their projects that have public value (infrastructure, etc.).
 - **The Redevelopment Assistance Capital Program (RACP):** NAIOP Pittsburgh believes RACP should see increased funding. And we believe that the increase in funding should prioritize projects of economic necessity (multifamily housing, mixed-income housing, Downtown office to multifamily conversion projects, projects of regional significance, innovation cluster techflex projects).
 - **Office-to-Multifamily Conversion Grant Program:** NAIOP Pittsburgh believes the Commonwealth should enact an annual \$100 million office-to-multifamily fund to help spur conversions in cities across the Commonwealth. We believe the pilot program in Pittsburgh has shown strong success and encourage the Governor to pursue robust funding in his budgets. We urge our legislators to seek a bipartisan agreement on this critical issue.
 - **PENNVEST:** PENNVEST serves the communities and citizens of Pennsylvania by funding sewer, storm water and drinking water projects. We believe expediting program delivery would help the development community unlock PENNVEST's full potential. We believe this program should see increased funding to help cities and municipalities meet their water infrastructure needs.

- **Pennsylvania Industrial Development Authority (PIDA):** PIDA provides low-interest loans and lines of credit for eligible businesses that commit to creating and retaining full-time jobs and for the development of industrial parks and multi-tenant facilities. We believe this program is one of the best run programs in the Commonwealth and should see increased funding to expand its mission.
- **PA First Program:** Pennsylvania First (PA First) is a comprehensive funding tool to facilitate increased investment and job creation within the commonwealth (current uses include: Machinery/equipment; Job training; Infrastructure; Land and building improvements; Environmental assessment/remediation; Acquisition of land, buildings, right-of-ways; Working capital; Site preparation). We believe this program should be fully capitalized and redeployed to meet the needs of current and prospective Pennsylvania businesses.
- **TIF & TRID Modifications:** The Commonwealth's cities need more flexibility in utilizing TIF and TRID for job creating projects. This flexibility should allow for capture of sales and state income tax (along with basic real estate taxes) for new jobs. The flexibility should also enable the usage of TIF proceeds for project gap financing of Commercial Real Estate activity that can show strong public value. TIFs should also be allowed to be utilized for affordable housing strategies.
- **Corporate Net Income Tax and Tax Competitiveness (CNI):** NAIOP Pittsburgh applauds the legislature and Governor Wolf in reducing the CNI rate. We encourage the continue phasedown and would support any expediting of the final 4.99%. As members of the Compete PA Coalition, we are supportive of the full Compete PA Coalition's tax reform agenda.
- **DCED Tourism & Marketing Budget:** The Commonwealth needs to brand itself and tell the story of our growing competitiveness and innovation. And this costs significant resources. We implore our legislative leaders to seek a bipartisan agreement with the Governor to fund these important functions.
- **DEP Permitting Improvements:** NAIOP Pittsburgh believes improving DEP's procedures for site approval is critical for long-term growth in investment in the Commonwealth.

DEP Improvement Recommendations:

- Consistency in the application of rules across all DEP regions.
- A measured approach in assessing wetland impacts for speculative development.
- DEP should revert to old interpretations and/or establish new interpretations to allow for an efficient review process for speculative land development.
- Removal of review timeline barriers, public transparency on the review process by defining the DEP stakeholders at each phase gate. Review/approve permits within 60 days and increasing staffing if that is a barrier.
- Clear and consistent rules and transparency into the models and calculations used for engineers. NPDES permits in less than 3 months.

- Adherence to deadlines. Pre application meetings or project meetings in a timely manner.
- More online options for submission, review and response and approval issuance. Allow developers to transfer NPDES to others in cases where necessary.
- Improve the Southwest office of DEP, as it has been the hardest in the state to work with.

Local Level

- **City of Pittsburgh YIMBY Agenda:** We at NAIOP Pittsburgh believe the city of Pittsburgh should enact a YIMBY investment agenda. Given current economic realities, it is more important than ever that Pittsburgh embrace pro YIMBY policies.
- **YIMBY Strategies:**
 - Developing investment growth goals across multiple departments.
 - Utilizing resources like CONNECT, benchmark planning & zoning approval processes against suburban communities in Allegheny County.
 - Developing a comprehensive administrative policy agenda aimed at removing barriers to investment.
 - Developing a plan to scrap exclusionary zoning rules that add costs to projects and act as barriers to development.
- **TIF for Affordable Housing:** While there are many policy options on the table to maintain Pittsburgh's affordability, there is one option that has not been fully examined in our market, a Tax Increment Financing (TIF) policy. This option could support affordable housing by providing an additional fund for mixed-income and affordable developers. The policy would also have the benefit of using taxes from fast growth areas to help build affordable housing in those same or other neighborhoods.

In Pittsburgh, TIF for affordable housing could produce three policy goals: more affordable housing; lower levels of displacement in growing markets; and more integrated neighborhoods. However, because of historic tax reassessment challenges in Western Pennsylvania, it will be important in analyzing which neighborhoods are right for TIF districts. Importantly, TIFs work best in areas that are increasing in value and that are seeing new investments.¹ Because our region does not conduct periodic tax reassessments, our TIFs will need to be in areas seeing strong new investment. It will be important for policymakers to identify those neighborhoods poised for investment to set TIFs that will produce adequate revenue.

