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Chairmen of the committees, Senators, Representatives, thank you for this opportunity to address you regarding the health of Pennsylvania Cities, large and small. My name is Robert Rubinstein. As Acting Executive Director of the Urban Redevelopment Authority of Pittsburgh, it has been my privilege to be at the helm for the last two years of what is America's first Redevelopment Authority, incorporated in 1946, shortly after the passage of the Urban Redevelopment Law of 1945 by your predecessors in the Pennsylvania Legislature. Having worked on various projects at the URA over the last 25 years, my expertise is within economic development, so I have restricted my comments today primarily to focus on economic development and its critical role in developing and nurturing a healthy economic climate in municipalities large and small, with the acknowledgement that there are many more ingredients in the mix that make a city strong.

The overall health of a city is determined by a great number of factors. The state of its public schools, the strength of its business climate, its anchor institutions and leadership – civic, corporate, cultural, academic and entrepreneurial – its economic structure, tax base and local governments are among the most important as is the quality of its economic development strategy and the quality of its investment portfolio. Pittsburgh has succeeded in regaining international prominence through partnerships in which we have worked cooperatively to align the strategies of various partners and to leverage our collective resources across sectors and between levels of government.

Pittsburgh has become one of the leaders in the country in attracting and retaining a young, educated workforce, second only to Washington, DC. Since Pittsburgh hosted the G-20 Summit in 2009, we have made more than 100 top lists nationally and internationally; from the well-publicized Most Livable City designations, to *Forbes* assessment of Pittsburgh as one of the most affordable cities in the U.S., and being regarded as the number one city to relocate to in America by CNBC to the lesser known, but also compelling designations as a top ten urban kayaking city (*National Geographic Adventure*) as well as a top 50 best biking city (*Bicycling.com*).

Where once Pittsburgh forged a booming economy of steel and industrial might, modern day Pittsburgh was forged through partnerships that have accomplished great things across a diverse portfolio of economic sectors. One of the most valuable of those partnerships has been the relationship we have enjoyed with state officials who have played critical roles in our resurgence through successive administrations. That partnership, and the alignment of development strategies, was on display recently as Governor Corbett announced a funding award to the Bakery Square 2.0 project in the East End of Pittsburgh where demand has skyrocketed for office space because tech sector job creators cannot find supply in the more traditional Oakland and Downtown real estate markets.

While the neighborhoods around it once knew the smells of a bustling Nabisco plant, where multiple shifts baked cookies at an iconic building situated where Larimer, Shadyside, and East Liberty meet, now Google, the Carnegie Mellon University Software Engineering Institute, UPMC's Technology Development Center, the joint University of Pittsburgh-Veteran's Administration Human Engineering Research Labs, and most recently TechShop have all cooked up a new future for the East End. The smells are long gone, but for Pittsburgh, the success has tasted even sweeter.

But this success is no accident.

The strategic alignment that this project represents is a much broader story than just one project or just a handful of successful labs and tech companies. It is the culmination of years of community engagement and patient investment to address the blight and deterioration that had overtaken East Liberty after an urban renewal project badly failed and after urban flight had taken its toll on Larimer. While Shadyside has continued to enjoy strong residential and commercial demographics, its sister neighborhoods to the east had not been so lucky. Recognizing that Pittsburgh's population had declined to half of its peak, we have engaged in active right-sizing that looks to address vacancy as opportunity and reposition neighborhoods by taking advantage of strong edges they share with adjacent communities. While Bakery Square is the prototypical example of a development project that aligned with and accomplished the goals of our edge investment strategy, it was by no means the only example. A decade of investments along Penn Avenue through Bloomfield, Garfield, Friendship and East Liberty had set the stage for the market to rebound at the edge of Shadyside and Larimer and push on towards North Point Breeze and Homewood, which is what we're seeing today.

