

Urban Redevelopment Authority of Pittsburgh Bakery Square TIF District

Tax Increment Financing Plan

Outline

1. Bakery Square Tax Increment Financing (TIF) District (see map page 15)
2. Proposed Improvements in Bakery Square TIF project with estimated square footages
 - a. New Retail Space - 125,130 Square Feet
 - b. Renovated Retail Space - 52,880 Square Feet
 - c. Renovated Office Space - 216,060 Square Feet
 - d. Parking Garage construction – 849 spaces
 - e. Public Infrastructure (Traffic Lights and Turning Lanes)
 - f. Penn Circle Modifications
3. Estimated Total Project Cost \$113,300,000
4. Estimated Net Proceeds of TIF Financing (TIF Proceeds) \$10,000,000
5. Use of TIF Proceeds
 - a. Modifications to Penn Circle \$2,500,000
 - b. Parking Garage \$5,000,000
 - c. Other Public Infrastructure \$2,500,000
6. Estimated Total Cost of Proposed Improvements and Public Infrastructure to be partially funded with TIF proceeds:
 - a. Public Infrastructure Improvements to Penn Circle
(utility relocation, road construction, etc.) \$ 2,800,000
 - b. Parking Garage Construction
(estimated 849 spaces @ \$17,185 per space total cost) \$14,800,000
 - c. Other Public Infrastructure \$ 4,600,000

Total \$22,200,000
7.
 - a. Current assessed value of Taxable Real Property in the proposed Bakery Square TIF District. **\$ 2,925,000**
 - b. Projected assessed value of Taxable Real Property following Improvements in the Bakery Square TIF District. **\$62,191,500¹**

¹ This was based on \$125 per square foot for office space (216,060 sq. ft.), \$10,000 per parking space (849 spaces), and \$150 per square foot for retail space (178,010 sq. ft.)—each based on comparable assessments and other market indicators.

- 8. Proposed Term of the TIF District – 20 years
 - a. Proposed Distribution of Real Estate Tax Increment
 - 60% Pledged to TIF Financing(s) or to pay costs of the TIF Project
 - 40% Distributed Pro Rata to the Three Taxing Bodies
 - b. Proposed Distribution of Parking Tax Increment
 - 60% Pledged to TIF Financing(s) or to pay costs of the TIF Project
 - 40% Distributed to the City of Pittsburgh

- 11. a. Current Annual Real Estate Tax Revenue of the proposed Bakery Square TIF District at 2% discount: **\$ 84,304**
- b. Projected Annual Real Estate Tax Revenue within the TIF District Following Improvements at 2% discount: **\$1,792,471**

12. Estimated Annual Real Estate Taxes Generated After Full Development (based on current millage at 2% discount)

	Current	Tax Increment	Total
City (10.8 mills – 36.8%)	\$30,958	\$627,277	\$658,235
County (4.69 mills – 15.9%)	\$13,444	\$272,401	\$285,845
School District (13.92 mills – 47.3%)	\$39,902	\$808,490	\$848,392
Total Taxes (100%)	\$84,304	\$1,708,167	\$1,792,471

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

	TIF Project	Taxing Bodies	Total
City	\$376,366	\$250,911	\$627,277
County	\$163,440	\$108,960	\$272,401
School District	\$485,094	\$323,396	\$808,490
Total Taxes	\$1,024,900	\$683,267	\$1,708,167

14. Estimated Parking Taxes

Base Taxes	\$0
Projected Increment	\$334,000
60% of Increment to be Pledged	\$200,400
40% of Increment to City during term of TIF District	\$133,600

15. Estimated Jobs Created:
- a. Construction Phase Total Full-Time Jobs Created: **420**
 - b. Increased Number of On-Site Jobs: **1,182**
 - c. Total Permanent Employment Impact of Project based on multiplier effect: **2,213**
16. Estimated TIF District Creation Date: November, 2007

PROPOSED SCHEDULE FOR BAKERY SQUARE TIF PLAN APPROVALS

INITIAL RESOLUTIONS

URA

Inducement Resolution October 12, 2006

City

Send Legislation October 16, 2006
 Introduce Legislation October 24, 2006
 Committee Discussion November 1, 2006
 Final Vote November 7, 2006

School

Business Committee December 12, 2006
 Agenda Review January 17, 2007
 Legislative Meeting January 24, 2007

County

First Reading November 8, 2006
 Economic Dev. Committee November 16, 2006
 Second Reading November 21, 2006

FINAL PLAN CIRCULATED July 2, 2007

TIF COMMITTEE MEETING July 11, 2007

FINAL RESOLUTIONS

URA

Board approval of TIF Plan August 9, 2007

City

Send Legislation August 28, 2007
 Introduce Legislation September 7, 2007
 Committee Discussion September 12, 2007
 Hearing Advertisement September 13, 2007
 Hearing October 23, 2007 1:30 PM
 Committee Discussion November 7, 2007
 Final Vote November 13, 2007

School

Business Committee September
 Agenda Review September 19, 2007
 Legislative Meeting September 26, 2007

County

First Reading August 21, 2007
 Economic Dev. Committee #1 August 30, 2007
 Economic Dev. Committee #2 September 6, 2007
 Second Reading September 11, 2007

Cooperation Agreement

Draft October 1, 2007
 Circulate for 3TB Signature November 14, 2007

Urban Redevelopment Authority of Pittsburgh Bakery Square Tax Increment Financing Plan

August 2007

I. Introduction

A. Overview of Bakery Square

The Bakery Square project will redevelop the former Nabisco Bakery located on Penn Avenue in the Larimer neighborhood of the City of Pittsburgh. The plant was built in 1918 by the National Biscuit Company and operated until 1998. In 1999, the Regional Industrial Development Corporation (RIDC) purchased the property and leased it to the Atlantic Baking Group. The Atlantic Baking Group left the facility in 2004. The property has been vacant ever since.

Walnut Capital (the “Developer”) proposes to develop Bakery Square, a mixed use development consisting of some new construction and rehabilitation of some of the existing buildings on the 6.5 acre Nabisco Plant site. This project includes rehabilitation of plant buildings for retail and office use as well as new construction of retail space and a new parking garage. A 120 room hotel will be constructed in conjunction with the project in the air rights above the newly constructed retail space. The hotel is not part of the proposed TIF district. The sizes of the various components of the project are as follows:

New Retail Space:	125,130 Square Feet
Renovated Retail Space:	52,880 Square Feet
Renovated Office Space:	216,060 Square Feet
Proposed Parking Garage:	849 Spaces

COSTS

The total development cost of this project is estimated at \$113.3 million, which includes:

- \$5.6 million for the site
- \$4.3 million for architectural and engineering
- \$60.1 million for construction costs
- \$10.6 million for financing and carrying costs
- \$10.5 million in fees and other costs
- \$14.8 million for the parking garage
- \$2.8 million for Penn Circle Modifications
- \$4.6 million for Other Public Infrastructure Improvements

B. Bakery Square Tax Increment Financing Project

The Bakery Square TIF district will consist of substantial redevelopment of the former Nabisco plant on Penn Avenue in the East End of the City of Pittsburgh. This development will allow greater density of development by demolishing unsuitable portions of the site, including several buildings and loading areas, and replacing them with construction of new retail space and a structured parking garage (see master plan page 17).

