

**PRODUCE TERMINAL  
REDEVELOPMENT  
PUBLIC MEETING**

Location: Heinz  
History Center  
August 6, 2014  
5:45 PM - 7:45  
PM

# AGENDA

- Arrive 5:45 - 6:00
- Introduction / Background 6:00 - 6:05
  - Robert Rubinstein, URA's Acting Executive Director
- Public Process & URA Disposition Process 6:05 - 6:15
  - Kyra Straussman, URA's Director of Real Estate
  - Rich Overmoyer, Fourth Economy CEO
- Developer Presentations
  - Rubino 6:15 - 6:25
  - MCM-Ferchil 6:25 - 6:35
  - McCaffery 6:35 - 6:45
- Due Diligence & Proposal Assessment 6:45 - 7:00
  - Rich Overmoyer, FEC's President and CEO
- Public Comment 7:00 - 7:45
- Closing Remarks 7:45
  - Rich Overmoyer, Fourth Economy CEO
  - Robert Rubinstein, URA's Acting Executive Director

# PUBLIC PROCESS OVERVIEW

## To Today

- Sep 25, 2012 – Public Hearing on Zoning Change
- Dec 2012 – Council Approves Buncher PLDP
- Apr 2013 – Demo Permit Application
- Oct 2013 – Councilman Peduto Proposes “Third Way”
- Jan 2014 Peduto Inauguration
- Mar 2014 – RFP Released
- Apr 2014 Proposals Received
- May – Jul 2014 Due Diligence
  - Internal Review
  - Clarifications
  - Stakeholder Consultations
  - Developer Interviews
- August 6, 2014 – Public Meeting

## After Today

- Aug 14, 2014 URA Board Meeting
- Future Dates to be determined
  - Community Meetings by the Development Team
  - URA Disposition Proposal Acceptance
  - Zoning Board of Adjustment
  - Planning Commission
  - MWBE Commission
  - City Council
  - URA Board Final Approval

# URA DISPOSITION OF PROPERTY

Under Pennsylvania Redevelopment Law, the URA is not permitted to just sell a property. All potential developments must proceed through several levels of review and approval prior to closing and construction, including URA staff review of a developers drawings and plans and URA staff review of a developers financial capabilities. The URA's Board is also required to review and approve developments at meetings that are open to the public.

# AN OUTLINE OF THE URA DISPOSITION PROCESS AND OTHER PUBLIC APPROVALS

- **URA Board Action: Exclusive Negotiations\***
- Formal URA Proposal Package submitted by Developer
- **URA Board Action: Acceptance or Redeveloper's Proposal Package\***
- **Department of City Planning-Planning Commission approval of an Amended Preliminary Development Plan\***
- Developer submission of progress drawings, updated budgets & financial info, and related information to URA
- **Authorization by Pittsburgh City Council\***
- Negotiation and execution of Disposition Contract between URA and Developer
- **URA Board Action: Final Approvals\*** (approximately 8 months after URA Board approval of Proposal Package)
- **Department of City Planning-Planning Commission approval of a Final Land Development Plan\***
- **Approval of M/WBE plan by City of Pittsburgh M/WBE Review Commission\***
- Closing (approximately 8 months to 1 year after URA Board approval of Proposal Package)
- Project Construction
- Project receives occupancy permit
- URA Review of completed project
- **URA Board Action: Issue Certificate of Completion and Return of good faith deposit\***

Please note that additional public hearings and approvals may be necessary.

