

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH

FIFTH AND MARKET TAX INCREMENT FINANCING PLAN

Outline

1. Proposed Project: Three PNC Plaza, a new mixed-use development to be built by PNC and to include:
 - 360,000 sq. ft. of rentable office space
 - 150 room hotel
 - 30 residential condominiums
 - 330 underground parking spaces

2. Project location and Proposed TIF District: Fifth Avenue between Wood Street and Market Street
within the Market Stanwix/Downtown Triangle
Redevelopment Area #44 (see attached map).

3. Project Benefits
 - Elimination of blight in the heart of the downtown retail district
 - Catalytic development that will, along with Piatt Place, jump start downtown revitalization that has stalled
 - Serve as the headquarters of a major international law firm
 - Approximately \$1.1 million in annual real estate tax increment to the Taxing Bodies during the term of the TIF District
 - Approximately \$72,000 in annual parking tax increment to the City during the term of TIF District
 - Creation of 800 construction jobs and 120 permanent full-time jobs in hotel, residential condominiums and parking garage operations
 - Construction of hotel rooms needed to support the Convention Center and Cultural District

4. Total Projected Development Cost \$169,500,000

5. Base Market Value \$6,609,400

6. Projected Market Value \$103,141,440

7. Base Real Estate Taxes \$194,382

8. Projected Real Estate Taxes \$3,033,390

9. Projected Real Estate Tax Increment \$2,839,008

10. Projected Parking Taxes \$179,142

11. Projected Gross Proceeds of a TIF Financing \$19,000,000

12. Projected Net Proceeds of a TIF Financing \$18,000,000

13. Proposed Term of TIF District 20 years

Notes: (1) All amounts are approximations.

14. Proposed Distribution of Real Estate and Parking Tax Increment

- Effective 60% (see Note #2 below) of real estate tax increment pledged to TIF financing
- None of the real estate tax increment from the Residential Condos will be pledged to the TIF Financing
- 60% of parking tax increment pledged to TIF Financing

15. Estimated Taxes Generated After Full Development (based on current millage)

	<u>Current</u>	<u>Tax Increment</u>	<u>Total</u>
City	\$71,382	\$1,042,546	\$1,113,928
County	\$30,998	\$452,735	\$483,733
School District	<u>\$92,002</u>	<u>\$1,343,727</u>	<u>\$1,435,729</u>
	\$194,382	\$2,839,008	\$3,033,390

16. Real Estate Tax Increment Amounts to TIF Project (60%) and Taxing Bodies (40%)

	<u>TIF Project</u>	<u>Taxing Bodies</u>	<u>Total</u>
City	\$625,528	\$417,019	\$1,042,547
County	\$271,641	\$181,094	\$452,735
School	<u>\$806,236</u>	<u>\$537,490</u>	<u>\$1,343,726</u>
	\$1,703,405	\$1,135,603	\$2,839,008

17. Parking Taxes

Base Taxes	\$0
Projected Increment	\$179,142
60% of Increment to be Pledged	\$107,485
40% of Increment to City during term of TIF District	\$71,657

18. Estimated TIF District Creation Date:

May, 2006

Notes: (2) Refer to Section IV, Part 2 "Pledged Revenues" on page 5 for a discussion of the calculation of the effective percentage of participation.

SCHEDULE FOR FIFTH & MARKET TIF PLAN APPROVALS

INITIAL RESOLUTIONS

URA

Inducement Resolution January 12, 2006

City

Send Legislation December 30, 2005

Introduce Legislation January 10, 2006

Committee Discussion January 18, 2006

Final Vote January 24, 2006

School

Pre-meeting

Agenda Review January 18, 2006

Legislative Meeting January 25, 2006

County

First Reading January 3, 2006

Economic Dev. Committee January 12, 2006

Second Reading January 17, 2006

FINAL PLAN CIRCULATED January 26, 2006

TIF COMMITTEE MEETING February 7, 2006

FINAL RESOLUTIONS

URA

Board approval of TIF Plan February 9, 2006

City

Send Legislation February 17, 2006

Introduce Legislation March 7, 2006

Committee Discussion March 15, 2006

Hearing Advertisement March 16, 2006

Hearing April 17, 2006

Committee Discussion May 3, 2006

Final Vote May 9, 2006

School

Agenda Review March 15, 2006

Legislative Meeting March 22, 2006

County

First Reading February 21, 2006

Economic Dev. Committee #1 February 28, 2006

Economic Dev. Committee #2 March 14, 2006

Second Reading March 21, 2006

Cooperation Agreement

Draft April 1, 2006

Circulate for 3TB Signature May 9, 2006

Urban Redevelopment Authority of Pittsburgh Fifth & Market Tax Increment Financing Plan

March 2006

I. Introduction

A. PNC'S PLAN FOR MIXED-USE DEVELOPMENT ON FIFTH AVENUE IN THE FIFTH FORBES CORRIDOR

The City of Pittsburgh has been working with potential developers on plans to revitalize the Fifth Forbes Corridor for almost two decades. Because of its headquarters buildings, One PNC Plaza and Two PNC Plaza, at the corner of Fifth Avenue and Wood Street, PNC has been a partner with the City through much of that planning.

With increased interest in improving the Fifth / Forbes corridor, The PNC Financial Services Group (PNC) has been evaluating options available to redevelop the area surrounding its headquarters. Of immediate concern is the condition of the existing neighborhood buildings which are dramatically underutilized, in poor condition and a blight on Pittsburgh's downtown retail core. The driving issues:

- The continuing deterioration of conditions along Fifth Avenue
- The identification of space to serve as the headquarters of Reed Smith within the Central Business District.
- The unmet need for an upscale hotel to service local businesses, the Cultural District and the new David Lawrence Convention Center
- The increased interest and need for downtown living

The Urban Redevelopment Authority believes that the Three PNC Plaza development will, along with the development of Piatt Place at the former Lazarus Building, be catalytic for the revitalization of the Fifth Forbes Corridor. PNC's decision to develop their property will provide strong leadership for the redevelopment of the Fifth / Forbes Corridor in Downtown Pittsburgh.

