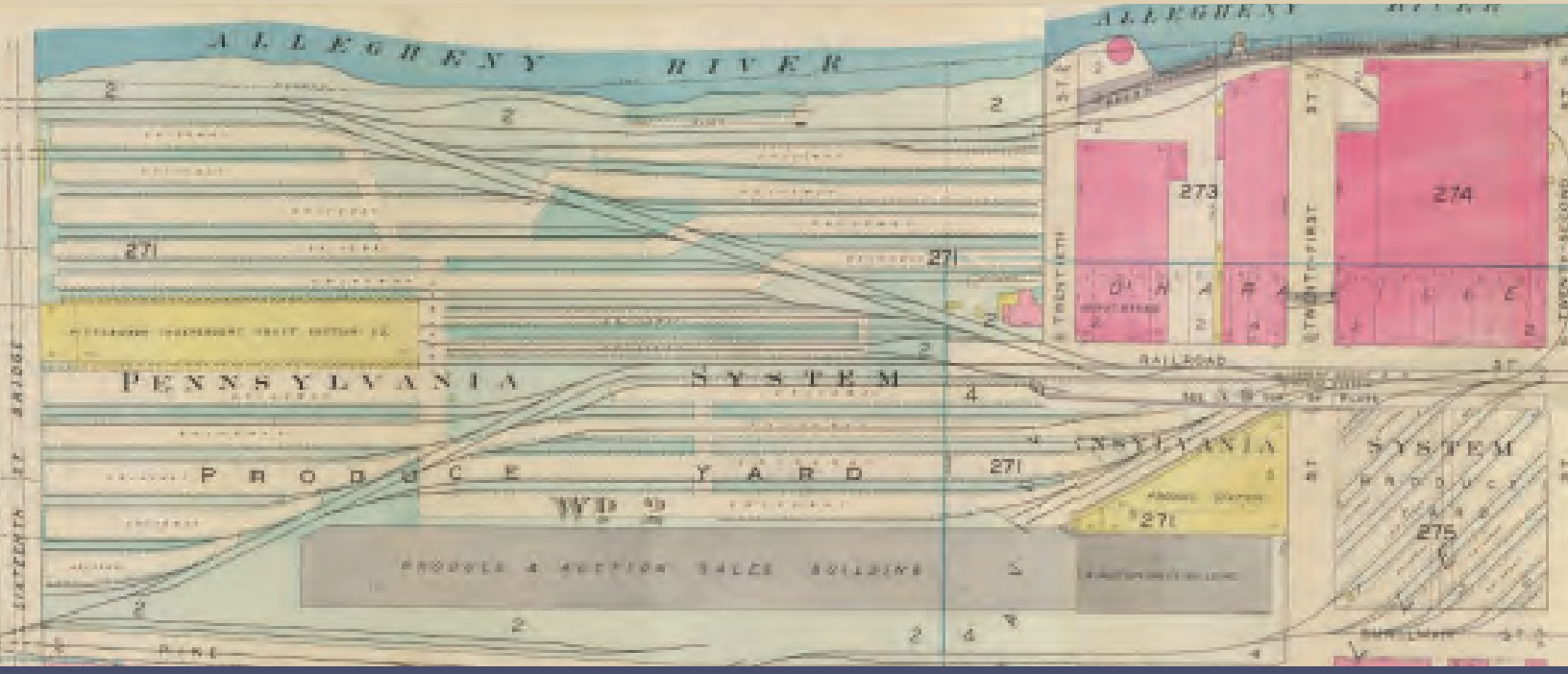
FOURTH economy

BUILDING PITTSBURGH WITH URA
URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH



Due Diligence and Assessment of the Alternatives

PRODUCE TERMINAL REDEVELOPMENT

Submitted to the Urban Redevelopment Authority of Pittsburgh
by Fourth Economy Consulting

09.05.14

BACKGROUND

Fourth Economy Consulting was engaged by the Mayor's office and the Urban Redevelopment Authority of Pittsburgh (URA) to assist in the search and evaluation of redevelopment alternatives for the Produce Terminal located in the City's Strip District. It was the desire of the Administration to seek options that limited the need for the building's full or partial demolition while offering uses the present viable financial and operational strategies. It was also critical that proposer's plans were compatible and added value to the neighborhood and surrounding development plans. FEC worked with the URA to issue a limited Request for Proposals (RFP), review submissions, and analyze a variety of criteria, including but not limited to market feasibility, economic impact, redevelopment cost assumptions, redeveloper capacity, financial feasibility, and community impact.

Three redevelopment proposals were submitted that would, to some degree, preserve the length of the building. Fourth Economy worked with the URA to review the economic feasibility of these alternatives to identify the strengths and weaknesses of the redevelopment teams and their potential to realize the vision for the site. This findings memo presents the process and results of the due diligence effort.

OVERVIEW OF REVIEW PROCESS

The review process included eighteen individuals from the Mayor's Office, the URA, City Planning and City Council with facilitation provided by Fourth Economy. An initial review of the proposals was conducted on May 2 to determine if the submissions were responsive to the RFP and to identify items to clarify with the redevelopers. Fourth Economy collected detailed input from each agency on the proposals to develop a preliminary ranking of the proposals. The team determined that the rankings were close enough to require interviews with all three redevelopers, which occurred on June 13. Fourth Economy also collected input from additional stakeholders to identify strengths and weaknesses of the proposal and identify issues for clarification. Consultations were held with Riverlife Pittsburgh, Pittsburgh History and Landmarks Foundation, Pennsylvania Historical and Museum Commission and Neighbors in the Strip.

PROJECT TIMELINE* TO DATE

03.19.14 RFP Issued
04.23.14 Proposals Received
05.02.14 Internal Review for Responsiveness to RFP
05.30.14 Clarifications Received
06.13.14 Developer Interviews
08.06.14 Public Input / Comment
09.05.14 Completion of Due Diligence Report

* See attached for full contract Timeline

OVERVIEW OF RFP RESPONSES

Three proposals were submitted, two of which, MCM-Ferchill and McCaffery, proposed primarily residential concepts with a smaller retail and mixed use concept, while another, (Rubino-Pfaffmann) proposed an entirely retail and commercial concept. This contrast between a residential and a retail focus meant that no single redevelopment team aligned with the mixed-use vision for the site. This lack of obvious mixed-use framed our due diligence to focus on the choice between a residential or retail focus. It also persuaded the group to ask both residential redevelopers if they could accommodate additional retail square footage in an attempt to balance the mix. Both residential Redevelopers said that a greater retail mix could be achieved and assured the Participants that the projects would still be economically feasible. A residential focus will succeed if the Greater Downtown maintains its current growth rate through 2020 – which would absorb the current residential pipeline plus these units. A retail focus will succeed if the additional retail square footage does not compete with existing businesses and attracts new customers.

Beyond the technical review of these proposals the City and the URA ultimately has a choice between two proposals primarily offering a privately owned residential use, and one proposal that offers a public-private retail/commercial use where the City would retain ownership of the building.

REVIEW DISPOSITION

The review process and due diligence provided a thorough review of the proposals as submitted to the URA. Each team was provided an opportunity to submit clarifications on their proposal and to present their proposals in person to the review team and a public forum. The due diligence has focused on the review criteria outlined in the RFP.

- 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

RECOMMENDATIONS

The following are the results of the preliminary review and ranking conducted from May 2 to May 2 to May 22. Each agency (Council District 7, Department of City Planning, Fourth Economy, Office of the Mayor, and the URA) below submitted a review form. This input was used to identify issues for clarification with the redevelopers.

McCaffery had the highest ranked proposal from the initial review but the team determined that the scores were close enough to continue due diligence on all three proposals. Clarification requests were submitted to the redevelopers and their responses were received on May 30. The review team then interviewed all three redevelopers on June 13. A public meeting was held on August 6, 2014. Input from the meeting has been included in this report.

	McCaffery (Residential)	Ferchill (Residential)	Rubino (Retail)
Viability Of The Plan	3.95	3.90	1.68
Redeveloper Experience	4.28	3.48	2.85
Economic And Community Impact	2.43	2.43	3.19
Access And Connectivity	3.50	2.71	3.16
Integration With The Neighborhood	3.11	2.60	3.69
Preliminary Score	**3.45**	**3.02**	**2.91**

Based on the review of the proposals, the consensus of the review team, based on a unanimous vote, was in favor of the proposal submitted by McCaffery Interests. Key points in favor of McCaffery include:

- 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 (LERTA).
- Success in historic development (Cork Factory, Lot 24 and similar markets) and large-scale transformative projects.
- Plan is based on a 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.
- Compatibility with Riverfront Landing.
- Demonstrated alignment with the Allegheny Green Boulevard plan and plans to improve the safety of Smallman Street.
- Aligns with the Mayor's vision to grow the city population.
- Places the property on the tax roll and generates significant earned income tax.
- Involves a full and complete renovation of the structure.

The due diligence conducted by the entire review team has identified issues that will require, refinement and further negotiation with the URA, and in the interest of the City and the public. These issues include but are not limited to the following:

- The amount and character of non-residential space.
- Specific plans for sustainability.
- A financing plan for the costs of the infrastructure and stormwater systems.
- A traffic plan that balanced traffic flow and pedestrian safety.

If the URA determines that public retail and commercial uses are best suited for this site, then it may consider a partnership between the development teams or select the Rubino team. The advantages this approach include the following:

- The retail uses open the structure for public use.
- Overall control and ownership of the building would be retained by the city.
- The design proposes fewer portals that disrupt the continuity of the structure.
- The Rubino plan estimates rental income to the building owner (URA) of $ $2.52 million, but this would be offset by the loss of the acquisition, and other costs to the URA detailed below.

The due diligence conducted by the entire review team has identified issues that will require, refinement and further negotiation with the URA, and in the interest of the City and the public. These issues include but are not limited to the following:

- The URA and City will be responsible for ongoing support for the building.
- The URA would forego the $2.5 million acquisition price, which included the funds to buyout the Buncher option and reimburse the URA for other costs.
- The Rubino proposal assumes that the URA will finance $5.37 million of the upfront construction costs, which does not include additional capital costs for ADA and other code compliance detailed in the memo (Attachment 17).
- The Rubino proposal assumes an additional $3.3 million in sustainability enhancements funded by a public-private partnership not yet identified.
- The site is not eligible for the New Markets Tax Credits, a $2 million gap.
- The minimum financial gap is estimated to be $11.2 million.
- The plan also assumes that the proposers can secure a mortgage without ownership of the building.
- A developer or construction manager would have to be retained, as there is no development experience on the Rubino team.
- It may compete with and not complement the Penn Avenue district.
- The use of the docks for farm trucks and food sales could conflict with the adjacent Riverfront Landing residential space.
- Proposed anchors (Marden's and 380 Discount Warehouse) have not operated in urban settings.
- The feasibility of this plan hinges on the city taking on the financial risk to make this project successful. However there is an even higher bar to make the Produce Terminal viable as a retail market and maintain the existing vitality of the current Penn Ave business district.

The following section provides the summary of the strengths and weaknesses of each redevelopment team identified by the reviewers. They are presented in alphabetical order.

MCM - Ferchill

209 residential rental units with 18,000 SF retail (negotiable)

Total Development Cost of $35.6 Million with Construction Costs of $26.2 Million

Ownership and Management: Ferchill, MCM Company (joint venture), Sandvick Architects, Brown Gibbons Lang Real Estate Advisors

Strengths:

- The plan requires/assumes a relatively small amount of public subsidy.
- The developer has their proposed equity in hand.
- The developer has a successful track record in historic development in Pittsburgh and similar markets. Most of the team from the Heinz Lofts has remained in tact for this project.
- The residential development should support the existing retail and businesses in the strip district and be compatible with the Riverfront Landing development.
- The development would return the property to the tax rolls.
- With only two portal cut through the building, this team proposes to preserve the continuity of the structure, and would still provide access through the site to the river.
- The design of the portals would reveal the structure and add both a historical and architectural element that mitigates the cut-throughs.

Weaknesses:

- Proposed limited mixed use, but willing to negotiate.
- The plans and commitment towards sustainability 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.

Additional Comments:

- The Greater Downtown area must maintain its current annual growth rate of 3.5% through 2020 in order to fill the residential pipeline under development.
- The parking plan preserves the existing arrangement of parking abutting the building, which preserves the historic pattern, but will not address the safety concerns of residents.
- The residential development is being used to subsidize the retail space. More retail or mixed-use space may be feasible, but it is limited by the over supply of retail space and limited rents available.
- The developer is open to negotiating on mixed use and public amenities.

McCaffery

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: $46.6 Million with Construction Costs of $39.7 Million

Ownership and Management: McCaffery, Chuck Hammel/Pitt-Ohio

Strengths:

- Finances were well thought out with options.
- Significant equity for the developer and the equity is on hand.
- The plan requires / assumes a small amount of public subsidy.
- The developer has a strong track record in historic development in Pittsburgh (Cork Factory and Lot 24) and similar markets with particular success in large-scale transformative projects.
- Plan is based on a successful adaptive re-use of a similar rail terminal in Chicago for residential use.
- McCaffery and Hammel both have strong reputations as community-friendly redevelopers and they have a local construction firm, Massaro Corporation, with a good reputation in the City, especially the Phipps project.
- High quality of design that addresses the management of public access with private spaces – the 4' elevation of the docks keeps the residential space private.
- Demonstrated alignment with the Allegheny Green Boulevard plan and plans to improve the safety of Smallman Street.

Weaknesses:

- Proposed limited mixed use, but willing to negotiate and. Suggested restaurant, retail or office, but would conduct a market study to refine the plan.
- Expressed a commitment to sustainability but the plans are not specific at this time.
- Not clear who pays for the costs of the infrastructure and stormwater systems.
- The developer fee was not specified.
- Proposes three multi-modal portals that would provide more access to the river, but may also create too much traffic, although they mitigate it with their design.

Additional Comments:

- The Greater Downtown area must maintain its current annual growth rate of 3.5% through 2020 in order to fill the residential pipeline under development.
- The residential development is being used to subsidize the retail space. More retail or mixed-use space may be feasible, but it is limited by the over supply of retail space and limited rents available.
- The developer is open to negotiating on mixed use and public amenities.

Rubino

Mixed Used 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. Willing to explore the feasibility of separate financing and development for non-retail uses, such as housing and/or office space in the 20,000 SF on the second floor of the Terminal "Head House."

Total Development Cost: from $13.9 - $20 Million with Construction Costs of $13.98 Million

Ownership and Management: Rubino as a master tenant, URA retains ownership

Strengths:

- The retail uses open the building for public access.
- Parking revenue as well as overall control and ownership of the building would be retained by the city.
- Mr. Rubino runs one of the largest closeout distribution companies in the U.S. nation.
- The team brings significant expertise related to sustainability and proposes a number of potential sustainability elements.
- The portals created for access provide a mix of multi-modal and pedestrian only access.
- The proposal aligns with the Allegheny Green Boulevard plan.
- They propose a very high quality of design.
-

Weaknesses:

- The URA and City will be responsible for the costs building structure, roof and exterior maintenance.
- The plan calls for New Markets Tax Credits, but the site is not eligible for those credits.
- In order to use historic tax credits the URA would have to form an LP or LLC with a corporate or individual tax credit investor through which the investor becomes (and must remain) one of the building owners for a 5-year period in order to use the historic credits proposed.
- While some local businesses support the plan, others have expressed concern that it would compete with and not complement the Penn Avenue district.
- The Pittsburgh Public Market is committed to its current site, where it has invested heavily in a location that supports and extends Penn Avenue shopping.
- The greater downtown area has more than 20 SF of retail for every resident and worker in the greater downtown. The U.S. is considered over-retailed at 23 SF (vs less than 10 SF in other countries). This proposal would add more than 1 SF of retail space for every worker and resident in the greater downtown.
- The Penn Avenue District has 280,000 SF of retail and restaurant space between 16th and 23rd. The Rubino proposal will add nearly 120,000 SF for a total of 400,000 SF. The Pike Place Market in Seattle has 435,600 SF of space in a city with a population of 652,000, compared to Pittsburgh's 2013 population estimate of 305,000.
- The use of the docks for farm trucks and food sales could conflict with the adjacent Riverfront Landing residential space.
- Proposed anchors (Marden's and 380 Discount Warehouse) have not operated in urban settings.

Additional Comments:

- The rents proposed are aligned with similar markets in other cities, but significantly higher than the current Public Market. Higher rents may be justified when they bring more customers, but it is not clear that they can attract more traffic without poaching from Penn Avenue.
- Most of the feasibility of this plan hinges on the city taking on the financial risk to make this project successful. However there is an even higher bar to make the Produce Terminal viable as a retail market and maintain the existing vitality of the current Penn Avenue business district.

EXTERNAL CONSULTATIONS

Feedback from the external consultations is reflected in the strengths and weaknesses of each proposal. These organizations were consulted to identify issues and concerns to supplement the review process, not as an endorsement of any proposal. The summary below highlights unique and salient perspectives from each of these consultations.

Neighbors in the Strip

- Concern that retail development would compete with the Penn Avenue business district and the investment made in the existing Pittsburgh Public Market
- Desire to create a gateway, view corridor to the river
- Concern over high-end residential, but support for residential development to boost existing retail traffic
- Public safety concerns over added intersections, increased traffic, the likelihood of no traffic control devices, possible gridlock even if there are, and the perceived and real danger of covered streets.

Pennsylvania Historical and Museum Commission

- If the project utilizes federal or state funds or other assistance, by definition portals or cut-throughs would be considered an adverse effect on the Terminal. However, adverse effects can be avoided if the project meets the Secretary of the Interior's Standards for Rehabilitation. The PHMC believes it is possible for a thoughtful, carefully considered design that includes cut-throughs could be made to meet the Standards.
- If the project utilizes federal or state funds or assistance and the project does not meet the Standards, the redeveloper must mitigate adverse effects.
- If the developer wishes to take advantage of the federal or state rehabilitation investment tax credits, the project must meet the Secretary's Standards.
- By definition, demolition of one-third of the Terminal building could not be accomplished in a manner that meets the Secretary's Standards.

Pittsburgh History and Landmarks Foundation

- The Ferchill proposal preserves more of the historic appearance of the Terminal building and does not suburbanize the street like the other submissions, however, PHLF still objects to the cut-throughs that would sever the building into separate pieces.
- The McCaffery proposal is also well thought out but also doesn't preserve the continuity of the building.
- Residential development is the most supported financially, better than office or retail.

Riverlife Pittsburgh

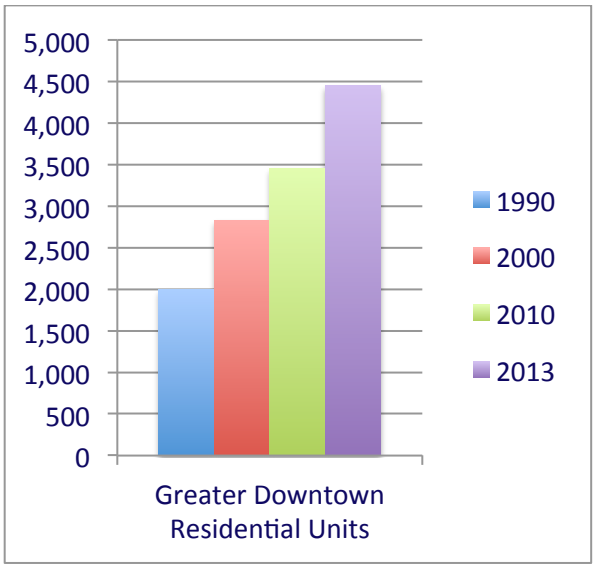
- The McCaffery and Rubino proposals demonstrated higher quality of design and they provided the most accessibility to Riverfront Landing and the river.

ATTACHMENTS

1 | FEC Residential and Retail Analysis
2 | Notes from June 13 interviews
3 | Review team
4 – 6 | Redeveloper clarifications
7 | Preliminary Rankings
8 | Summary Review Comments
9 | Notes from the external consultations
10 | Project timeline
11 | Tax Estimates
12 | Eligibility for New Markets Tax Credits
13 | Rubino Clarification and Revision of Pro Formas, 8/20/2014
14 | Press Release from the Rubino Team
15 | Response to the Rubino Press Release
16 | Comments from the Public Meeting
17 | URA Memo on Compliance Costs

Residential Overview

- 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



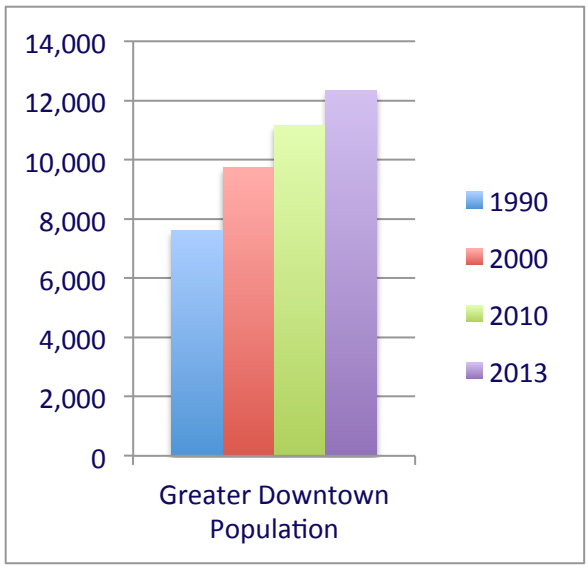


Table 1: Overview of Greater Downtown Residential

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

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.

Table 2: Growth required for New Housing

Population Needed to Absorb Downtown Residential Units	Total	Increment from Current Pop
@ Greater Downtown Pop per HU (2.8 people per HU)	20,514	8,171
@ City Avg Pop per HU (2.0 people per HU)	14,792	2,449

Table 3: Change in Population and Housing

Residential Overview	**1990**	**2000**	**2010**	**2013**
Greater Downtown Residential Units	2,000	2,830	3,459	4,450
Greater Downtown Population	7,597	9,736	11,167	12,343
Change in Housing and Population	**1990-2000**	**2000-2010**	**2010-2013**	**1990-2013**
Greater Downtown Residential Units	830	629	991	2,450
Greater Downtown Population	2,139	1,431	1,176	4,746
	Pop. 1990	**Pop. 2000**	**Pop. 2010**	**Pop. 2013**
City Housing Units	170,159	163,414	156,165	156,165
City Population	369,879	333,527	305,704	305,841
Change in Housing and Population	**1990-2000**	**2000-2010**	**2010-2013**	**1990-2013**
City Housing Units	(6,745)	(7,249)	-	(13,994)
City Population	(36,352)	(27,823)	137	(64,038)
Downtown population and housing have seen strong growth. City population is starting to grow, but overall the city is replacing housing stock and weeding out deficient housing stock. The City has nearly 14,000 fewer housing units now than in 1990. Downtown housing is denser in terms of persons per unit - overall households are getting smaller, which is increasing demand for housing even as population shrinks. If Downtown is more reflective of the city in terms of household size, that will increase the demand for more residential units.				

Fourth Economy projected the City's population in 2020 for a low migration and high migration scenarios. The more conservative low migration scenario, based on age specific migration rates is presented below, where there is significant in-migration for populations aged 20-49 and out-migration for all other age groups.

Adjusted Migration

	Pittsburgh
PopU10	1.9%
Pop10-19	-2.7%
Pop20-29	19.6%
Pop30-39	4.9%
Pop40-49	1.8%
Pop50-59	-1.3%
Pop60-69	-3.3%
Pop70-79	-5.2%
Pop80 up	-5.1%

Even in the low-migration scenario, the City of Pittsburgh will have a housing need of more than 12,000 units. This assumes that deficient housing stock will not be inhabited and that the City can reduce its vacancy rate to around 8% from 12.5% in 2010-2012. The Greater Downtown area is projected to add less than 3,000 units, which is 24% of the potential demand. This is a significant share of the new units, but it also reflects a long-standing goal of creating a vibrant downtown residential sector.

Table 4: Population Projection in a Low Migration Scenario

		Pittsburgh
	Demand	
2020	Population to be housed	311,116
2020	Number of Households	147,351
2020	Target Vacancy	8%
2020	Total Demand for Housing Units = (Households *(1 + Target Vacancy))	159,139
	Supply	
2020	Number of Housing Units	155,653
2020	- Deficient Units	8,654
2020	= Available Units	146,999
2020	Available Units - Total Demand = Target Housing Surplus (Shortgage)	(12,140)

Deficient Housing Estimate based on Poor / Derelict Condition Buildings (2009) from PGH SNAP.
Housing Demand = Households + 8% Vacancy

Multi-Family Housing - The National Context:

It is important to recognize that housing today is as important to successful economic development as industrial sites and infrastructure were decades ago. With Pittsburgh's dramatic population decline over the last several decades, it is a common assumption that future population growth - growth that is needed to fill future employment demand - can only result from new residents moving into the area. A quality and diverse housing stock is critical in helping to attract and retain that talent (the workforce) across all age groups and stations-in-life. However, even in periods of slow population growth, it is necessary to upgrade and replace deficient housing stock in order to attract new residents.