(\* = Public meetings)

# THE TWO KEY LEGAL DOCUMENTS IN THE URA'S DISPOSITION PROCESS ARE THE PROPOSAL AND THE DISPOSITION CONTRACT:

## 1. Proposal:

- Legally binding document signed by the developer
- Accompanied by a 10% good faith deposit on the COMPLETION of the development and satisfaction of developer obligations
- Determines the scope and TIMELINE of the project
- Completed by the developer, and approved by the URA Board
- Contains all the basic aspects of the deal: management, costs, financing, site plan and use
- Used as a basis to prepare the Disposition Contract

## 2. DISPOSITION CONTRACT:

**The Disposition Contract memorializes the promises that a developer makes to the public about a development, including design, appearance, and M/WBE compliance:**

- Real Estate Sales Agreement required by PA's Urban Redevelopment Law
- Contains sales price, description of property, drawing submission timeline, construction timeline, requirements for a Certificate of Completion, restrictive covenants & controls, URA rights and remedies
- Sets forth requirement that a developer must provide evidence of financial capability to complete the planned development
- Sets forth developer's obligations from Proposal, through construction, and through URA's issue of a Certificate of Completion
- URA Board must authorize the execution
- Pittsburgh City Council must authorize
- Several Provisions are mandated by Urban Redevelopment Law, URA Board requirement, or City of Pittsburgh Code, including non-discrimination provisions and M/WBE requirements.
- Land uses and controls "run with the land" and last up to 30 years after the transfer of property to a redeveloper.

# DEVELOPER PRESENTATIONS

Rubino  
Ferchill  
McCaffery

<b>Name</b>
<b>Address</b>
<b>Affiliation</b>
<b>Comment</b>

# PUBLIC COMMENT

Please  
complete  
information  
on cards to  
provide input

# BUNCHER



# BUNCHE OVERVIEW

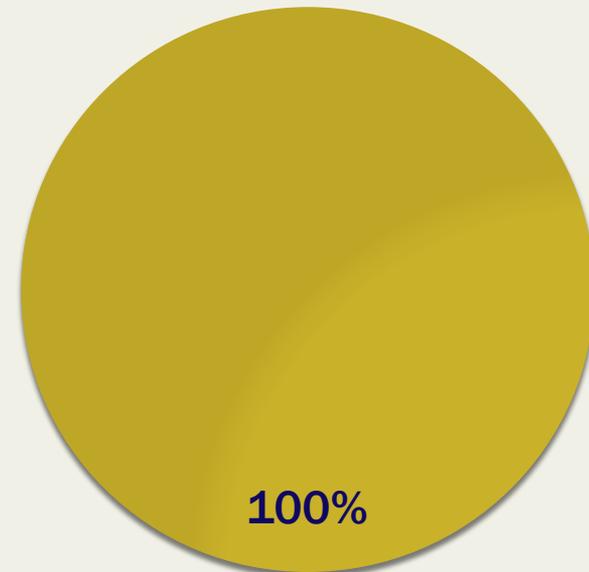
- **Proposed Reuse: Retail and office**
  - Retail and office in the remaining 60%; a new office building on the demolished portion
- **Cost Overview**
  - Total Development Cost of over \$30Million
  - Construction Costs of \$22 Million
- **Redevelopment Team**
  - The Buncher Company, Maclachlan, Cornelius & Filoni Architects, DLA Architecture & Interior Design, Klavon Design Associates

# BUNCHEr FINANCING STRUCTURE

- **Total Development Cost of \$30 million**
  - Construction Costs of \$22 Million
- **Local Public subsidy**
  - None
- **Assumptions**
  - Proposed TIF would have funded City of Pittsburgh public infrastructure improvements to roads, sewers, sidewalks, and open spaces

## Sources

- **Developers Equity**



# BUNCHEr STRENGTHS

- Creates a view corridor to the river
- Requires no local public subsidy
- Financial feasibility is strong
- Experienced development team, committed to the neighborhood
- Returns the property to the tax rolls
- Compatible with the Riverfront Landing development

# BUNCHER CONCERNS AND CHALLENGES

- **Demolishes 40% of the building**
- **Lack of green / sustainable design**
- **Soft market for retail space; concern about the long-term sustainability of the retail space**
- **Proposed design has limited amenities**