¹ <https://www.portlandoregon.gov/citycode/article/553338>

TIF for Affordable Housing Recommendations

- NAIOP Pittsburgh recommends the City of Pittsburgh evaluate the potential efficacy of TIF for affordable housing and publish its findings.
- If analysis demonstrates positive potential impacts, NAIOP Pittsburgh respectfully requests legislative action to implement a Pilot TIF for affordable housing district.
- The City of Pittsburgh to partner with NAIOP Pittsburgh, affordable housing advocates, and business and community groups to encourage other taxing bodies (i.e., County, School District) to evaluate and support this policy in their jurisdictions.

Inclusionary Zoning: Amidst the strongest surge in materials and labor inflation in decades, we should look for ways to curb the costs of developing in our city. While the goals of inclusionary zoning are laudable, NAIOP and our members know that adding additional costs will hold back multifamily development when more supply is needed to moderate rent growth. Further, as has been observed in other regions, cities that have gone forward with inclusionary rules have seen little positive impact without marrying the policy with incentive programs to offset costs. As was pointed out by Up For Growth², cities that do not consider the economic tradeoffs of inclusionary zoning can harm housing production. However, by developing a funding mechanism to offset requirements, Pittsburgh could make our inclusionary rules manageable so that it does not disincentivize housing investment.

Inclusionary Zoning Recommendations

- NAIOP Pittsburgh recommends further linking the LERTA to developments in existing inclusionary zoned neighborhoods. Currently, a developer is favored to receive a LERTA if they voluntarily partake in affordable set asides, but this is not automatic. We recommend codifying LERTA so developers in existing inclusionary zoned neighborhoods are automatically eligible for LERTA, but can opt-out of the incentive if they choose.
- NAIOP Pittsburgh recommends a strategy to get full cooperation from the school district on LERTAs in Inclusionary zoned areas or on projects of significance.
- NAIOP Pittsburgh recommends extending the time of LERTA for those projects within Inclusionary Zoned neighborhoods. According to Up For Growth³, cities that have implemented inclusionary rules responsibly have also extended tax abatement programs to better offset costs of the requirements.

² <https://www.upforgrowth.org/news/national-coalition-says-retooling-lerta-tax-incentive-program-could-enhance-pittsburghs-new>

³ <https://www.upforgrowth.org/news/missed-opportunities-assessing-and-leveraging-requirements-incentives-tradeoffs-affordable>

- NAIOP Pittsburgh recommends not expanding the inclusionary rules citywide. While there are some neighborhoods that are experiencing rapid rental growth, most Pittsburgh neighborhoods are seeing modest or negligible rent growth. Rent growth has been concentrated in a minority of neighborhoods.⁴ Because of this, there is not a compelling argument for citywide inclusionary rules.
- NAIOP Pittsburgh recommends a partnership to jointly lobby for housing investment from the Commonwealth. Currently, more than \$6 billion—of the \$7.29 billion appropriated to Pennsylvania for American Rescue Plan (ARP)—remain on the table. We are proposing a joint strategy to target those funds to help develop a mixed-income housing fund.
- NAIOP Pittsburgh recommends making mixed-income developments that exceed 10% of units at lower than 80% AMI eligible for funds from the Housing Trust Fund.

Downtown Office-to-Multifamily Conversion Program

NAIOP Pittsburgh applauds the Gainey administration for stepping up to help fund the pilot Office-to-Multifamily Conversion program. As we emerge from the pandemic, our Downtown is facing underutilized office space, a drop in retail demand, and an aging infrastructure. To help with office absorption rates, Pittsburgh needs the ability to convert outdated office buildings to multifamily developments. This pilot program will go a long way in advancing that goal. However, we need to partner on the next phase of securing state and federal funding for this program.

Downtown Office-to-Multifamily Conversion Recommendations

- NAIOP Pittsburgh supports spending additional funding from the Commonwealth's/City's ARP funds on these conversions.
- NAIOP Supports looking at coupling tax abatement programs with the funding.

Federal Level

Adaptive Reuse: The federal government should incentivize the adaptive reuse of vacant and underutilized office buildings and other structures to help address the severe shortage of affordable housing in many communities. Property conversion of underutilized structures is a cost-effective means of developing new housing supply while reducing environmental impact. Adaptive reuse of underutilized and vacant buildings will promote economic and job growth in communities dealing with the permanent impact of post pandemic workplace changes on commercial real estate markets. See [whitepaper here](#).

⁴ <https://www.rentcafe.com/average-rent-market-trends/us/pa/pittsburgh/>

Tax Policy: Federal tax policy should align with the economics of real estate development and investment, promote capital formation and foster economic development. Lower capital gains tax rates are a critical factor in ensuring sufficient investment for long-term, productive real estate assets. Cost recovery and depreciation rules should reflect the useful economic life of structures and their component parts. See [whitepaper here](#).

Regulatory Policy: The commercial real estate industry supports properly structured and reasonable efforts to protect our nation's wetlands and address the negative impact of climate change. Regulations proposed by the EPA, Army Corps of Engineers, and the SEC should set forth applicable standards of compliance clear enough that the regulated community and regulators can ensure timely, predictable and consistent outcomes across the nation and be consistent with Supreme Court opinions governing agency regulations. See [whitepaper here](#).