PNC proposes to develop Three PNC Plaza, a mixed-use building in the center of Pittsburgh. The building would extend from One PNC Plaza along Fifth Avenue to Market Street. PNC's current proposal includes a street level skin of elegant granite, 22' high, with a sleek glass and aluminum curtain wall above and a three level cast-concrete garage below. This project consists of a 25-30-story, 780,000 gross square foot building that proposes to include:

- 361,000 rentable square feet of office space
- An "upscale" hotel with 150 rooms
- 30 residential condominiums with hotel services available
- 330 underground parking spaces
- A hotel fitness center and a spa that can be shared by the office and condominium tenants
- A 6,300 square foot ballroom with dining facilities
- Separate hotel, office, and condominium entrances
- A public restaurant, coffee shop and other retail

Costs

The total development cost of this project is estimated at \$169.5 million, which includes:

- \$ 9.4 million for the land
- \$ 84.9 million for the office
- \$ 38.2 million for the hotel
- \$ 20.2 million for the condominium
- \$ 16.8 million for the parking garage

Exclusive of land, this investment represents \$235 per rentable square foot of office space, \$242,000 per hotel room, \$329 per square foot of condominium living area, and \$51,000 per parking space.

Proposed Schedule

Environmental Remediation and Demolition -	June, 2006
Excavation -	Summer, 2006
Bid project and start construction -	Fall, 2006
Completion -	November 2008

Income

The key revenue components of office rent, average hotel room rate, and sales price per square foot of residential condominium are projected to be:

- Office space rental rate begins at \$26.30 per rentable square foot
- Average daily hotel rates will stabilize at \$161 per day on an occupancy rate of 72%
- Condominium sales prices will average \$307 per square foot of living area

Investment Analysis

Three PNC Plaza is not a typical development opportunity, but an urban redevelopment project with unusual development costs and above average market risk. Based on the office rents projected in the marketplace and the average daily rates and occupancy levels projected for the hotel, the project can only support \$68.1 million of permanent mortgage debt. The sources to be used to pay the remaining project costs are an estimated \$24 million from condominium sales proceeds and interim income, \$29.4 million of equity and \$48 million from the public support described below.

Public Support Required

The proposed public participation includes \$18 million in net tax increment financing (TIF) proceeds from the City, School District, and County, and \$30 million in redevelopment assistance from the Commonwealth of Pennsylvania.

Two of the State grants listed on page 4, the Infrastructure Facilities Improvement Program grant and the Infrastructure Development Program grant, can only be used for a publicly owned facility. To meet these requirements, the URA plans to purchase approximately 120 of the 330 parking spaces that PNC plans to build.

Public Benefit

- **Increased Tax Base** - The project is expected to generate approximately \$2.8 million in new annual real estate taxes, of which approximately \$1.7 million will be pledged to the TIF financing and \$1.1 million will be net new annual real estate taxes for the City, County and School District during the term of the TIF District. The project is also projected to generate approximately \$179,000 in new parking taxes of which approximately \$107,000 will be pledged to the TIF financing and \$72,000 will be net new annual parking taxes for the City.
- **Job Creation** - 400 direct and 400 indirect construction jobs, as well as 120 permanent jobs. In addition 1,300 to 1,400 office workers will be employed at the building, which will be a combination of existing and new jobs
- **New Downtown Housing** - A key to the New Golden Triangle
- **Needed Hotel Rooms** - To serve local businesses, the new Convention Center and the Cultural District
- **Removal of Urban Blight** - In conjunction with the development of Piatt Place in the former Lazarus building, Three PNC Plaza will jump start other development in the Central Business District, particularly the Fifth Forbes corridor

Summary

Obtaining the levels of state and local support required to satisfy the underwriting standards of lenders and the return demands of the equity markets, is critical to the feasibility of this project. However, the importance of such a development to downtown Pittsburgh in general, and the Fifth Avenue corridor in particular, cannot be overstated. At completion it will be nothing less than the catalyst for the redevelopment of Pittsburgh's downtown retail core in the Fifth Forbes corridor.

B. Fifth and Market Tax Increment Financing Project

The new real estate tax increment after full build-out in the proposed TIF district is projected to be \$2,839,008 per year and new parking tax increment is projected to be \$179,142. The URA proposes that both an effective 60% of the newly generated real estate tax increment and 60% of the parking tax increment be pledged to support debt that would help fill the financing gap for the Three PNC Plaza project. The pledged real estate and parking tax increments are expected to support a financing that will generate approximately \$18 million in net proceeds to cover project costs.

C. Market Stanwix/Downtown Triangle Redevelopment Area #44

The Three PNC Plaza site is located on Fifth Avenue in Downtown Pittsburgh in the 2nd Ward of the City of Pittsburgh. The site is entirely within the Market Stanwix/Downtown Triangle Redevelopment Area #44 (see map on page 10). The Planning Commission of the City of Pittsburgh certified the redevelopment area as blighted in July, 1978 as a result of findings in the Market Street Study Area Basic Conditions Report.

In November, 1999, the City Planning Commission certified that the Market Stanwix/ Downtown Triangle Redevelopment Area continues to be blighted as defined by Pennsylvania Redevelopment Law. The Planning Commission findings were based on the "Inner Triangle/Market Street Study Area Update" dated August 31, 1999, which reexamined existing area conditions in both Redevelopment Area #44 and the Inner Triangle Redevelopment Area #54.

II. Proposed Improvements Financed with TIF Proceeds

The net proceeds of the TIF Bond(s)/Note(s) will be used approximately as follows to pay Three PNC Plaza project costs:

\$ 7,000,000	-	Parking Garage (total Garage costs will be about \$16.8 million)
<u>\$11,000,000</u>	-	Other Three PNC Plaza Construction costs
\$18,000,000	-	Total

The Allegheny County Department of Economic Development's TIF Guidelines require that the County's participation in TIFs be used solely to support public infrastructure improvements. The County's prorated share of the estimated \$18,000,000 in net proceeds is approximately \$2.9 million. All of this amount will be allocated to the costs of the public portion of the parking garage.