# DUE DILIGENCE AND PROPOSAL ASSESSMENT

# PROPOSALS SUBMITTED

- **Rubino proposed reuse: Commercial Development**
  - **40,000 SF Retail; 13,200 SF farm-to-table Restaurants; 33,000 SF public market which includes 5,000 SF for a food incubator; 20,000 SF event space; 13,750 exterior dock space – farm and food vendors; 21,000 SF common areas**
  - **Total Development Cost of \$19.4 Million**
  
- **Ferchill proposed reuse: Loft style apartments, Retail**
  - **209 residential rental units with 18,000 SF retail (negotiable)**
  - **Total Development Cost of \$35.6 Million**
  
- **McCaffery proposed reuse: Residential, Live-Work Lofts, Retail**
  - **118 Loft Units; 10,290 SF in Live-Work Space; 16,000 SF of Office Space; 35,000 SF Retail Space (negotiable)**
  - **Total Development Cost of \$46.4 Million**

# REVIEW FACTORS

- **Viability of the Plan**
  - Tax Generation
  - Local Public Subsidy
  - Viability
- **Redeveloper Experience**
  - Sustainability
  - Portfolio of Similar Projects
  - Capacity to Raise Debt and Equity
- **Economic and Community Impact**
- **Access and Connectivity**
- **Integration with the Neighborhood**

# RESIDENTIAL MARKET

- Strong growth in Greater Downtown population and housing
- City population is starting to grow
  - Mayor Peduto's goal is 20,000 new residents
- Replacing deficient housing stock
- Households are getting smaller - increasing demand for housing even as population shrinks
- Pittsburgh home values are stable or increasing