The \$59,266,500 projected increase of the base year value in the proposed TIF district (after full build-out) will yield a real estate tax increment of \$1,708,167. The URA proposes that both 60% of the real estate tax increment and 60% of the parking tax increment be pledged to support debt that would help fill financing gaps for a parking garage and public infrastructure including: road construction; utility relocation; development of public open spaces; and other infrastructure costs. The pledged real estate and parking tax increments are expected to support a financing that will generate approximately \$10 million for project capital costs onsite and infrastructure offsite that will support the development.

The masterplan illustrates a much denser and better utilized Bakery Square site that will produce substantially more tax revenue and generate significant employment. The economic impact analysis of the proposed site after full build-out estimates that almost 1,200 new jobs will be brought to the Bakery Square site. 562 will be office jobs with an estimated total payroll of \$31,273,123 annually. The mixed-use component (retail, restaurant, and parking) will support 620 jobs with a total of \$11,678,503 in annual earnings. In order to accomplish this vision, infrastructure changes are required and structured parking must be in place to support the proposed new development

C. Fifth & Penn Redevelopment Area #65

Bakery Square is located in the Larimer neighborhood in the 12th Ward of the City of Pittsburgh. The site is entirely within the Fifth & Penn Redevelopment Area #65 (see map on page 14). The Planning Commission of the City of Pittsburgh certified the redevelopment area as blighted in December, 2006 as a result of findings in the Fifth & Penn Redevelopment Area Basic Conditions Report.

II. Proposed Improvements Financed with TIF Proceeds

The Bakery Square development project will include public infrastructure (Other Public Infrastructure) and an approximately 849 space parking garage. A portion of Penn Circle will also be modified to allow for two way traffic from Highland Avenue to Collins Street (see Map on page 14). The proceeds from the TIF Bond(s)/Note(s) will be used to partially fund these aspects of the development.

The net proceeds of the TIF Bond(s)/Note(s) will be used approximately as follows to pay Bakery Square project costs and related public infrastructure costs:

\$2,500,000 - Penn Circle Modifications (total costs estimated to be about \$2.8 million)

\$5,000,000 - Parking Garage (total Garage costs will be approx. \$14.8 million)

\$2,500,000 - Other Public Infrastructure (total cost of roads & utilities, estimated to be \$4.6 million²)

\$10,000,000 - Total

If financing proceeds are less than \$10 million, the amount used for the parking garage and public infrastructure will equal net proceeds minus the \$2,500,000 that will be used for Penn Circle.

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 \$10,000,000 in net proceeds is approximately \$1.6 million. All of this amount will be allocated to the costs of the public infrastructure.

The amount of incremental taxes shall be applied either: (a) directly toward the Capital Costs (as defined in the Tax Increment Financing Act (53 P.S. §6930.1 et seq.) of public improvements and public infrastructure together with related costs; or (b) indirectly, to the support and service of debt incurred to finance said capital costs, together with related costs. In either event, incremental taxes will be applied so long as and until the cumulative and aggregate amount of such taxes, applied directly or indirectly, has produced the funds necessary to pay for, or otherwise acquire, such capital improvements.

III. Economic Impact Analysis

The impact analysis of the Bakery Square development is detailed on page 22.

² See pages 19 and 20 for a more detailed breakdown of these costs.

IV. Economic Feasibility Analysis

A. Estimated Development Costs

Land and Building Acquisition		\$ 5,600,000
Architectural and Engineering		\$ 4,300,000
Construction Costs		\$60,100,000
Financing and Carrying Costs		\$10,600,000
Fees and Other Costs		
Development Fee	\$ 2,000,000	
Brokers Commission	\$ 4,399,289	
Contingency	<u>\$ 4,100,711</u>	
Subtotal		<u>\$10,500,000</u>
Parking Garage Construction		
(estimated 849 spaces @ \$17,185 a space total cost)		\$14,800,000
Penn Circle Modifications:		
Construction:	\$ 2,300,000	
Design	\$ 300,000	
Inspection	<u>\$ 200,000</u>	
Subtotal		\$ 2,800,000
Other Public Infrastructure Improvements		<u>\$ 4,600,000</u>

Grand Total \$113,300,000

Estimated Funding Sources

City Bond for Public Improvements Design (Penn Circle)		\$ 300,000
TIF funding for Public Improvements (Penn Circle)		\$ 2,500,000
TIF funding for Parking Garage		\$ 5,000,000
TIF funding for Other Public Infrastructure		\$ 2,500,000
State Subsidies (RACP, ISRP, Building PA)		\$ 7,000,000
New Markets/Historic Tax Credits		\$ 7,000,000
Conventional Bank/Developer Financing		<u>\$89,000,000</u>

Grand Total \$113,300,000

B. Tax Increment Financing

1. **Bond/Note Amount(s)**

The Tax Increment Finance (TIF) Bond(s) and/or Note(s) to be issued to fund a portion of the costs of the Bakery Square TIF Project and Penn Circle Improvements will be serviced by:

60% of the School District, City and County incremental real estate taxes on all parcels within the TIF District and 60% of the incremental City parking taxes.

2. **Pledged Revenues**

Bond(s)/Note(s) are projected to generate \$10 million in net proceeds. With respect to City parking taxes, 60% of the incremental parking taxes will be used to support the

TIF Bond(s)/Note(s). The parking tax rate is scheduled to be reduced to 35% by the first year of Bakery Square Garage operations; therefore, the pledge of 60% of incremental Parking taxes will be calculated using an assumed parking tax rate of 35%.

With respect to the School District, City and County, 60% of the real estate tax increment from the Pledged Parcels, as defined by the lot & block designations below, will be used to support the TIF Bond(s)/Note(s), or to fund the capital costs.

3. Pledged Parcels

Lot & Block	Owner
125-J-10	Regional Industrial Development Corporation ³
84-M-108	Regional Industrial Development Corporation

4. Provisions for Unused TIF Bond/Note Proceeds

Any TIF Bond(s)/Note(s) proceeds which remain after financing the capital costs may be used for any other Public Infrastructure Improvements within or servicing the TIF district.

5. Tax Base for Purpose of Increment Calculation

Subject to the provision of the Tax Increment Financing Act (53 P.S. §6930.1 et seq.), the taxable market value of each 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 Parcel.

As a result, the Taxing Bodies will continue to receive the tax base from each 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 13.

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

³ Not including hotel air rights parcel.

available for such purpose and that all amounts in excess of such minimum amount will be available for the other uses described herein.

7. Minimum Payment Agreement

The URA will require the Developer, or related entities, of all current taxable parcels within the Bakery Square TIF district to sign minimum payment agreements before new development begins. These agreements will require the Signatory to make payments sufficient to cover debt service and administrative expenses related to the TIF bond(s)/note(s) in the event that the tax increment pledged to such payments is insufficient, thereby providing additional security for the payments required for debt service on TIF bond(s)/note(s) and related costs.