The URA will require PNC, or a related entity, to sign a minimum payment agreement before TIF bond(s)/note(s) are issued for Three PNC Plaza. This agreement will provide additional security for the payments required for debt service on TIF bond(s)/note(s) and related costs.

The amount of incremental taxes shall be applied to the support and service of debt incurred to finance said public improvements, public infrastructure and building construction, together with related costs.

III. Economic Impact Analysis

The impact analysis of the Three PNC Plaza development is detailed starting on page 16.

IV. ECONOMIC FEASIBILITY ANALYSIS FOR THREE PNC PLAZA

A. Estimated Development Costs (see page 11 for detail)

Land	\$ 9,400,000
Office Development	\$84,900,000
Hotel Development	\$38,200,000
Condominium Development	\$20,200,000
Parking Garage	<u>\$16,800,000</u>
Total	\$169,500,000

Estimated Sources of Funding

Tax Increment Financing (net proceeds)	\$18,000,000
State Funding	\$30,000,000
Redevelopment Assistance Capital Program Grant	-\$16,000,000
Opportunity Grant	-\$ 3,000,000
Job Creation Tax Credits	-\$ 1,000,000
Infrastructure Facilities Improvement Program	-\$ 5,250,000
Growing Greener II Grant	-\$ 1,000,000
Infrastructure Development Program Grant	-\$ 2,500,000
Hometown Streets Grant	-\$ 1,000,000
Dept. of Conservation & Natural Resources Grant	-\$ 250,000
Mortgage Debt	\$68,078,000
Equity	\$29,400,000
Condominium sales and interim income	<u>\$24,022,000</u>
Total	\$169,500,000

Tax Increment Financing

1. Bond/Note Amount(s)

The principal amount of the bonds will be approximately \$19 million, with approximately \$500,000 of issuance costs and approximately \$500,000 of capitalized interest, netting \$18 million of net proceeds.

2. Pledged Revenues

With respect to City parking taxes, 60% of the incremental parking taxes will be used to support the TIF Bond(s)/Note(s). There is currently a proposal by the City to reduce its parking tax rate to 35%; therefore, the pledge of 60% of incremental parking taxes will be calculated using an assumed parking tax rate of 35%. If the actual parking tax rate exceeds 35%, the difference between the amount of increment generated by the actual rate and the amount that would be generated by a 35% rate will be remitted to the City"

With respect to the School District, City and County, an effective 60% (see explanation below) of the real estate tax increment from the parcels comprising the TIF District, excluding parcels ID-153 and ID-156, will be used to support the TIF Bond(s)/Note(s).

Since none of the tax increment from the residential condominiums will be pledged to support the TIF Bond(s)/Note(s), a greater percentage of the incremental real estate taxes from the hotel, office space and parking garage will be pledged, subject to the requirement that the aggregate amount of pledged increment will not exceed 60% of the tax increment attributable to all parcels comprising the TIF District, excluding parcels ID-153 and ID-156. For example, using the estimated values set forth herein, 70.6% of the tax increment from such non-residential parcels would be required as illustrated below.

Real Estate Taxes

Total expected taxes after development	-	\$ 3,033,390
Minus tax base	-	\$ 194,382
Total expected tax increment	-	\$ 2,839,008
Minus expected taxes from residential condos	-	\$ 425,377
Tax increment from hotel, office & parking garage	-	\$ 2,413,631

In such example, the total projected pledged increment of \$1,703,404 is 60% of the total projected tax increment of \$2,839,008 and 70.6% of the \$2,413,631, which is the expected tax increment from the hotel, office and parking garage components at the development. The URA will periodically make such calculations as are necessary to determine the percentage of tax increment from the hotel, office space and parking garage which will be pledged to support the TIF Bond(s)/Note(s).

3. Pledged Parcels

Lot & Block	Owner
1D-173	PNC Bank Corporation
1D-188-2	PNC Bank Corporation
1D-243	PNC Bank Corporation
1D-245	PNC Bank Corporation
ID-246	PNC Bank Corporation
1D-247	Pittsburgh National Bank
1D-250	Pittsburgh National Bank
1D-251	Pittsburgh National Bank

Parcels created in the air rights above these identified parcels, exclusive of the residential condos, will also be pledged.

4. Provisions for Unused TIF Bond/Note Proceeds

Any TIF Bond(s)/Note(s) proceeds which remain after financing the Three PNC Plaza Project may be used for any public improvements and public infrastructure in the Fifth & Market TIF District. The URA does not anticipate that the TIF Bond(s)/Note(s) proceeds will exceed the costs of the Project.

5. Tax Base for Purpose of Increment Calculation

Subject to the provisions of the Tax Increment Financing Act (53 P.S. §6930.1 et seq.), the aggregate taxable market value of all of the Pledged Parcels as of the date of the creation of the District will be used as the "base" for the purpose of calculating tax base with respect to such Pledged Parcels.

The Taxing Bodies will continue to receive the aggregate tax base from all of the Pledged Parcels throughout the term of the TIF District. The base assessments for these Pledged Parcels are illustrated on the summary entitled Tax Increment Base on page 12.

6. Real Estate Tax Determination

In the future, the current system of real estate taxation may be revised and/or reassessments or other changes in the real estate assessment system may occur. Accordingly, the cooperation agreement (and possibly certain of the documents executed in connection with the issuance of any TIF Bond(s)/Note(s) likely will provide that, upon the occurrence of such event, such document(s) will be interpreted in a manner which takes all relevant changes into account in order to preserve the intended economic results and expectations of the parties as of the date of the TIF Plan including, but not limited to, the expectations that the minimum amount required to pay the debt service on any TIF Bond(s)/Note(s) will be available for such purpose and that all amounts in excess of such minimum amount will be available for the other uses described herein.

7. Actual Tax Increment in Excess of Assumed Increment

Any increases in real estate tax revenues from the Pledged Parcels, attributable solely to an increase in assessed value over and above that determined necessary to pay debt service on the TIF Bond(s)/Note(s) or the other uses described in Section II above, will be distributed pro rata to the taxing bodies in proportion to the then-current millages.