# GROWTH OF GREATER DOWNTOWN RESIDENTIAL

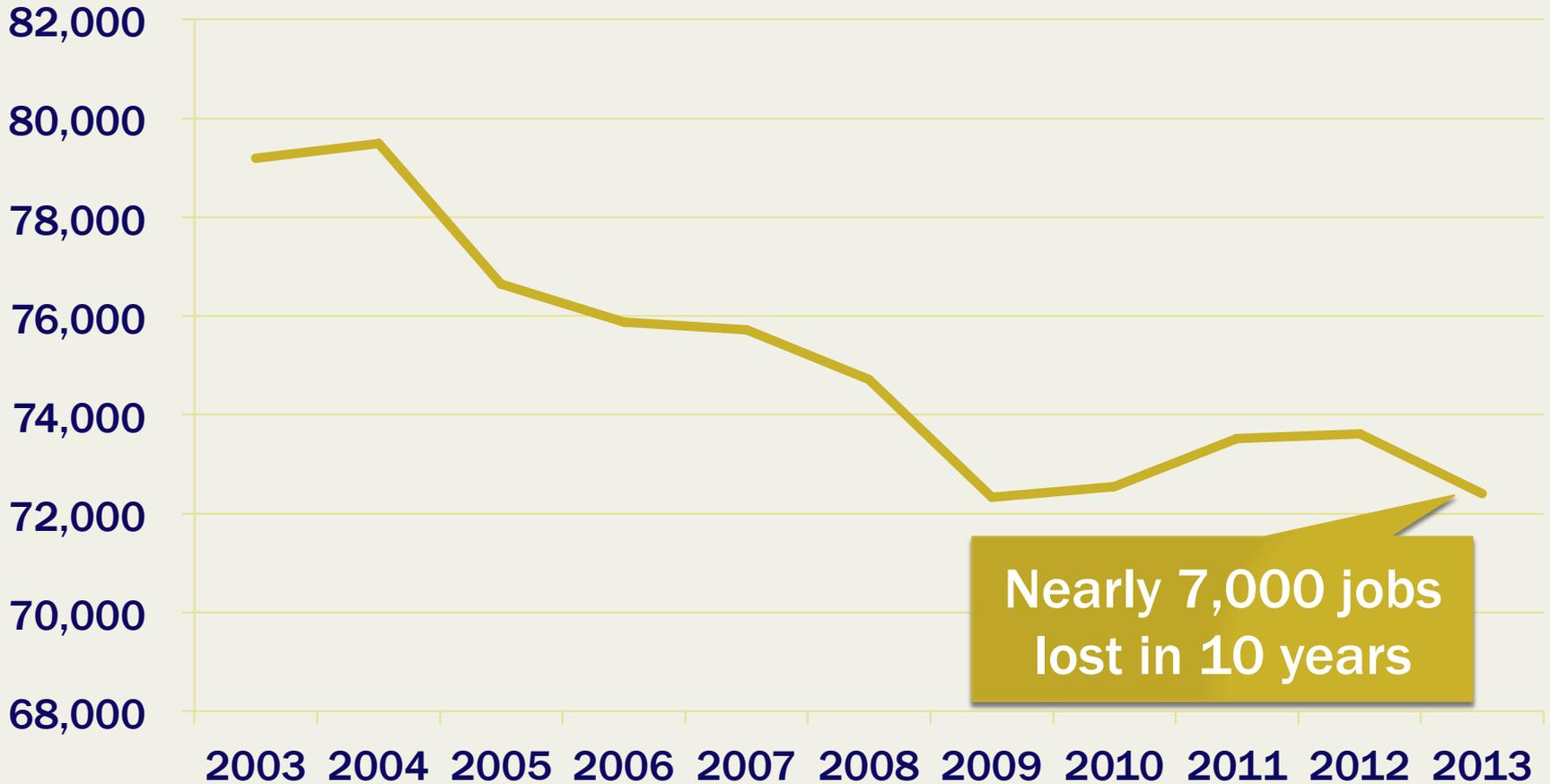


# RESIDENTIAL PIPELINE

<u>Greater Downtown Residential</u>	Total	
Completed through 2013	4,450	96% occupied
Under Construction	517	
Proposed	2,229	
New Produce Terminal units	~200	
<u>New Units by 2020</u>	<u>2,946</u>	
<b>Total Units by 2020</b>	<b>7,396</b>	

*If Greater Downtown continues its current growth rate (2010-2013) it would add 3,200 people by 2020, which would absorb the proposed pipeline of 2,946 units.*

# RETAIL JOBS IN ALLEGHENY COUNTY



# SUPPLY OF RETAIL SPACE

- Pittsburgh added 373,000 SF of discount retail in 2013
- The U.S. is over-retailed at 23 SF
- Greater Downtown has 20 SF retail (per resident and worker)
- Pittsburgh has a poor track record with retail-led development
- Strip District is a retail destination
- Mix of food, bargain goods, unique products present in the Strip
- Pittsburgh Public Market is a multi vendor space which formerly occupied the Produce Terminal
- Additional retail should complement not supplant existing vendors in Strip