Expanding a permanent resident base supports retailers, restaurants, cultural events and the overall tax base. The desire to live in urban style higher density residential options is a growing national trend. The Urban Land Institute (ULI) has noted many recent studies that point toward a substantial future demand for urban living in the coming years.

- *As of the middle of this past decade, A.C. Nelson—now at the University of Utah—predicted demand for nearly 20 million attached housing units in the United States by 2025.*
- *Consumer research conducted by Bethesda, Maryland–based Robert Charles Lesser & Co. indicates that 77 percent of generation Y plans to live in an urban core. Furthermore, due to a variety of demographic factors, there exists a 12 million–unit undersupply of attached housing.*
- *The U.S. Environmental Protection Agency indicates that an increasing percentage of housing permits in many metropolitan areas is occurring in the urban core.*
- *The National Multi Housing Council says that 66 percent of new households created between 2008 and 2015 will be renters, and 86 percent of new households formed between 2000 and 2040 will not have children.*
- *Furthermore, A.C. Nelson now estimates that the rental housing market will add 9 million to 12 million units by 2020, and that rental housing will make up 41 percent of the nation's housing by then.*
- *The National Association of Realtors believes there is unmet demand for urban living.*

The issue of supply and demand is a key point that impacts both the national and local markets. The 2014 National Realtor's Survey revealed that while a majority of those surveyed still favor a suburban lifestyle with 57 percent of the vote, 39 percent did choose apartments and condos located in more walkable neighborhoods. While this may suggest that there is smaller demand for apartments and condo living overall, data also suggest that overall the supply is not keeping up with even that level demand - especially considering what is available in terms of quality and quantity.

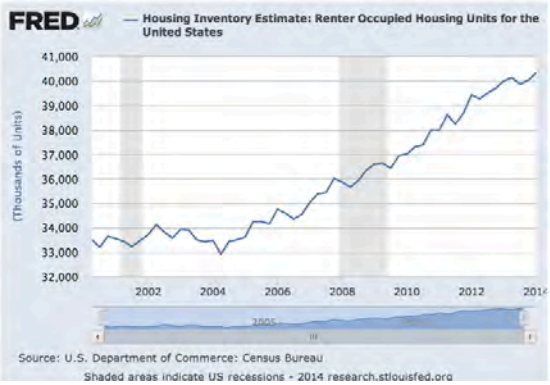
> *…Various prognostications point to a major boost for the apartment market in the coming years; indeed, this boost is materializing already. Developers, brokers, and investors around the country are finding that conditions on the ground in metro areas across the nation are responding to these changing demographics—an early indication of future hot market sectors.*
>
> *Urban Land Institute 2011*

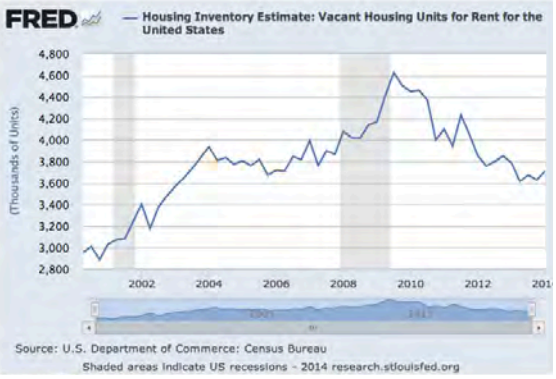
An April 2014 article in the national urban planning publication Planetizen entitled *America's Apartment Shortage: 8 Million Units* by Shane Phillips, captured the supply and demand challenge best.

> *The follow-up question (to the National Realtor's survey) is are we providing enough apartments and condos to meet the needs of the 39 percent of Americans - more than 120 million of them—who would prefer a walkable apartment to a car-dependent detached home. The answer, sadly, is a resounding no, to the tune of a nearly 8-million-unit shortage of apartments and townhouses.*
>
> *In fact, even an 8 million unit shortage may be understating the need: according to the 2012 American Community Survey there are approximately 60 million individuals living in buildings with two or more units, and another 20-25 million in single-unit attached homes. Since*

multifamily and renter-occupied homes tend to house a smaller number of people, that means that only 28 percent of Americans are currently living in multifamily buildings—30 million fewer residents than consumer preferences would predict. And even that is an understatement, since many existing apartment complexes are completely unwalkable, forcing residents into a car-dependent lifestyle.

While the supply may be down the number of renters are up. A 2014 report from Harvard's Joint Center for Housing Studies noted that the number of "renter households" increased by more than half a million in 2013, a rate much faster than analysts have anticipated. The Federal Reserve Economic Data (FRED) charted both the trends in Renter Occupied Housing Units and Rental Housing Vacancy Rates (see charts below).





The FRED tracking highlights that since 2002 there has been a steady and dramatic rise in renter occupied housing units. While the inventory of rental units had also steadily increased through much of the same period, since 2010 the supply has declined considerably. The full report from Harvard's Joint Center for Housing Studies can be found here: http://www.jchs.harvard.edu/research/state_nations_housing

Overall these data points validate the value in planning for and encouraging the development of well-designed, higher density housing options that offer high-value amenities aligned with consumer demands. It is a key part in helping to maintain a community's overall economic competitiveness.

Changing Demographics

The Penn State Data Center estimates that Allegheny County added just-under 6,000 new residents between April 2010 and July 2012. And while the 2010 census saw Pittsburgh's population drop by 8.52 percent since 2005, that decline has been reversed (ever so slightly) for the first time in decades. The 2012 U.S. Census Bureau estimate Pittsburgh's population increased .2 percent to 306,211 residents since 2010.

This new population is also trending younger and is more educated. Pittsburgh's higher education institutions have realized a 20 percent growth in bachelors degrees awarded since 1997. Many of these students are likely to stay in the region after graduating or continue their studies at local graduate schools. These graduate students and young professionals are in need of affordable, yet quality "first step" housing. The Harvard Joint Center for Housing Studies report noted that if "current headship rates hold, the number of households in their 30s should…increase by 2.7 million over the next decade and provide a strong lift to the rental and starter home markets."

Theses trends suggest and the local observations support that many young professionals and graduate students (single and married 25 to 35), empty nesters (55 to 65) and some younger families increasing are seeking higher density mixed-used living options. With Pittsburgh's growing medical and health care sectors and higher education institutions, the region is positioned for even higher attraction rates of student and younger professionals as new students, medical residents, doctors and faculty move to the region. The wealth of technology talent coming from the region's universities, combined with efforts to build up-and-coming neighborhoods into tech hubs will be a major attraction for developers in the next few years.

Supply, Demand and Lease Rates

With generally low vacancy rates and limited supply of new and affordable market rate housing options throughout the regional market, demand for housing in and around Pittsburgh is expected to remain strong. Current vacancy rates in Pittsburgh are estimated to be 3.1 percent with an expected 3.9 percent vacancy rate in 2019, among some of the lowest in the nation. Currently 1,650 new units are expected to be completed in the Pittsburgh market by the end of 2014. This is a 1.2% increase from 2013 and the largest expansion in a decade. Many of these units are located north and south of the City, where construction costs are lower. (Capital Markets Multi-housing, 2014 Annual Market) Fourth Economy has estimated a total pipeline of 2,946 units by 2020 including up to 200 proposed units for the Produce Terminal.

As employment opportunities continue to grow, developers and community planners in and around the City of Pittsburgh are observing quick shifts in many older Pittsburgh neighborhoods. Their general observations suggest that younger professionals and families appear more likely to seek out and purchase older homes in city-neighborhoods like Upper Lawrenceville, Homewood, Larimer, Morningside and the Southside Slopes. While these trends may in part reflect a specialized consumer preference, choosing to be "urban pioneers" by renovating in currently underserved neighborhoods, developers who are also seeing equally rapid demand for purchase and rentals for new construction.

> After accepting a job as associate professor of plastic surgery at the University of Pittsburgh Medical Center, the city's largest employer, Jeffrey Gusenoff said it took almost five months to find a home because few luxury properties were available—and all of them needed extensive renovations. Dr. Gusenoff, 37, and his wife, Beth, ended up buying a five-bedroom, 4,500-square-foot house built in the 1920s in Pittsburgh's Shadyside neighborhood. They ripped up carpets and refinished wood floors in the bedrooms. In the kitchen, they tore out "leopardlike" wallpaper and installed track lighting.

At all levels, the demand for quality housing is driving demand for both new construction and the renaissance of many older and at least for the short term "more affordable" city neighborhoods. Affordability is increasingly an issue for Pittsburgh. With limited supply of new market rate housing and only a select few willing to invest in older homes and renovate, housing costs are increasing. This condition is likely to be compounded by the fact that developers are choosing to focus on even higher-end and luxury markets.

MORE ABOUT AFFORDABILITY

For a story entitled *Gold Rush in the Steel City*, the Wall Street Journal (WSJ) reported that Pittsburgh developers like Chuck and Kirsten Hammel "…are renovating an old warehouse in Pittsburgh's Strip District that Mr. Hammel originally used for his trucking company. When renovations are finished next year, the building will have 11 luxury condos ranging from 3,410 to 5,380 square feet, with prices starting at $1.2 million. Mr. Hammel is betting on demand from older, established buyers…relocating from other cities."

Yet while home costs and rental rates continue to rise in Pittsburgh, the market remains cost competitive and a good value.

> The average cost of an apartment in the city of Pittsburgh runs about $838 a month, while the average rent is $2,985 a month in New York, $1,970 in San Francisco and $1,045 in Chicago, according to Reis Inc., a New York-based real estate research firm. And those rental dollars go further here. "You can get a better apartment for less money in Pittsburgh than you can in Chicago or New York or San Francisco," said Jon Pastor, CEO and co-founder of Rent Jungle, a North Shore-based company that collects data on rental rates nationwide. "It's not just more square footage you get in Pittsburgh," he said. "But also you'll get a location in a neighborhood where young professionals want to live, with lots of access to bars, restaurants and activities like movies and shopping. (Post Gazette, January 11, 2013)

The U.S. Department of Housing and Urban Development recommends that renters spend no more than 30% of their

gross income on housing and utilities – meaning that someone earning $37,000 (Pittsburgh's median income) should not be spending more than $925 per month on rent and utilities. (Covering Rent is a Little Easier in Pittsburgh, Post-Gazette) Developers have been shifting their focus from single-family homes to capitalize on the demand and higher rents for apartments, even though rental rates are lower than many other similar cities. (Rent, number of apartments on rise in W.Pa., TribLive) As of April 2014, average lease rates within 10-miles of Pittsburgh is $989. One-bedroom apartments generally lease for $800 per month and a two-bedroom for $1,043 per month. (Rent Jungle)

As Pittsburgh's job opportunities grow, so will income and purchasing power. Pittsburgh's diversified economy is expected to create 24,600 jobs in 2014, representing a 2.1% increase in total employment since 2013 and 88,9000 jobs by 2019. Driven by the energy, financial services, healthcare, life sciences, education and technology sectors, the region's thriving employment will continue to boost demand for multifamily development and support rent growth. (Multi Housing News)

The Downtown Pittsburgh Partnership says that within the next decade, 2,400 apartment units are in the pipeline for the Greater Downtown area. Fourth Economy has estimated a total pipeline of 2,946 units including up to 200 proposed units for the Produce Terminal. Places like Shadyside/Oakland market is the strongest submarket in the region with 1.8% vacancy rate and an average rental rate of $1,224. This can be largely attributed to the proximity to local amenities, cultural and social hubs, and universities. (Capital Markets Multi-housing, 2014 Annual Report)

The market continues to garner investor interest from local, regional and national buyers – seeking best-in-class assets and value-add opportunities. Apartment investors and owners are taking advantage of Pittsburgh's solid base and steady growth. From 2014 – 2019, new supply of units is expected to average 961 units per year, while vacancy is expected to reach 3.9% and overall average rents are forecasted to rise to $1,169 per month. (Capital Markets Multi-Housing, 2014 Annual Report)

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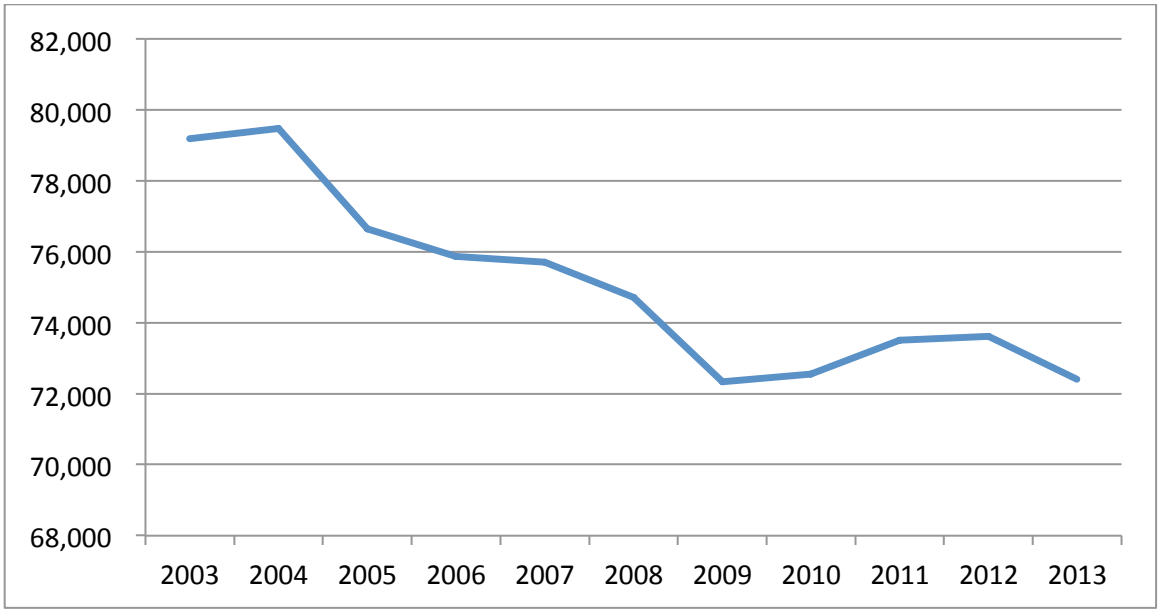
Retail Overview

Office Space	**2010**	**2013**
Regional office space	51,432,295	52,247,617
Regional office employment	981,908	1,002,629
Regional SF per employee	52.4	52.1
Greater Downtown office space	27,841,801	27,159,469
Greater Downtown employment	110,135	113,110
Greater Downtown Retail	**2010**	**2013**
Retail Employment	14,470	14,958
Retail SF	2,825,030	2,644,643
Vacant Retail SF	213,190	97,704
Occupied SF	2,611,840	2,546,939
Pct Vacant	7.5%	3.7%
Retail SF per Res & Worker	**21.5**	**20.3**
Allegheny County Retail	**2010**	**2013**
Retail SF		49,344,408
Pop		1,231,527
Retail Per Capita		**40.1**

** Cushman & Wakefield estimate that the U.S. has 23 SF per capita; Greater Downtown is close to that benchmark, but the U.S. is considered over-retailed (compared to 14 sq feet in Canada, 6.5 sq feet in Australia, 2.3 sq feet in France and 1.1 sq feet in Italy). The dominant trend in U.S. retail is to close stores and "rationalize" real estate holdings. Allegheny County as a whole is significantly over-retailed.*

Table 5: 7,000 Retail Jobs Lost in Allegheny County, 2003-2013



Summary of Key Points

- 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.
    - Where new retail has succeeded in the City, it has had free parking.
- Retail development competes for the discretionary spending in the community and does not grow the economy.[1]
- Allegheny County has lost 7,000 retail jobs from 2003 to 2013.
- Fourth Economy estimated Retail Sales and Consumer Expenditures.
    - Greater Downtown has a retail sales surplus of approximately $400 million per year, so it must attract retail dollars from the rest of the city, the region, and from visitors.
    - The City has a retail sales surplus of approximately $1.4 billion million per year, so it must attract retail dollars from the rest of the city, the region, and from visitors.
    - The MSA has a retail sales surplus of approximately $6.7 billion per year, so it must attract retail dollars from the rest of the city, the region, and from visitors.
- AECOM report estimated the 1,000 new households could support 10,000 SF of neighborhood retail. Based on the current housing pipeline of 2,946 units that equates to 29,460 SF of new neighborhood retail demand. (AECOM page 50).
- AECOM examined 14 public markets across the country and found that five were self-sufficient (AECOM page 40).
- AECOM found that the successful markets rely on events and need easy to parking. (AECOM page 40-41).

Implications for the Produce Terminal

- Penn Avenue in the Strip District is already a retail destination, that provides 280,000 SF of retail and restaurant space between 16th and 23rd. The Rubino proposal will add nearly 120,000 SF for a total of 400,000 SF. The Pike Place Market in Seattle has 435,600 SF of space in a city with a population of 652,000, compared to Pittsburgh's 2013 population estimate of 305,000.
- The mix of food, bargain goods, and unique products is already present in the Strip.
- Most of the businesses in the strip survive off of wholesaling, not retailing.
- Pittsburgh Public Market is a multi vendor space in the formerly occupied the Produce Terminal. Their goal is to extend shopping along Penn Avenue.
- Additional retail should complement not supplant existing vendors in Strip

[1] Economic base theory stipulates "some activities in a region are peculiarly *basic* in the sense that their growth *leads and determines* the region's overall development; while other *(non basic)* activities are simply *consequences* of the region's overall development."[1] Retail depends on and competes for the discretionary spending of the consumers in the community. Retail does not drive regional growth but generally grows only as fast as the economy. Sales revenues and jobs added by one retailer generally result in a commensurate loss of sales revenue and jobs at one or more competing retailers. Competition between retailers within a community is a zero-sum gain for the community as a whole and caution is required when retail development is subsidized.

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Retail sales were estimated using Census, ZIP Code and business data. BLS Consumer Expenditures by income quartiles were used with the City and regional population by income quartiles. Additional data was provided by the University of Wisconsin-Milwaukee Employment and Training Institute.

Data on the SF of space for retail and restaurant use in the Penn Avenue corridor was determined from property data downloaded from the Pittsburgh Neighborhood Community Information System (PNCIS).

AECOM Project No. 10892329 Final Report.

Produce Terminal Proposal Review Meeting #2
June 13th, 2014
1pm – 5pm
URA Wherrett Room

Rubino Presentation – 1:15pm

- Marketplace
  - Farmers row
    - Provisions for more inside – over 100 farmers
    - Connection with Amish community
  - Close out buys
    - Anchor vendors
  - 4 sit-down restaurants
    - Farm to Fork restaurant
  - Strip District Vendors
    - Many want space to start new business
    - Shuttle around Marketplace
  - Incubator Space
    - Rent space as small as 100 sq feet / $50 a day
- Economic Impact
  - $68 million increased revenue, millions in taxes, creation of jobs and investment
  - Market can fill hotel rooms, etc.
- Public/Private Partnership
  - Benefits come to community/City
  - If fails – good opportunity to rent out space, etc afterwards

Rubino Q&A

- Public Participation
  - City/URA would continue to own building – Rubino would run business with Market Ventures on the management team and others to be named
- How to raise capital? 19.4 million total
  - 6 million – prepaid for 5 years by Rubino
  - Convention finance – the majority of the funding. Through the Public-Private partnership, solicit funding from bank/private
    - Discussion with some banks – Commitment to get done
    - Would generate the income
  - Rubino would solicit the outside funding
    - $10 million – unaccounted for – still need to be raised (backed by rents?)
    - Percentage rent on profitability – income that comes with the building
  - If there are higher rents, the income would be covered a little earlier.
- Capital Investments

    - Sustainable Infrastructure
    - Want to renovate building to more economical point
        - Don't want to incorporate extra costs
    - $16 million does not include green infrastructure improvements mentioned - would be covered reduced costs
    - Renovated most inexpensive way – viable building
    - Sustainability group
        - Smallman street – Stormwater calculations
        - Detailed cost estimate
- $150,000 – slab improvements. Seems very under budget
    - Vendors coming in with longer term and shorter term – Trying to renovate in a way that doesn't go too far.
    - Most flexible design
- Historic tax credit changes, will still get credits?
    - Yes - Did a complete review
    - There are certain things that are very historically focused. Restoring, etc.
- Relationship with vendors in the Strip
    - Anticipate that bringing more people into the Strip as a whole
    - Integration with Public Market, not competition
- Comparable to rental rates / Market
    - $20-30 day. Pike Place is $30 square foot
- Vendors are mixed – Market will hopefully be so popular that it would push more into the Public Market as well.
    - Not looking for competitors – looking for partners
- Who would guarantee TIF if URA made a non-profit arm to take care of property?
    - Don't know what the answer is
    - Reserve Fund to be built up with rents? There have to be taxes
- Breakthrough of street. Breakdown of 2 street edges and whole street – just under 6million for roadways, etc.
    - Split in how those are paid for are
- Close-out Structure
    - Are the customers that are interested in closeout also interested in the other aspects Marketplace?
    - Wholesale distribution business 300,000 square feet
    - Helping the maker space, Aldi's is a client
        - Entertainment/Food – a new flea market type atmosphere
    - Waste stream – reduction
- Ongoing costs to service dumpsters and frequency of truck traffic/hours etc.
    - Dumpsters
        - Edge to Buncher company
    - Property line with Buncher? – Take a portion of the dump area and have that be part of the storm water infrastructure area.
- Air Conditioning/High Performance structure

    - Passive Building? Not really….
    - James Construction – Minimize air conditioning
        - Maybe geothermal costs – solar and ground source geothermal
    - Requires higher $3 million
- Shuttle
    - Private bus service
    - Would want to work with Circulator project. Want to connect parking structures
- What happens if failed?
    - Would work out with the City/URA how to deal with that

McCaffery Presentation

- Will provide copies of presentation
- Mixed use project– Arlington Virginia (most famous)
    - Transitional housing surrounding the area as well
    - Vibrant communities – landscaping/public space
    - Committed to amenity creation – sustainable design
    - LEED Certified project for PT
- Mixed Use plan for Produce Terminal
    - Retail on far north side – 20,000 square feet of office space of second floor
    - 12 units of live/work units - Each suite would have outdoor space on second floor
    - 3 streets continue through terminal
    - Connectivity
    - 205 parking for the building specifically

McCaffery Q&A

- Parking
    - Head in parking on "Spruce" with serrated loading bays
        - Smallman – parallel spaces on that side
        - Bike path on Smallman
    - Historic tax credits with those changes? Including break-throughs of the building?
        - Will be able to retain them
        - Have to be careful to keep Penn separate.
        - Want to focus on keeping it more residential on the river side
        - Don't want to close things off from transportation
- Relate to Buncher?
    - Been in contact – good relationship
    - Surface parking – waste of urban area
    - Have presented to Buncher – convincing them that it would be one of a kind. Even better than Washington Landing
    - Need something transitional – this project would do that
- 4 foot grading

    - Groundfloor will have people walking by----but will have a 4 foot elevation from the street. Loading dock height. Rail, plants, etc.
        - More comfortable being a bit elevated
        - This elevation works better for residential than retail. McCaffery has found that getting too far from street level kills retail
- Relationship with Smallman – More engaged? Lots of traffic now
    - Smallman needs to be rebuilt – Upper and lower sidewalk
    - Cutting the street down to something that is more appropriate
    - Truck traffic will diminish
    - Put pressure on other buildings on Smallman to redevelop
        - Both sides of street will need more beautification
    - This project includes lots of landscaping – benches/green/etc
- Public Space
    - Has the scale of a public space, perhaps taking that away from pedestrians and people who come to Strip?
    - Nightclubs probably won't survive for long even without this development – they like cheap rents and those are going away.
    - Still keeping 4 lanes of traffic – still a lot of room on the street
- Cross traffic
    - Goal is to invite people from Liberty more to Penn Ave
    - Increasing density of people – will be extending up and down Penn rather than through the cut-throughs
- Retail endcap?
    - Society of Contemporary craft – would stay at relatively low rent – entirety of ground floor
- Office tenants – Live-Work space
    - High tech – startups , architects/1-2 person shops
    - Could increase the mix to 30-40 people /units
- Possibility for more retail?
    - Yes – more retail can be added within limits. Residential can be financed and can subsidize some limited retail
    - Room for addition mix?
        - More retail availability?
        - Would do a full market study to determine what kind of retail
        - Cut-throughs would lead to a good transition
            - Retail units that run on the cut-throughs
- Local economic stimulus
    - Would be able to do TIF? Yes.
    - TIF only used for public infrastructure
- Role of water – stormwater management
    - Would be interested in catching rainwater and using in landscaping
    - Haven't started studying yet
    - Would be prepared to contain all stormwater onsite

- Proforma today – shoot for 250 basis points over the cost of debt gets you around 7 percent loan amounts
    - Probably more over debt – would be able to have it financed
    - Would take institutional finance
    - Not a typical project – may need to prove to funding partners, etc.
        - Pension investments, etc.