In the minimum payment or a related agreement the Developer will agree to limit its right to appeal future assessments to an appeal in connection with the first assessment (but only to the extent the first assessment reflects a fair market value in excess of the projected fair market value of taxable real property following improvements set forth herein), any reassessment, any change in the predetermined ratio or any significant change in the use or occupancy of the Pledged Parcels.

8. 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 first to reimburse the developer if, after reserving \$2,500,000 for Penn Circle Modifications, there is less than \$7,500,000 in net proceeds to allocate to the parking garage and Other Public Infrastructure; and, second to the Taxing Bodies.

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) together with the other uses described in the first paragraph of this Section 8 and 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.

9. Interest Earnings

Any interest earnings will be used towards debt service, including payment of capitalized interest and prepayment of the TIF Bond(s)/Note(s) as permitted.

10. Financial Details⁴

It is expected that the Bakery Square TIF District will be established in November 2007.

In order to add to the security for the new debt, the Developer(s), or a related entity acceptable to the URA, through a Minimum Payment Agreement, will guarantee the amount required for debt service and related costs.

The specific terms and structure of the TIF Bond(s)/Note(s) will be determined at the time of issuance. However, it is contemplated that the first TIF Bond(s)/Note(s) will be issued in 2008 and amortized over an approximate 19 year term. All TIF Bonds(s)/Note(s) issued for the Bakery Square project will be required to be retired no later than 20 years past the approval date 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 or tax exempt instruments and the analysis about whether any portion can be tax exempt has not yet been completed. 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 construction costs and fund the construction contingency line-item for the parking garage, Penn Circle improvements, and other public infrastructure, but may also be used for some soft costs related to such work.

11. Employment Opportunities for Neighborhood Residents

The Developer will work with the Pittsburgh Partnership, the Three Rivers Workforce Investment Board and neighborhood employment agencies to provide job readiness, job recruitment and job training programs for the various tenants expected at the Bakery Square development. The Developer has committed to provide \$35,000 to fund these programs. The URA will work with the developer, the Pittsburgh Partnership, the Three Rivers Workforce Investment Board and the State to raise the remaining funding needed.

12. Community Development Funding for the Larimer Neighborhood

In addition to the \$35,000 that the Developer will commit to provide job readiness, job recruitment and job training programs, they will also provide an additional

⁴ See Financial Analysis, page 21

\$15,000 investment to support community development activities in the Larimer neighborhood.

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

The map on page 14 shows the boundaries of the Fifth and Penn Redevelopment Area #65.

The map on page 15 shows the boundaries of the proposed Bakery Square TIF District.

The map on page 16 shows existing land use.

The image on page 17 shows the new master plan for Bakery Square development.

The map on page 18 shows the Penn Circle modifications.

The map on page 19 shows the Public Infrastructure Improvements

Page 20 summarizes the Public Infrastructure Improvements

Page 21 offers financial analysis of the TIF plan

Page 22 presents the economic and market impact study

VI. Proposed Zoning Changes

Bakery Square is currently zoned UI, Urban Industrial. There is no need to rezone this development area. All proposed uses are conforming.

VII. Estimated Non-Project Costs

The project is expected to complement and stimulate ongoing development in the area, specifically the redevelopment of parcels in East Liberty and the Penn Avenue Corridor and is also expected to enable the development of a hotel on an adjacent parcel.

VIII. Proposed Relocation Statement

This project does not require relocations.

IX. 1% Neighborhood Development Fee

As per City of Pittsburgh Ordinance No. 28 enacted in December 1998, the developer, from its own funds, will be required to pay a 1% fee to be expended by the Urban Redevelopment Authority and 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, the developer, from its own funds, will be required to pay a 1% fee to be expended by the Pittsburgh School Board and to be used for school development in the City of Pittsburgh.

BAKERY SQUARE TAX INCREMENT FINANCING PLAN

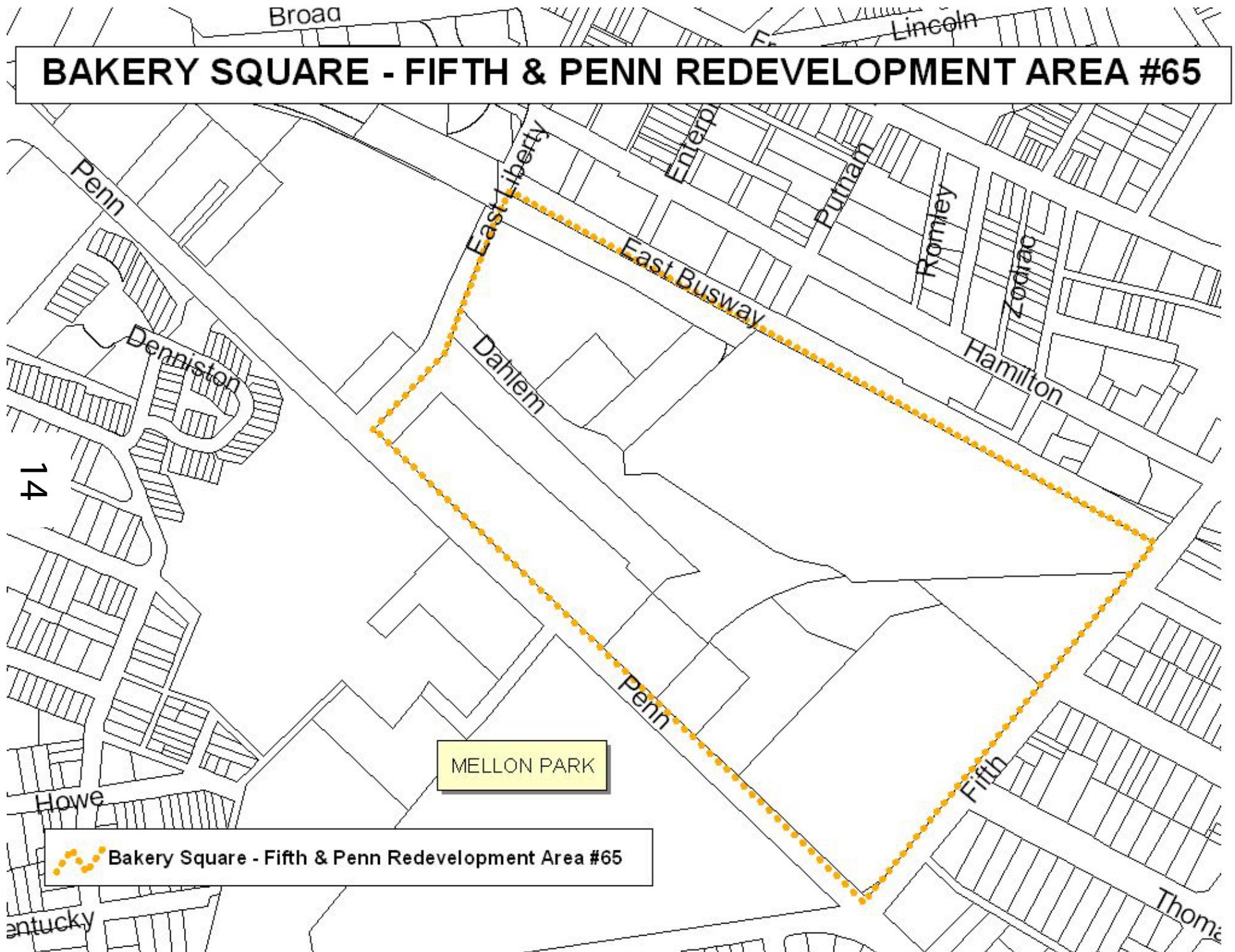
TAX INCREMENT BASE

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

2007 Assessment		
Lot Block	2007 Assessed Values	Owner
125-J-10	\$300,000	Regional Industrial Development Corporation
84-M-108	\$2,625,000	Regional Industrial Development Corporation