# PRELIMINARY ASSESSMENT OF THE PROPOSALS

Buncher

Rubino

MCM-Ferchill

McCaffery

# MICHAEL RUBINO



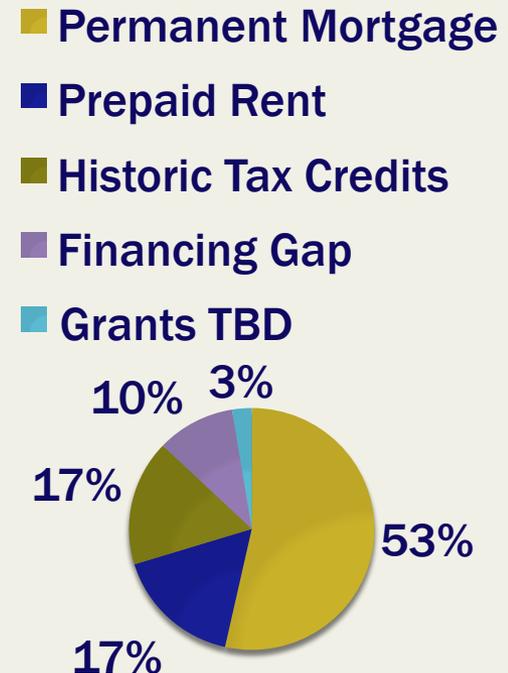
# RUBINO OVERVIEW

- **Proposed Reuse: Commercial Development**
  - 40,000 SF Retail; 13,200 SF farm-to-table Restaurants; 33,000 SF public market which includes 5,000 SF for a food incubator; 20,000 SF event space; 13,750 exterior dock space – farm and food vendors; 21,000 SF common areas
- **Cost Overview**
  - Total Development Cost of \$19.4 Million
  - Construction Costs of \$14 Million
- **Redevelopment Team**
  - Michel Rubino, Market Ventures Consulting, Fourth River Development, Pfaffmann + Associates, PA Commercial Real Estate, James Construction

# RUBINO FINANCING STRUCTURE

- **Total Development Cost of \$19.4 Million**
  - Construction Costs of \$14 Million
  - Not eligible for New Markets Tax Credits, gap \$2M
  - URA may not be eligible for Historic Tax Credits
- **Public subsidy not accounted for**
  - Public-Private Partnership to Fundraise for Sustainable Elements - \$3.3 M
  - Other Grants
  - URA will own the building
- **Assumptions**
  - Assumes permanent mortgage without owning the building
  - Includes replacement of roof decking
  - Costs for utility and infrastructure (publicly financed)
  - Includes removal of hazardous materials
  - Parking revenue to the City/Parking Authority

## Sources



**Note: Preliminary Numbers are Subject to Change**

# RUBINO STRENGTHS

- Reflects the building's legacy uses and requires the least amount of renovation
- City retains parking revenue and control of the building
- The master tenant runs Magic Creations, an off-price merchandise distribution company
- Team includes significant sustainability expertise
- Portals provide both multi-modal and pedestrian access
- Aligns with the Allegheny Green Boulevard plan

# RUBINO CONCERNS AND CHALLENGES

- The URA and City as owners will be responsible for significant capital and ongoing maintenance costs
- Most public market operations require public subsidy
- Not clear if URA can access historic tax credits
- Financing gap of \$2M, not eligible for New Markets Tax Credits or TIF
- Potential impact from Penn Avenue
- Pittsburgh Public Market is committed to its current site, where it has invested heavily in a location that supports and extends Penn Avenue shopping
- Adds more than 1 SF of retail space for every worker and resident in the greater downtown
- Farm trucks & food sales on the docks conflict with the Riverfront Landing
- Proposed anchors (Marden's and 380 Discount Warehouse) have not operated in urban settings