While the story of East Liberty and its impact on its adjacent East End neighborhoods has been perhaps the least well-kept secret about Pittsburgh in the national press, another success has been widely regarded as the new normal amongst real estate professionals, but is only now beginning to be recognized and broadly accepted in the general public. Downtown Pittsburgh is bursting at its seams and the traditional edges of our fabled Golden Triangle have now pushed out to include an expanded district that is presenting its own adjacent neighborhoods with new opportunities. But the Downtown paradigm is not at its heart an edge investment strategy, nor even a riverfront strategy even though Downtown's geography is intrinsically defined by Pittsburgh's three rivers. Like Oakland – Pittsburgh's healthcare and academic hub – Downtown is a powerhouse economic engine of the region that hosts financial and legal services, among other sectors, and grows by more than 140,000 people each weekday morning. So, while it is now host to thousands of new residents, making it home to more people than at any time in recent decades, it cannot be treated like a typical neighborhood from an economic development standpoint. Since it functions as a hub, we focus our investments in Downtown on its ability to grow strength out from its core. No public infrastructure investment in the recent past is more illustrative of that strategy than the one we made in Market Square.

Again with the close partnership of the State, we leveraged a public investment to completely remake Market Square to function as a stabilizing force for Downtown, as well as a place for the public to enjoy and to patronize the businesses that surround the square. We have seen our initial investment multiplied many times there by the private sector which has responded by creating 27 new restaurants and cafés and has invested millions more in related private investments. From that position of strength, we are able to convey to the private market that Downtown will not be disregarded or left unattended to become a forgotten urban center. The private sector continues to remind us Downtown that with smart, well-targeted public investments, private capital will follow, often outstripping the initial public investment in manifold ways that we never thought possible or dared to dream. We need only look at the nearly billion dollars of development that PNC will have undertaken at its FirstSide, 3PNC, and Tower at PNC Plaza developments as well as their renovation of the vacant former Lord & Taylor department store site. Those private investments and the jobs that were created in each case dwarfed the public investments that came before them. But it would be hard to imagine those same investments taking place at a time before our public investments stabilized a Downtown core that was beginning to look tired and worn.

Not long ago, it also would have been hard to imagine that neighborhoods adjacent to Downtown would start to see strong demand for commercial space because of record rental rates and soaring occupancy in the heart of the traditional Downtown office market. Development sites on the banks of the

Allegheny, Monongahela, and Ohio Rivers across from Downtown have given over underutilized sites to new projects and to the east of Downtown, the neighborhoods of Uptown, the Lower Hill District and the Strip District have all seen demand rise and are contemplating development plans of various sorts to leverage new private investment.

In a City so closely identified with its geography, our riverfronts investment strategy has been completely redefined in the last three decades. The riverfronts of Pittsburgh's post-industrial era were scarred with vast brownfields left as a remnant of a place where generations of Pittsburgh's breadwinners made their living, and where once the mills revved the motor of Pittsburgh's economic engine. Long departed, the industrial works were strategically sited almost exclusively on Pittsburgh's rivers to take advantage of barge access. Since the decline of steel in our region, our attention has turned to rediscovering our riverfronts as assets for more than industry; they are now places for recreation and opportunities for investment.

No development project has demonstrated the diversity of that opportunity better than South Side Works. More than the entertainment venue its widely known as now, South Side Works has added incredible off-site value for homeowners in the adjacent South Side neighborhood, has re-established a connection for that neighborhood to the Monongahela River and is the headquarters for American Eagle Outfitters which decided to move its corporate hub into the City in response to the demand by its own employees who wanted to be in an urban setting and close to the resurgent youth population that was just beginning to see Pittsburgh's affordability and high quality of life as attractive and starkly at odds with the old, smoggy perception that had plagued Pittsburgh since the population exodus of the 1980's. South Side Works presented something more than a typical urban site, however, as it was a place where we had clearly communicated through a public-private partnership that ongoing public investment would be made to add public infrastructure and amenities at the river's edge that would eventually treat the riverfront as the crown jewel of the development project. During the grand opening ceremony of South Shore Riverfront Park, more than a decade after the start of the South Side Works development project, the energy and enthusiasm for Pittsburgh's riverfronts was palpable. Perhaps more exciting was that the young parents in attendance that day enjoying the riverfront experience with their kids would be more likely to take their children out on a boat or a bike along the rivers in the future and not have to warn their children to avoid Pittsburgh's industrial riverfronts as previous generations of parents did when soot once billowed from smokestacks and blast furnaces at that same spot.