Ferchill Presentation

- Historic/private financing
- Vendors/residential/arts space
- Connectivity is important – compliment Buncher
- Cut through building, 2
- Very flexible plan – maybe add more retail space – line the portal with the retail – Would be like a bridge – glass walls
- No major modification of historic nature
- Very conservative – vacancy of 7%
- Creative capital structuring – 6.75 is conservative
- Not asking for public subsidy
    - Retail will be subsidized by rental rates
- Confident that historic plan is approvable

Ferchill Q&A

- $5 per square foot for commercial – low rate?
    - Typically need to subsidize mixed use – large build out cost
    - If successful – can take a portion of net receivables
    - In order to market for financing – need to provide a conservative model
    - Felt like it needed to be a community piece – also, would not be able to afford more than $5 per foot, many small businesses
- Sustainable/Green
    - Historic developers – a very sustainable building type anyways
    - Have done silver LEED certified
    - Look at materials, local sourcing, etc.
    - Easier to maintain as well – not loaded with flooring, etc. Bones are appealing.
    - Goal to have systems/features that minimize water usage and maximize energy savings. – materials/mixtures/systems
    - Location is accessible to transportation, etc.
- Parking
    - Butting up to the building
    - Head in parking on Smallman
- Not assuming any other changes
    - Traffic lights? Need to do a traffic study?
- Center Units

    - Are there challenges with having no windows on the groundfloor – flipped. Main living space is on top floor. Open area down below is kitchen. Light cascades down.
    - Bedrooms not as critical to have direct nature light.
    - Wow factor of tall structure
    - All have balcony access
    - All are higher quality, no low-quality spaces
- Smallman is such a broad space – thoughts on people flow towards the river
    - Have had these issues in Detroit
    - Have to reactivate the area –issues revolve around the fact that the area is kept separate
    - Cut-throughs assist in creating a pedestrian zone
    - Begins to create a separation from the street, etc.
- Retail mix – light on mixed use
    - Project retail is contingent on rental rates
    - Able to finance without public subsidy, BUT it has to be light on mixed use
    - Challenge from historic standpoint to make it half residential/ half retail
- Compare market to tenants at Heinz Lofts
    - Lots of the same types of people
    - Higher rents than Heinz Lofts, location and layout make it very desirable
    - These units can convert to condos easily.
- Building is 89% efficient – very high

Internal discussion and rating

- Timeline
    - Recommendation for 2nd Thursday in July – Agenda set 10 days ahead. Now need it a week earlier.
    - Public action/exclusive negotiation by July 12th
    - September 1st – Agreement ends with Buncher with 1 extension available
    - June 19th at 9am – Next working group meeting
- Comments on Ferchill
    - No subsidy request
    - They have provided very limited financial information
    - Small units - creative solution
    - Done good work, their description of the development was much better than what they presented, but the visual of what they presented was not appealing
    - Concerned with Smallman street – no other improvements listed
    - Property line goes to the center of Smallman
        - Traffic flow and working with public works
    - Cut through – not dealing with anything beyond their initial thoughts

        - Same thing with sustainability – not focused on it
- Comments on Rubino
    - Challenge with retail being up 4 feet higher than street level
    - Shifting the market in Strip
        - Smallman may draw the market from Penn to Smallman – may be an issue
        - Residential might be more complimentary
    - Makers Market – Brewers, etc. Brew house: Grow up as a collective of people doing small craft things. Produce – Want at Public Market
        - Want them to draw residents
    - Rubino is putting up personal financing, included a letter from a bank
    - Worth seeing if the tax base issue can be taken on, but the challenge is to raise $16 million, with $13 million coming from the City, etc.
    - Maker Space may not be viable - Limited assets of Maker's – Placing them in cheaper places. With the proximity to downtown, how long will you be able to keep rents down here?
    - Close-out Discussion
        - Pittsburghers like it. Authentic vibe around it.
        - It would resonate with a lot of Pittsburghers
        - Markets mid-week: Nothing really there. Worry that it will be empty most of the time – would close-outs be enough to drive that kind of traffic?
    - Does the City need another Market in the Strip?
        - May need to be residential to secure the financing – hard to finance retail and other uses in the current market
- Comparing Ferchill and McCaffrey
    - Total cost - $35million Ferchill, McCaffery - $46 million
    - McCaffery – $30 million: Have money to spend
    - Ferchill needs to raise $26 million
    - McCaffrey has a great team – classy/upscale project
        - LEED/Green are very impressive
        - Apartment size is more interesting to consumers
    - Ferchill – clever design but 550 square foot is INCREDIBLY small.
    - McCaffery – Unit very interesting looking
- Group unanimously voted McCaffery as choice between mixed use
    - Ferchill – Was a solid team, exciting to see female developer
    - Have to look at financing
    - McCaffery might include restaurants but will do a market study to look at the viability of mixed uses
    - McCaffrey could push Buncher to a higher level in their development
    - Concerns about adding luxury units is just something to deal with
    - Project will enhance/add to the vitality of the community/Strip
    - Smallman strip improvements – message around that. Public money to make Smallman navigable, etc.

Produce Terminal Reviewers

	May 2	June 13
URA		
Robert Rubinstein	X	X
Susheela Nemani-Stanger	X	X
Tom Cummings	X	X
Kyra Straussman		X
Nathan Clarke	X	
Paul Svoboda	X	X
George Specter	X	X
Gerald Williams	X	
Marty Kaminski	X	X
Mayors Office		
Kevin Acklin	X	
Leigh Halverson	X	X
Matt Baron	X	
Grant Ervin	X	X
Kyle Chintalapalli	X	
Department of City Planning		
Ray Gastil	X	X
Andrew Dash	X	X
City Council		
Deborah Gross	X	X
Nate Hanson	X	X
Facilitation by Fourth Economy		
Rich Overmoyer	X	
Steve McKnight	X	X
Jerry Paytas	X	X
Sierra Laventure-Volz		X

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Building Innovation at Every Level

May 30, 2014

VIA EMAIL (jerry.paytas@fourtheconomy.com)
Mr. Jerry Paytas, Ph.D.
Vice President, Analytics
Fourth Economy
700 River Avenue, Suite 333
Pittsburgh, PA 15212

Re: Produce Terminal Redevelopment
Pittsburgh, Pennsylvania

Dear Jerry:

As requested, we offer the following clarifications to our proposal submitted on April 23, 2014.

Financial:

1. We intend to apply for LERTA tax abatement. We do not intend to use TIF as a source of financing for our proposed development.

2. All details on the construction and/or operations of our proposal that have not been submitted previously are considered proprietary.

3. Our proposal did not include NMTC as a source of financing for our project.

Clarification of Assumptions and Costs Included/Excluded:

1. Restoration of the masonry façade and supporting steel lintels are included within our proposal.
2. We include costs for replacements and/or improvements to the structural components in the building.
3. We do not include costs for over-excavating, underpinning or reinstallation of any foundation systems as we do not believe this to be required.
4. We did not include costs for replacement of roof decking, as we do not feel this is required.
5. We include approximately 12,000 sf of slab replacement and leveling of the first floor and at dock levelers.
6. We do not include costs for phased improvements to accommodate existing lease arrangements as we do not intend to continue any of the existing leases within our proposed development plan.
7. We have included allowances for installing new utility connections to the mains.
8. No, we do not include fees or improvements on the utility infrastructure upstream or downstream of the project site, as we assume it is not required.

9. We do not cover any costs for removal of hazardous materials outside of the building including but not limited to chemical tanks, remnant equipment, refrigerant systems, fuel tanks, etc. We do not have the Phase I or Phase II Environmental Reports that would identify such hazards.
10. We include a permanent vapor mitigation system within our Development Budget.
11. We do not include capping abandoned sanitary lines at this time, as we will consider reusing if possible. If they would require recapping, we can accommodate within our budget.
12. We do not include soil remediation within our budget as we intend to utilize the existing building structure and do not feel major remediation will be necessary to accommodate the new boulevard, the parking and landscaping around the building in our Development plan.
13. We do not include any special master plan development covenants.
14. We have included permanent security systems within our development plan.
15. We have included parking revenues within our development plan that will accommodate our project.
16. We do not include storm water retention systems due to the fact that we are not creating any additional storm water run-off with our proposed development, as we intend to rehabilitate the existing building.
17. We do not include reconstruction of Smallman Street within our development plan.
18. We do not include traffic improvements outside of the property line to accommodate building cut-throughs.
19. We do not require any public infrastructure improvements, i.e. roads, sidewalks, sewer or increased public services for our proposed development; however we do include the roads, curbs, sidewalks and landscaping within the property line for our development project.

Experience:

1. Among the properties we have redeveloped, we feel that the Heinz Lofts projects are the most similar. Like the Produce Terminal, the Heinz campus is situated along the river. During construction of Phase I, we encountered similar environmental issues on the site including PCB's, lead based paint, asbestos and creosote on railroad ties. The buildings also faced similar structural issues including deteriorated floor slabs and inadequate columns and beams. Also, the mechanical and electrical systems within the buildings were obsolete and required a complete infrastructure upgrade. The Heinz Lofts property is located within the flood plain. Despite these many challenges, the property was developed for residential use preserving the existing buildings, with the historic character the highlight of the proposed development.

2. Please identify one to three residential projects completed within the last three years and the key project personnel for those developments.

   Please see attached project information

Access and Pass-thrus:

The proposed plan includes two portals for through traffic at 17th Street and 18th Street. Both are multi-modal, providing for one-way vehicular traffic (northbound at 17th and southbound at 18th) in a 19'-6" wide center lane at grade, with 12' wide raised sidewalks at the existing dock level on each side of the vehicular lane for pedestrian use. The sidewalks could be travelled in either direction and would be ramped, allowing for bicycle and wheelchair use. If desired, one sidewalk at each portal could be designated for bicycles to avoid conflicts between bicycles and pedestrians. As shown the vehicular lanes provide 13' of vertical clearance, which is sufficient for most buses and small trucks, but modification is possible to provide approximately 18' of vertical clearance if needed for some reason. An alternate plan also exists (see attached) that would provide a larger two-way vehicular portal at 17th Street, with two 19'-6" wide lanes flanked by 12' sidewalks, to align with the primary north-south thoroughfare in the master plan for Buncher's Riverfront Landing, which could be a consideration.

Sustainability Plans:

Most importantly from a sustainability perspective, the proposed project preserves, recycles and renews the existing building fabric, reducing landfill waste and maintaining valuable embodied energy. The project will also preserve the building's historic significance and character in accordance with the Secretary of the Interior's Standards, providing social and cultural value to the community that is also critical to its long-term sustainability. The new apartments will also incorporate sustainable materials and energy-efficient systems, and are intended to be designed to meet Enterprise Green Communities standards. (LEED Certification or LEED Silver is achievable if desired.)

Mixed Use:

1. The existing building configuration and the necessity to maintain the historic character of the building limits our ability to incorporate additional retail space. We did consider converting the entire section from the 17th Street portal to the east end of the terminal building into retail space but the economics didn't work. We also considered retail on the Smallman Street side of the terminal but this plan was also not only financially challenging but made the residential component of the plan less desirable.

2. Our proposed development plan includes 18,562 sf of mixed-use retail space and 7,337 sf of residential amenities space including a fitness center, bike repair shop and café. The mixed-use space is supported in the financial pro-forma by the apartment revenue. Because our financing is predicated on being able to obtain historic tax credits and we are not asking for any public subsidy, additional retail space is not viable. We are willing to consider adding retail along both sides of the "pass-thrus". We believe the pro-forma could support this change and it would also enhance the pedestrian experience when passing through the "gateways" to the riverfront development.

Miscellaneous:

1. Building services including trash pick-up, deliveries etc. will be determined during the design development phase of the project but will most likely occur at the east end of the building in the area called "Maintenance" on the drawings.

2. The appearance and character of the historic four-panel dock doors will be retained to convey a sense of the building's original function. The new apartments are demised along structural bays, each of which includes two dock doors. Our current plan is to retrofit one existing dock door in each bay to receive a new apartment entry door, retaining the solid beadboard panels, with the four inset panels in the adjacent door removed and replaced with glass while retaining the configuration and appearance of the existing frame (see attached conceptual elevation). The final design must be approved by the Pennsylvania Historical & Museum Commission and the National Park Service as consistent with historic standards.

3. We reviewed attached A3 proposed concepts for Smallman Street. Our current parking plan is integral to the success of our project. It creates approximately $300,000 in annual revenue and also contributes to our ability to earn a better rental rate due to a more desirable and convenient parking scenario. Furthermore, this additional revenue is necessary to support the purchase of the property, the required environmental remediation costs, and finally, **because we are not asking for any public subsidy for our development plan.**

We appreciate the opportunity to provide this information and look forward to our meeting on June 13, 2014.

Should you have any questions, please do not hesitate to call.

Thank you.

Best regards,

MCM COMPANY, INC.

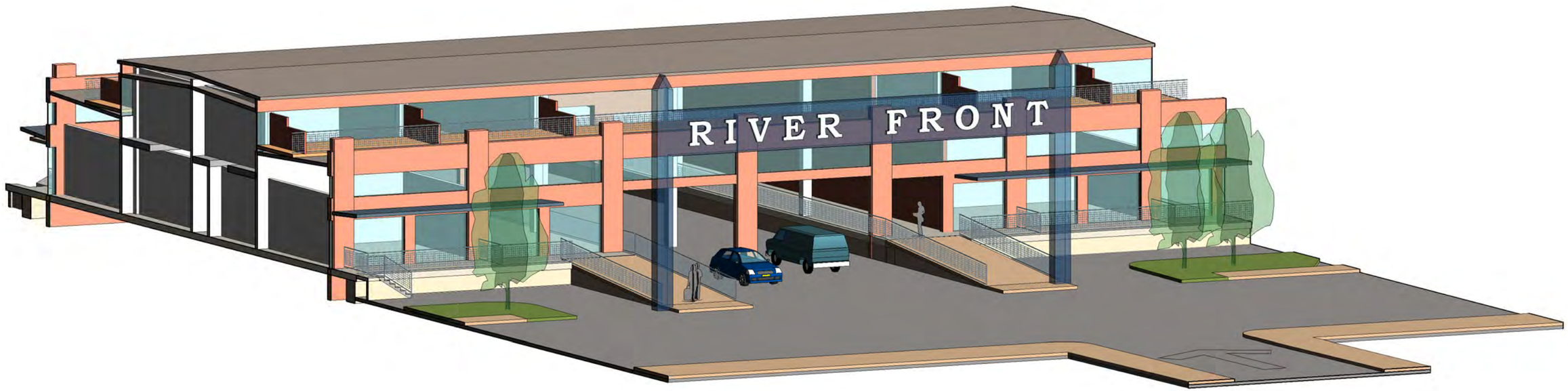
Melissa M. Ferchill

Melissa M. Ferchill
President

RESIDENTIAL PROJECT EXPERIENCE
(past 3 years)

Heinz Lofts Property
Pittsburgh, PA
Completed: 2005 & 2014
Key Project Personnel:
The Ferchill Group, Developer
Sandvick Architects, Historic Consultant/Architect
Total Development Cost: $106.0 million
Conversion of six former H.J. Heinz food-manufacturing facilities and Service Building, circa 1910, into 427 market-rate, residential apartment units.

Westin Book Cadillac Hotel & Residences
Detroit, MI
Completed: 2008 & 2011
Key Project Personnel:
The Ferchill Group, Developer
Sandvick Architects, Historic Consultant/Architect
Total Development Cost: $180.0 million
Restoration of landmark Book Cadillac Hotel with the top seven floors used for luxury condominiums.



SANDVICK ARCHITECTS
1265 WEST SIXTH STREET CLEVELAND, OHIO 44113
PHONE: (216) 621-8055 FAX: (216) 687-1814

Produce Terminal

Smallman Street & 16th-21st Streets, Pittsburgh, Pennsylvania

Proposed Gateway to River Front

DATE: 22 January 2014

SCALE:

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A-1

SANDVICK ARCHITECTS
1265 WEST SIXTH STREET CLEVELAND, OHIO 44113
PHONE: (216) 621-8055 FAX: (216) 687-1814

Produce Terminal

Smallman Street & 16th-21st Streets, Pittsburgh, Pennsylvania

Proposed Gateway Overlay

DATE: 22 January 2014
SCALE: 1" = 160'-0"

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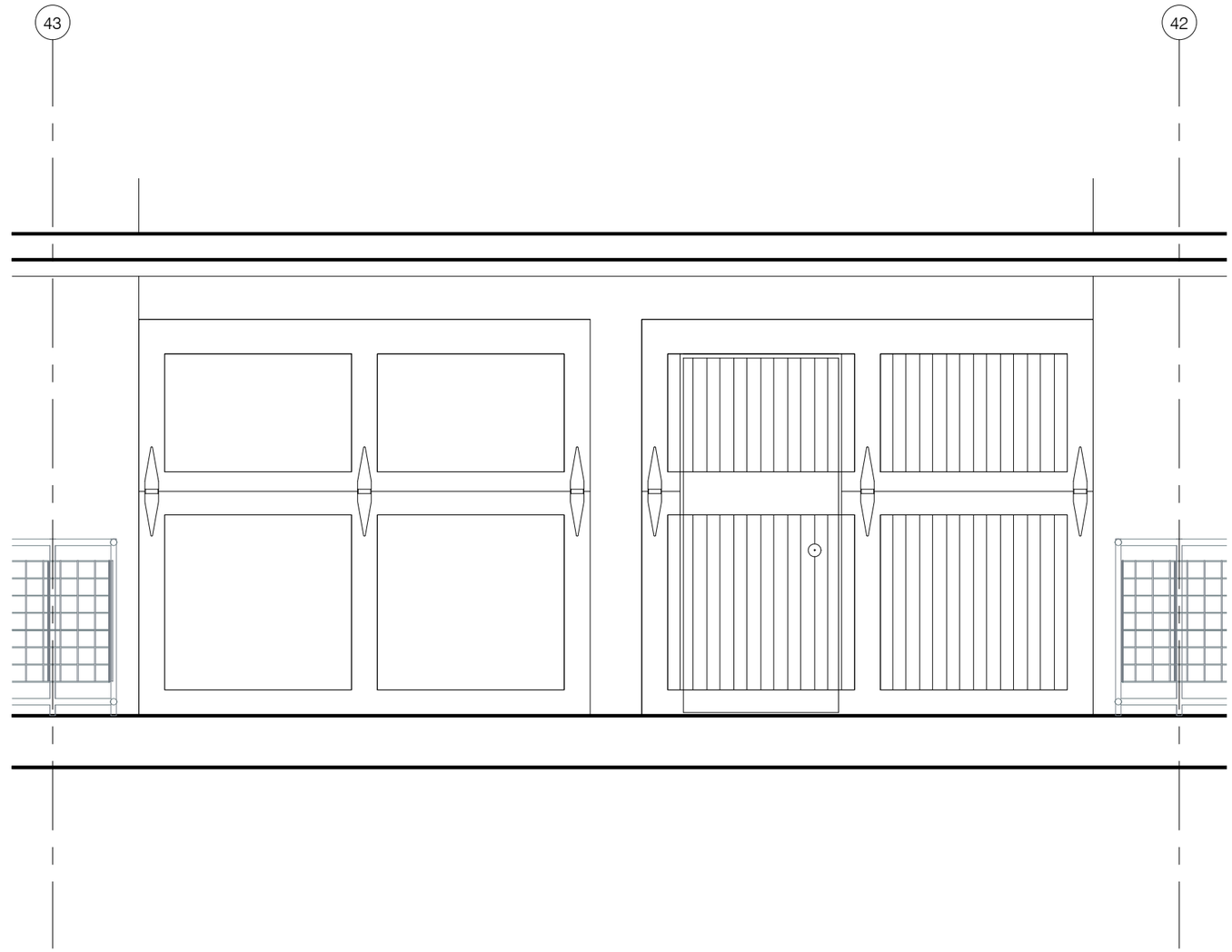
A-2



Dock Door Detail

3/8" = 1'-0"

0 10' 20' 40'

SANDVICK ARCHITECTS
1265 WEST SIXTH STREET CLEVELAND, OHIO 44113
PHONE: (216) 621-8055 FAX: (216) 687-1814

Produce Terminal

Smallman Street & 16th-21st Streets, Pittsburgh, Pennsylvania

Door Detail

DATE: 19 November 2010

SCALE: 3/8" = 1'-0"

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A5.4

PRODUCE TERMINAL PROPOSAL REVIEW: REQUEST FOR CLARIFICATIONS RESPONSES

Please see responses to your questions in blue below. In addition to the text, we have attached some drawings and analyses for further clarification.

Financial

- Please indicate whether you intend to apply for or use any of the following public finance sources:
  - LERTA - Local Economic Revitalization Tax Act
  - TIF – Tax Increment Financing

MI: We plan to apply for LERTA and would consider participating in a TIF for the planned public improvements.

- The proposal identifies $5,000,000 in RACP funds to be used for the project. Do you have an expectation for how you will phase the RACP funding request? What alternatives have you identified if the full amount is not feasible?

MI: Based on the plans outlined in the proposal for infrastructure improvements and transformation of the Produce Terminal and surrounding area, we targeted RACP funds to assist in maintaining the historic nature of the Produce Terminal. At this juncture, we will proceed with the plan without a contingency for RACP funding.

Our visionary plan to transform the Produce Terminal has substantial cost, and in turn will create incredible value for the Strip District while serving the public good. We believe the project fits well into RACP program and may elect at a later time to pursue RACP or other grant funding.

- Please provide more detail regarding your assumptions or calculations for the historic tax credit estimate.

MI: The Produce Terminal Building was determined to be 'National Register Eligible' as part of a 1994 National Register Survey and is considered a contributing building to the newly designated Strip Historic District, which was announced as a National Register District on May 5th, 2014. As such, there is potential for the Produce Terminal Building to receive historic tax credits when restored to the standards we have incorporated. Therefore, we have calculated the historical tax credits as 20% of the hard cost for the core and shell on the residential and retail components along with all tenant improvements and fixtures for the project. These costs include:

- Exterior restoration
- Lobby restoration
- Roof restoration
- All interior demolition and removal and abatement
- MEP/FP systems reconstruction
- Elevator and shaft construction
- Interior fit-up of residential units
- Interior fit-up of retail areas

- Fit-up of the base building services.
- All associated professional fees
- All associated permit and other required fees
- Sitework
- Tenant Improvements, fixtures and hard cost contingency

- Please specify any public infrastructure improvements (roads, sidewalks, and sewer) or increased public services (trash pickup, public safety, etc) not discussed above that are required for the success of your proposed plan.

MI: We assume that the existing public wet and dry utility infrastructure is sufficient to accommodate the proposed project. We have also assumed that the work from the back of curb to the building face within the public right of way (ROW) is included in our project cost. Additionally, our budget includes the cost to improve the parallel parking spaces on Smallman and Spruce as necessary to support our project. Other ROW improvements in and on Smallman, Spruce and the other City ROW's are not included within our budget. An allowance of $2.7 million has been included for the Smallman work below, and additional collaboration with the City, URA, adjacent businesses, and other entities will be needed to develop an appropriate scope for this work:

- Smallman Street milling and replacement of deteriorated paving parallel to the Produce Terminal Building (PTB)
- Two new pedestrian concrete pathways parallel to the PTB
- New storm system components, retrofit of existing, and cleaning existing storm water management
- New decorative paving at 5 intersections parallel to the PTB
- New traffic signaling at 4 intersection adjacent to the PTB
- Two empty conduit runs parallel to the PTB
- New traffic signage to support both vehicular and pedestrian traffic
- Road striping

Additional public services such as trash, recycling and snow removal and graffiti removal should be discussed to ensure appropriate levels to maintain and operate a first-class development.

Experience

- Among the properties you have redeveloped, which one would you say is most similar to the Produce Terminal in terms of the pre-renovation building condition?