If the parking tax rate exceeds 35%, the pledge of 60% of the increment will be calculated based upon a 35% rate. If the actual parking tax rate exceeds 35%, the difference between the amount of increment generated by the actual rate and the amount that would be generated by a 35% rate will be remitted to the City.

Furthermore, if the aggregate incremental real estate taxes and parking taxes exceed the debt service on the TIF Bond(s)/Note(s) or the other uses described in Section II above, then the excess will be returned, first, to the City to the extent the incremental parking taxes exceed the required amount and, second, pro rata to the taxing bodies to the extent the incremental real estate taxes exceed the required amount after the return of the incremental parking taxes.

Any increases in tax revenues from the Pledged Parcels, attributable to increased millage above the current millage by any of the taxing bodies, will be distributed to the Taxing Body that increased the millage rate.

8. Interest Earnings

Any interest earnings of the Bond or Note proceeds will be applied first to project costs, then used towards debt service, including payment of capitalized interest and prepayment of the TIF Bond(s)/Note(s) as permitted.

9. Financial Details

It is expected that the Fifth & Market TIF District will be established in May, 2006.

In order to add to the security for the new debt, PNC, or a related entity acceptable to the URA, through a Minimum Payment Agreement, will guarantee payment of the amount required for debt service and related costs to the extent the pledged increment is insufficient to pay the same.

The specific terms and structure of the TIF Bond(s)/Note(s) will be determined at the time of issuance; however, the expected terms and structure are summarized on page 13. All TIF Bonds(s)/Note(s) issued for the Three PNC Plaza project will be required to be retired no later than 20 years after the approval date of the creation of the TIF district.

TIF Bond(s)/Note(s) proceeds may be used to pay construction period interest. The TIF Bond(s)/Note(s) are contemplated to be issued as taxable instruments. That legal determination will also have an impact on the interest rates and the proceeds to be received.

The specific uses for various sources of funds may be interchanged as necessary to efficiently fund the total project. It is currently anticipated that TIF Bond(s)/Note(s) proceeds will be used to pay costs of construction for part of the parking garage and part of Three PNC Plaza. The proceeds may also be used for some soft costs related to such work.

V. Maps of TIF District, Existing Site Conditions and New Master Plan

The map on page 14 shows the boundaries of the proposed 5th & Market TIF District and the map on page 15, shows existing land use.

VI. Proposed Zoning Changes

The Fifth & Market TIF District is currently zoned GT-A (Golden Triangle Subdistrict A). No zoning change is necessary for the Three PNC Plaza Project, although City Planning Commission approval of a Project Development Plan will be required.

VII. Estimated Non-Project Costs

Three PNC Plaza is the first of what is hoped to be a number of redevelopment projects in the Fifth Forbes Corridor. A portion of the \$1 million Hometown Streets grant that the State committed to the Project may be used for streetscape improvements to support other developments in the corridor.

VIII. Proposed Relocation Statement

The Developer has acquired privately the parcels that make up the site for Three PNC Plaza and a staging area that is across Market Street from the site. Current occupants on these parcels include six businesses and one outdoor advertising sign. The Urban Redevelopment Authority was not involved in the site assembly.

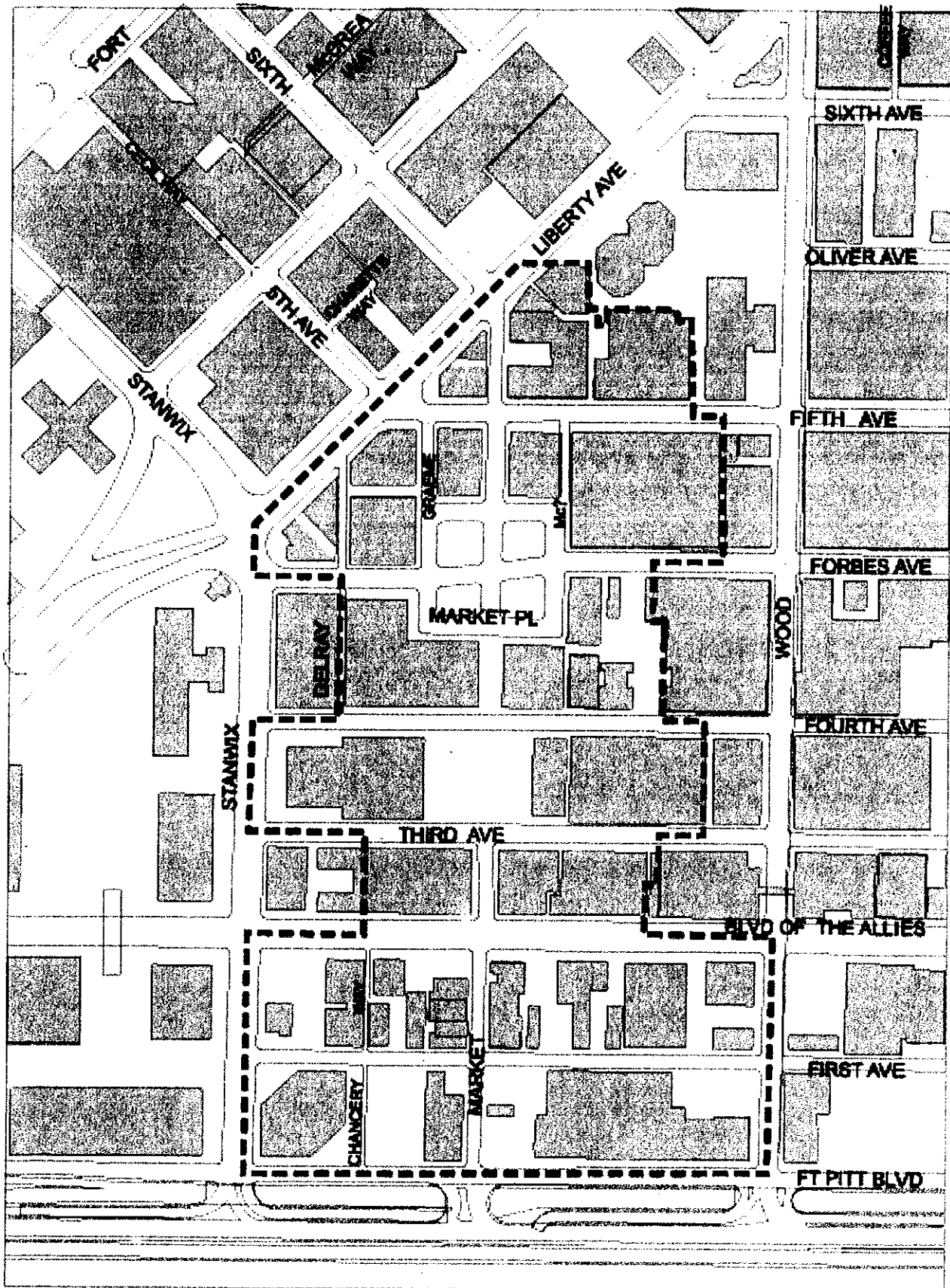
Businesses that will be relocated from the site may apply for financing under the URA's business development lending programs for assistance in reestablishing at other locations.