I don't mean to suggest with the South Side Works example that industry has completely abandoned Pittsburgh nor that it does not have a vital role to play in the health of our city and others in Pennsylvania. When we opted to purchase the former Tippins industrial site, it gave us the opportunity to plan our 62nd Street Industrial Park. Sited adjacent to a Sunoco oil storage and distribution facility, the 62nd Street site was never likely to become a residential or destination retail entertainment venue. But the state was a critical partner in that case too, providing Infrastructure Development Program funding to help rehabilitate the site and reposition it for productive industrial use. While industrial users often prefer suburban or ex-urban sites for their ability to offer proximity to highways and dozens of acres of flat land, this site had both of those industrial amenities as well as access to oversized utilities because of its former use as a steel manufacturing site. Without the state's ability to provide flexible funds to support industrial re-use, the site would very likely have remained a vacant shell for years.

That site, once fully developed, will never likely win design awards or capture the public's attention in any of the national media attention heaped on Pittsburgh for the tale of our rebound in the Rustbelt, but it is instructive in forums such as this one. We will not be able to maintain or promote our health as a City without the ability to make critical, but unheralded investments such as this one. The state's IDP program that we used to make this important investment has been unfunded for the last several years during and after the economic downturn. As the economy rebounds, it is important that the state gives itself the ability to make investments where we know there is a critical need but not a defined end-user. That is to say that we still are uncertain what private development partner will eventually step forward to construct buildings on the 62nd Street site and create jobs there, though several have expressed interest and are designing options currently. However, at the time that we purchased the site and made investment in infrastructure as the public sector, we were absolutely certain of the site's marketability. These kind of investments where we know the value of a site to a future development without knowing the end-user or their development plan precisely represent a well-managed and carefully evaluated risk on the part of public sector partnership, a relationship that we have made good use of in the past with the state and one that is absolutely essential to the health of Pittsburgh today and in the future.

Our strategies – to invest at the edges of neighborhoods where strong market conditions meet opportunities from vacancy or underused sites, to invest in our core economic hubs of Downtown and Oakland to promote growth to swell from the center, and to invest along our once industrial riverfronts to unlock their potential as diversified amenities that support our neighborhoods and give residents from all over the region a unique opportunity to engage with our Rivers which have for so long been off-limits – are often viewed as "big bang" developments that reward size (and the resulting media exposure) at the expense of smaller neighborhood-scale investments in and amongst our 90 neighborhoods. The fact of the matter is that our ability to support development projects is absolutely dependent on our ability to secure funding assistance that is appropriate for each development project on its own merits, in its own context, regardless of strategy. It also goes without saying that the public perception is framed by media attention that gets paid every time there is a funding award announcement with six or seven zero's in the number, but rarely is much attention paid to our investment strategy that has its own department at the URA and annually makes hundreds of investments in the people and places that predominate our residential communities and the smaller commercial districts in those neighborhoods.

Over the past six years, the URA's Center for Innovation and Entrepreneurship has invested directly in 390 small businesses and neighborhood commercial real estate developments. Our investment of more than $70 million has created and retained more than 4,100 jobs and leveraged total investment in Pittsburgh's neighborhoods of $400 million. At the heart of these investments has been a range of financing cobbled together from local, state, and federal sources, without which we would certainly have been unable to make such a substantial impact in as many neighborhoods of our great City.

In 2012, the URA restructured its business assistance department into the Center for Innovation and Entrepreneurship. In addition to the small business financing described previously, the Center has been actively engaged with numerous partners including the Pittsburgh Technology Council, the Idea Foundry, Catalyst Connection, Urban Innovations 21, Carnegie Mellon University, the University of Pittsburgh, Duquesne University and many others. Recent activities of note included the sold out, Steel City Codefest (whose partnerships include Google, Maya Design, Showclix, Walnut Capital, the City of

Pittsburgh, Allegheny County and Pitt's University Center for Social and Urban Research) where computer programmers competed over a 24 hour period to develop applications directly for, or to better engage with government; sponsorship of the Pittsburgh Technology Council's Venture In/Venture Out series which reached more than 450 entrepreneurs last fall; and sponsorship of the Thrill Mill's Business Bout business plan competition, which has attracted 150 entries and led to the establishment of our region’s newest small business incubator which opened on East Liberty's rebounding Broad Street.