MI: The Cork Factory, also located in the Strip district of Pittsburgh, bears many resemblances to Produce Terminal. Left vacant for thirty years after Armstrong's operations at the location closed in 1974, the Cork Factory's structures were mostly empty and much neglected before their redevelopment. Nearly all of the windows were broken by vandals, leaving the buildings exposed to the deteriorating effects of the elements. This ravaged the building's brick walls, steel structural members and concrete floor/roof slabs. Trees grew from the roof, and all of the metal and factory equipment within the buildings was removed by scavengers. Steel stairs were removed for scrap or damaged by vandalism and black soot covered the bright orange brick of the façade.

The Factory, Warehouse and Tower were eventually rehabilitated into 297 loft-style apartment units with original exposed brick walls, concrete ceilings/floors and open floor plans. Many historic elements of the building were kept in-place or relocated as art pieces.

Though not in as deteriorated a condition as that of the Cork Factory, the Produce Terminal exists as a brick and steel shell of a building without many interior components of salvageable value. The brick exterior needs significant repair and there are moderate structural issues that need to be addressed. The roof will need to be rehabilitated and new roof drains installed. The interior of the building will be completely re-developed, however the historically sensitive replacement of deteriorating windows and celebration of the large expressive steel trusses will maintain the unique historic character of the building.

Through the efforts of McCaffery Interests, the Cork Factory was listed on the National Register of Historic Places in 2005 and was given historic landmark status by The Pittsburgh History & Landmarks Foundation's Historic Landmarks Plaque Committee. These accolades seemed nearly impossible to imagine when we initially arrived on site. The same experience needed to transform such an expressive piece of the Strip District's history into an officially recognized national landmark will allow the Produce Terminal to be successfully redeveloped into a new mixed-use development that will complement and enhance the vibrant nature of the historic neighborhood and existing urban fabric.

Access and Cut Throughs

- Please clarify how you will separate or manage public and private access on the site.
- Your proposal outlines three portals for car access. Can any of these be pedestrian access?
- For each portal, please clarify which are designated for cars, pedestrians or multi-modal.

MI: We intend to make all of the portals for use by autos, trucks, bikes, and pedestrians. See enclosed dimensioned plan and elevations of the proposed portals.

- What is the expected level of traffic or trip generation expected for the development?

MI: See the attached trip generation preliminary analysis performed by KLOA, traffic engineers.

Sustainability Plans

- Please identify specific sustainability elements that would be included in the plan

MI: McCaffery Interests (MI), Antunovich Associates (AA) and Massaro Corporation (MC) have extensive experience in sustainable development. Our firms combined have 29 LEED certified projects and another 10 pending or in progress. Massaro Corporation's Phipps Conservatory Center for Sustainable Landscapes was just awarded Net Zero Energy Building Certification under the Living Building Challenge, a program of the International Living Future Institute. Massaro has been recognized for their leadership in sustainability by the U.S. Green Building Council who designated them as an official USGBC Education Provider.

PROJECT	Location	LEED Designation	Year	Firm
Lamar Advertising	Pittsburgh, PA	LEED NC v2.1 Certified	2007	MC
DePaul Science II Building- Classroom and Labs	Chicago IL	LEED NC v2.2 Gold	2008	AA
PNC Bank Pine	Pine Township, PA	LEED NC v2.1 Silver	2008	MC
St. Vincent College - Fred M. Rogers Center	Latrobe, PA	LEED NC v2.2 Gold	2009	MC
Carnegie Library - Federal Street	Pittsburgh, PA	LEED NC v2.2 Silver	2009	MC
West Virginia University - Oglebay Hall	Morgantown, PA	LEED NC v2.1 Certified	2009	MC
Massaro Office Addition	O'Hara, PA	LEED NC v2.2 Certified	2009	MC
IUP Main Campus Housing - Phase I	Indiana, PA	LEED NC v2.2 Certified	2009	MC
IUP Main Campus Housing - Phase II	Indiana, PA	LEED NC v2.2 Certified	2010	MC
Allegheny College - Carr Hall	Meadville, PA	LEED CI v2009 Gold	2010	MC
Allegheny College - North Village Housing Phase I	Meadville, PA	LEED NC v2.1 Certified	2010	MC
Lakeside Development	Chicago, IL	LEED ND	2010	AA/MI
The Morgan at Loyola Station	Chicago, IL	LEED NC v2.2 Silver	2011	AA/MI
Flair Tower	Chicago, IL	LEED NC v2.2 Silver	2011	AA/MI
Allegheny College - North Village Housing Phase II	Meadville, PA	LEED NC v3.0 Gold	2011	MC
Hill House - Kaufmann Auditorium	Pittsburgh, PA	LLED NC v2.2 Silver	2011	MC
PNC Washington	Washington, PA	LEED NC v3.0 Certified	2011	MC
YMCA Market Square	Pittsburgh, PA	LEED CI v3.0 Gold	2011	MC
IUP Main Campus Housing - Phase III	Indiana, PA	LEED NC v2.2 Certified	2011	MC
IUP Main Campus Housing - Phase IV	Indiana, PA	NC v2.2 Certified	2012	MC
DePaul Art & Letters	Chicago, IL	LEED NC v3 Gold	2012	AA

Building				
DePaul Art Gallery- Art Gallery and Museum	Chicago, IL	LEED NC v3 Silver	2012	AA
Blackhawk Apartments	Chicago, IL	LEED NC v3 Silver	2012	AA
Ronald McDonald House	Chicago, IL	LEED NC v3 Silver	2012	AA
New Mexico State University- Mixed Use Retail Bookstore & Offices	Las Cruces, NM	LEED NC v3 Gold	2012	AA
Lakeside Marketing Center	Chicago, IL	LEED CI v.3 Silver	2013	AA/MI
Phipps Center for Sustainable Landscapes	Pittsburgh, PA	LEED NC v2.2 Platinum	2013	MC
Lot 24	Pittsburgh, PA	LEED NC v3 Certified	2014	AA/MC/MI
The Gateway	Chicago, IL	LEED CS v3 Certified	2014	AA
Ray and Joan Kroc Community Center	Chicago, IL	LEED NC v3 Certified	Pending	AA
United Cerebral Palsy	Swissvile, PA	LEED NC v3.0	Pending	MC
Ravenswood Station	Chicago, IL	LEED CS v3 Silver	In Progress	AA
DePaul School of Music	Chicago, IL	LEED NC v3 Silver	In Progress	AA
The British School- preK-12	Chicago, IL	LEED NC Schools v3 Certified	In Progress	AA/MI
Verde Pointe	Arlington, VA	LEED NC v3 Gold LEED for Homes Midrise- Gold	In Progress	AA/MI
Core Campus Apartments	Tuscon, AZ	LEED NC v3 Certified	In Progress	AA
Core Campus Apartment	Madison, WI	LEED NC v3 Certified	In Progress	AA
The Gateway Tower	Chicago, IL	LEED NC v3 Certified	In Progress	AA
Pitt-Ohio Trucking	Harmar, PA	LEED BD + NC v3 Gold	In Progress	MC

In addition to our LEED developments, McCaffery leads in sustainability in other ways. Our 600-acre Lakeside Development was part of the initial LEED-ND pilot program and our master plan for this former steel mill has been honored with a United Nations/Rio +20 Sustainia Award and was a case study by the Brookings Institute. McCaffery recently received from the United States Green Building Council the 2014 Emerald Award - The Intent to Matter - Outstanding Large Organization for Lakeside's sustainable community design and the design and deployment of green, forward-thinking infrastructure. Our firm sponsors an award through the Clean Energy Trust Challenge the company

that exhibits the best energy solution that can be deployed at Lakeside and in the surrounding community. Our master plan for Potomac Yard, a former railroad yard received recognition from the Washington Smart Growth Alliance.

McCaffery Interests creatively solved a lack of open space for the Roosevelt Collection community by making a 1-acre park on the roof of the British School. Our 6.04-acre CMH site redevelopment will feature 50% green roofs. McCaffery recently undertook facility-wide energy-efficiency upgrades at an Ovaltine Court, an existing factory–to-residential development, and added living walls to another existing residential project. MIHome was one of the first operators to initiate completely smoke-free living in Chicago, Pittsburgh, and Washington DC.

We typically do a charette with our entire team to evaluate project sustainability goals and to establish a strategy to achieve them. Our initial analysis includes the following sustainable elements:

- Energy-efficient building enclosures, including energy-efficient windows
- Insulated roofs
- Energy-efficient mechanical systems
- Water-saving plumbing fixtures
- Energy-efficient lighting fixtures
- Energy Star rated appliances
- Rainwater harvesting for landscaping
- High albedo surfaces (sidewalks, roofs, etc) to reduce heat islands
- Locally adapted, drought-tolerant landscaping
- Low VOC materials
- Locally produced materials
- Daylighting through sun roofs and new glass windowalls and windows
- Recycling during construction and operations
- Car sharing and/or bike sharing program

Mixed Use

One of the goals of the redevelopment was to create a mixed-use space.

- How could you adjust the plan to include more mixed use?
- Are you able to adjust this mix and maintain a viable financing strategy?

MI: Our revised plan incorporates retail space via live/work lofts and additional office space (see enclosed sketches and area summary). It is our belief that live/work lofts are ideal for professionals who wish to maintain an office on a commercial street and still live "above the store." These commercial spaces would provide services that do not dilute the strength of the Penn Avenue retail core, and rather are complimentary to it, thus enhancing the overall depth of the Strip District neighborhood. The Administrative Building at the end of the Produce Terminal is an ideal place to put office space as it has a separate entrance and is spatially segregated from the residential uses. This adjustment in the components of our mixed-use plan does not negatively impact our financing strategy.

Miscellaneous

- Clarify how the building would be serviced in terms of trash pickup, deliveries, etc.

MI: The Commercial Building will have its own small Trash/Loading Dock on the ground floor of the building. Each of the Residential Buildings will have its own trash consolidation and pick up at the portals. (See enclosed plans)

- What are the plans for the external doors?

MI: It is our opinion that the external doors are too deteriorated to re-use so we plan to replace them with metal and glass window walls. Analogous images are included in our plans to give an idea of the product we have in mind and what this will look like in finished form.

- Clarify the relationship between your parking arrangement and the adjacent Buncher property.

MI: Our plan includes sufficient off-street parking for our development within the confines of our contract limit line. As defined by the off-street parking requirements of the City of Pittsburgh Zoning Code, the numbers of parking spaces provided along the south side of Spruce Way and along the north side of Smallman Street satisfy the parking requirements for all proposed uses within the redeveloped Produce Terminal and 2-story administration building. (See enclosed parking analysis for details). Though not required for our redevelopment efforts, there exists additional space along the north side of Spruce Way to satisfy any new parking demand created by the development of the adjacent Buncher property, as necessary.

April 23, 2014

Ms. Susheela Nemani-Stanger
Urban Redevelopment Authority
200 Ross Street
Pittsburgh, PA 15219

Produce Terminal Proposal Review: Request for Clarifications

Dear Ms. Nemani-Stanger:

On behalf of our project team, we are providing responses to questions emailed to us by Fourth Economy.

A. FINANCIAL

1. Please indicate whether you intend to apply for or use any of the following public finance sources:

• LERTA - Local Economic Revitalization Tax Act:

Answer: **No, we do not plan to use LERTA.**

• TIF - Tax Increment Financing:

Answer: **Yes. We anticipate that this source will be used by the City and URA to provide the typical infrastructure for the entire project; roads, 17th St. passage, sidewalks, green stormwater infrastructure, utilities…)**

2. Please provide more details on how you determined the proposed rental rates for the Operating Projections.

Answer: **We have two experts on our team who helped determine the rental rates for our operating projections: Ted Spitzer (Market Ventures) has extensive experience in operating public markets and was able to determine market rental rates for the farm and incubator spaces. Ned Shekels (Pennsylvania Commercial) has over 30 years experience in commercial and retail leasing in the Pittsburgh area, was able to determine rental rates for the more traditional retail spaces. Our experts supplied current rental rates derived from comparable retail venues and we priced our space conservatively based on those numbers. The Proforma and Operating Projections detail the Produce Terminal Market estimated rent revenues from specific categories as well as comprehensive expenses. The resulting Net Income from the Market is utilized along with the Master Lease to represent the debt service coverage and resulting positive cash flow from the total development.**

3.What services from the City/URA do you expect as part of the lease? Please provide your best estimate of the level or cost of these services.

Answer: **The Master Lease, which is the basic structure of the Proforma, is a triple Net lease and the Master Tenant will be responsible for all operating costs of the facility, including utilities, insurance, maintenance, landscaping, management, and janitorial. The URA and City will be responsible for building structure, roof and exterior maintenance. We are expecting that the City and URA will utilize TIF funds for the infrastructure portion of the development as has been done with many similar projects within the City.**

B. CONSTRUCTION COST ESTIMATE: Clarification of Assumptions and Costs Included /Excluded. Please indicate if your cost estimate includes the following:

1. Restoration of the masonry facade restoration and supporting steel lintel:

Answer YES: 25% of tear down of parapet and 33% of walls & piers (pp 6 of 36)

Lintels: 730 linear feet of replacement (33%) Masonry Coping

$22,000, Misc Masonry $70k; total masonry repair $500,000)

2. Major structural component replacement or improvements

Answer YES: Allowance for 60k for 18th and 20th. Structural 17th St $75,000 (pp 7 of 36)

3. Over-excavating, underpinning, or reinstallation of any foundation systems

Answer: (Not required)

4. Replacement of the Roof Deck

Answer YES: 10% repair and replacement Allowance $309,120

5. Major floor repairs or slab replacements:

Answer YES: $150k (page 5 of 36) allowance for slab concrete

6. Cost for phased improvements to accommodate existing lease agreements

Answer: NO, No work is anticipated relative to existing lease agreements (Society for Contemporary Craft).

7. Costs for extending or connecting utility services:

Answer: YES: Approximately $290,000 for Plumbing and $135,000 for electric (pp 14 and 15) Based on 5 feet outside the building with 3 feeds per utility. Additional utility cost is part of street infrastructure budget.

8. Other utility company fees, including any upstream or downstream improvements to meet new use needs..

Answer: YES: $250,000 and 100,000 (pages 29, 30)

9. Cost for hazardous materials not built into the building (chemical tanks, remnant equipment, refrigerant systems, fuel tanks, etc).

Answer: YES: $150,000 for coolers and related equipment removals

10. Permanent remediation systems

Answer: None known.

11. Capping abandoned sanitary lines

Answer: YES: (In plumbing budget)

12. Soil remediation

Answer: NO: (none known)

13. Special master plan development covenants;

Answer: Proposed site plan anticipates discussion with City Planning, URA and Buncher to clarify appropriate response.

14. Permanent security systems:

Answer: YES: $20k base system

15. Parking revenue systems:

Answer: We assume that all parking revenue and systems are part of City/Parking Authority Systems.

16. Stormwater retention systems:

Answer: YES; as part of sustainability and infrastructure enhancements: $750,000 in Sustainable enhancements ($330,000 in permeable paving), $1,260,000 for green roof. See budget breakdown by James Construction.

17. Smallman Street reconstruction:

Answer: YES; Part of Street Infrastructure $1,250,000 + $228,000

18. Traffic improvements outside property line to accommodate building passages:
Answer: YES; $256,000 paving + 50k in excavation and demo totaling $400,000

19. Please specify any public infrastructure improvements (roads, sidewalks, sewer) or increased public services (trash pickup, public safety, etc) not discussed above that are required for the success of your proposed plan. See Public Infrastructure

Answer: YES: We have developed a draft budget of $5,366,000 including general conditions.

C. EXPERIENCE: Among the properties you have redeveloped, which one would you say is most similar to the Produce Terminal in terms of the pre-renovation building condition?

Answer: **The following projects encompass many similar development processes and building designs and operating functions:**

- Washington's Landing (Flex Buildings 400, 500, 600 and 800)
- Washington's Landing 80 Unit Residential development and Public Space
- 32nd Street Business Center (98,000 GSF of multi-tenant flex space)
- 51st Street Business Center (106,000 GSF of multi-tenant flex space)
- Cranberry Corporate Center (216,000 GSF of multi-tenant flex buildings
- 79 North Industrial Park (495,000 GSF of warehouse buildings)

Please clarify the Development Team and their experience in developing public markets. Please clarify the team that will operate and manage the public market.

Answer: **Michael Rubino has extensive experience in developing retail and wholesale concepts and has founded many businesses in the Pittsburgh area. Mr. Rubino is the founder and president of one of the largest closeout distribution companies in the nation. Mr. Rubino's business relationships will be key in finding the correct tenant mix for the marketplace. The marketplace will be operated by Mr. Rubino and a management team he assembles. In addition Mr. Rubino will engage Ted Spitzer of Market Ventures. Ted is a nationally recognized expert on public markets and has founded, managed and operated several successful public markets. Pfaffmann + Associates has planned and conducted feasibility studies for a number of markets and market structures including South Side, Market Square and East Liberty.**

ACCESS AND CUT THROUGHS

For each portal, please clarify which are designated for cars, pedestrians or multi-modal.

Answer: **17th Street Passage consists of two 20 foot ways (one drive lane and one drop off lane and a sidewalk) that support multimodal uses. The 18th and 20th Streets Entrances serve as both major entrances but also as pedestrian only passages that function as arcades during business hours. All three would connect to public open space and crossings. We see Smallman and proposed Railroad Street as pedestrian friendly spaces that utilize best practices for complete streets and places that give the sense of a "piazza" that can provide flexible usage for everyday and event configurations. We would expect to work with the Strip stakeholders and City Planning to develop a consensus design.**

What is the expected level of traffic or trip generation expected for the development?

***Answer:* See Attached analysis by our Transportation consultant Fitzgerald & Halliday, Inc. We strongly support efforts to introduce strategies that utilize a transit circulator that accesses existing and proposed structured parking resources. Further transportation plans would need to be holistically updated.**

D. MIXED USE One of the goals of the redevelopment was to create a mixed-use space. Your proposal was primarily retail and event space. How could you adjust the plan to include more mixed use?

***Answer:* Our development proposal is based on improvements to the building and property that bring the asset back to a restored and functional facility but we have not put any limits on the use of the Terminal. Our development already includes 6 locations for retail/restaurant users, strategically located at the public access points.**

Since the actual footprint of the property includes significant land towards the river, there is also the possibility of working jointly with the Buncher Development to better utilize this land area to potentially add complimenting development. We will need to do a study of this area to determine actual viable programming for additional development opportunities.

We would consider housing and/or office space in the roughly 20,000sf on the second floor of the Terminal "Head house." We are willing to have further discussions to explore the feasibility of separate financing and development of the non-retail uses.

Are you able to adjust this mix and maintain a viable financing strategy?

***Answer:* Yes, as noted above, we can add mixed uses to our development without taking from the projected rents and income, so this can only enhance the financial viability of our proposed development.**

E. MISCELLANEOUS

Clarify how the building would be serviced in terms of trash pickup, deliveries, etc.

***Answer:* We have designated locations at each section of dock that would be screened or enclosed as required by code and need. See annotated plan attached.**

What are the plans for the external doors?

Answer: Match Doors (50% rehab 50% new); $578,000

There is concern about the double-sided head-in parking. Can that scheme be adjusted? Clarify any adjustments to the parking scheme based on the RFP attachment A3.

Answer: We have reviewed the A3 Document and have may technical questions about the plan. Our transportation planner recommends configurations of Smallman Street that place a priority on multimodal balance. The head in parking is not required as long as there is a limited amount of short term drop-off/pick up-parking.

We look forward to your review, evaluation, and the opportunity for further detailed discussion on June 13th.

Sincerely,

Michael Rubino
Principal

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Innovative Planning, Better Communities
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MEMORANDUM

To: Project Team

Project: Pittsburg Terminal Redevelopment

From: FHI

Date: May 28, 2014

Subject: Redevelopment Area Preliminary Trip Generation

This memorandum presents the findings of a transportation assessment of the Pittsburg Terminal Redevelopment area. The assessment considers a future development scenario which establishes a basis for identifying opportunities and strategies to improve circulation, parking, and connectivity for all modes. The future development scenario considers the following proposed redevelopment land uses in this assessment:

- 41,200 square feet (sqft) of retail anchor tenants
- 14,000 sqft of restaurants
- 55,200 sqft of market halls – of which 20,000 will be dedicated for special events

A traditional transportation impact analysis was not conducted for the purposes of this assessment. However, trip estimates were calculated to understand the potential travel demand generated by the referenced projects for the future development scenario. A detailed traffic impact analysis will be needed to further refine trip estimates as each project moves forward.

Future Travel Demand

The standard method used to estimate the volume of traffic to be generated by a particular development is to use data provided by the Institute of Transportation Engineers (ITE),*Trip Generation, 9th Edition*. This method was applied to estimate daily trips and peak hourly trips during the morning (AM) and afternoon (PM) peak hours entering and exiting the redevelopment area during a typical weekday. For a conservative analysis, trips were estimated for each proposed project and do not consider a trip credit from existing uses that would be removed and replaced. However, thirty-four percent (34%) of retail vehicle trips and forty-three percent (43%) of restaurant trips were considered to be pass-by trips. Pass-by trips are trips to the site made by vehicles already traveling by the site on the adjacent street (i.e., these vehicles make an interim stop between their primary origin and destination). Furthermore, a reduction for shared trips between uses and implementation of a circulator has been applied. Table 1

summarizes the vehicular trip estimates for the redevelopment scenario. Since retail will generate the most trips, detailed trip estimates for multiple retail land uses are provided as an attachment to this memorandum for comparative purposes.

Table 1: Trip Generation Summary

Land Use	ITE Code	Size[1]	Pass-By	Distribution of Generated Trips			
				AM In	AM Out	PM In	PM Out
Retail	820	42 ksf	34%	38	23	106	115
Restaurant	932	14 ksf	43%	47	39	47	31
Subtotal				***85***	***62***	***153***	***146***
Circulator/Mixed Use Reduction (10%)[2]				8	6	15	14
Subtotal				77	56	138	132
Special Event[3]	N/A	20 ksf	N/A	50	50	50	50
Total New Trips				***127***	***106***	***188***	***182***

[1]KSF: 1,000 square feet
[2]Preliminary estimate for reduction capabilities
[3]Reflects staff and deliveries in support of special events – which are typically held during non-commute periods
Note: For Special Event, 55,200 sqft of market halls – of which only 20,000 will be dedicated for special events and require trip generation
Source: ITE *Trip Generation* (9th Edition)

It is estimated that the proposed redevelopment scenario will generate approximately 232 vehicle trips (127 inbound and 106 outbound) during the AM peak hour and 370 vehicle trips (188 inbound and 182 outbound) during the PM peak hour.

Many jurisdictions have developed specific policies, processes, and regulations to special event categories in recognition of the unique – and fluid – characteristics. Continuous events, street use events, recurring and non-recurring events will all generate different levels of traffic demand. To note, a 20,000 sqft banquet room can accommodate up to 1,500 people, depending on the configuration.

This assessment estimates the potential future travel demand and frames a future development scenario for the redevelopment area. Understanding the travel demand and the anticipated modes of travel will assist in identifying opportunities and strategies to improve circulation, parking, and connectivity. As future planning continues and each project comes online, a detailed traffic impact analysis will be needed to further refine the generated traffic and determine the project level impacts.

Produce Terminal Alternatives Preliminary Ranking

These rankings are based on the preliminary review of the proposals. Requests for clarification have been sent to each development team with responses due May 30. The clarifications may change the final scoring. These scores reflect rankings from the following reviewing organizations:

- Council District 7
- Department of City Planning
- Fourth Economy
- Office of the Mayor
- URA

	McCaffery (Residential)	MCM-Ferchill (Residential)	Rubino (Retail)
Viability Of The Plan	3.95	3.90	1.68
Redeveloper Experience	4.28	3.48	2.85
Economic And Community Impact	2.43	2.43	3.19
Access And Connectivity	3.50	2.71	3.16
Integration With The Neighborhood	3.11	2.60	3.69
Unweighted Score	**3.45**	**3.02**	**2.91**

Other Attachments

Comments from the review forms have been aggregated for ease of reviewing. No changes have been made to comments about the Pros and Cons of the individual plans. As such there may be duplicate comments, when more than one reviewer said substantially the same thing. The file R1 Comments.docx contains all of the comments.

In response to comments during the review process about specific indicators, as well as how the different factors are weighted, FEC ran several variations of the scoring in which we excluded criteria with any reviewer objections and we computed alternative weighting schemes. These changes in the criteria and the weights did cause some changes in the scores, but the largest changes was still only .04 (e.g. changing an overall score from 3.02 to 3.06). In no case did these variations change the overall ranking shown above. The raw review scores, comments and all of the calculations and variations can be found in the attached Excel file: Produce Terminal Review Scores- may22.xlsx.