IX. 1% Neighborhood Development Fee

As per City of Pittsburgh Ordinance No. 28 enacted in December 1998, PNC will be required to pay a 1% fee to the Urban Redevelopment Authority, to be used for neighborhood development in the City of Pittsburgh.

X. 1% School Development Fee

As per Pittsburgh School Board Resolution No. 12 approved on May 26, 1999, PNC will be required to pay a 1% fee to the Pittsburgh School District, to be used for school development in the City of Pittsburgh.



Market Stanwix / Downtown Triangle Redevelopment Area

THREE PNC PLAZA
Full Project Cost Summary
October 27, 2005

Cost Category	Garage	Office	Hotel	Condos	Total
Item Description					
Land Costs	\$0	\$9,400,000	\$0	\$0	\$9,400,000
Architecture/Engineering					
Survey - ALTA	30,000	0	0	0	30,000
Environmental Phase I	40,000	0	0	0	40,000
Traffic	20,000	0	0	0	20,000
Geotechnical	75,000	0	0	0	75,000
Construction Testing	30,000	104,000	42,000	24,000	200,000
Architecture	870,948	3,661,686	1,468,327	805,358	6,806,319
Reimbursables	14,274	49,482	19,983	11,419	95,158
Commissioning	30,000	104,000	42,000	24,000	200,000
Subtotal Architecture/Engineering	\$1,110,222	\$3,919,168	\$1,572,310	\$864,777	\$7,466,477
Off-Site Construction	\$0	\$0	\$0	\$0	0
Building Construction - Hard Costs					
Foundations	1,249,100	0	0	0	1,249,100
Parking Garage	9,395,751	0	0	0	9,395,751
Base Building Shell	0	24,120,850	9,915,955	5,572,684	39,609,489
Hotel Lobby and Mezzanine	0	0	4,100,337	0	4,100,337
Common/Service	0	4,100,115	1,685,536	947,257	6,732,908
Hotel Rooms	0	0	7,550,494	0	7,550,494
Office - Core and Shell	0	7,341,907	0	0	7,341,907
Condominiums	0	0	0	5,588,128	5,588,128
Site	0	2,060,948	847,245	476,145	3,384,338
Subtotal Building Construction Hard Costs	\$10,644,851	\$37,623,820	\$24,099,567	\$12,584,214	\$84,952,452
Building Construction - Soft Costs					
Insurance-Liability and Builders Risk	160,505	556,418	224,707	128,404	1,070,034
Taxes	25,681	89,027	35,953	20,545	171,206
Permits and Inspection Fees	67,345	233,463	94,283	53,876	448,967
Bonds	121,984	422,878	170,778	97,587	813,227
Fees & General Conditions	1,057,760	3,666,901	1,480,864	846,208	7,051,733
Escalation	856,422	2,968,929	1,198,991	685,137	5,709,479
Contingency	713,685	2,474,107	999,159	570,948	4,757,899
Subtotal Building Construction Soft Costs	\$3,003,382	\$10,411,723	\$4,204,735	\$2,402,705	\$20,022,545
Tenant Allowance	\$0	\$18,060,450	\$0	\$0	18,060,450
Hotel FF&E	\$0	\$0	\$2,540,710	\$0	2,540,710
Condominium FF&E	\$0	\$0	\$0	\$190,560	190,560
Administrative					
General Liability Insurance	8,988	31,159	12,584	7,191	59,922
Title Insurance	24,911	87,052	34,876	19,929	166,768
Transfer Tax - Land Purchase	0	384,000	0	0	384,000
Transfer Tax - Unit Sales	0	0	0	377,045	377,045
Appraisal - in and out	10,000	30,600	10,000	10,000	60,600
Recording Fees - Land Purchase	0	27,500	0	0	27,500
Recording Fees - Condo Purchase	0	0	0	47,850	47,850
Fees	30,000	149,000	240,000	56,000	475,000
Legal	95,000	472,000	121,000	112,000	800,000
Lender's Architect	6,502	22,539	9,102	5,201	43,344
Construction Period Real Estate Taxes	0	775,000	0	0	775,000
Developer Reimbursables	15,000	52,000	21,000	12,000	100,000
Subtotal Administrative Costs	\$190,401	\$2,030,250	\$448,562	\$647,216	\$3,316,429
Leasing & Marketing					
Real Estate Agent Commissions	0	1,500,000	0	957,000	2,457,000
Marketing Costs	0	80,000	632,000	50,000	762,000
Subtotal Leasing & Marketing	\$0	\$1,580,000	\$632,000	\$1,007,000	\$3,219,000
Project Contingency	\$498,901	\$2,800,136	\$1,113,662	\$580,802	\$4,993,501
Project Management/Developer's Fee	\$274,725	\$1,541,925	\$613,250	\$319,825	\$2,749,725
Garage Reallocation of Cost to Condos	\$0	\$0	\$0	\$0	\$0
Garage Reallocation of Cost to Hotel	\$0	\$0	\$0	\$0	\$0
Financing Costs	\$187,000	\$1,050,500	\$418,000	\$217,800	\$1,873,300
Construction Period Interest	\$927,244	\$5,886,987	\$2,533,489	\$1,373,259	\$10,720,979
Total Development Costs Before Financing	\$16,836,726	\$94,304,958	\$38,176,285	\$20,188,158	\$169,506,127
Units	330	361,209	158	32	782,587
Spaces	330	RSF	Rooms	Units	GSF
(Includes 40 valet)	(Includes 40 valet)			\$328.75	
Cost Per Unit	\$51,020	\$261	\$241,622	\$630,880	\$217
Cost/Parked Car	Cost/Parked Car	Cost Per RSF	Cost Per Key	Cost Per Unit	Cost Per GSF