TOTAL \$2,925,000

BAKERY SQUARE - FIFTH & PENN REDEVELOPMENT AREA #65

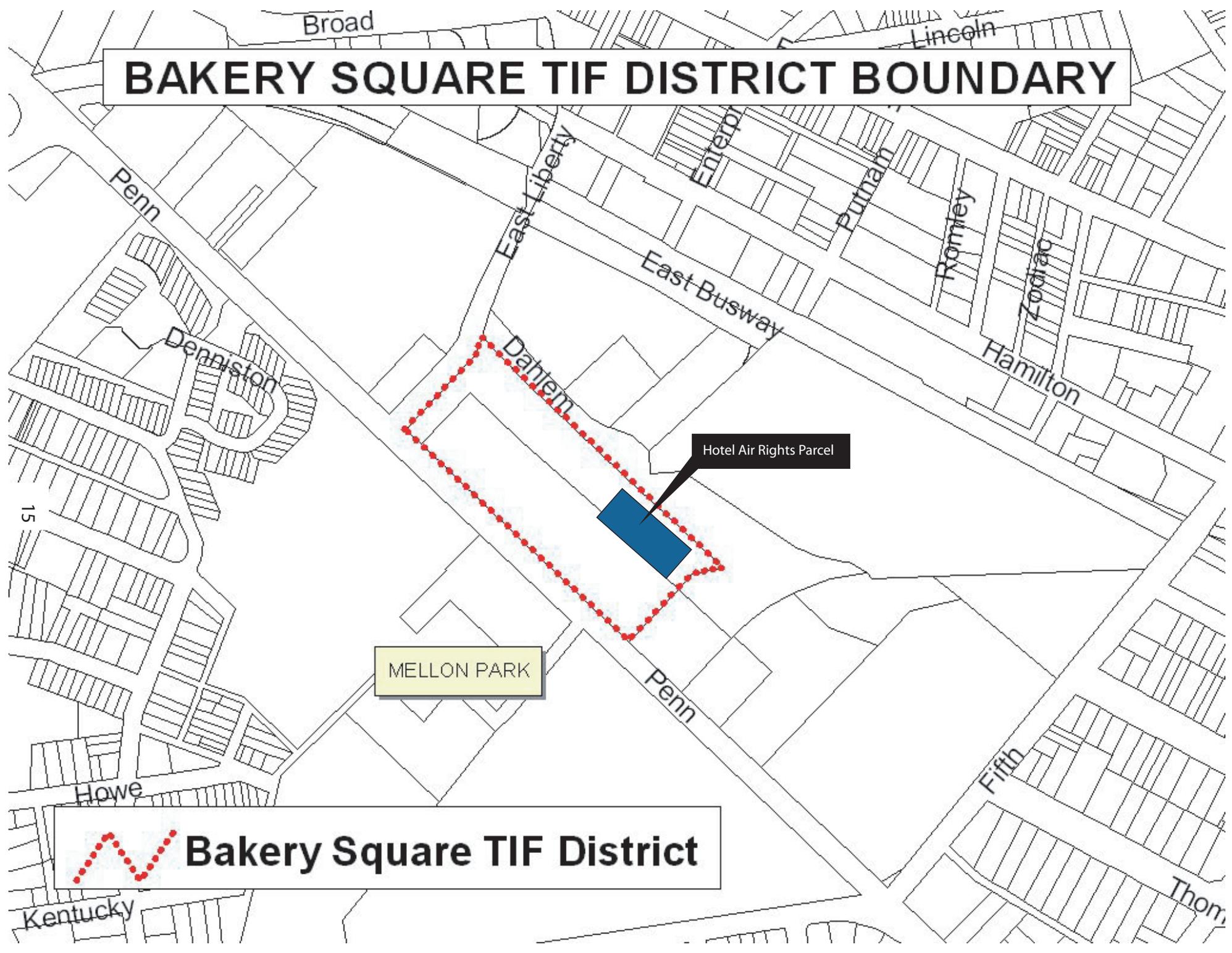


MELLON PARK

Bakery Square - Fifth & Penn Redevelopment Area #65

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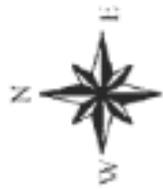
BAKERY SQUARE TIF DISTRICT BOUNDARY