MCM-Ferchill	Pro	Con
Viability	No public subsidy requested Substantial private investment. Reasonable track record. The plan requires/assumes a relatively small amount of public subsidy, which we consider to be a positive of the proposal. Very experienced developer with relevant experience on these types of projects	Residential glut may not make risk of filling units as low as assumed. Ferchill did not submit financial information with their proposal - need clarification. Not much recent work is indicated in the proposal - is it the same team? With regard to the viability of the target market, we feel that a residential development could serve to be too aggressive when viewed in terms of the high amount of new residential development anticipated to be constructed in the Strip in the coming year. The budget amount is the lowest and does not identify exclusions or assumptions about what private investment is required. Very little financial data provided on the construction or operations.
Experience	Reasonable experience with similar projects. Financing plan is reasonable. Have access (to resources) The firm does have an experienced team that would be undertaking the project Ferchill has done work in the city - Heinz lofts is a successful example	No mention of sustainability Is the Ferchill team the same as the one indicated in the proposal that performed the earlier developments? While Ferchill has engaged in similar projects in the past (Heinz Lofts, etc) we feel that, considering the track record of other developers who have submitted proposals (McCaffery) that there are others who are more capable of this level of project. Sustainability is not a major component of the developer's proposal. No details provided about sustainabilty or green principles
Impact	Focus on residential means higher property tax income	(Focus on residential) means limited job creation and tourism. Tourism created would be marginal at best – i.e. the project is entirely residential. Most of the impact is from the construction; No estimate provided of new income taxes for the city

MCM-Ferchill	Pro	Con
Access	Project is feasible; Circulation plan is good but not as critical for residential Higher parking counts.	Not innovative; Not aligned with the Mayor's vision. Parking is sufficient for the site but not innovative Transportation linkages not addressed Limited linkage to riverfront Fewest connections across building. Parking is designed to be and appear private to Produce Terminal. Poor architectural renderings. The physical connection to the riverfront is unappealing at best Not an urban parking plan - 1 space per DU and the layout of the parking isolates the building from Smallman Access or integration with Buncher property is not clear - appears to be cut off by parking and by the proposed design for 17th street.
Neighborhood	Better than existing conditions With only two portals, this plan does the most to preserve the continuity of the structure. It does not conflict with the Green Boulevard	How public are the residential amenities? No specific plan for preservation of historic qualities; Overall design is not innovative. Not a centerpiece for the neighborhood - missed opportunity Treatment of the doors will be a primary concern with respect to preservation of historical qualities. No details on the sustainability; The management of public and private space is not clear especially for first floor residential

McCaffery	Pro	Con
Viability	Overall plan is feasible; Finances are well thought out; Significant equity on behalf of the developer The plan requires/assumes a relatively small amount of public subsidy, which we consider to be a positive of the proposal. The firm has demonstrated ability to engage similar projects in Pittsburgh (Cork Factory) and in other cities (Chicago, etc) The team has great experience and a strong track record in Pittsburgh and similar markets. Demonstrated capability to do signature, transformative projects	Residential glut may not make risk of filling units as low as assumed. The costs not included are real and significant The plan will require public investment for infrastructure and stormwater. Unclear where money to construct parking to the north of Produce Terminal will come from. With regard to the viability of the target market, we feel that an residential development could serve to be too aggressive when viewed in terms of the high amount of new residential development anticipated to be constructed in the Strip in the coming year. The most expensive plan but lots of exclusions
Experience	Proven track record of high quality and successful projects - Cork Factory and Chicago examples. Cork Factory and Lot 24 highly respected projects. The firm does have an experienced team that would be undertaking the project. The Cork Factory is an incredibly successful model/notable piece of the firm's track record of similar projects. Right set of skills for what they proposed. Success with large scale transformative projects	Failure to address sustainability issues directly Need more information on Sustainability principles / green infrastructure Sustainability is not a major component of the developer's proposal. Few details about the sustainability except in the Appendix. They have done more mixed use but it is curious they did not propose that here
Impact	Higher tax revenue from residential This could be much higher if offices were proposed as discussed here (not in the proposal): http://www.post-gazette.com/local/city/2014/05/07/Chicago-firm-has-its-eye-on-produce-terminal/stories/201405070089	Lower jobs and tourism Restaurant is the only non-residential addition to the Strip District landscape in the proposal Tourism created would be marginal at best - i.e. the project is entirely residential. Most of the impact is from the construction. No estimate provided of new income taxes for the city

McCaffery	Pro	Con
Access	Connectivity and integration with other plans High quality of design; Good use of examples to illustrate how the public and private would be separated	Lack of comprehensive new re: transportation Regarding parking: Are they on Buncher's property, and if so, have they worked a deal or have an understanding with Buncher? Private terraces for residential use would create a barrier. May have too much car access - are three car portals needed. Will it complement or compete with Buncher's residential?
Neighborhood	High quality of design and lots of consideration for integration with Smallman and Buncher site	How public are the residential amenities? Treatment of the doors will be a primary concern with respect to preservation of historical qualities. Very little mixed use Will three car portals be too much traffic and reduce pedestrian access No civic space or amenities

Rubino	Pro	Con
Viability	Cool idea This was the least expensive option.	Unrealistic. Potential liability. Ownership not in interest of city URA and City would have to figure out maintenance and operations strategy and determine desire to act in that role before development could operate under this ownership strategy. The project's financial requirements are seriously lacking The ownership and management structure assumes a public burden for ongoing operations where the expertise may not exist or the alignment with existing missions. Discrepancies in some of the operating costs and assumptions - 2 different sets of operating projections with different numbers Assumed unreasonably high rental rates
Experience	Lots of environmental sustainability in plans for reuse. Strength in the design and market operations consultants on this proposal. Overall a good mix of disciplines represented on the team. Significant details and high quality of sustainability in the proposal	Much of the sustainable practices are under a "high efficiency" model without costs identified (costs shown are for a conventional system) Not clear who the lead developer is and what is their experience with this type of project. Seems to be more feasibility studies and plans versus developing and operating a public market.
Impact	Highest tourism and permanent job creation potential with this proposal. This plan could provide a boost to tourism and creates a variety of jobs if it works but it may not be realistic	How will taxes be generated? Would need to ensure that this proposal would augment, not cannibalize, Penn Avenue merchants and Pittsburgh Public Market. Would this produce property taxes since the property is City-owned? Will it complement or compete with existing public market and the existing businesses on Penn and Liberty?

Rubino	Pro	Con
Access	Incorporates Strip District Land Use and Transportation Plan recommendations in sketches. A good mix of portals for cars and people Overall high quality of design. Lots of consideration for Smallman street and other linkages	No parking provided on-site for uses that will generate and require parking will likely create strain on the remainder of the district. Proposal has Buncher building flex space on Waterfront Drive, which is not part of their plan. Food services / market trash may cause conflicts with Waterfront Drive residential otherwise. The truck traffic and food operations will present a potential conflict with the proposed residential development by Buncher.
Neighborhood	Incorporation of SDTLU plan. High quality design. Preserves the historic function of the structure.	Treatment of the doors will be a primary concern with respect to preservation of historical qualities. Concern about cannibalization of Penn Avenue Merchants and Public Market. Overly reliant on retail and food operations that may shift the dynamic of the current Strip District market The plan is aligned with the historic context of the Strip, but with the new developments happening around it, it may not be aligned with the current context, which is more residential.

Produce Terminal External Consultations

Neighbors in the Strip

Attending: Jerry Paytas, Susheela Nemani-Stanger, Leigh Halverson, Becky Rodgers, Don Orkoskey, Cindy Cassell, Tiffani Emig-Hale

- NITS had an early attempt to use 40-45,000 SF of the building and attempt to condo it.
- Would support an entertainment use in the remainder of the building – like a brewery or distillery row – something that would not duplicate anything on Penn Ave.
- Support Buncher's one acre demolition because it provides a dramatic view corridor and gateway to the river for the Strip
- View Buncher's strategy of holding onto buildings as a positive – provides stability and you know who you're working with down the road. They are also very good at getting their buildings leased so they are not empty
- Have had good experiences working with Chuck Hammel and McCaffery on Cork Factory and Lot 24, found them easy to work with
- Want something unique that does not compete with Penn Ave
- Desire to maintain the Pittsburgh Public Market at its current location – it extends the Strip towards Lawrenceville and they have sunk a lot of money into that building and planning a shared use commercial kitchen
- Penn Avenue is the market district – we have a unique outdoor market, it is not in one building
- We don't have that many farmers, they are stretched in terms of how many markets they can sell in – and still have time to farm
- Want to ensure that Smallman is going to be more safe than it is now – eliminate the game of "frogger" that exists now
- What are the rental rates for housing?
- Would like to see more diversity of housing
- What are the rental rates for the retail?
- Pgh Public Market is at $5.25/SF
- Most of the retail on the Strip now is not enough to support those businesses – they make their money from wholesale so we need to ensure that wholesale can remain and any competition on the retail side could make them shut down their Penn Ave retail
- Want to see the building on the tax rolls
- Restaurants would help to extend the hours for the Penn Ave retail
- Want to support the small local stores and restaurants, not chains
- Even if there were a plan to add traffic controls the drastic change in lighting during the day going through those cut-through tunnels (light to dark to light) creates danger for those crossing in front of them. The already busy streets

are going to get busier no matter what. Higher traffic in all forms (car, bike, ped), with the ability to now move it another direction, the added turning traffic moving through them. I need to see some serious projections and a much closer look at those before I'm satisfied that they're not going to take an already congested street and make it even more so by adding up to 3 more intersections. At night there'd be a perceived danger in those cut-throughs that would lead pedestrians and cyclist (especially women) to avoid them no matter how safe they actually are anyhow.

- In short - Concern over added intersections, increased traffic, the likelihood of no traffic control devices, possible gridlock even if there are, and the perceived and real danger of covered streets.

Pennsylvania Historical and Museum Commission

Attending: Jerry Paytas, Ann Safely, Bill Callahan

NOTE: *Currently PHMC has no formal role in the disposition of the Terminal or this project. OHMC would only have a formal role if federal or state assistance is used/necessary or the developer chooses to pursue state or federal rehab tax credits. For now, PHMC's comments are strictly advisory.*

Original Buncher options - total demo, partial demolition or cut-throughs.

PHMC advised that any of these options would be an adverse effect that would require review under Section 106 (for use of any federal funds). Buncher did not use any federal funds, so it was pulled from the Section 106 review - there was a ruling that it was not a federal project. The federal requirement is to seek ways to avoid adverse effects or at least minimize the adverse effects. You need to consider the alternatives.

Several inquiries about the viability of the tax credits

Could not use the credits if you demo even 1/3 of the building

Anywhere from 1-3 pass-throughs could be designed to meet the federal preservation standards, but if you are minimizing the adverse effect it can still be OK.

If there are no state or federal funds, then PHMC has no role.
Even if they are not initially planning on using state or federal funds, but if they will in the future, then it needs to be reviewed. Example of the SEA and the Civic Arena - letters come in each time SEA asks for federal funds.

Questions for development teams

In the context of the larger historic district, PHMC would need to look at the impact on the larger district and how that design is sensitive to the overall character of the historic district if federal funds are used. If it were all one project then they would review it as one project. If they were not associated, then the review would not include both.

Example is how South Side Works complements and flows in the historic south side.

Pittsburgh History and Landmarks Foundation

Attending: Jerry Paytas, Arthur Zeigler, Michael Sriprasert

General:

- Prefer that the openness and grittiness of Smallman street be maintained
- Don't suburbanize the street or the building
- Buncher felt that retail would require public subsidy and operating subsidy for retail - which Buncher would cover
- PHLF would support an alternative that would save the whole building and if it would do so without public subsidy
- Residential is the most supported financially, better than office or retail
- Bringing households to the Strip will support the rest of the strip economically
- The historic tax credits will require you to do a lot. Will probably need to keep the roof and skylights.
- Until you put a plan in front of PHMC, then you don't know. They don't answer until they have a proposal.

Ferchill

- When you stand across the street - you will still see two buildings
- Do you have to lower the road in order to preserve the roof?
- Ferchill has experience with complicated projects, Bedford & Book Cadillac
- Removes all of the doors, which are historic
- The building is efficient for housing
- Small corridors so everyone has windows
- Parking along the edges of the building is consistent with its current use
- This is the most consistent with the historic appearance of the building

McCaffery

- May be taking out more of the building than Buncher is
- Creating a parking lot and lots of green
- More like suburban campus
- Don't like the treatment of Smallman street
- This is not an extraordinary experience - could be anywhere in America.
- McCaffery is experienced and has presented a proposal of good substance.

Rubino

- Turns the building into three different buildings with cut-throughs.
- Proposal offers no detailed financial planning of the development.
- Just to button up the building is $17M - from Buncher's analysis and former URA engineer

- Concern that the rents for vendors would be too high given even limited renovation costs
- Is the construction budget sufficient for the green roof - have they done structural engineering on the roof? Will it support it? Who will maintain it
- Not clear that this is supported by a majority of retailers
- Proposed development does not return the building on the tax rolls.

Attending: Jerry Paytas, Lisa Schroeder, Jay Sukernek, Stephan Bontrager

General Comments

- Can you encourage grading back to the terminal to accommodate the flood plain?
- Where does the continuous bike/ped trail go? The original plan was to extend the trail along Railroad street through the development
- Are you activating Smallman or calming it for a residential mix?
- Inner Harbor East in Baltimore may be a good model to look at for the larger location because it occupies a similar site between the DBD and the waterfront neighborhoods - added the high-rise Legg Mason office building (just before 2008), dense commerce and high-end retail. There is a question of whether this pirated the downtown core, but it did activate the neighborhoods along the harbor and seam together the inner harbor with outlying districts.
- It is possible that 14th to 11th could be that type of district - making the transition from downtown to residential
- Riverlife guidelines requesta perpendicular connection at a maximum of 400-600 feet, essentially every two blocks.
- Ask each team what they envision as the public process moving forward.

Rubino

- Ramps are interesting - take away parking - they take a lot of space
- Parking is a question
- Clear story on the top is interesting
- Presumes trolley, how would parking work with trolley line
- Would the market be sustainable?
- Portland Maine – funded by philanthropist, Betty Noyce - built a market, now mostly defunct.
- No interaction with the 16th Street Bridge - have to go to Penn Ave
- Added a green roof and solar element
- Vegetated bioswale
- Good continuity with the green boulevard
- Architecturally it looks very nice
- Double check the flood maps
- Do you enter the building for the pedestrian pathways? Or are they cut-throughs - appear to be glass walled
- The PLDP is the master plan approved by council. Can it be modified?

Ferchill

- Ramps are not as intrusive as the ones in the Rubino proposal

- Arranging the parking in the back around the docks
- Ferchill did not integrate the riverfront into the Heinz Lofts development

McCaffery

- Strong connections through the building to riverfront
- Where are the utilities going?
- Interesting mix of residential floorplans
- Narrows smallman – Is that desirable and/or is it necessary for residential to have the parking
- Would this accommodate a trolley?
- Adds an urban grid and integrates the pedestrian space well
- Not part of the PT - but really like the buffer it adds for the riverfront - shows a better overall fit.
- The strength is that it preserves the continuity of smallman and railroad but also provides more of a grid
- The streets are not privatized and are in character with district.

Produce Terminal Review (updated 05.22.14)	3/24	3/31	4/7	4/14	4/21	4/28	5/5	5/12	5/19	5/26	6/2	6/9	6/16	6/23	6/30	7/7	7/14	7/21	7/28	8/4	8/11	8/18	8/25	9/1
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Establish Project Rating Criteria																								
Develop draft criteria and weighting	x	x																						
Review and gain consensus with URA staff	x	x																						
Baseline Understanding																								
Identify property ownership in the target area	x	x	x																					
Review neighborhood economic profile	x	x	x																					
Review previous plans	x	x	x																					
Identify stakeholders	x	x	x																					
Evaluate market potential	x	x	x																					
Prepare RFP and Communications																								
Identify Advisory Group		x	x	x																				
Develop submission criteria		x	x	x																				
Communications plan		x	x	x					x	x	x													
Administer RFP process																								
Response Process / forms / protocols				x	x	x	x																	
Determine timing / deadlines				x	x	x	x																	
Confirm Reviewers				x	x	x																		
Proposals Due					4/23																			
Conduct initial internal team review							5/2																	
Collect and Evaluate Redevelopment Proposals																								
Outreach to expert advisors							x	x	x	x														
Riverlife									5/22															
PHLF										5/28														
PHMC											6/2													
NITS											6/16													
Other…																								
Viability of the plan						x	x	x	x	x														
Developer Experience						x	x	x	x	x														
Economic and Community Impact						x	x	x	x	x														
Riverfront Access and Connectivity						x	x	x	x	x														
Integration with the Neighborhood						x	x	x	x	x														
Identify leading proposal or merger of concepts											x													
Clarification requests to developers as needed						x	x	x	x	x														
Project Reviews and Overal Recommendations																								
Prepare individual project rating / review memos								x	x	x														
Review project ratings with URA												x												
Prepare recommendations report												x	x											
Preliminary Development Team Discuusions													x	x	x									
URA Board Meeting																**7/10**								
Draft Scenarios and Outreach [Optional]																								
Form / faciitate design collaborative																								
Public Presentation																	x	x	x					
Collect and incorporate additional comments																x	x	x						
Redeveloper Selecion / Facilitate Agreement																								
Initial Partneship ID / Draft Agreements																	x	x	x	x	x			
Facilitate Media /PR Outreach																	x	x	x	x	x			

Estimated Taxes

The taxes generated by the new operations were estimated using a City of Pittsburgh IMPLAN model based on the cost and activity estimates in the redevelopment proposal. Fourth Economy used a city model and focused specifically on taxes within and to the municipality and school district. IMPLAN estimated the jobs, labor income, value added and total economic output for the existing and new operations. All tax estimates are net new estimates that exclude any existing tax revenues. These estimates do not include any tax credits, exemptions, property assessments or other accounting factors that ultimately determine the final tax revenues. IMPLAN provides very general state and local tax estimates, so the method for more specific calculations for the city taxes are described in the tables below:

Calculations and Inputs

Calculating Construction & One Time Taxes	**City / School District**
Sales and Use Taxes	NA
Earned Income - City	3% of wages in the city
Emergency Service	City: $52 per job in the city
Payroll Prep	City: 0.0055* city wages
Transfer Tax to City	3% x purchase price
Other Taxes and Fees	Estimated by IMPLAN model

Inputs for Construction & One Time Taxes	MCM Ferchill	McCaffery	Rubino
Sales and Use Taxes from Construction Direct Output (IMPLAN)	$30,144,251	$39,681,176	$15,833,658
Earned Income from Construction Direct Labor (IMPLAN)	$10,062,264	$14,306,666	$6,205,117
Emergency Service from Construction Total Employment (IMPLAN)	241	344	137
Payroll Prep from Construction Direct Labor (IMPLAN)	$10,062,264	$14,306,666	$6,205,117
Transfer Tax to City from Purchase Price*	$75,000	$75,000	$75,000*

Note: Transfer taxes would not apply if the URA or City retains ownership.

Calculating Annual Operating Taxes	
	City
Real Estate	Incremental value of property x 7.56 mills (city) + 9.65 mills (SD). Assumes the final assessed value is at least as much as the construction costs.
Sales and Use Taxes	NA
Earned Income	3% of wages in the city
Emergency Service Tax	City: $52 per job in the city
Payroll Prep	City: 0.0055 x city wages
Other Taxes and Fees	Estimated by IMPLAN model

Inputs for New Annual Operating Taxes	MCM Ferchill	McCaffery	Rubino
Real Estate Value from Construction Costs, Proposal Pro Forma	$26,235,000	$39,700,000	$16,188,885*
Parking Revenue from Proposal pro formas	NA	NA	$149,148
Sales and Use Taxes from Operations Total Output (IMPLAN)	$11,516,637	$9,526,049	$10,139,136
Earned Income from Operations Total Labor Income (IMPLAN)	$19,918,437	$19,274,549	$18,869,136
Emergency Service Tax from Operations Total Employment (IMPLAN)	98	75	123
Payroll Prep from Operations Total Labor Income (IMPLAN)	$19,918,437	$19,274,549	$18,869,136
Other Taxes and Fees calculated by IMPLAN			

Additional notes:

Notes:
For the residential developments (MCM Ferchill and McCaffery), the majority of the parking is dedicated to the residents and no parking revenue is assumed.

Residential wage taxes based on rental rates, assumes rent at 30% of income. Ferchill rents were based on an average of $1,646 per month from the Heinz Lofts, for an estimated household average income of $60,000 and 209 households. McCaffery rents were based on an average of $2,690 per month from Cork Factory, for an estimated household average income of $97,000 and 150 households. URA data from previous residential projects found that their new residential projects have attracted 67% of the residents from out of state, so these are new to City. Only the new to the City incomes and taxes were included in the estimated. Other wage taxes were estimated from the,\ direct, indirect and induced impacts estimated by the IMPLAN model.

	MCM - Ferchill	McCaffery
Resident Wages	$60,000	$97,000
Residents Households	209	150
Total Resident Wages	$12,540,000	$14,550,000
New to the City	0.67	0.67
Resident Income Increment	$8,401,800	$9,748,500

For the Rubino proposal, the estimates assume that there are no real estate taxes as the property will be owned by the City or URA. The sales inputs are taken from the proposal, but include the SAM model estimates for how much of the purchasing is retained in the local economy. For the general retail sales approximately 37.34% are retained locally. For the local farm and food vendors, the local retention is 95%. For the local source restaurants, the local retention is 87.59%

Scenarios for Estimated Taxes

The City of Pittsburgh IMPLAN model and the methods described above resulted in the following estimated tax revenues for the City of Pittsburgh for the three redevelopment alternatives. The analysis includes three taxing scenarios but does not suggest which is the most likely outcome.

Table 1: Tax Estimates - Scenario 1

	MCM-Ferchill	McCaffery	Rubino
Construction Taxes	$444,748	$600,780	$302,395
Net Annual Operating Taxes (No LERTA)			
Real Estate	$451,504	$683,237	NA
Earned Income	$597,553	$578,236	$566,074
Other	$114,626	$109,914	$166,122
Subtotal Annual Operating Taxes	$1,163,684	$1,371,387	$732,196
Net Year 10 Taxes (No LERTA)	**$12,081,584**	**$14,314,653**	**$7,624,360**

Scenario 1 assumes no LERTA is awarded and that the Rubino proposal is publicly owned and exempt from real estate taxes (see SEPTA vs. Board of Revision of Taxes, http://caselaw.findlaw.com/pa-supreme-court/1014395.html#sthash.5yEYEGpZ.dpuf).

Table 2: Tax Estimates Scenario 2

	MCM-Ferchill	McCaffery	Rubino
Construction Taxes	$444,748	$600,780	$302,395
Net Annual Operating Taxes (no LERTA)			
Real Estate	$451,504	$683,237	$240,940
Earned Income	$597,553	$578,236	$566,074
Other	$114,626	$109,914	$166,122
Subtotal Annual Operating Taxes	$1,163,684	$1,371,387	$973,136
Net Year 10 Taxes (no LERTA)	$12,081,584	$14,314,653	$10,033,760

Scenario 2 assumes that the Rubino proposal will be structured in some way that the development is NOT exempt from real estate taxes, either through some alternative ownership structure, by including taxes in the rent payments to the URA or City, or through some form of PILOTs or other negotiated payment equivalent. Scenario 2 also assumes that none of these proposals receives LERTA abatement.

Table 3: Tax Estimates Scenario 3

	MCM-Ferchill	McCaffery	Rubino
Construction Taxes	$444,748	$600,780	$302,395
Net Annual Operating Taxes (LERTA)			
Real Estate	$301,504	$533,237	$190,940
Earned Income	$597,553	$578,236	$566,074
Other	$114,626	$109,914	$166,122
Subtotal Annual Operating Taxes	$1,013,684	$1,221,387	$923,136
Net Year 10 Taxes (LERTA)	$10,581,584	$12,814,653	$9,783,760

Scenario 3 assumes that the Rubino proposal will be structured in some way that the development is NOT exempt from real estate taxes, either through some alternative ownership structure, by including taxes in the rent payments to the URA or City, or through some form of PILOTs or other negotiated payment. Scenario 3 also assumes that all of these proposals will receive a LERTA abatement. LERTA abatements for residential projects have a maximum limit of $150,000 annually and apply for ten years. Commercial LERTA abatements are limited to $50,000 annually for five years. The annual operating tax subtotal for Rubino is based on the first five years of LERTA abatement. The net ten-year taxes include the additional $50,000 per year in year 6-10. These estimates are based on the LERTA program as of 12/5/12, http://www.ura.org/developers/FINALRevisedProgramTable_120512.pdf.