FIFTH & MARKET TAX INCREMENT FINANCING PLAN**TAX INCREMENT BASE**

Millage Rates	
City Tax	0.01080
County Tax	0.00469
School Dis Tax	0.01392

2006 Assessment		
Lot Block	2006 Assessed Values	Owner
1D-173	\$1,423,100	PNC Bank Corporation
1D-188-2	\$37,000	PNC Bank Corporation
1D-243	\$309,200	PNC Bank Corporation
1D-245	\$437,900	PNC Bank Corporation
1D-246	\$412,300	PNC Bank Corporation
1D-247	\$1,238,000	Pittsburgh National Bank
1D-250	\$1,446,300	Pittsburgh National Bank
1D-251	\$1,305,600	Pittsburgh National Bank

TOTAL \$6,609,400

1) Effective Real Estate Tax Participation - City ⁽¹⁾	60.00%
2) Effective Real Estate Tax Participation - County ⁽¹⁾	60.00%
3) Effective Real Estate Tax Participation - School District ⁽¹⁾	60.00%
4) Parking Tax Participation	60.00%
Current FMV Tax Base	\$6,609,400
Projected FMV	\$103,141,440

City					
@ Discount	0.01080	\$71,382	\$1,042,546	\$1,113,928	
	0.67%	\$70,906	\$1,035,596	\$1,106,501	
School District					
@ Discount	0.01392	92,003	1,343,726	1,435,729	
	0.87%	91,389	1,334,768	1,426,157	
County					
@ Discount	0.00469	30,998	452,735	483,733	
	2.00%	30,378	443,681	474,059	
Total Taxes		\$194,382	\$2,839,007	\$3,033,390	
Total Taxes @ Discount		\$192,673	\$2,814,044	\$3,006,717	

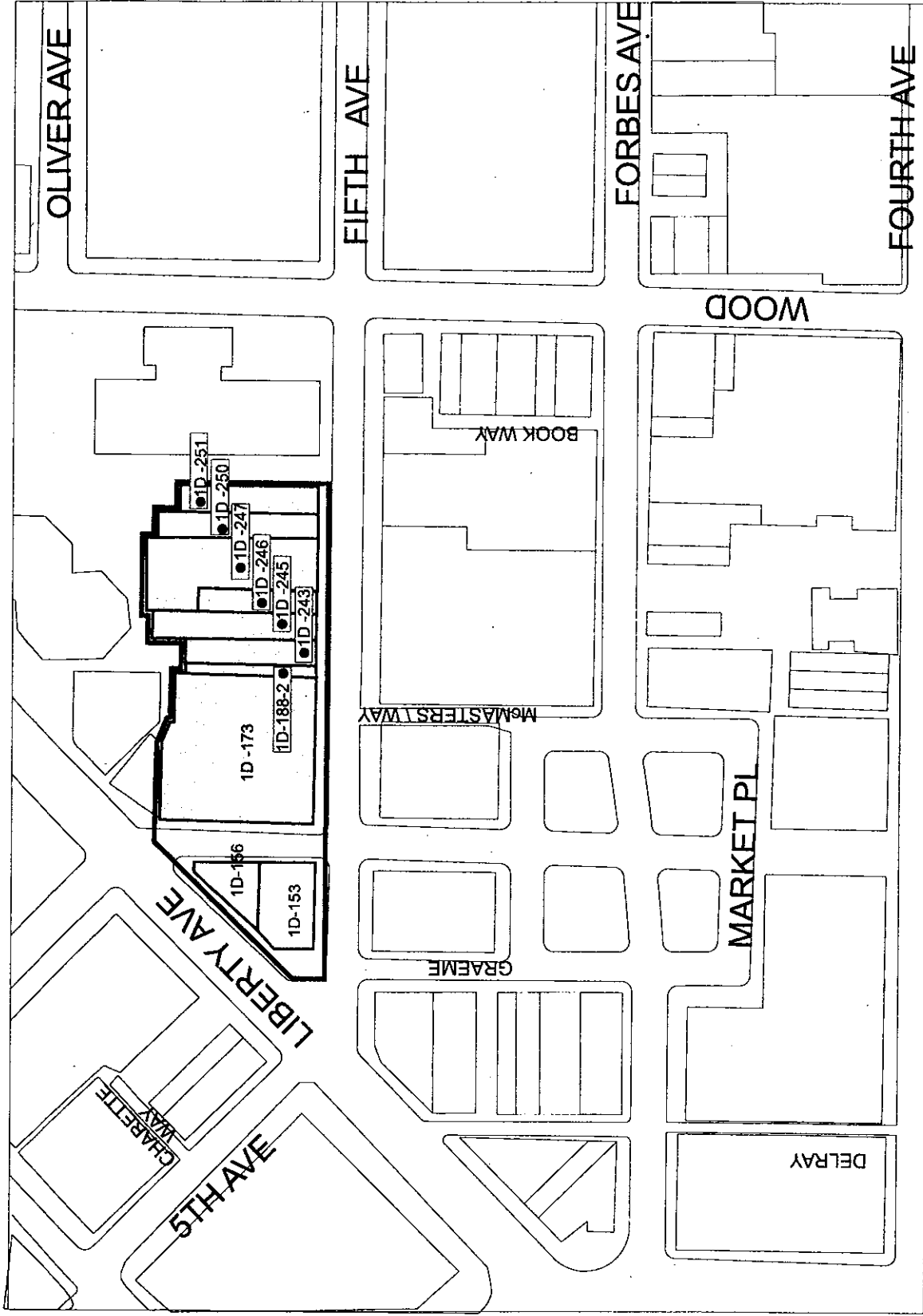
City					
	\$621,357	\$414,238	\$1,035,596		
School District					
	800,861	533,907	1,334,768		
County					
	266,208	177,472	443,681		
Total Taxes	\$1,688,426	\$1,125,618	\$2,814,044		