Hotel Air Rights Parcel

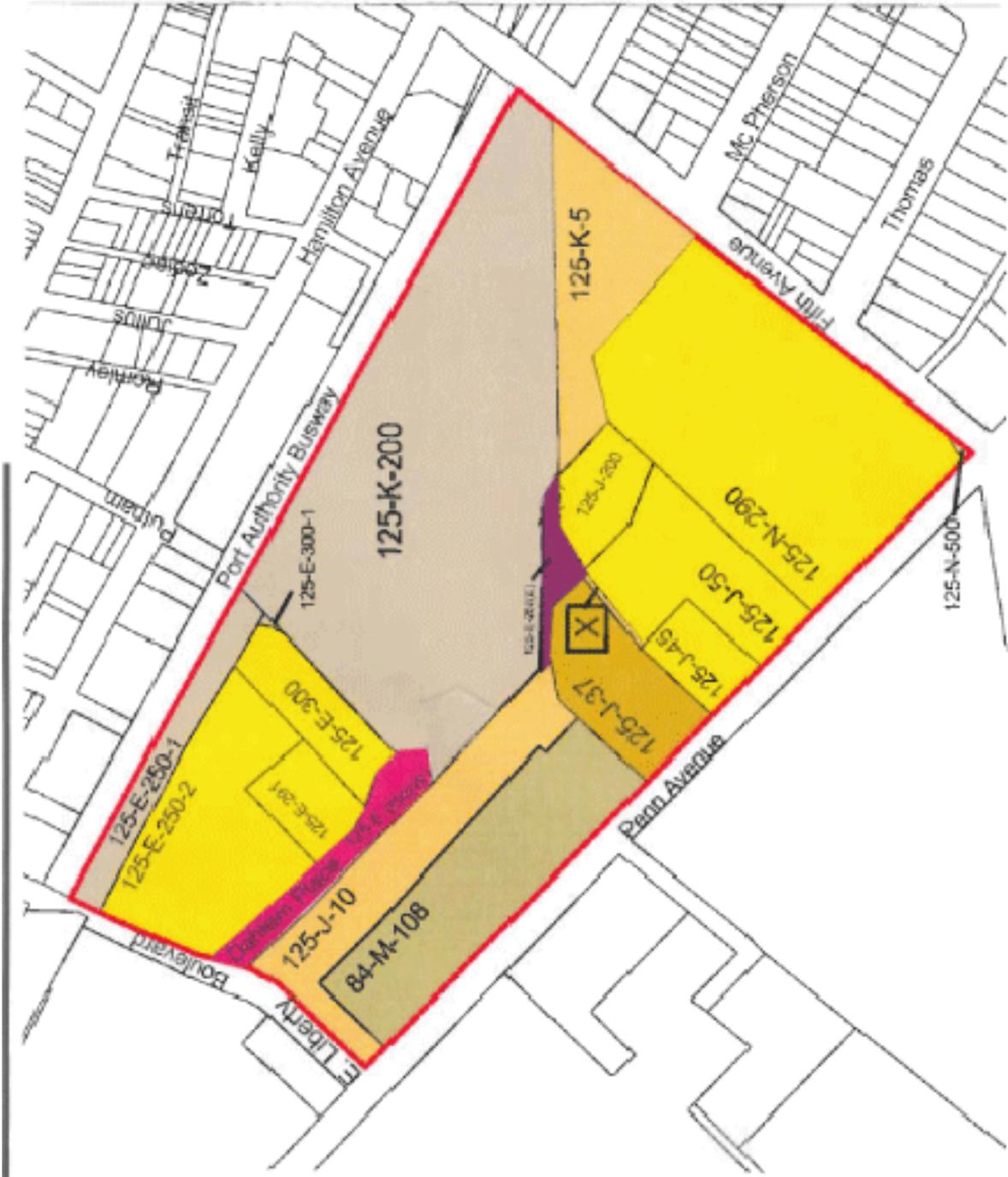
MELLON PARK

 Bakery Square TIF District



Legend

Office and/or Warehouse	Commercial	Parking lot	Public transit	Light manufacturing	Vacant land	Right-of-way



FIFTH & PENN REDEVELOPMENT AREA
CITY OF PITTSBURGH, PENNSYLVANIA
EXISTING LAND USE MAP

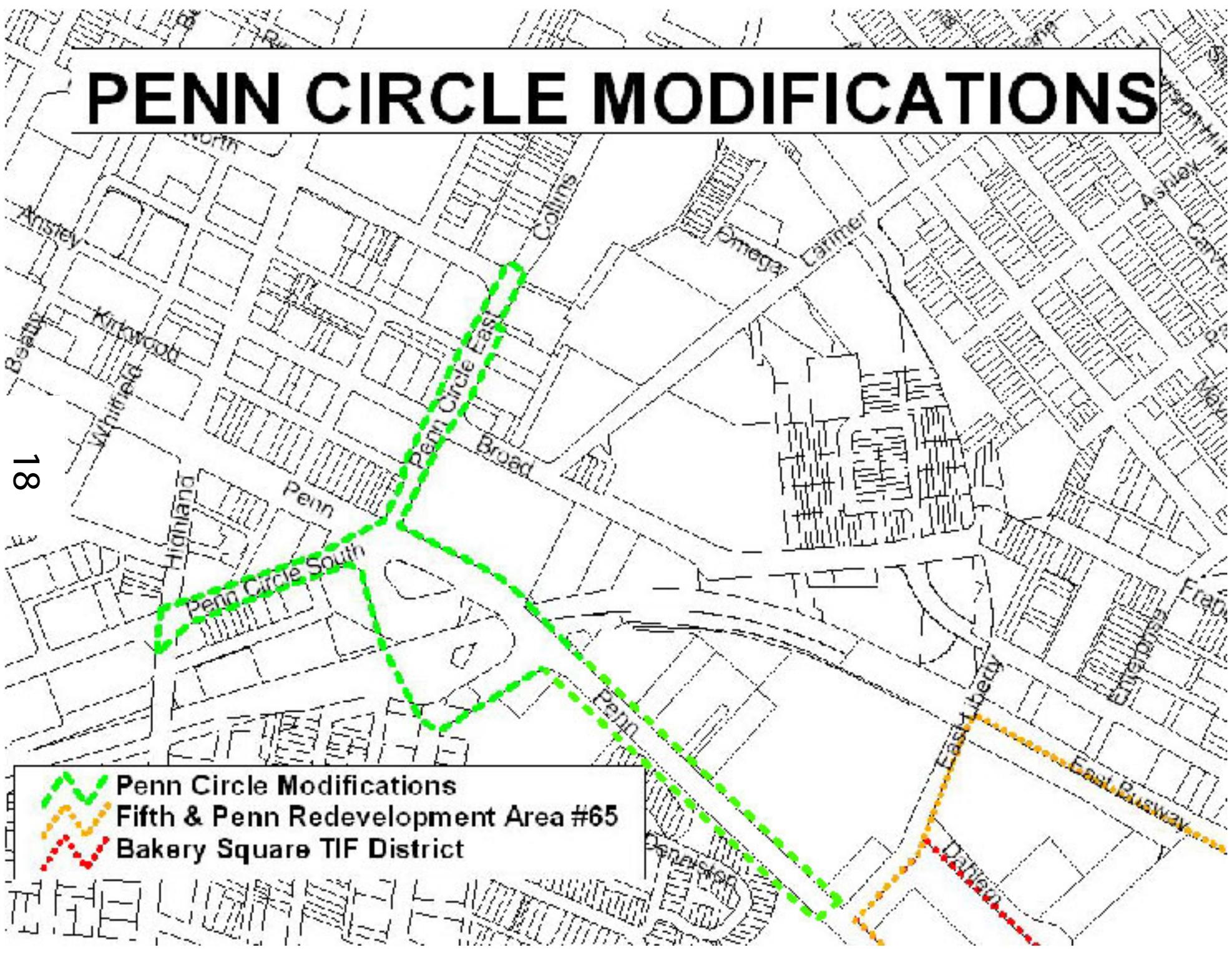
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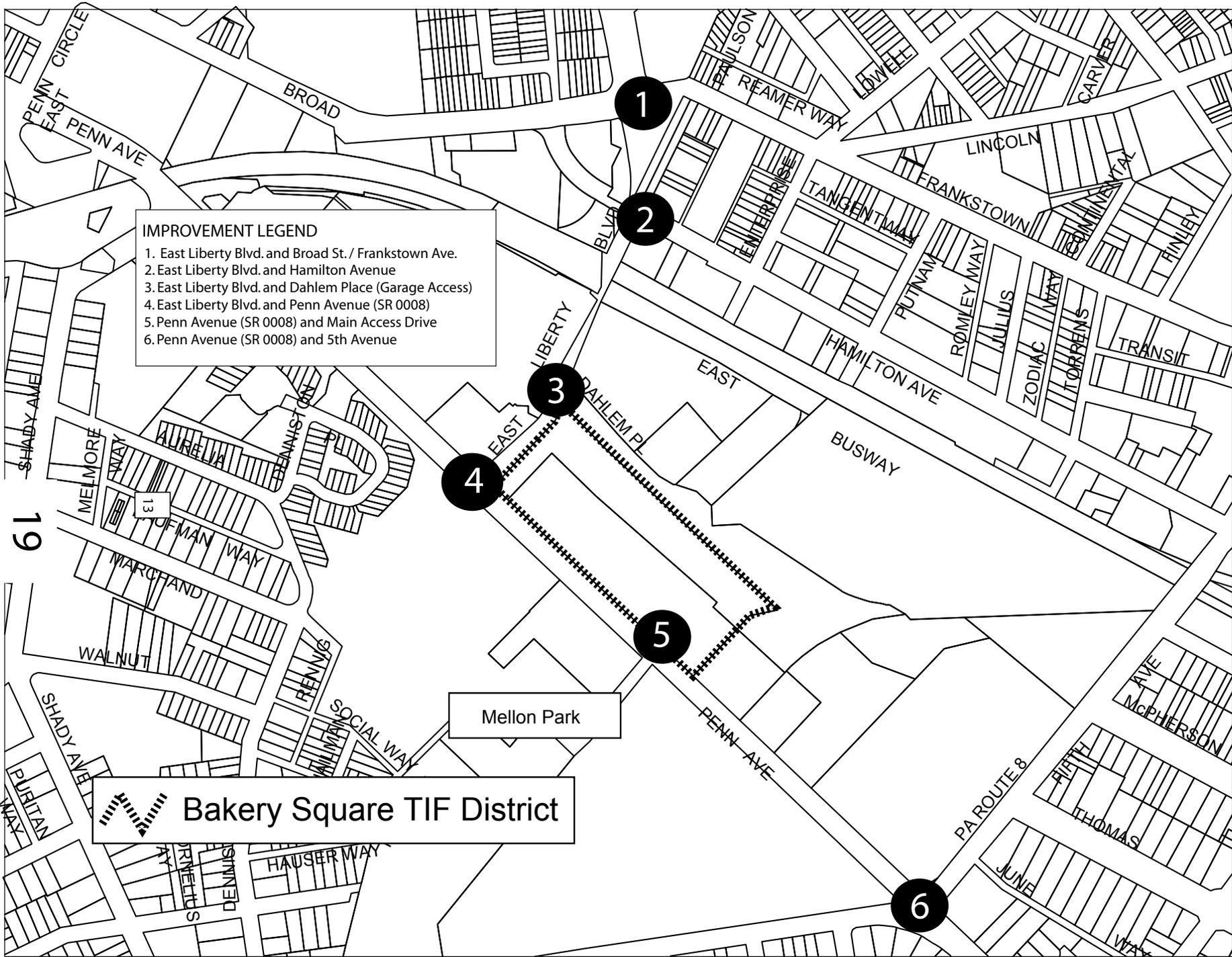