Table 4: Net Ten-Year Tax Estimates for All Scenarios

Net Year 10 Taxes	MCM-Ferchill	McCaffery	Rubino
Scenario 1	$12,081,584	$14,314,653	$7,624,360
Scenario 2	$12,081,584	$14,314,653	$10,033,760
Scenario 3	$10,581,584	$12,814,653	$9,783,760

These tax estimates are based on a variety of assumptions and projections that have been noted here. The final development budgets, expenditures and tax situations will depend on a variety of factors that are unknown at this time. The analysis has tried to reflect the potential variability by providing three scenarios for the tax estimates. Use all appropriate caution in the application of these estimates.

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (SEPTA), Appellant, v. BOARD OF REVISION OF TAXES, City of Philadelphia and School District of Philadelphia, Appellees.

Decided: July 28, 2003

Before ZAPPLA, C.J., and CAPPY, CASTILLE, NIGRO, NEWMAN, SAYLOR and EAKIN, JJ. Carrie E. Watt, Michael Sklaroff, for Southeastern Pennsylvania Transportation Authority. Richard Feder, Lewis Rosman, for Bd. of Revision of Taxes of Philadelphia, City of Philadelphia and The School District of Philadelphia

OPINION

This appeal raises the question of whether property owned by Appellant, the Southeastern Pennsylvania Transportation Authority (hereinafter "SEPTA") and leased to commercial tenants is immune from local taxation.1 The Commonwealth Court held that SEPTA is not immune from such taxation, since leasing commercial real estate is not part of SEPTA's governmental function. For the reasons stated herein, we affirm the decision of the Commonwealth Court.

SEPTA purchased property at 1234 Market Street in the City of Philadelphia. The property consists of a twenty-story office building. The property has approximately 664,664 square feet of office space that can be leased. SEPTA currently occupies 446,035 square feet of the office space, which it uses as its headquarters. It leases the remaining space to commercial, non-profit, and government organizations.

The Board of Revision of Taxes of the City of Philadelphia (hereafter "Board") determined that the fair market value of the property for the years 1994 through 1999 was $25,500,000.00. SEPTA applied for a real estate tax exemption with the Board on the basis that the property was immune and exempt from taxation for the years 1994 and thereafter. The Board granted a partial real estate tax exemption for the portions of the property used by SEPTA and other government and non-profit entities and exempted eighty-five percent of the property's assessed value for 1994 and subsequent years. The Board set the taxable assessed value of the property at $1,224,000.00 and the exempt assessed value of the property at $6,936,000.00.

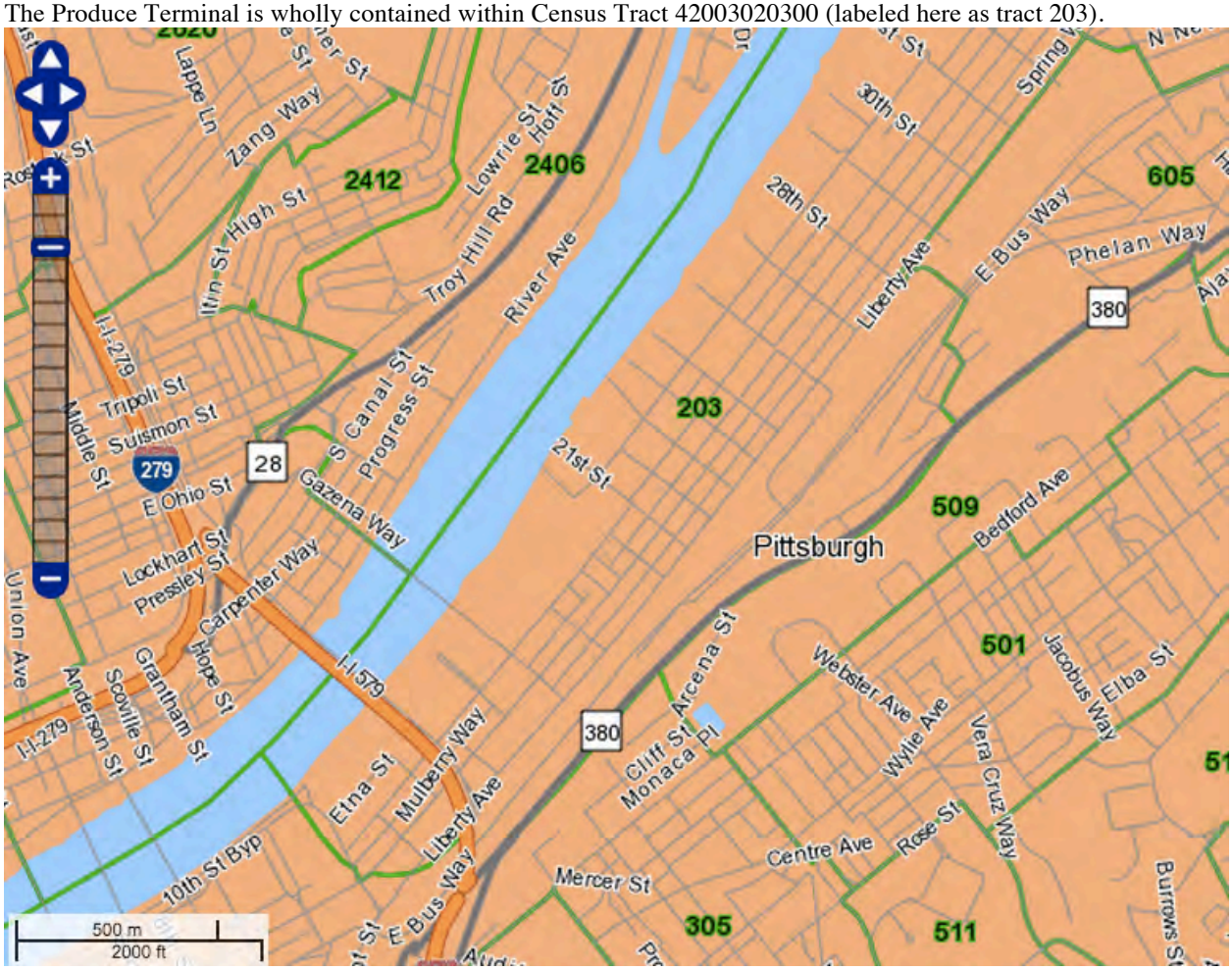
SEPTA appealed the Board's decision to the Court of Common Pleas. The parties agreed that the portion of the property occupied by SEPTA, government organizations, non-profit entities, and any vacant space, common areas, and the parking garage were not subject to taxation. Thus, the only portion of the property that was at issue before the trial court was the portion of the building that SEPTA leased to commercial entities.

- See more at: http://caselaw.findlaw.com/pa-supreme-court/1014395.html#sthash.5yEYEGpZ.dpuf

Eligibility for New Markets Tax Credits

Fourth Economy verified that the Produce Terminal is not eligible for NMTC based on input from the Review Team and verified from the CDFI fund based on its location in a non-qualifying census tract.

The Produce Terminal is wholly contained within Census Tract 42003020300 (labeled here as tract 203).



NMTC eligibility is determined by the CDFI fund.

Updated NMTC Program Eligibility Criteria: 2006-2010 American Community Survey Census Data

On May 1, 2012, the CDFI Fund released updated Low-Income Community eligibility data for the New Markets Tax Credit Program. The new Low-Income Community eligibility data is based on income and poverty data provided by the Census Bureau's 2006-2010 American Community Survey (ACS) for the 2010 census tracts. Community Development Entities (CDEs) will be able to use the 2006-2010 ACS eligibility data to determine if Qualified Low Income Community Investments (QLICIs) are located in NMTC-eligible 2010 census tracts.

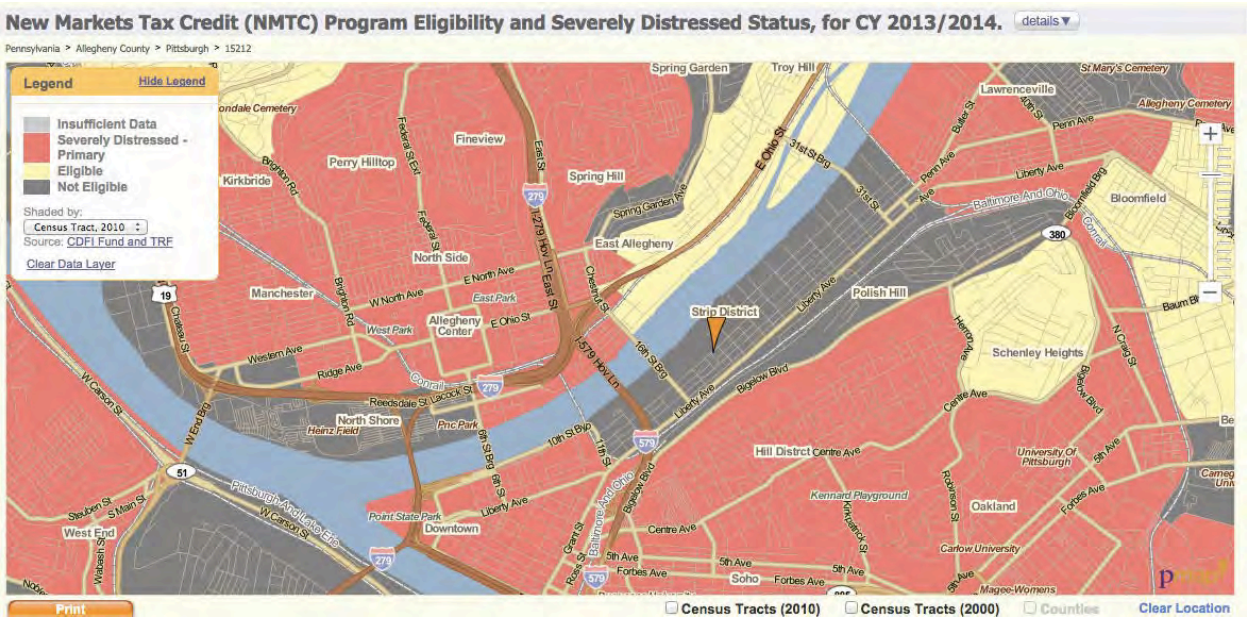
- NMTC 2006-2010 American Community Survey Eligibility Data (.xls) (Updated October 17, 2012)

A screenshot of the eligibility for Census Tract 0203 is provided below, or it can be downloaded directly from the link above:

2010 Census Tract Number	Census Tract Metro or Non-Metro Designation Based on OMB	Census Tract Poverty Rate (%)	Census Tract Percent of Benchmarked Median Family Income (%)	Census Tract Unemployment Rate (%)	Does Census Tract Qualify on Poverty Criteria>=20%?	Does Census Tract Qualify on Median Family Income Criteria<=80%?	Does Census Tract Qualify For NMTC Program on Poverty or Income Criteria	County	State Abbreviation	State Name	County Name	Population for whom poverty is determined, ACS 2006-2010
42003010300	Metropolitan	78.0	21.7	17.6	yes	yes	yes	42003	PA	Pennsylvania	Allegheny	1030
42003020100	Metropolitan	31.1	117.6	4.7	yes	no	yes	42003	PA	Pennsylvania	Allegheny	2409
42003020300	Metropolitan	3.8	99.5	N/A	no	no	no	42003	PA	Pennsylvania	Allegheny	504

This information was sourced from the CDFI Fund website, the URL is provided in case the hyperlinks do not work: http://www.cdfifund.gov/what_we_do/acs/update-census-data.asp

Additionally, this site has confirmed that the Census Tract 0203 is not eligible for New Markets Tax Credits.



Source: http://www.novoco.com/new_markets/resources/map2_popup.php

Produce
Terminal
Marketplace

20 August
2014

RECEIVED
AUG 20 2014
BY:

Ms. Susheela Nemani-Stanger
Urban Redevelopment Authority
200 Ross Street
Pittsburgh, PA 15219

RE: Produce Terminal Marketplace Proposal

Dear Ms. Nemani-Stanger:

Thank you for the time you and Dr. Jerry Paytas of Fourth Economy spent on the phone with members of the Rubino Team on Friday, August 15. As stated, our interest in connecting with you was to address the misrepresentation presented at the public meeting about the economic value to the City of the Produce Terminal Marketplace proposal. Most egregiously, to present real estate tax contributions by developers that intend to use LERTA significantly distorts both the real 10-year impact as well as the differences between the three developers.

After Friday's discussion, it was clear to our participants that neither the URA nor Fourth Economy thoroughly reviewed or understood the pro forma submitted by the Rubino Team. Admittedly, a public private partnership can be very complex. It is quite disappointing that you did not take advantage of the June 13th interview to address any issues or questions that the proposal reviewers might have had. We were thoroughly prepared to walk you through the financial portion of our plan, which we broached when informing you at the June 13th meeting that our team was advised by multiple tax attorneys and accountants that we would be responsible for real estate taxes on those portions of the Marketplace that are commercial enterprises.

Enclosed is an annotated version of the Produce Terminal Marketplace Proforma—prepared by John Watson following Friday's call—that was part of the proposal submitted by the Rubino Team on April 23, 2014. The proforma outlines development costs (hard and soft cost assumptions and financing assumptions); building tenant rent assumptions; annual expense costs (net to building owner); and year 10 value and mortgage balance predictions. Each area of specific importance has color-coordinated sections and directional arrows to show connectivity to associated numbers. Hopefully, the annotated version and the attached sheet of introductions of budgets contained in our April 23rd document, will help you better evaluate our proposal. The summary of our proforma is the following:

1. The project is a $19.4 million development (prior to TIF funded City infrastructure of approximately $6 million).
2. The resulting operational asset produces net income of $2.52 million to the building owner.
3. The for profit tenants in the building would be responsible for annual real estate taxes, insurance and common area maintenance expenses.
4. The value of the asset, for the building owner, at year 10 of the development will be $16.19 million.
5. The balance of all debt on the asset at year 10 will be $7.66 million.

We look forward to meeting as soon as possible to discuss our other concerns about the process and the August 6 presentation, and to determine how the corrections will be communicated to the public.

Sincerely,

Mike Rubino (gk)

Mike Rubino
Principal

cc: Mayor Bill Peduto
Kevin Acklin
Rubino Team

Budgets (from April 23 proposal)

Market Operating Projections

The spreadsheet on the following page is a detailed overview of the daily sales and operations of the actual "Market" and Produce Terminal Building. We have reflected all of the various income sources that range from the Anchor Destination Retailers to the leasing of the vacant 2nd floor space above the Society for Contemporary Crafts. Our rental rates reflect Pittsburgh market rates combined with the knowledge of similar "Market" operations across the United States. To be conservative we have included an "overall" vacancy factor of 5% that is applied to the Market rents even after achieving varying levels of occupancy in the different income categories. The Operating Expenses are also based on Pittsburgh market costs as well as similar "Market" operations across the United States. We have included a large budget item for Advertising as we strongly suggest the need to promote this new concept to the region.

Development Proforma

This Proforma reflects the deal structure that is fully described in the proposal. The Rent received from the Master Tenant combined with the proposed percentage rent from the Market Operation as well as the rent from the Society for Contemporary Crafts, produces over $2.5 million in net cash flow over 10 years (after debt service) or an average of 135% debt service coverage. The Master Tenant is leasing the facility for 10 years and will be prepaying the first 5 years of rent ($3.25 million dollars) upon signing of the Lease. These funds are allocated towards total project costs, which when combined with the suggested tax credits, and any grants, leave a requirement of $10.4 million in project financing. Under this scenario, the project will have an operating reserve of $750,000 to cover the debt in the early years of the term. The proforma is based on all rents being net of all costs. All costs including utilities will be paid for by the Master Tenant or the individual subtenants in the building. Since the net effect of these costs and associated payments are zero ($0.00), we are not including them in the proforma. We project that the newly formed ownership entity, controlled by the City, will be able to secure the required financing through Public and Private sources. By year 10 of the development and operation of the Market, the balance on this loan will be approximately $7.7 million and the corresponding value of the building will be $16.3 million.

Construction Budget Overview

The project budget was prepared by James Construction based on quantity take-offs and unit pricing developed over a 33 year period of tracking actual costs The budget contains three (3) distinct categories of budgeted costs.

Base Project Construction Costs (Proforma Basis)

The first category is the Base Project Construction Costs developed for the proforma. This estimate focuses on the building structure and utilities five (5) feet outside of the building. Any proposed changes to the structure whether they are maintenance or changing the interior layout are contained in this section. **Detailed quantities are available for each major construction item in Tab 6.**

Infrastructure Upgrades (Publicly Financed)

The second section is titled Infrastructure Upgrades-Publicly Financed. This contains cost estimates that are associated with work along Smallman and Railroad Streets. This section of the budget quantifies work scope such as new sidewalks, ADA ramps, accessibility issues, street lighting, underground utility upgrades to service the new facility needs, a passage for vehicular access, and streetscape enhancements. It is proposed that the scope of work contained in this section will be accounted for through Tax Incremental Financing (TIFs) or other public infrastructure financing to be determined.

Sustainable Enhancements (Public and Private Sources)

The third section of the budget contains Sustainable Enhancements that would be incorporated into the project through funding developed from public and private sources. This section includes cutting edge technologies employed in a geothermal heating and cooling system, creative underground retention of the storm water, incorporation of bio-retention islands that will allow the use of stored storm water for use in the building's grey water system and also includes a "green" vegetative roof on the lower roof s of both the north and south side of the Marketplace.

The above estimates by James Construction were prepared based on plans and concepts for the Produce Terminal Marketplace prepared by Pfaffmann + Associates architects along with their consultants.

Produce Terminal Marketplace

Annotated Proforma

1

BUILDING INFORMATION

GROSS SQ. FT. (OUTSIDE)	158,000
GROSS SQ. FT. (INSIDE)	156,000
RENTABLE SQ.FT.	156,000
USABLE SQ. FT.	156,000
WAREHOUSE AREA	0
GARAGE AREA	0
COMMON AREA FACTOR	0.00%
COST PER SQ.FT. (GROSS)	124.22

POTENTIAL RENT

TENANT	RATE	SQ.FT.	RENT
Master Tenant	$5.00	130,000	$650,000
Society for Contemporary Crafts (SFCC	$7.50	16,000	$120,000
Vacant space	$5.00	10,000	$50,000
Parking Income	See Below		
Percentage Rent	See Below		
Totals	$5.26	$156,000	$820,000

2

OPERATING EXPENSES ASSUMPTIONS (PER S.F.)

	OFFICE	WHSE.
INSURANCE	$0.00	$0.00
REAL ESTATE TAXES	$0.00	$0.00
JANITORIAL	$0.00	$0.00
RUBBISH REMOVAL	$0.00	$0.00
SNOW REMOVAL	$0.00	$0.00
MANAGEMENT	$0.00	$0.00
MAINT AND REPAIRS- Building roof and structure	$0.05	$0.00
HVAC	$0.00	$0.00
GAS,WATER,SEWER	$0.00	$0.00
ELECTRICITY	$0.00	$0.00
LANDSCAPING	$0.00	$0.00
GARAGE	$0.00	$0.00
MISC.	$0.00	$0.00
TOTAL OPERATING EXPENSES	$0.05	$0.00

CONSTRUCTION LOAN TO COST RATIO

LOAN AMOUNT	10,368,400
COST	19,378,500
RATIO	53.50%

PERMANENT LOAN TO COST RATIO

STAB. NOI	643,211
CAP RATE	9.00%
VALUE	7,146,786
LOAN	10,368,400
RATIO	145.08%

THIS ANALYSIS IS FOR DEMONSTRATION PURPOSES ONLY AND TH
PRODUCER IS NOT RESPONSIBLE FOR ERRORS AND/OR OMISSION

Annual Rents from Operating Projections

Master Tenant	SFCC	Vacant	% Rent	Net Parking	Year
$0	$120,000	$60,000	$0	124,800	1
$0	$120,000	$120,000	$0	127,296	2
$0	$120,000	$122,400	$194,236	129,842	3
$0	$120,000	$124,848	$273,724	132,439	4
$0	$120,000	$127,345	$356,116	135,088	5
$650,000	$120,000	$129,892	$365,428	137,789	6
$650,000	$120,000	$132,490	$374,972	140,545	7
$650,000	$120,000	$135,139	$384,754	143,356	8
$650,000	$120,000	$137,842	$394,779	146,223	9
$650,000	$120,000	$140,599	$405,053	149,148	10

NET INCOME OR CASH TO BUILDING OWNER

3

ANNUAL ACTIVITY FOR

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	10 YR TOTALS
TAX EFFECT:											
RENTAL INCOME	304800	367296	566478	651011	738548	1403109	1418007	1433249	1448844	1464800	9796143
EXPENSE ESCALATOR	0	156	315	477	643	812	984	1160	1339	1522	7408
OPERATING EXPENSES	-7800	-7956	-8115	-8277	-8443	-8612	-8784	-8960	-9139	-9322	-85408
PREFERRED RETURN	0	0	0	0	0	0	0	0	0	0	0
MORTGAGE INTEREST	-513565	-502627	-491130	-479044	-466340	-452987	-438949	-424194	-408684	-392381	-4569901
DEPRECIATION	-484064	-484064	-484064	-484064	-484064	-484064	-484064	-484064	-484064	-484064	-4840641
BEFORE TAX INCOME(-LOSS)	-700629	-627195	-416516	-319898	-219656	458259	487193	517191	548296	580559	307600
CASH FLOW:											
RENTAL INCOME	304800	367296	566478	651011	738548	1403109	1418007	1433249	1448844	1464800	9796143
EXPENSE ESCALATOR	0	156	315	477	643	812	984	1160	1339	1522	7408
OPERATING EXPENSES	-7800	-7956	-8115	-8277	-8443	-8612	-8784	-8960	-9139	-9322	-85408
PREFERRED RETURN	0	0	0	0	0	0	0	0	0	0	0
DEBT SERVICE	-727352	-727352	-727352	-727352	-727352	-727352	-727352	-727352	-727352	-727352	-7273516
CASH FLOW/OPERATIONS	-430352	-367856	-168674	-84141	3397	667958	682855	698098	713693	729648	2444627
OPERATING RESERVE	0	VALUE OF A	0	0	0	0	0	0	0	0	0
TAX BENEFIT	273245	244606	162441	124760	85666	-178721	-190005	-201705	-213835	-226416	-119964
TOTAL ANNUAL BENEFITS	-157106	-123249	-6232	40619	89063	489237	492850	496393	499857	503232	2324662
ACCUMULATED BENEFITS	-157106	-280356	-286588	-245969	-156906	332330	825180	1321574	1821431	2324662	2324662
MISCELLANEOUS:											
ANNUAL MORTGAGE REDUCTION	-213787	-224724	-236222	-248307	-261011	-274365	-288402	-303157	-318667	-334971	-2703615
DEBT SERVICE COVERAGE	40.83%	49.43%	76.81%	88.43%	100.47%	191.83%	193.88%	195.98%	198.12%	200.32%	133.61%
CASH ON CASH <PRE TAX>	-13.24%	-11.32%	-5.19%	-2.59%	0.10%	20.55%	21.01%	21.48%	21.96%	22.45%	75.22%
CASH ON CASH <AFTER TAX>	-8.08%	-6.90%	-3.17%	-1.58%	0.06%	12.54%	12.82%	13.10%	13.40%	13.69%	45.88%

4

10 YEAR EVALUATION

REFINANCING OF PROJECT

NET OPERATING INCOME YEAR 10		1457000
APPRECIATION BASED ON CAP RATE		9.00%
VALUE		16188885
PERCENT REFINANCING	80.00%	12951108
LESS:BALANCE ON PREVIOUS MORTGAGE		-7664785
FUNDS TO INVESTOR (TAX FREE)		5286323
REMAINING EQUITY VALUE		3237777
BENEFITS TO DATE (AFTER TAX)		2324662
LESS:EQUITY		-3250000
YIELD TO DATE		7598762

VALUE OF ASSET AT YEAR 10

SALE OF PROJECT

SALE PRICE		16188885
COST	19378500	
DEPRECIATION TO DATE	-4840641	
BASIS	14537859	
TAX		-643900
LESS: MORTGAGE BALANCE		-7664785
NET SALE		7880200
PROJECT CASH FLOW TO DATE		2324662
LESS: EQUITY		-3250000
YIELD ON INVESTMENT		6954862

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Produce Terminal Marketplace