Base Taxes					
					\$0
Projected Increment					
60% of Increment Pledged					179,142
40% of Increment Pledged to City during term					107,485
					71,657

Projected Annual Real Estate Tax Increment					
Total New Taxes					\$3,006,717
Less: Current Taxes					194,382
Net Tax Increment					\$2,812,335
Less: 40% Distribution to Taxing Bodies					1,124,934
Net Real Estate Tax Increment Pledged					\$1,687,401
Projected Annual Parking Tax Increment					
Total New Taxes					\$179,142
Less: Current Taxes					0
Net Tax Increment					\$179,142
Less: 40% Distribution to Taxing Bodies					71,657
Net Parking Tax Increment Pledged					\$107,485
TOTAL TAX INCREMENT PLEDGED					\$1,794,886

Gross Annual Cash Flow Available					
Less: Annual Fees:					\$1,794,886
URA Administration					20,000
Trustee Fee					4,000
Audit Fee					3,000
Annual Cash Flow Available for Note / Bond Payment					\$1,767,886
Annual Cash Flow After Coverage Factor				100%	\$1,767,886
Net Financing Cash Flow for Payment					\$1,767,886
Interest Rate (Bond Yield)				5.736%	
Term (Years)				20	
Gross Principal Amount of Note / Bond (rounded to \$5,000)					\$18,855,000.00
Plus: Estimated Construction Fund Interest Earnings					\$132,741.88
Less: Costs of Issuance Issuer (URA) Fee				1.00%	\$188,550.00
Bond Counsel and Financial Advisor Fees					40,000
Underwriters Fee				0.80%	150,840.00
Miscellaneous Costs					73,000
Capitalized Interest					535,352
Debt Service Reserve Fund					0
Net Proceeds Available for Project Fund					\$18,000,000.00

Notes: (1) Refer to Section IV, Part 2 "Pledged Revenues" for discussion of the calculation of the Effective Rate of Participation.