PENN CIRCLE MODIFICATIONS

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-  Penn Circle Modifications
-  Fifth & Penn Redevelopment Area #65
-  Bakery Square TIF District





PUBLIC INFRASTRUCTURE TO SUPPORT BAKERY SQUARE PROJECT

Public Infrastructure Cost Summary

1.	East Liberty Boulevard and Broad Street / Frankstown Avenue	
	• Install new traffic signal	\$ 150,000
2.	East Liberty Boulevard and Hamilton Avenue	
	• Install new traffic signal	\$ 100,000
3.	East Liberty Boulevard and Dahlem Place (Garage Access)	
	• Install new traffic signal	\$ 100,000
	• Construct auxiliary SB left turn lane on East Liberty BLVD.	\$ 200,000
4.	East Liberty Boulevard and Penn Avenue (SR 0008)	
	• Install new traffic signal	\$ 150,000
5.	Penn Avenue (SR 0008) and Main Access Drive	
	• Install new traffic signal	\$ 150,000
	• Construct auxiliary left turn lanes on Penn Avenue	\$ 350,000
6.	<i>Penn Ave (SR 0008) and 5th Avenue</i>	
	• <i>Install new traffic signal</i>	\$ 200,000
	• <i>Construct auxiliary left turn lanes on Penn Avenue</i>	\$ 900,000
	• <i>Construct auxiliary left turn lane on 5th Avenue</i>	\$ 264,000
7.	Penn Ave (SR 0008) from 5 th Avenue to East Liberty Boulevard	
	Construct additional lane for turns at driveways	<u>\$ 800,000</u>
	Subtotal	<u>\$3,364,000</u>
8.	Engineering and Design (20%)	\$ 600,000
9.	Contingencies (26%)	<u>\$ 636,000</u>
	Total	<u>\$4,600,000</u>

Bakery Square TIF Plan: Assumptions for TIF Financing

08/15/07

Pledged Increment

1) Real Estate Tax (City)	60%
2) Real Estate Tax (School Board)	60%
3) Real Estate Tax (County)	60%
4) Parking Tax (City)	60%

Current 2002 Base Year (7/20/2007) \$2,925,000

Projected 2002 Base Year FMV \$62,191,500

Projected Annual R.E. and Parking Tax Increment

Total Taxes	\$	2,126,471
Less: Current Taxes	\$	84,304
Tax Increment	\$	2,042,167
Less 40% Distribution of R.E. taxes to 3 Taxing bodies	\$	683,267
Less 40% Parking Taxes to City	\$	133,600
Tax Increment Pledged	\$	1,225,300

TOTAL TAX INCREMENTS PLEDGED \$ 1,225,300

Real Estate Tax Analysis				
	<u>Millage</u>	<u>Current</u>	<u>Increment</u>	<u>Total</u>
City	0.0108	\$ 31,590	\$ 640,078	\$ 671,668
At Discount			\$ 627,277	\$ 658,235
County	0.00469	\$ 13,718	\$ 277,960	\$ 291,678
At Discount			\$ 272,401	\$ 285,845
School District	0.01392	\$ 40,716	\$ 824,990	\$ 865,706
At Discount			\$ 808,490	\$ 848,392
Total Real Estate Tax		\$ 86,024	\$ 1,743,028	\$ 1,829,052
Total Real Estate Tax @ 2% discount		\$ 84,304	\$ 1,708,167	\$ 1,792,471
Parking	N/A	\$ -	\$ 334,000	\$ 334,000
Total Taxes at 2% Discount on Real Estate Portion		\$ 84,304	\$ 2,042,167	\$ 2,126,471
			\$ 2,077,028	