Hard & Soft Costs

PROJECT: Produce Terminal Market

DATE: 08/15/14

COSTS

HARD COSTS:	COST	PER S.F.	% OF COST
CONSTRUCTION:			
BASE BUILDING (remains with URA)	0	0.00	0.00%
BUILDING SYSTEMS	3,380,000	21.67	17.44%
Building Infrastructure (by URA)	0	0.00	0.00%
DEMOLITION	1,000,000	6.41	5.16%
BUILDING REHAB ($70 per sq. ft.)	9,100,000	58.33	46.96%
LAND (remains with URA)	0	0.00	0.00%
CONTINGENCIES	500,000	3.21	2.58%
TOTAL HARD COSTS	**13,980,000**	**89.62**	**72.14%**
SOFT COSTS:			
APPRAISAL	6,000	0.04	0.03%
ARCHITECTURE	1,398,000	8.96	7.21%
CLOSING AND TITLE	50,000	0.32	0.26%
COUNSEL - BANK	0	0.00	0.00%
CONSTRUCTION INSPECTION	6,000	0.04	0.03%
CONSTRUCTION INSURANCE	6,000	0.04	0.03%
CONSTRUCTION INTEREST	472,500	3.03	2.44%
CONSTRUCTION LOAN FEE	100,000	0.64	0.52%
CONSTRUCTION PERIOD TAXES	0	0.00	0.00%
CONTINGENCIES	250,000	1.60	1.29%
CORPORATE COUNSEL	0	0.00	0.00%
DEVELOPMENT FEE	750,000	4.81	3.87%
ENGINEERING - SITE	0	0.00	0.00%
ENGINEERING - SOILS	0	0.00	0.00%
ENGINEERING - ENVIRON.	0	0.00	0.00%
LEGAL & ACCOUNTING - TAX CREDI	1,250,000	8.01	6.45%
LEASING	140,000	0.90	0.72%
LEGAL AND ACCOUNTING	80,000	0.51	0.41%
MORTGAGE PLACEMENT FEE	100,000	0.64	0.52%
OPERATING RESERVE	750,000	4.81	3.87%
PERFORMANCE BOND	0	0.00	0.00%
PERMITS - BUILDING	30,000	0.19	0.15%
PERMITS - SEWER	5,000	0.03	0.03%
SURVEY	5,000	0.03	0.03%
TOTAL SOFT COSTS	**5,398,500**	**34.61**	**27.83%**
TOTAL PROJECT COST	**19,378,500**	**124.22**	**100.00%**

PROJECT ASSUMPTIONS

PROJECT COST	19,378,500
PREPAID RENT (CASH/EQUITY)	3,250,000
CONSTRUCTION LOAN (LESS TAX CREDITS)	10,368,400
INTEREST RATE	6.000%
CONSTRUCTION PERIOD (MONTHS)	12
CONSTRUCTION LOAN (2ND)	0
INTEREST RATE	6.00%
CONSTRUCTION PERIOD	0
PREPAID RENT (CASH/EQUITY)	3,250,000
PERMANENT MORTGAGE (LESS TAX CREDITS)	10,368,400
INTEREST RATE	5.000%
AMORTIZATION PERIOD	25
SECOND MORTGAGE	0
INTEREST RATE	6.000%
AMORTIZATION PERIOD	20
OTHER FINANCING	0
INTEREST RATE	6.000%
AMORTIZATION PERIOD	15
LAND LEASE-ANNUAL EXPENSE	0
INCOME COMMENCEMENT YEAR	2016
GARAGE INCOME	0
OCCUPANCY YEAR 1	100.00%
YEAR 2	100.00%
YEARS 3 - 10	100.00%
INVESTOR PREFERRED RETURN (INTEREST ONLY)	0.00%
INVESTOR TAX BRACKET	39.00%
CAP RATE	9.00%
DEPRECIATION TERM	39
TENANT INVESTOR INTEREST	0.00%
LEASING COMMISSION	6.00%
ARCHITECTS FEE	41.36%
DEVELOPMENT FEE	5.36%
ANNUAL EXPENSE ESCALATOR	2.00%
ADDITIONAL PRINCIPLE	
GRANT/FOUNDATION FUNDING	**$500,000**
HISTORIC TAX CREDIT	**$3,260,100**
NEW MARKET TAX CREDITS	**$2,000,000**

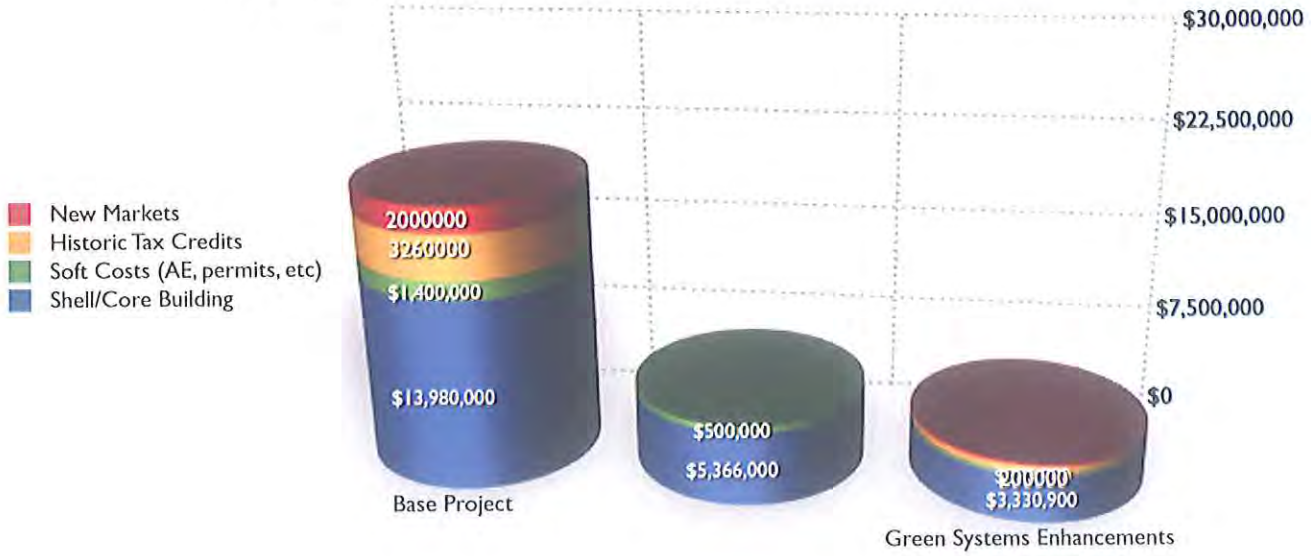
THIS ANALYSIS IS FOR DEMONSTRATION PURPOSES ONLY AND THE PRODUCER IS NOT RESPONSIBLE FOR ERRORS AND/OR OMISSIONS.

The Pittsburgh Terminal Market

Project Budget Breakdown

The Financial Strategy is to develop a real estate proforma for the basic shell core building work with rents that can be achieved in the current market context.

We have separated site and green the infrastructure costs as shown in this diagram.



Produce Terminal Marketplace

Market Operating Projections

Operating Projections
Pittsburgh Produce Terminal Market

	Usable Square Feet	Common area	Rental Rate	Initial % occupancy	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rental Income														
Destination Retailers (Anchors)	40600		$5.00	100%	$203,000	$207,060	$211,201	$215,425	$219,734	$224,128	$228,611	$233,183	$237,847	$242,604
Retail/Restaurants	14400		$30.00	50%	$216,000	$264,384	$314,617	$366,753	$420,850	$429,267	$437,852	$446,609	$455,541	$464,652
Major Vendors	20000	10000	$30.00	75%	$450,000	$489,600	$530,604	$573,052	$616,986	$629,326	$641,913	$654,751	$667,846	$681,203
Market Vendors	10000	5000	$78.00	50%	$390,000	$477,360	$568,058	$662,194	$759,867	$775,065	$790,566	$806,377	$822,505	$838,955
Farmers' Market Vendors	10000	5000	$46.80	30%	$140,400	$190,944	$243,454	$297,987	$354,605	$361,697	$368,931	$376,309	$383,836	$391,512
Special Events	10000	5000	$97.50	25%	$243,750	$348,075	$456,476	$465,605	$474,917	$484,415	$494,104	$503,986	$514,066	$524,347
Subtotal					$1,643,150	$1,977,423	$2,324,410	$2,581,017	$2,846,959	$2,903,898	$2,961,976	$3,021,216	$3,081,640	$3,143,273
Other Income														
Loading dock Vendors	30 docks		$30 per day	50%	$70,200	$84,240	$98,280	$112,320	$126,360	$126,360	$126,360	$126,360	$126,360	$126,360
Society for Contemporary Craft	16000			100%	This rent is payable to the Building Owner									
Parking income	100 spaces		$5 per space	100%	This income source is payable to the Building Owner									
Vacant 2nd Floor (office)	10000		$12	50%	This rent from Vacant space is payable to the Building Owner									
Subtotal	*131000*	*25000*			$70,200	$84,240	$98,280	$112,320	$126,360	$126,360	$126,360	$126,360	$126,360	$126,360
Gross Operating Income					**$1,713,350**	**$2,061,663**	**$2,422,690**	**$2,693,337**	**$2,973,319**	**$3,030,258**	**$3,088,336**	**$3,147,576**	**$3,208,000**	**$3,269,633**
Bad Debt Expense (2% of Market)					$32,863	$39,548	$46,488	$51,620	$56,939	$58,078	$59,240	$60,424	$61,633	$62,865
Vacancy Factor (5% of Market)					$82,158	$98,871	$116,220	$129,051	$142,348	$145,195	$148,099	$151,061	$154,082	$157,164
Subtotal					$115,021	$138,420	$162,709	$180,671	$199,287	$203,273	$207,338	$211,485	$215,715	$220,029
Adjusted Gross Income					**$1,598,330**	**$1,923,243**	**$2,259,981**	**$2,512,666**	**$2,774,032**	**$2,826,985**	**$2,880,998**	**$2,936,091**	**$2,992,285**	**$3,049,604**
Operating Expenses														
Maintenance/repair					$75,000	$76,125	$77,267	$78,426	$79,602	$80,796	$82,008	$83,238	$84,487	$85,754
Personnel					$645,000	$654,675	$664,495	$674,463	$684,579	$694,848	$705,271	$715,850	$726,588	$737,487
Advertising					$400,000	$406,000	$412,090	$418,271	$424,545	$430,914	$437,377	$443,938	$450,597	$457,356
Misc					$75,000	$76,125	$77,267	$78,426	$79,602	$80,796	$82,008	$83,238	$84,487	$85,754
Professional/legal fees					$30,000	$30,450	$30,907	$31,370	$31,841	$32,319	$32,803	$33,295	$33,795	$34,302
Security					$20,000	$20,300	$20,605	$20,914	$21,227	$21,546	$21,869	$22,197	$22,530	$22,868
Supplies					$50,000	$50,750	$51,511	$52,284	$53,068	$53,864	$54,672	$55,492	$56,325	$57,169
Janitorial					$75,000	$76,125	$77,267	$78,426	$79,602	$80,796	$82,008	$83,238	$84,487	$85,754
Insurance					$100,000	$101,500	$103,023	$104,568	$106,136	$107,728	$109,344	$110,984	$112,649	$114,339
Pest control					$10,000	$10,150	$10,302	$10,457	$10,614	$10,773	$10,934	$11,098	$11,265	$11,434
Utilities					$150,000	$152,250	$154,534	$156,852	$159,205	$161,593	$164,016	$166,477	$168,974	$171,508
Waste removal					$25,000	$25,375	$25,756	$26,142	$26,534	$26,932	$27,336	$27,746	$28,162	$28,585
Total Operating Expenses					**$1,655,000**	**$1,679,825**	**$1,705,022**	**$1,730,598**	**$1,756,557**	**$1,782,905**	**$1,809,649**	**$1,836,793**	**$1,864,345**	**$1,892,310**
Net Income					**-$56,671**	**$243,418**	**$554,959**	**$782,068**	**$1,017,475**	**$1,044,080**	**$1,071,349**	**$1,099,297**	**$1,127,940**	**$1,157,293**
35% fee to City/Property Owner							**$194,236**	**$273,724**	**$356,116**	**$365,428**	**$374,972**	**$384,754**	**$394,779**	**$405,053**

The Produce Terminal Marketplace—Master Program Diagram

Rubino Team Questions Process to Evaluate Produce Terminal Redevelopment Proposals

Marketplace Developer Expresses Concerns to Mayor Peduto; Advocates for Apples-to-Apples Comparison

PITTSBURGH, PA (September 2, 2014)—Mike Rubino, the third generation Strip District businessman proposing conversion of the Produce Terminal into a marketplace for all Pittsburghers, hand-delivered a letter to Mayor Bill Peduto on Thursday, August 28 detailing examples of concern about the evaluation presented by Fourth Economy at the August 6th public meeting. The Rubino Team is advocating for an apples-to-apples comparison of the three development proposals and the Buncher Company plan for the Produce Terminal.

The letter was sent to Mayor Peduto after conversations with the URA and Fourth Economy failed to result in corrections to the proposal evaluation, which will be used by the mayor in determining the best use of the historic Produce Terminal. The body of the letter from Mike Rubino follows:

> We continue to be puzzled and disturbed about how the Produce Terminal proposals were reviewed, resulting in inaccurate information presented at the August 6th public meeting and on the URA website.
>
> We think ours is a unique and exciting proposal, and it ought to be reviewed fairly and without a clear bias. We want to take this opportunity to clarify the strengths and correct some of the misrepresentations of our proposal.
>
> 1. The Produce Terminal Marketplace maintains the unique culture of the historic Strip District and returns the building to the use for which it was intended. Ours is the **only proposal that maintains the gritty authenticity of the Strip** District neighborhood, which is important to Pittsburgh and Pittsburghers. When the *Pittsburgh Post-Gazette* introduced each of the three development proposals with front-page articles, more than 1,400 readers "Liked" the marketplace story compared to 77 and 21 for the two residential developments.
>
> 2. The **Strip District is one of the strongest retail markets in the region**, with a retail occupancy rate of 99%. It is incorrect and misleading to suggest the U.S. or region's retail statistics are relevant to the Strip (slides #21 and #22). More shopping opportunities in the Strip are very appealing to the public, which will be enhanced by the first urban locations of anchor retailers such as Marden's of Maine and 380 Discount Warehouse. Readers of the *Pittsburgh Business Times* agree. The results of its poll published last week [August 23, 2014] were 82% of the respondents choosing farm-to-restaurant, farmer's market and other retail compared to 10% for residential and private offices, and 8% for demolishing part of the building but upgrading the rest.
>
> 3. Our proposed public-private partnership **would bring a marketplace to Pittsburgh without incurring operational subsidy**. Our proposal maintains the Produce Terminal as

a public asset while allowing a for-profit marketplace to thrive, benefiting both the public and private partners. The net rental income to the City of $2.52 million over 10 years was not considered and appears nowhere in the financial review of our proposal.

4. Our proposal requires the least modification of the current Produce Terminal structure, with only one cut-through that maintains the integrity of the historic roofline. Contrary to the presentation (slide #28), we believe the **Produce Terminal Marketplace will be eligible for historic tax credits**. Based on an opinion from the Pennsylvania Historical and Museum Commission, "The PHMC believes it possible for a thoughtful, carefully considered design that includes cut-throughs could be made to meet the Secretary of the Interior's *Standards for Rehabilitation."*

5. During our due diligence in preparation for our June 13th meeting with the URA, we were advised by several tax attorneys and accountants that **we will be paying real estate tax** for that portion of the facility—130,000 square feet—that is operated as a for-profit business. Not including our real estate tax payments in the Expected Tax Generation calculation understates our proposal's contribution to the City by approximately $3.5 million (slide #39).

6. The experts on our team have **great confidence that we can receive New Market Tax Credits** based on their extensive experience. Without any question or consultation this contribution was incorrectly removed from the public presentation of our Financing Structure, and identified as a financing gap of $2M (slides #26 and #28). Conversely, both LERTA financing ***and*** real estate tax generation were reflected for the two housing developers, which is double counting and misleading about the contribution of those proposals to the City.

Multi-million dollar errors were made in the evaluation of the direct revenue impact of our project. These errors are so large that while our project was presented as providing the least ongoing revenue to the City, our project actually provides the most ongoing revenue to the City.

We are passionate in our belief that the historic Produce Terminal building should be converted into one of the largest marketplaces in the country—a regional destination used and enjoyed by *all* Pittsburghers, and recognized as a model of sustainability throughout the nation. As with any public private partnership, negotiation is expected and necessary. RFPs by their nature inhibit collaboration. We welcome the opportunity to talk to you about the ideas we discussed at the August 6th meeting about incorporating housing and talk about the relationship of our proposal to the Riverfront Landing development (slide #28).

Mayor Peduto, we need to meet as soon as possible. Minimally, we ask for the opportunity to address the misrepresentations presented about Produce Terminal Marketplace proposal at the August 6th public meeting. This project is too important to the Strip District, to the City, and to

my team for you to make a decision without full and accurate information. John Watson will be calling Alison Holtzman to schedule a time to see you. Thank you for your consideration.

Slides from the Fourth Economy analysis presented publicly at the August 6th meeting are available at: http://apps.pittsburghpa.gov/ura-files/ProduceTerminal.FEC08.06.14.pdf

Response to the Rubino Press Release

1. The Produce Terminal Marketplace maintains the unique culture of the historic Strip District and returns the building to the use for which it was intended. Ours is the **only proposal that maintains the gritty authenticity of the Strip** District neighborhood, which is important to Pittsburgh and Pittsburghers. When the *Pittsburgh Post-Gazette* introduced each of the three development proposals with front-page articles, more than 1,400 readers "Liked" the marketplace story compared to 77 and 21 for the two residential developments.

> We have not determined whether these likes are from city residents. Facebook "likes" do not provide a representative sample of public opinion especially on a page advocating for a specific proposal. Facebook "likes" are also ambiguous in terms of an individual's actual support or opposition.

2. The **Strip District is one of the strongest retail markets in the region**, with a retail occupancy rate of 99%. It is incorrect and misleading to suggest the U.S. or region's retail statistics are relevant to the Strip (slides #21 and #22). More shopping opportunities in the Strip are very appealing to the public, which will be enhanced by the first urban locations of anchor retailers such as Marden's of Maine and 380 Discount Warehouse. Readers of the *Pittsburgh Business Times* agree. The results of its poll published last week [August 23, 2014] were 82% of the respondents choosing farm-to-restaurant, farmer's market and other retail compared to 10% for residential and private offices, and 8% for demolishing part of the building but upgrading the rest.

> We agree that this would be the first urban locations for Marden's and for 380 Discount Warehouse and that is already reflected in the report, although we express that as a concern, given that their other locations are suburban or rural locations with access to free parking. We do believe, however, that the overall condition of the retail market in the city and the nation is relevant, both to the ability to attract investors for the project, and because there is risk in subsidizing retail in one part of the city when it is declining in other parts. We also express concern with competition for the current Penn Ave district, which is estimated to have 280,000 SF of retail space. The Rubino plan would bring that to 400,000 SF. This is comparable to the 435,600 SF in Seattle's Pike Place, but Seattle has twice the population of Pittsburgh.

3. Our proposed public-private partnership **would bring a marketplace to Pittsburgh without incurring operational subsidy**. Our proposal maintains the Produce Terminal as a public asset while allowing a for-profit marketplace to thrive, benefiting both the public and private partners. The net rental income to the City of $2.52 million over 10 years was not considered and appears nowhere in the financial review of our proposal.

> The rental income was not considered in the analysis of tax revenues. Taxes revenues that go to the general fund are not the same as rental income from a property. The proposal they submitted initially claimed $2.52 million in net rental income **over ten years**, but we believe that numbers is gross rental income, as it did not include taxes or operational costs. We excluded the rental income from our analysis because their proposal would require the URA to forego the upfront $2.5 million acquisition price in return for a potential $2.3 to $2.5 million in ten years. Furthermore, their revision of August 20 included some operational costs of $7,800 to $9,322 annually, which reduced the rental income to $2.3 to $2.44 million. Furthermore, the first four years of cash flow in their pro forma is negative, requiring further upfront subsidy from the URA

before the cash flow turns positive in 2020 and then break even occurs in 2022. Furthermore, the URA is expected to pay $5.37 million in building construction and an additional $3.3 million in sustainability enhancements financed by a public-private partnership.

4. Our proposal requires the least modification of the current Produce Terminal structure, with only one cut-through that maintains the integrity of the historic roofline. Contrary to the presentation (slide #28), we believe the **Produce Terminal Marketplace will be eligible for historic tax credits**. Based on an opinion from the Pennsylvania Historical and Museum Commission, "The PHMC believes it possible for a thoughtful, carefully considered design that includes cut-throughs could be made to meet the Secretary of the Interior's *Standards for Rehabilitation."*

We agree and the PHMC gave us similar feedback about the cut-throughs. We reflected that sentiment for all proposals. PHMC would not comment on individual concepts at this stage, nor will they provide even a preliminary determination until they have a formal proposal and application submitted to them. Based on our discussions with PHMC we believe that the 10% tax credit is very likely and that the 20% tax credit also has a good chance, or at least any of the proposals would be able to cover a 10% gap in financing.

5. During our due diligence in preparation for our June 13th meeting with the URA, we were advised by several tax attorneys and accountants that **we will be paying real estate tax** for that portion of the facility—130,000 square feet—that is operated as a for-profit business. Not including our real estate tax payments in the Expected Tax Generation calculation understates our proposal's contribution to the City by approximately $3.5 million (slide #39).

This was not their original submission. Their original submission involved public ownership of the building. They revised it after the presentation of the other proposals presented on August 6. We did revise the tax estimates to include scenarios where the Rubino proposal pays taxes or PILOTS and where it does not. We also included options where LERTA is applied or not. LERTA may be used unless there is a TIF in which case LERTA cannot be used. Those decisions may not happen for some time so we can only show the different scenarios. In each of those scenarios, the Rubino proposal generates the lowest amount of tax revenue to the City. Note that we included only City and School District tax revenues, not County and State. All developers initially submitted estimated for local and state taxes, but we created independent estimates for City taxes only for all three under the scenarios described above.

6. The experts on our team have **great confidence that we can receive New Market Tax Credits** based on their extensive experience. Without any question or consultation this contribution was incorrectly removed from the public presentation of our Financing Structure, and identified as a financing gap of $2M (slides #26 and #28). Conversely, both LERTA financing ***and*** real estate tax generation were reflected for the two housing developers, which is double counting and misleading about the contribution of those proposals to the City.

The development site is in a Census Tract (0203) that is not currently NMTC eligible. Robert Rubenstein made the initial observation and we verified that information with the CDFI. We are including the supporting documentation on NMTC eligibility or ineligibility as an appendix to the report. The due diligence report include three tax scenarios where LERTA is provided and not provided. There is no double-counting.

Produce Terminal Public Comment Session – August 6, 2014

All of the written and spoken comments are reproduced in the following pages. The summary below is a tally of the responses by the reported location of the speaker.

Positive or Negative Comments

Count of Comments by Location	Con	Mixed	Pro	Grand Total
City	27	3	16	46
Buncher			1	1
Ferchill	13			13
McCaffery	10	1	4	15
Rubino	4	2	11	17
Greater Strip	12	5	2	19
Buncher			1	1
Combo		1		1
Ferchill	4	1		5
McCaffery	4	1		5
Rubino	4	1	1	6
Unknown / Not in City	4		4	8
Ferchill	2		1	3
McCaffery	1		1	2
Rubino	1		2	3
Grand Total	**43**	**8**	**22**	**73**

Support Expressed by Individuals by Location

Count of Individuals	Con	Mixed	Pro	Grand Total
City	4		11	15
Buncher			1	1
Ferchill	2			2
McCaffery	2		3	5
Rubino			7	7
Greater Strip	3	2	2	7
Buncher			1	1
Combo		1		1
Ferchill	1			1
McCaffery	1			1
Rubino	1		1	2
Unknown / Not in City			2	2
Rubino			2	2
Grand Total	**7**	**2**	**15**	**24**

Comments Submitted in Writing

Name: Scott Leib
Address: 6405 Monitor Street, 15217
Squirrel Hill
Affiliation: Preservation Pittsburgh
Comment: 1) Thank you for this process. I'm so glad the city is considering alternatives to demolishing 1/3 of the building. I only wish the Civic Arena had a similar legitimate process.
2) My feelings about the three presentations:
Rubino - the plan **turns the Terminal Building into a real destination**. Retail/ Restaurants/Market plus multi-purpose event space. **Very exciting**. I'm **concerned about Pgh/URA maintaining ownership.**
Ferchill – this plan **turns public space into private space**. Very disappointed. Boring. Not inspired. **Not a destination**.
McCaffery – interesting mix of retail, business and housing. Nice design. Privately owned. Not sure this plan will make a true destination.
Overall, perhaps a combination of the Rubino and McCaffery plans might work best.
FYI – the state is fine with cut throughs if they are sensitively designed compared to demo.