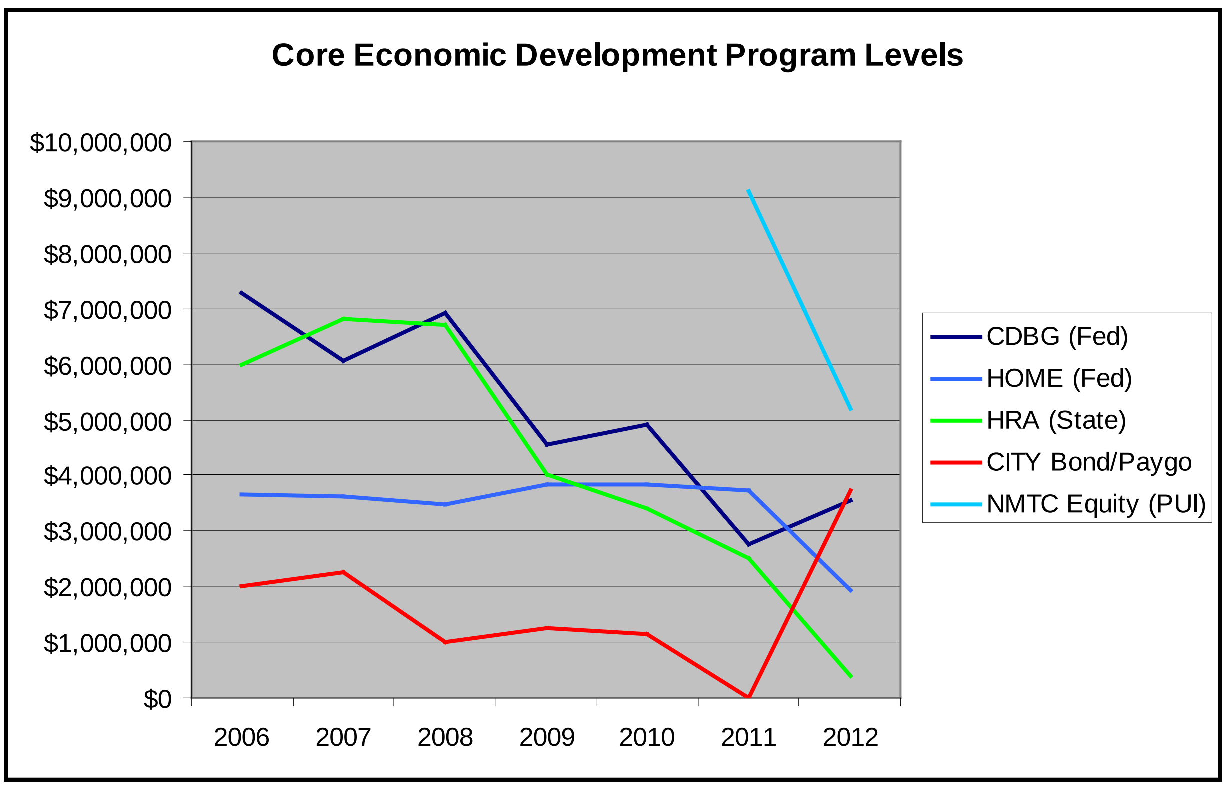
All too often in Pittsburgh, where our stable real estate values have been the envy of national real estate markets, neighborhood developers and small businesses find themselves in an uphill battle trying to put together financing simply because our market values are stable, rather than soaring. They might decide it’s easier to give up rather than tackle yet another hurdle or overcome still one more roadblock, but we recognize that when projects stall out or go under, nobody benefits. That outcome is not acceptable. In short, the URA makes a plethora of resources and technical assistance available to Pittsburgh's small businesses and entrepreneurs. Strategic investment of these public resources not only creates new businesses and jobs, but significantly contributes to Pittsburgh and Pennsylvania's tax base growth and quality of life.

However, our ability to provide a robust portfolio of economic development financing options and assistance depends heavily on the strength of our partners and their determination to maintain a high level of commitment to economic development investment. That commitment is compromised in times of severe budget cuts and rollbacks in program funding. It is no accident that we have been able to positively impact Pittsburgh in such a significant way by leveraging limited resources to trigger private investments which often greatly exceed the initial public sector investment. The strategies we employ are well-founded and time-tested. We conduct a thorough analysis of a project’s potential for success, its ability to make a positive impact on a neighborhood and its alignment with the goals and objectives of the community it will call home. If the project meets these objectives, the URA steps in to help out. The URA does not invest its limited funds on projects that the private market could complete on its own and we encourage developers and entrepreneurs to seek out alternative means if we believe a public investment is not warranted. On the other hand, as stewards of public funds, the URA cannot invest in overly risky proposals where there is not a solid case to be made that gives us an assurance that the risk has been thoroughly evaluated and mitigated to the greatest extent possible. The URA’s role is and always will be to maintain a careful balance between the costs and associated risks of a project and the needs and dreams of a neighborhood that is deserving of a transformational investment. Many of our most successful investments are not the large-scale developments that attract lots of media attention and garner the international design awards. The bulk of our investments have traditionally been smaller in scale, because many of those investments are the ones that have a disproportionately larger positive impact on neighborhoods and local commercial districts. And yet, it is conspicuously those investments which have become harder to make, threatening to have a negative impact on the neighborhoods that are teetering in between resurrection and decline.