# MCM COMPANY / FERCHILL GROUP



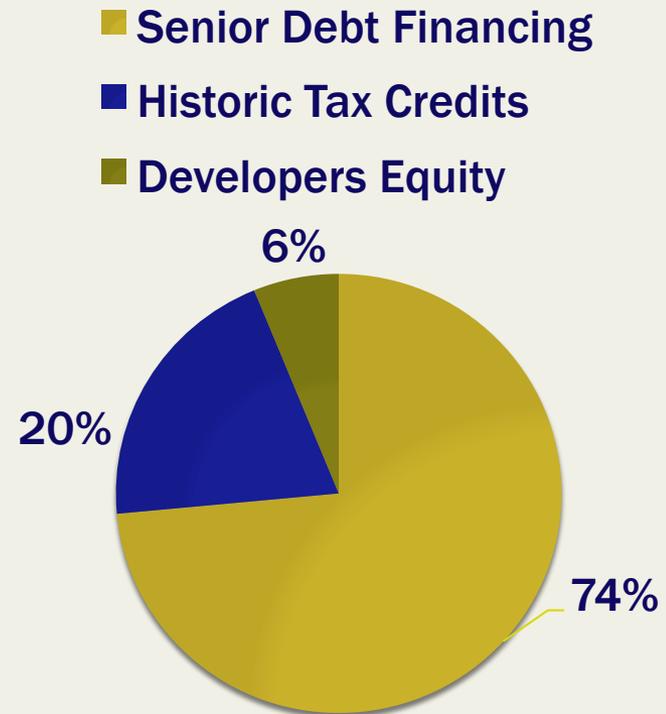
# MCM-FERCHILL OVERVIEW

- **Proposed Reuse: Loft style apartments**
  - **209 residential rental units with 18,000 SF retail (negotiable)**
- **Cost Overview**
  - **Total Development Cost of \$35.6 Million**
  - **Construction Costs of \$26.2 Million**
- **Redevelopment Team**
  - **MCM Company - Ferchill Group (joint venture), Sandvick Architects, Brown Gibbons Lang Real Estate Advisors**

# MCM-FERCHILL FINANCING STRUCTURE

- \$35.6 million total
  - \$26.2 million for construction
- Local Public subsidy
  - LERTA
- Note: Preliminary numbers are subject to change
- Assumptions
  - Replacement of roof decking not required
  - No improvements to up/downstream utility infrastructure
  - No hazardous material removal
  - No traffic improvements outside the property line for the portals
  - Do not require public infrastructure improvements (roads, sewers, sidewalks, or landscaping)

## Sources



# MCM-FERCHILL STRENGTHS

- Requires a small amount of public resources (LERTA)
- Returns the property to the tax rolls
- Developer has their proposed equity in hand
- Developer has a successful track record in historic development in Pittsburgh and similar markets (Heinz Lofts)
- Residential development should support the existing retail and businesses in the Strip District
- Compatible with the Riverfront Landing development
- Two portals through the building, preserves most of the structure and still provides access through the site to the river
- Portal design reveals the structure and adds both a historical and architectural element that mitigates the cut-throughs

# MCM-FERCHILL CONCERNS AND CHALLENGES

- Proposed limited mixed use, but willing to negotiate
- Sustainability plans and commitment are not well defined
- The parking is not an urban parking plan
- Access to the riverfront is more limited
- Many of the units are small (550 SF) and while creatively designed, they may be too small for the market
- Assumes a 20% historic tax credit, which may be difficult to achieve with the cut-throughs
- Smallman Street traffic issues and pedestrian safety were not addressed
- Large number of exclusions in the cost estimates
- Proposed design has limited amenities

# MC CAFFERY INTERESTS



Produce Terminal Redevelopment Meeting

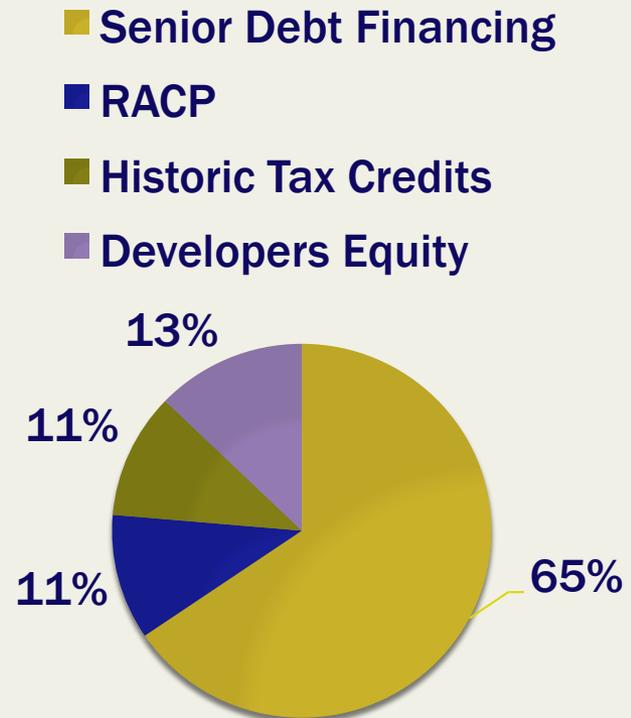
# MC CAFFERY OVERVIEW

- **Proposed Reuse: Residential and Live-Work Lofts**
  - **118 Loft Units; 10,290 SF in Live-Work Space; 16,000 SF of Office Space; 35,000 SF Retail Space (negotiable)**
  