Summary of Allocations of Tax Increment at 2% Discount for pledged parcels				
	<u>TIF</u>	<u>Increment to Taxing Bodies</u>	<u>Total</u>	
CITY (Real Estate)	\$ 376,365.98	\$ 250,910.65	\$ 627,276.64	
COUNTY	\$ 163,440.41	\$ 108,960.27	\$ 272,400.69	
SCHOOL DISTRICT	\$ 485,093.93	\$ 323,395.95	\$ 808,489.89	
Subtotals	\$ 1,024,900.33	\$ 683,266.88	\$ 1,708,167.21	
PARKING	\$ 200,400.00	\$ 133,600.00	\$ 334,000.00	
Total	\$ 1,225,300.33	\$ 816,866.88	\$ 2,042,167.21	

TIF Note/Bond			
Gross Annual Cash Flow Available		\$	1,225,300
Less: Annual Fees	URA Administration	\$	20,000
	Trustee Fee	\$	1,000
Annual Cash Flow Available for Note/Bond		\$	1,204,300
Less: Debt Coverage	110%	\$	1,094,818
Interest Rate			8.500%
Term (single annual principal payment)			19 Years
Gross Note Amount Available			\$10,146,471
Less:	Capitalized Interest (Est.)	\$	-
	Issuer (URA) Fee (@1%)	\$	101,465
	Bank Fee	\$	101,465
	Legal Fees	\$	50,000
	Bond Council	\$	22,500
	Contingency	\$	20,000
	Financial Advisor	\$	5,000
	Trustee Fee	\$	1,000
Net Proceeds Available for Project			\$9,845,042

**ECONOMIC AND MARKET IMPACT STUDY
PROPOSED MIXED USE DEVELOPMENT**

**Prepared by:
INTEGRA Realty Resources**

**For:
The Urban Redevelopment Authority of Pittsburgh**

OFFICE MARKET ANALYSIS

Integra Realty Resources – Pittsburgh has prepared an Office Market Study for the Urban Redevelopment Authority of Pittsburgh, dated February, 2007. The conclusions are summarized as follows:

There is approximately 3.7 million square feet of office space within the Oakland Submarket. Class A space makes up nearly 20% of the overall Oakland supply with approximately 722,000 square feet.

Vacancy within the Class A market is currently 0%. This market has historically been very tight, with vacancy rates typically below 5%. Available space is typically less than 5,000 square feet of contiguous space.

Within the Oakland market, there is a significant amount of owner-occupied space resulting from the universities and hospitals. Given the overall medically-driven demand, the Oakland market should achieve commensurately higher medial office rental rates and generally lower vacancy rates than corporate office space typically found throughout the region.

The University of Pittsburgh Medical Center is the largest demand generator for office space in the market and is actively expanding.

The average asking rental rate is \$25.75 per square foot, on a full service basis, for Class A space. This rate has been steady since the second quarter of 2005 when the average asking rate was \$25.25 per square foot.

The most competitive office buildings comprise nearly 700,000 square feet with a vacancy rate of about 5%, excluding a proposed office building, which is inline with the overall Class A Oakland market.

Asking rental rates at the most competitive buildings range from \$20.00 to \$38.00 per square foot, full service, with an average of approximately \$23.00 per square foot.

The subject will contain approximately 216,000 square feet of office space. As part of a larger mixed-use development with built-in amenities and the renovated industrial loft design will be highly appealing to many tenants. Additionally, the subject will be one of the few office buildings with a large amount of Class A, contiguous space in the Oakland Baum/Center corridor.

Several firms are actively seeking contiguous space over 100,000 square feet, in the Pittsburgh CBD, including UPMC and Equitable Resources. There are very few contiguous spaces of 100,000 square feet or more available downtown and none in the Oakland market. This finite supply puts upward pressure on rental rates particularly for these large blocks of space.

The subject is expected to achieve a rental rate towards the middle of the comparable range, about \$23.00 to \$26.00 per square foot.

The vacancy rate should be at the lower end of the range at approximately 5%.

RETAIL MARKET ANALYSIS

Integra Realty Resources – Pittsburgh has prepared a Retail Market Study for the Urban Redevelopment Authority of Pittsburgh, dated February, 2007. The conclusions are summarized as follows:

The subject is located within the East/Fringe submarket, an area that serves the population between the CBD and Monroeville. This submarket contains approximately 2 million square feet of inventory.

Vacancy within the market is currently about 4%. This market has historically been very tight, with vacancy rates typically below 5%.

The average asking rental rate is about \$27 per square foot, on a full service basis, according to Grubb & Ellis. This rate has been increasing steadily since 2002.

Prior to 2002, the subject neighborhood was considered a blighted neighborhood, lined with local storefronts vacant and boarded-up or occupied by low-end retailers. Prompted by the success of Whole Foods and Home Depot, several new developments are planned and now, this neighborhood is in the midst of a transformation.

Trader Joe's, a California-based grocery chain, has committed to the lease more than one-third of the renovated Wheeler Paint building located at 6343 Penn Avenue. This location is the company's first in the Pittsburgh region. The fact that a strong chain such as Trader Joe's has selected the subject neighborhood over many that were available in the region, bodes well for the future success of the East Liberty market and the subject development.

Asking rental rates at the most competitive retail developments buildings range from \$15.50 to \$28.00 per square foot, full service, with an average of approximately \$25.00 per square foot.

The subject will contain approximately 178,010 square feet of retail space as part of a larger mixed-use development. The success of similar brownfield redevelopment projects in the region such as the Waterfront and the South Side Works, bodes well for the subject.

The subject is expected to achieve an average rental rate towards the middle of the comparable range, about \$25.00 per square foot.

The vacancy rate should be at the lower end of the range at approximately 5%.

Given the history of the area and current growth trends, it is our opinion that demand will be strong for retail space in the proposed development.

ECONOMIC AND FISCAL IMPACT ANALYSIS

CONSTRUCTION PERIOD IMPACT

During the construction period of Bakery Square, which is expected to last from the fall of 2007 to the spring of 2009, a variety of economic opportunities will be created. The construction is expected to create 210 direct on-site jobs with an aggregate payroll of approximately \$10.5 million. These direct jobs will create approximately 210 indirect, or spin-off, jobs off-site. These indirect jobs will have an aggregate payroll of nearly \$8.1 million. Material purchases directly related to the construction of the subject development will total nearly \$29.2 million in the Pittsburgh region. Direct consumer expenditures will total more than \$8.8 million.

Economic Impact - Construction Period			
	Direct	Indirect	Total
Jobs (FTE)	210	210	420
Payroll	\$10,483,200	\$8,090,934	\$18,574,134
Material Purchases	\$29,191,550		\$29,191,550
Consumer Expenditures	\$8,833,406		\$8,833,406

The related fiscal impact of construction will be approximately \$3.1 million in total tax revenue to the state, county, city, and school district. This includes more than \$590,000 in income tax from construction workers, \$1.8 million in sales tax of materials purchases made in Pennsylvania, \$470,000 in indirect or spin-off sales tax revenue made by construction workers in the state, \$255,000 in building permit fees, and nearly \$11,000 in Emergency and Municipal Services (EMS) tax.

All tax figures are in constant 2007 dollars to avoid including any inflationary impacts. Tax revenues are based on current prevailing tax rates and industry standards for the subject development.