At all levels, funding to support public infrastructure is harder to come by, but the state’s core funding programs that we have used to great effect in our neighborhoods have been disproportionately disrupted.

These core funding programs that have allowed us to rebuild and revitalize neighborhoods have been restricted, restructured or simply reduced to zero. This has happened to such a severe degree that we have been hamstrung in our ability to assemble strategic sites that create opportunities to attract private capital. Programs like Main Street, Housing and Redevelopment Assistance (HRA), Growing Greener, the Infrastructure and Facilities Improvement Program (IFIP), and the previously mentioned Infrastructure Development Program (IDP) were crucial to our past success. By example, from 2006-2011, we invested just under $30m to leverage almost a quarter billion dollars worth of projects with the help of HRA. Since 2011, we've been able to secure one HRA/Keystone Communities investment in the amount of $400,000. The eroded state of current funding for economic development has left us with a pipeline of projects that are stalled because of gaps that cannot be filled, parcels that are orphaned, unable to be bought, in need of financing that cannot be found. The common thread of these programs is that they were our key problem-solvers when putting together the puzzle of smaller-scale, mid-tier projects. Those projects are typically the ones in Pittsburgh that needed long-term, patient capital that prepares a neighborhood for investment and allows a community to take advantage when market-demand shifts and a well-timed investment becomes a transformational opportunity. When these patient investments have been available, we have been able to prevent a blighted property from bringing down the value of a block, have been able to prevent a blighted block from bringing down a corner of a neighborhood, have been able to prevent neighborhoods from slipping into decline.

As go our neighborhoods, so goes Pittsburgh.



These programs, together with other critical State programs, have driven much of the private investment into Pittsburgh, creating tens of thousands of jobs (construction as well as permanent) that have been key to the transformation that Pittsburgh has undergone during the past decade, our Third Renaissance, if you will. Despite all of the accolades poured upon us, now is not the time to rest on our laurels and pause to bask in the glow. Despite the challenges we face as a City from tax base deterioration such as the proliferation of non-profit property ownership and a non-resident employment base, we are bullish on the improving health of Pittsburgh. That conviction we feel in Pittsburgh that we are firing on all cylinders and poised for additional success is not idle speculation. Pittsburgh is at all-time peak occupancies in the office and residential sectors. Even though we are but half of our peak population, there are record numbers of workforce employed in Pittsburgh. Not even during the heyday of industry were more people working in the City of Pittsburgh. We are gaining population for the first time in six decades. But some of our neighborhoods most in need are at risk of being left behind unless we can find some way to restore the portfolio of investment tools that once played such a catalytic role in our ability to prepare them for transformational private investment.

The good news is that we are not there yet, Pittsburgh still has momentum, the wind at its back. But not all of Pennsylvania's cities are so fortunate, and without action, without the will to address the availability of appropriate financing, we risk gliding to a halt, our sails flapping in the breeze while other regions of our country speed past us in growing their economy. In the face of declining sources of funding, we have shifted support from local sources into our economic development activities to prevent a plateau in investment or even a slow down. But this shift in City resources is a band-aid approach and is not sustainable. Without renewed commitment to economic development by our partner agencies at the state in our smaller cities and in the vibrant, bustling neighborhoods of our larger cities, we risk abandoning our positive trajectory, rendering ourselves unable to prolong this positive arc of achievement that has put Pittsburgh in particular back in prominence as a place of opportunity, of growth, of stability, of renown on a national and international stage. We risk compromising the resurgent health of our cities and the quality of life of our constituents.

I would like to thank the chairmen and members of the committee for the opportunity to provide my comments on the health of Pennsylvania Cities large and small and would be happy to entertain any questions on the thoughts I have shared today.