- **Cost Overview**
  - **Total Development Cost of \$46.4 Million**
  - **Construction Costs of \$39.7 Million**
  
- **Redevelopment Team**
  - **McCaffery Interests, Chuck Hammel/Pitt-Ohio, Antunovich Associates; Massaro Corporation**

# MCCAFFERY FINANCING STRUCTURE

- Total Development Cost of \$46.4 Million
  - Construction Costs of \$39.7 Million
- Local Public Subsidy
  - LERTA
- Assumptions
  - Replacement of roof decking not required
  - No improvements to up/downstream utility infrastructure
  - No hazardous material removal
  - No direct reconstruction costs for Smallman (TIF)

## Sources



*Note: Preliminary Numbers are Subject to Change*

# MCCAFFERY STRENGTHS

- Finances were well thought out with options
- Significant equity from the developer and the equity is in hand
- Requires a small amount of public subsidy
- Success in historic development (Cork Factory, Lot 24 and similar markets) and large-scale transformative projects
- Successful re-use of a rail terminal in Chicago for residential use
- McCaffery and Hammel have strong reputations as community-friendly redevelopers; Massaro Corporation; all have strong sustainability track record
- Proposed design includes significant amenities
- Demonstrated alignment with the Allegheny Green Boulevard plan and plans to improve the safety of Smallman street.

# MCCAFFERY CONCERNS AND CHALLENGES

- Proposed limited mixed use, but willing to negotiate
- Expressed a commitment to sustainability but the plans are not specific at this time
- Assumes a 20% historic tax credit, which may be difficult to achieve with the cut-throughs
- Proposes three multi-modal portals that would increase access to the river; design should mitigate the traffic and safety issues

# EXPECTED TAX GENERATION

	MCM-Ferchill	McCaffery	Rubino
<b>Construction Taxes</b>	\$444,748	\$600,780	\$302,395
<b>Net Annual Operating Taxes</b>			
Real Estate	\$451,504	\$683,237	\$-
Earned Income	\$597,553	\$578,236	\$566,074
Other	\$114,626	\$109,914	\$166,122
<b>Subtotal Annual Operating Taxes</b>	<b>\$1,163,684</b>	<b>\$1,371,387</b>	<b>\$732,196</b>
<b>Expected Net 10 year Taxes</b>	<b>\$12,081,584</b>	<b>\$14,314,653</b>	<b>\$7,624,360</b>

# FEEDBACK WELCOME

<http://pittsburghpa.mindmixer.com/topics/17077/produce-terminal-redevelopment>

## Welcome to City of Pittsburgh, PA.

Mayor Peduto and his team want to hear from you! The City of Pittsburgh wants to engage our community to solicit feedback from a broad group of residents. Suggest ideas and leave your feedback on how we can make all our neighborhoods great!

 Connect with Facebook

or Sign Up with Email

### Produce Terminal Redevelopment

Posted Aug 1 0 Interactions  9 Days Remaining 



*Can't make the meeting? What design features would you like to see in the development plan for the Terminal Building?*

The Urban Redevelopment Authority of Pittsburgh (URA), along with partners Fourth Economy Consulting and the City of Pittsburgh, are hosting a public meeting on the Produce Terminal redevelopment.

<b>Name</b>
<b>Address</b>
<b>Affiliation</b>
<b>Comment</b>

# PUBLIC COMMENT

Please  
complete  
information  
on cards to  
provide input

**THE END**