Name: Matthew Sherwin
Address: MSHERWIN@GMAIL.COM
Location: Peters Twp.
Affiliation: N/A
Comment – Question: The Strip District evokes a unique wonderful gut feel that Pittsburghers love. Here is the gut feel I get from these presentations:
Rubino – "A Reading Market for the 21st century"
Cleveland/Ferchill – "Just another apartment complex"
McCaffery – "Nice and functional, but only nice and functional. No special space"
What I would like to see from this development are the following:
Vibrant; Feels like Pittsburgh; Combines the best of the past with the best of the future.
What is the gut feeling you intend to create with this space?

Name: W. Donald Orkoskey
Address: 3620 Elmhurst, 15212
Strip / North Side
Affiliation: NITS
Comment – Question:

1) **The building should NOT be kept publicly owned** – there are too many things that deserve public money before this building gets any.
2) **Cut throughs are no better than Buncher's plan** – they fail to provide a grand entrance to the river. They're also a public safety issues since no traffic controls are included in

the RFP. Finally they failed a 106 Historic Review in the past. Why would they not fail again?

3) In a nation that has a **glut of retail space**, with Pgh above the national average, we can't afford 100K sq ft of retail.
4) Whatever you do DON'T do the Rubino plan – it will be this URA's 1960s East Liberty redevelopments, would seriously hurt the Strip.
5) None of these sound better than Buncher's plan, just let Buncher do what they purpose.

Name: James Dugan
Address: Cork Factory, 15222
Strip District
Affiliation: Resident
Comment – Question: Will there be restrictions on Big Box Tenants?

Name: Suella Pupal
Address: 1640 Denniston, 15217
Squirrel Hill
Affiliation: Private Citizen
Comment – Question:
McCaffery wins.
McCaffery and Rubino are interested in the building and willing to do quality work.
Ferchill – undistinguished, cheap – will it be as nasty as the Heinz lofts?
McCaffery – better funded compromise
Rubino – glorious but do we have the population to support it – look a Station Square.

Name: Alex
Address: 922 Chestnut Street, 15212
North Side
Affiliation: N/A
Comment – Question: **How would your proposal impact the traffic bottleneck on 16th street**, coming over to Penn and Liberty from the 16th street bridge?
Can we give half the thing to Rubino and do housing with the other half? It's a long building.

Name: Robert Garvin
Address: 1806 Frick Building, 15219
Downtown
Affiliation: Attorney, J. Marcus Company
Comment – Question: With respect to each proposal, there appears to be improvements located within Smallman Street. I would like to obtain detail as to the dimensions of the improvements proposed for Smallman Street by each developer. J. Marcus Company **receives**

deliveries from tractor trailers to their docks on Smallman Street and the trucks need to back into the docks. **Turning radius is an issue** along with the legal status of Smallman Street.

Name: Sara Ryan
Address: 6934 McPherson Blvd, 15208
North Point Breeze
Affiliation: Contemporary Craft
Comment or Question:
Rubino: I liked that it included sustainable elements as well as the green roof walk and included Contemporary Craft in their plan.
Ferchill: Did not even address contemporary craft's presence in that building – we are clearly not in their plan when we are a vital resource in the Strip. No greenway or sense of how the plan fits the surrounding outside world.
McCaffery: I did like the streetscape, but casual mentioned of keeping the gallery did not make me feel confident that they understand what we bring to the Strip.
Why we are important:
1. Contemporary craft is committed to being a free of charge facility, meaning we did not have barriers to entry like a typical museum that charges $20 a person.
2. We show innovative work in our gallery and artists are able to make a living by selling work in our store and teaching classes in our studio.
3. We offer outreach programming that brings important hands-on creation to middle school students, children in homeless shelters and the elderly.
4. We are an organization with tremendous passion who believe art is for everyone. We embrace adversity of voices and have seen first hand how working with artists can shape a community and make positive change.

Name: David Blair
Address: 60 Longview Dr, 15228
Mt. Lebanon
Affiliation: Society of Contemporary Craft
Comment or Question**: Where does the Society for Contemporary Craft, a 20 year tenant of the PT, fit into the developers' plan?**

Name: Terry Doloughty
Address: 3026 Wiggins St, 15219
Polish Hill
Affiliation: Frequent Strip Visitor
Comment or Question: **What foundations and unique funding sources can be leveraged to help fund these designs?**

Name: Bill Lawrence
Address: 120 Oakville Drive, 15220
Banksville
Affiliation: Historic and Natural Preservation Open Space Greenways, Worked on City Greenway's 1984-85, 1986-2005 Planner, Beaver County Planning Commission
Comment or Question: Trend to favor market place vibrancy or maximum mix use offices in residences to stimulate plazo. Though already have a lot of retail, have a lot of housing and we'll have more with trucking company abandoning its terminal next to its beautiful office building a few blocks east, of course, as with South Side works, will work to compliment existing strip, not compete with it as is valid concern of Friends of the Strip! – Not just supposedly unique chains new to Pittsburgh.
For Vehicles especially, I am generally against cut-throughs as unnecessary, a minority view, beyond exist 24' at 16/17 22st – since Washington lending survives or just one access.
What can best adjust to change – individual bankruptcies.

Name: Dan Nolan
Address: 2005 Penn, 15222
Strip District
Affiliation: Merchant – Allegheny Coffee and Tea Company
Comment or Question: **Parking**. How will any plan protect access and parking for the public and the current Strip District merchants?

Name: Chuck Alcorn
Address: 3927 Howley Street, 15224
Lawrenceville
Affiliation: Concerned Resident
Comment or Question: Although the produce terminal has been closed off to the public for decades, the building has a very public feeling. Looking from a distance or walking by, a person is drawn to the historic structure and a desire to go inside. I think it would be great to open this space to the public with different retail segments. It would just be strange to see residential units in the building, which would create a wall to the public around the structure. There is plenty of space along the river behind the produce terminal for residential development. Please, keep the building intact and allow the public inside.

Question: **What are the plans for Smallman in front of the building? Smallman is a mess and is very difficult to walk, bike, drive. The space needs to be open to more pedestrians, bikes, transit.** Additionally, it should be considered to have Smallman in front of the church dedicated to an open space. There is plenty of space on Smallman for two lanes and parking, plus the open space. This would create a European feel to this area with the church as its focal point. Thank you!

Name: Renee Abrams
Address: 1433 Browning Road, 15206
Highland Park
Affiliation:
Comment or Question: Second presentation: Absolutely not the single residential plan. The integrity of the building is totally destroyed. It will be basically a platform with new housing development. The deck extensions were the icing on the cake. Walls inside destroy the perfect temperature control.
McCaffery Interests: **Too many cut-throughs** and expansive landscaping is counteractive to the flavor of this community. We don't need a housing project.

Pfaffman Design: Keeps terminal overhangs and essence of this historic building. The Strip is a "destination location" and cannot be duplicated. My goal would be to maintain the integrity of the area. Keep the flavor, integrity and reason of existence. This is the best of the 3 designs. **It also provides opportunity to highlight our local farms and independent grass roots companies**. The interior is light, airy and engaging. It will bring more investors to the Strip including the many thousands who come for conventions at the David L. Lawrence Convention Center – terminal building neighbor.

Keep this destination local not another housing project!! Keeps its roots alive as a Produce and Fruit Terminal. There is no reason PGH can't be successful as Pike Market in Seattle, etc. Unique and a crowd pleasure.

Name: Wendy Hoechstetter
Address: 5125 Fifth Avenue, D2, 15232
Shadyside
Affiliation: NAHB, Interior Designer
Questions – Comments: Whatever plan is developed – and I ***very much favor mixed-use over residential*** – it is very ***important to consider the ability of disabled people with mobility challenges*** in the overall urban plan. Mr. Rubenstein mentioned making more of the ship pedestrian only and pushing parking to the periphery – but this would make more of the location inaccessible to people with mobility issues if they do not have power wheelchairs or scooters.

Name: Larry Woods
Address: 102 Grimes Ave, 15210
Hilltop – Beltzhoover or Knoxville
Affiliation:
Questions – Comments: I believe the ***Rubino proposal is the best***, by far. It ***keeps the structure and design of true building more intact*** than to the others. Also, it keeps closest the buildings use to its historic usage. Although ***more housing units are nice, this building should be kept for retail and not used for housing***.

Name:
Address:
Affiliation:
Questions – Comments: I'm ***not seeing any connections to the riverfront*** in any of the three proposals. I was ***hoping a grand entrance to the river*** and ***a public area for events*** and special activities would be included.

Name: Natalie Sweet
Address: 6341 Marchand St, 15206
Shadyside
Affiliation: SCC
Questions – Comments: I ***did not like the MCM proposal***.

I think the ***Rubino plan is by far the best***! It is ***faithful to the defining characteristics*** of the strip and has a true understanding of the character of Pittsburgh represented by this important neighborhood.

As an invested citizen of Pittsburgh, and ***current employee at Contemporary Craft*** – I have experienced first-hand the vibrant day-to-day life in the strip, and can attest to the value that this important arts center is to this community. Rubino shows the potential not only to utilize the architecture of the historic public market building but additionally it is most ***faithful to the original building's purpose***. ***Expensive living options are already existent and being developed in the strip***. The public market building does not make sense as an economical living space for mixed-income housing. The ***Rubino plan offers opportunities for jobs and business ventures for young/upcoming professionals and entrepreneurs***. Please consider the importance of Pittsburgh's past when thinking of its future.

Name: Terry Doloughty
Address: 3026 Wiggins St, 15219
Polish Hill
Affiliation: Frequent Strip Visitor
Questions – Comments: Unique small businesses must be supported and grown.

How can we have a boost to start businesses and support existing ones in the eventual plan?

Name: Carl Bergamini
Address: 112 Washington Pl, 15219
Uptown
Affiliation:

Questions – Comments:
What are the roots for the proposed residential units?
Who is the target demographic for these units?
Are there any ***provisions to keep the units "affordable?" i.e. "workforce housing"***
There is a lot of very high end housing being developed in the strip district and downtown. ***Has your market analysis determined whether a market for these units exists?***
I am ***concerned about the price-points of these residential developments***

Question's asked at Public Meeting and Responses

Name: Corey Bonnet
Affiliation: YPA
Location Unknown
Not submitted in writing
Question – Comment: What in the plan is innovative vs. just reuse?

- McCaffery – every instance when you do adaptive reuse – a skill and a purpose for most developers – taking a building that has 1 use and adding retail (street active/ADA) plus residential and live/work with front porches; office space for people that they themselves are innovators
- Rubino – innovative to bring it back to what it was at one point in time; residential is tremendous for the City but at some point it will need supporting businesses; national trend is going to things like Aldi where people are looking for value; already successful in many other cities
- Ferchill – portal design was proposed 7 years ago to park service to create access to the riverfront which is innovative; in the confines of the rules related to historic tax credits that's not typical; also depending on how units are laid out, there's an opportunity to get an usual mix of residents; challenge with urban living is that in order to make projects economically viable you need to reach a certain price per square foot that prices out the younger generation that tend to be more innovation and creative; one of the opportunities here because is to create smaller units and larger units to mix residents which is not typical; also it's a community in and of itself which is unusual and has connection and walkability to entire neighborhood

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Name: Mathew Sherwin
Affiliation: Fundraiser for non-profits
Location: Peters Twp.
Submitted in writing
Questions- Comment: Strip evokes a distinct gut feeling that's unique and wonderful. Rubino = reading market for 21st century. Ferchill – just another apartment complex. McCaffery – functional but no special sauce. What gut feel do you intent to evoke?

- Rubino – what was on the slides. Mike's family and history is an important part of the feel we're trying to evoke. Should be something that residents and visitors get to utilize on a regular basis.
- Ferchill – **When we did the Heinz project it was the first loft project in Pittsburgh – we've never done just another apartment complex.** The service bldg. would be totally different than any other place in Pgh. It will be a one-of-a-kind apartment project. Gut feel – we tried to be able to express the concept, show you a unique living concept that there's not a whole lot of opportunity anywhere else in the country to do, which is why we've spent the past 7 years to save the PT.

- **McCaffery – gut feel is that you're wrong – it's going to be dynamic.** When you take a 1600 ft long bldg. and in front of it dress up the entire sidewalk, roadway, return the Belgian blocks, have old fashioned light standards, have patios on docks, and can do it and not threaten pen nave, where you have a gift that holds the strip together…this bldg. will bring the old of the Strip and the new of Buncher.

Name: Kahramagi
Affiliation: PHLF
Location: South Side (work)
Not submitted in writing
Question – Comment: has been greatly involved, have concerns with all three. **All three go against the idea of maintaining the structure to put portals in. All three rely heavily on historic tax credits, which is highly speculative at best.** The public market concept would also require high public subsidy. We long supported the Buncher plan because we know their ability to do good work, require no public subsidy, and no tax credit.

Name: Dan Nolan
Affiliation: merchant on Penn Ave
Location: Strip
Submitted in writing
Question – Comment: Allegheny County – to URA – **very concerned about parking and access to public to continue Penn Ave's viability**. How will any developer address the thousands of cars coming down Smallman given that Penn Ave is one-way. Will any resident enjoy the type of parking and access with that influx of people? Where will we put 1000 – 2000 cars by taking land away and will lose character of the strip over time.

- Rob/URA – a couple for structured parking on the periphery. Are plans to make throughout the strip more bike friendly – continue to work on Allegheny Green Blvd. Ultimately some sort of public transportation, e.g. a circulator trolley.

Name: Terry DeLoughty
Affiliation: CD specialist with CTAC
Location: Polish Hill
Submitted in writing
Comment – Question: a few mentions of innovation and an innovation center – beyond bricks and mortar – how can the proposals support the existing businesses so that they all improve?

- Ferchill – whenever you bring more people into the community it will support the businesses. I'm not going to pretend that we have determined who might take the retail spaces in our proposal, but we were hoping that they would be either community

spaces that were complementary to what the produce terminal symbolizes or were complementary to the strip itself, i.e. an artist edge, ethnic edge. As we've developed over the years it's always been our opinion that the idea is to bring as many constituents to the area as possible and the goal is to activate that waterfront and hoping that what we've presented can do that.

- McCaffery – this building will be the gateway to 55 acres of riverfront so it must be special and successful. It can not be a failure in any shape or form. To your direct question about an innovation center – we have office space above the gallery that could be a great incubator. We could end up with 108 live/work spaces. You'll see many articles about how companies are encouraging working from home. So the whole thing can be an innovation center.
- Rubino – it's exciting what's happening in the strip district. We probably have more people coming to the strip as a result of the market. We think competition is healthy. Most of the merchants we've met with thing this is a tremendous opportunity. We have commitments from many merchants to open new second spaces. We're talking about sections for schooling/teaching. We'll bring a lot of people there in a way that is adding to and not pulling away from existing businesses.

Name: Bill Lawrence
Affiliation: Planner
Banksville
Submitted in writing
Question – Comment: Favor more activity over pure residents – the idea of people working in the residence…we'll have loads of residential… nits want more retail to be distinctive of what's already here, but didn't happen in the Southside…prefer to minimize the cut-throughs

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Name: Judy
Affiliation: Visitor to Strip and East End resident
Location: East End
Not submitted in writing
Question – Comment: A lot of the bottom line seems to be revenue coming back to the city versus what really complements this gem of a neighborhood. Concern is that we will be destroying the fabric of that neighborhood by doing apartments. Strip is a destination location, swarmed by people coming in for conventions, by people in the community, and it's special because of Smallman in addition to Penn. **Furthermore, where will huge trucks turn around to bring products to small stores.** A lot of things not being considered if we want to improve this gem. Want it to be more like Pike's Place.

Name: Scott Leib
Affiliation: East end resident – Preservation Pittsburgh
Squirrel Hill
Submitted in writing
Question – Comment: Does not favor Buncher plan. Pleased that the city is considering alternatives. **Thank the city for having this process**. Rubino plan potentially can turn the bldg. into a real destination and is very exciting and appropriate to look at the bldg. as a destination. Have concerns about the City maintaining the structure. Ferchill – what was done at Heinz was commendable, but don't see it as appropriate for the terminal. Would turn public space into private residence. McCaffery plan is also an interesting mix of uses and has a nice design and also the potential to make this a destination. **Possibly a combination of McCaffery and Rubino could be ideal. State seems to prefer cut-throughs vs. demolition.**

Name: Janet McCall
Affiliation: Director of Society for Contemporary Craft
Location Strip
Not submitted in writing
Question – Comment: Delighted the Rubino incorporates the organization and applaud all three for indicating some sort of arts use. Share feelings about too much emphasis on housing as opposed to mixed use. Pgh has been named Most Livable twice, but is it for everyone? Mayor talks about focus on diversity and inclusion. This would benefit a limited number of residents in housing. Want to use the arts to broaden the benefits to residents. Hear a lot about food desserts and want to make sure that the strip doesn't push out smaller arts organizations and become an arts dessert. **Do the other developers have a plan for the Contemporary Crafts**?

- McCaffery – Don't know, but happy to meet with you because we have no intention of removing you. Any ideas you have about extending your influence would be welcome. Have to make it special in bridging old and new.
- Ferchill – Envision you staying but haven't gotten far enough in the planning process to know how. Our concept was also a diverse mix of retail in those parts of the bldg. - and art is a part of that. Look forward to having those types of amenities and that it enhances the development.

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH
Evaluation of Produce Terminal Rubino Plan as a Leased Space

Memorandum

Summary: Rubino's submitted plan to reuse the Produce Terminal as a retail mart stipulates that the entire property stay in public ownership, with the marketplace as a long-term tenant in this publicly owned facility. Therefore, the evaluation of this proposal requires we evaluate the public cost consequences of upgrading this facility from a warehouse/loading dock use as a retail facility with full access to the public to accommodate it as a tenant. Such an evaluation would contemplate moving the property to a contemporary code standard for a public facility. A full-scale evaluation with engineers and architects involvement would yield what true costs were for such upgrades. These costs would be borne between tenant and landlord, but in either case would be required in order for the project to move forward.

The Rubino marketplace is a significant change in use from how the building stands today in relation to current code requirements. Were the marketplace to seek a certificate of occupancy with the Bureau of Building Inspection and Pittsburgh Fire Bureau the project would have to meet a contemporary building code standard. There has not been a contemporary code evaluation done for this building, even as a warehouse/cross dock operation, simply because it has been in continuous operation for over one hundred years for this use such a code review was never warranted. Much of its current operations are therefore "grandfathered" – that is the contemporary code standards are not enforceable by virtue of the continuousness of its use.

Since it is not entirely clear which costs would fall on the URA and which on the Marketplace this memo outlines a variety of the considerations that would be part of a full scale evaluation of code compliance for such a public use. It is not exhaustive. The details of change of use which would need to be further evaluated with reference to a specific design and engineer's assessment of the property and associated site infrastructure where the property sits today; for instance the availability of water service, electric service and other utilities, in and around Smallman Street. In addition a full plan review and approval of a variety of permitting agencies including BBI, Fire Bureau and Allegheny County Health Department, PSWA and others would be brought to bear on such an evaluation that would finally be able to supply a determined cost for such a full scale upgrade. This memo simply outlines the potential scope of such costs for the purposes of feasibility review.

In the Rubino proposal for the Marketplace, the URA would also take on the function of landlord and therefore would need to be able to address the ongoing operational needs of building management. This memo also speculates on the range of conventional tasks and costs associated with baseline building management, and how those costs may be regarded as a function of a rent structure to allow for those costs of management to be covered as a function of rent due from the tenant.

Presumptive Costs for material upgrades:

Costs associated with these upgrades are unknown, however some assumptions could be made given the magnitude of the needs and the large scale of the building that could begin to give some sense of the funds required to bring the project into compliance, either in terms of public funds, tenant investment, or philanthropic grant support in order to support the operation as a public facility.

Rent scenarios

Typically, costs associated with tenant use are passed along to the tenant in the form of rent as are the costs of debt service for financing capital improvements to the building.

Additional costs generally include Common Area Maintenance or CAM, which includes trash service, janitorial, service to major systems, and common electrical and other utilities as well as property liability insurance and other factors.

Assuming:

- 125,000 square feet of space on the Produce Terminal Platform
- $100 per square foot to meet code standards for marketplace base building, or $12.5MM
- $10 psf per annum in debt service to support that, converted to rent
- $3 psf for CAM
- $3 psf for building and tenant management therefore
- $16 per square foot annual rent *or* $2MM annual rent required to support these upgrades.

Code Compliance Requirements and Upgrades Needed

<u>Life Safety Compliance Issues</u>

<u>Current Status</u>
The Produce Terminal meets no contemporary Fire Code Standards.

1. Sprinkler service limited to one area within the building. For the entire building to be open to the public, the entire building would require sprinklers. There is currently limited water capacity to the building. For a full scale sprinkler system to be operational (in addition to other operations that require water such as HAVC and bathroom service, etc.) additional water service would need to be directed to the building. (Also addressed under Water/Sewer Service.)

2. No fire rated separations. To meet a contemporary code standard, the building would need to be divided into "fire zones" at even intervals throughout the building that in the event of a fire the burn area would be segregated from other areas of the building.)
3. No fire alarm system.
4. No building wide fire suppression systems.
5. No fire rated doors.
6. No fire shutters between tenants.

ADA compliance for public accommodations

Current Status

The Produce Terminal platform meets no ADA compliance standards. (ADA compliance has been addressed to some extent in the Society for Contemporary Craft space.)

1. No ADA ramps.
2. No ADA compliant safety warnings (strobe lights, etc.)
3. No ADA compliant railings. (Railings previously were identified by BBI as needed the full length of the buildings front and back to meet code while doing code analysis for the Public Market. There is 3000 feet of railings that would be required for the full building area.)
4. No ADA compliant bathrooms.

HVAC

Current Status

The Produce Terminal has had limited heating and cooling systems throughout its long history. Its warehouse operation limited climate control areas to refrigeration units for the keeping of fruits and vegetables. Building temperatures were not controlled for human comfort. Building temperatures were not controlled for the workers on the platform. Some freestanding office units within the platform area had fans and portable AC units. New commercial units and air handlers were added for Good Apples/Public Market space in 2007 (18th Street and Smallman) but those newer units would not be sufficient to meet the standard for retail use and would need to be replaced.

Consideration as to how contemporary HVAC would be added to the building must take into consideration a full scale upgrade of all electrical and water service systems to the building and addressing the overall water service needs to the building.

Consideration as to where the HVAC units would reside on the building, whether we choose to put such units within the structure or on the roof or at some outside location would impact costs.

Bathrooms and Related features

Allegheny County Health Department regulates the requirements for bathrooms in public accommodations according the nature of the use as well as the total potential occupancy of the building. Once the nature of the use is reviewed, ACHD will determine the number of bathroom stalls and sinks required. Each set of bathrooms would require units for ADA, men's and ladies stalls to be constructed at regular intervals throughout the 5 block long building.

Current Status

The Produce Terminal platform currently has only one set of code compliant restrooms (in the former Public Market space.) Considering the retail nature of the Marketplace concept, many more bathrooms and wash up areas would need to be added along the 5 block long building to meet the standard.

ACHD code would impact the need for enhancement of water service to the building to meet their standard for bathrooms and wash up areas.

Water and Sewer Service

Water service to the building would have to be greatly enhanced to meet the needs of a full-scale retail operation envisioned by the Marketplace Proposal. There is water service in Smallman Street that exists but will likely need to be upgraded to meet the new demand, but even if adequate supply is found there, that water service would need to be delivered to the building and too accommodate existing service users already in the area.

Current Status

Currently the Produce Terminal has one water service line feeding the entire building operation and, for sewer services it is largely unknown since the building was put in service over a hundred years ago, there have been no enhancements. A single drain stand at the center of the building currently services rainwater and flooding events and sewer overflows and backups. A full scale evaluation of the water service needs of the building as a retail public accommodation would be required to understand the costs of delivering water service as required by code. In additional to the upgrading of HVAC, Bathrooms and retail food service needs, in combination CWSO regulation this is likely to be an enormous cost to the project whose magnitude will need to be detailed in light of subsurface investigation.

PWSA regulates water service requirements and has stringent standards related to ensuring service delivery and meeting compliance required with the combined water sewer overflow regulations.

Roof Repair and Replacement

The roof is currently past its functional life and will need to be completely replaced.

Current Status

The Produce Terminal roof has been patched and serviced as needed from time to time over the last several years. There has been work done to shore up the steel parapet, which has been replaced at intervals throughout the last five years. However, the roof over the largely vacant building has been leaking and has not been repaired since the tenants have moved along.