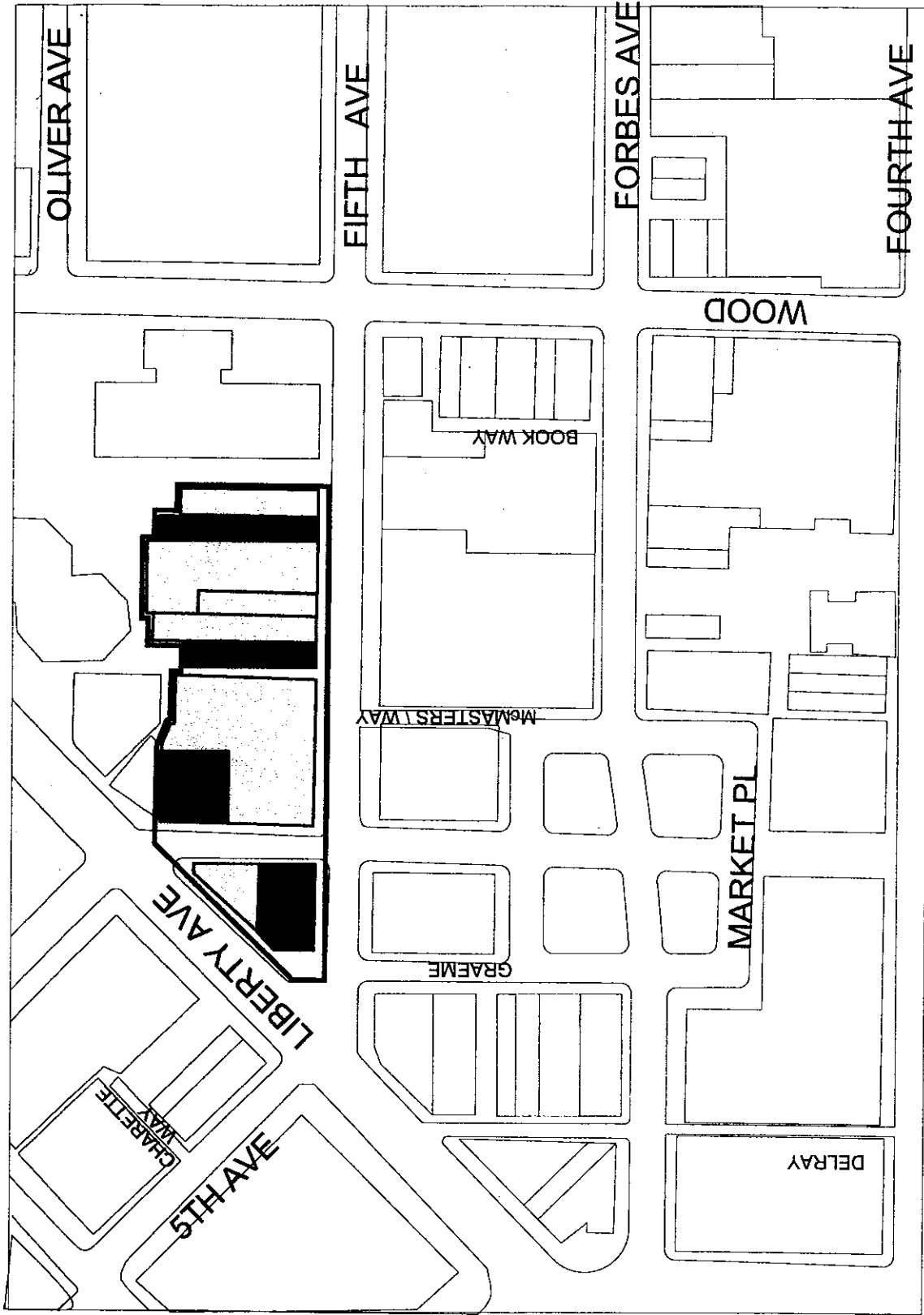


— TIF District Boundary

▭ Pledged Parcels

TIF District Boundary & Pledged Parcels

Proposed Fifth and Market TIF District



Commercial on First Floor
or in Basement/Vacant Upper
Floors

Vacant Building

Parking Lot

Billboard

Existing Land Use

Proposed Fifth and Market TIF District

Economic and Fiscal Impact

The construction of Three PNC Plaza will create 400 direct on-site jobs with an aggregate payroll of nearly \$20 million. Furthermore, these direct jobs will create 400 additional indirect, or spin-off, jobs off-site with an aggregate payroll of \$15.4 million. Direct consumer expenditures will total more than \$17 million and nearly \$52 million in material purchases will be made in the Pittsburgh region.

The related fiscal impact of construction will be approximately \$5.6 million in tax revenue to Pennsylvania, Allegheny County, the City of Pittsburgh, and the school district. Pennsylvania will receive approximately \$4.4 million in tax revenue and Allegheny County will receive \$285,000 in tax revenue. The city the school district will receive more than \$700,000 and \$200,000 in tax revenue, respectively.

Once construction is complete and the project is stabilized, the development will create approximately 372 direct, on-site jobs with an aggregate payroll of nearly \$15 million. As a result, 325 indirect, off-site jobs will be created from expenditures made by the direct employees. The development will create a total of \$10.8 million in other direct retail sales off-site in other statewide locations.

The related fiscal impact of the annual operations at build out will be more than \$4.8 million in tax revenue to all taxing jurisdictions. At completion, Pennsylvania will receive more than \$1.5 million and Allegheny County will receive nearly \$540,000 in tax revenues. The city of Pittsburgh and the school district will receive approximately \$1.3 million and \$1.4 million in tax revenues, respectively, during annual operations.

Annual Fiscal Impacts - Annual Operations at Build Out					
	Pennsylvania	Allegheny County	City of Pittsburgh	City of Pittsburgh School District	Total
Income Tax Revenue	\$455,550	N / A	\$11,129	\$11,129	\$477,808
EMS Tax Revenue	N / A	N / A	\$19,344	N / A	\$19,344
Real Property Tax Revenue	N / A	\$483,733	\$1,113,928	\$1,435,729	\$3,033,390
Indirect Sales Tax (off-site) Revenue	\$580,905	\$53,788	N / A	N / A	\$634,693
Hotel Rooms Tax Revenue	\$480,391	N / A	N / A	N / A	\$480,391
Parking Tax Revenue	N / A	N / A	\$170,497	N / A	\$170,497
Business Privilege Tax Revenue	N / A	N / A	\$20,072	N / A	\$20,072
Total	\$1,516,846	\$537,521	\$1,334,970	\$1,446,858	\$4,836,195

Pennsylvania will receive more than \$1.5 million in tax revenue, of which \$455,000 will be in income tax from new employees, nearly \$581,000 in indirect sales tax revenue, and \$480,000 in hotel taxes.

At build out on an annual basis, Allegheny County will receive nearly \$540,000 in tax revenue, of which, \$484,000 will be from real estate taxes, and \$54,000 from indirect sales tax revenue.

On an annual basis, the City of Pittsburgh will receive more than 1.3 million in tax revenue, of which \$11,000 will be in income tax revenue (assuming 15% of new employees will reside within the city), more than \$1.1 million in real estate taxes, \$170,000 in parking tax revenue, \$20,000 in business privilege taxes, and \$19,000 in EMS tax revenue. The school district will receive more than \$1.4 million in tax revenue from income taxes and real estate taxes.

Annual Fiscal Impacts - Annual Operations at Build Out, Net of Pledged Real Estate Tax and Parking Tax Revenue					
	Pennsylvania	Allegheny County	City of Pittsburgh	City of Pittsburgh School District	Total
Income Tax Revenue	\$455,550	N / A	\$11,129	\$11,129	\$477,808
EMS Tax Revenue	N / A	N / A	\$19,344	N / A	\$19,344
Real Property Tax Revenue	N / A	\$181,094	\$417,019	\$537,490	\$1,135,603
Indirect Sales Tax (off-site) Revenue	\$580,905	\$53,788	N / A	N / A	\$634,693
Hotel Rooms Tax Revenue	\$480,391	N / A	N / A	N / A	\$480,391
Parking Tax Revenue	N / A	N / A	\$68,199	N / A	\$68,199
Business Privilege Tax Revenue	N / A	N / A	\$20,072	N / A	\$20,072
Total	\$1,516,846	\$234,882	\$535,763	\$548,619	\$2,836,110

Approximately 60% of the estimated real estate and parking tax revenue has been pledged to the TIF financing for a period of 20 years. The remaining real estate and parking tax revenue will be paid to the taxing jurisdictions. Net of the pledged real estate tax revenue and parking tax revenue, the total fiscal impact to the state, county, city and school district is nearly \$3 million.

Market Impact

The site of the proposed Three PNC Plaza is located along Fifth Avenue at Market Street in an area known as the Fifth and Forbes corridor. This area has seen a significant amount of public interest recently. Several attempts have been made to revitalize the corridor into a thriving retail and commercial neighborhood.

Currently, there are very few new construction office buildings with more than 50,000 square feet of contiguous space available. There is only one within the CBD, known as Piatt Place, located in the Fifth and Forbes corridor with the subject. This building is currently being renovated from a former large department store into office, retail and condominiums. Other than Piatt Place, large tenants seeking a quality Class A image will be forced to look outside the CBD. The subject site is an ideal location for the proposed development.

There is a need for the proposed luxury boutique hotel within the CBD. The hotel will fill the demand for the luxury niche in the core of the CBD.

Additionally, the proposed 32-unit condominium component is a good fit for the high-end mixed-use development. The proposed product is consistent with the office and luxury boutique hotel components of the development and the location within the CBD is excellent.