Annual Fiscal Impacts - Construction Period					
	Pennsylvania	Allegheny County	City of Pittsburgh	City of Pittsburgh School District	Total
Income Tax	\$564,495	N / A	\$13,791	\$13,791	\$592,077
EMS Tax	N / A	N / A	\$10,920	N / A	\$10,920
Direct Sales Tax	\$1,663,918	\$145,958	N / A	N / A	\$1,809,876
Indirect Sales Tax	\$427,979	\$45,050	N / A	N / A	\$473,029
Building Permit Fees	N / A	N / A	\$255,450	N / A	\$255,450
Total	\$2,656,392	\$191,008	\$280,161	\$13,791	\$3,141,352

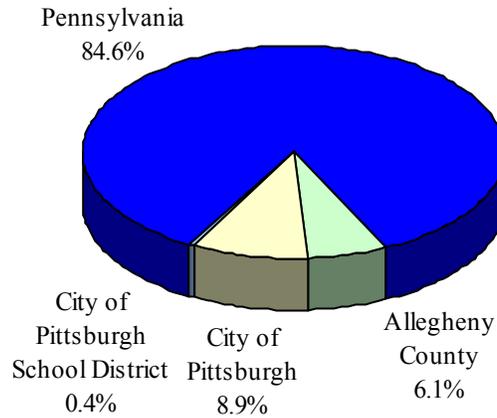
Pennsylvania will receive nearly \$2.7 million in tax revenue, of which over \$560,000 will be in income tax from construction workers, nearly \$1.7 million in sales tax of materials purchases made in the state, and \$430,000 in indirect sales tax revenue.

During the construction period, Allegheny County will receive more than \$190,000 in tax revenue, of which, more than \$145,000 will be from sales tax of materials purchases made in the county and \$45,000 in indirect sales tax revenue.

The City of Pittsburgh will receive approximately \$280,000 in tax revenue of which nearly \$14,000 will be in income tax revenue (assuming 15% of construction workers will reside within the city), \$255,000 in building permit fees, and nearly \$11,000 in EMS tax revenue.

The school district will receive nearly \$14,000 in tax revenue, which will come from income taxes.

Tax Revenue by Jurisdiction



OPERATING PERIOD ECONOMIC AND FISCAL IMPACTS

Once construction is complete and stabilized, impacts related to the planned Bakery Square development will continue on an annual basis.

The subject development will create 1,182 direct, on-site jobs which will have an aggregate annual payroll of nearly \$43 million. The wages of the subject employees will generate \$36.2 million in annual consumer expenditures. An estimated 1,031 indirect, off-site jobs will be created as a result of expenditures made by the subject employees. These indirect jobs will have an aggregate annual payroll of nearly \$25 million. More than \$31.7 million in other direct retail sales off-site will also be generated.

Economic Impact - Annual Operations at Build Out			
	Direct	Indirect¹	Total
Jobs (FTE)	1,182	1,031	2,213
Payroll	\$42,951,626	\$24,997,846	\$67,949,472
Consumer Expenditures	\$36,192,114		\$36,192,114
Other Direct Retail Sales			\$31,757,358

¹ 1997 Employment Multiplier Estimates, RIMS II Model

The related fiscal impact during annual operations at build out will be nearly \$5.5 million in tax revenue to Pennsylvania, Allegheny County, the City of Pittsburgh, and the school district. This includes nearly \$1.4 million in income tax revenue from subject employees, \$1.8 million in real estate tax revenue, \$1.9 million in indirect sales tax revenue, and \$240,000 in parking tax revenue.

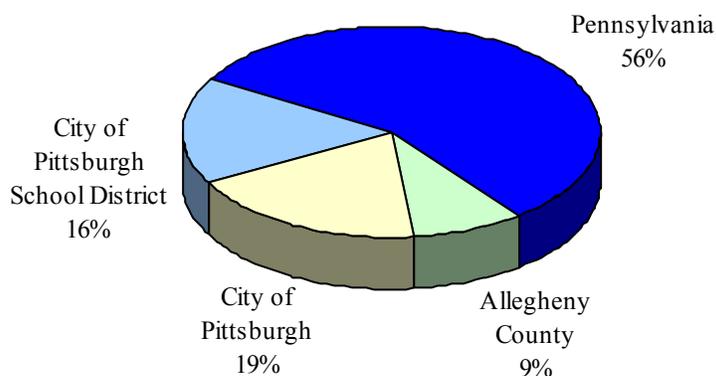
Annual Fiscal Impacts - Annual Operations at Build Out					
	Pennsylvania	Allegheny County	City of Pittsburgh	City of Pittsburgh School District	Total
Income Tax Revenue	\$1,318,615	N / A	\$32,214	\$32,214	\$1,383,042
EMS Tax Revenue	N / A	N / A	\$61,443	N / A	\$61,443
Real Property Tax Revenue	N / A	\$291,678	\$671,668	\$865,706	\$1,829,052
Indirect Sales Tax (off-site) Revenue	\$1,753,508	\$184,580	N / A	N / A	\$1,938,088
Parking Tax Revenue	N / A	N / A	\$239,080	N / A	\$239,080
Business Privilege Tax Revenue	N / A	N / A	\$11,794	N / A	\$11,794
Total	\$3,072,123	\$476,258	\$1,016,199	\$897,919	\$5,462,499

Pennsylvania will receive nearly \$3.1 million in tax revenue, of which \$1.3 million will be in income tax from employees, and more than \$1.7 in indirect sales tax revenue.

At build out on an annual basis, Allegheny County will receive more than \$470,000 in tax revenue, of which, \$290,000 will be from real estate taxes and \$180,000 from indirect sales tax revenue.

On an annual basis, the City of Pittsburgh will receive more than \$1 million in tax revenue, of which \$32,000 will be in income tax revenue (assuming 15% of employees will reside within the city), more than \$670,000 in real estate taxes, \$240,000 in parking tax revenue, \$12,000 in business privilege taxes, and \$61,000 in EMS tax revenue. The school district will receive nearly \$900,000 in tax revenue from income taxes and real estate taxes.

Tax Revenue by Jurisdiction



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 approximately \$4.2 million.

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	\$1,318,615	N / A	\$32,214	\$32,214	\$1,383,042
EMS Tax Revenue	N / A	N / A	\$61,443	N / A	\$61,443
Real Property Tax Revenue	N / A	\$116,671	\$268,667	\$346,282	\$731,621
Indirect Sales Tax (off-site) Revenue	\$1,753,508	\$184,580	N / A	N / A	\$1,938,088
Parking Tax Revenue	N / A	N / A	\$95,632	N / A	\$95,632
Business Privilege Tax Revenue	N / A	N / A	\$11,794	N / A	\$11,794
Total	\$3,072,123	\$301,251	\$469,750	\$378,496	\$4,221,620

OTHER BENEFITS

Currently the subject site is improved with a vacant industrial building consisting of approximately 495,000 square feet that generates limited economic or fiscal benefits to the taxing jurisdictions in its current condition. The demolition of a portion of the buildings and the redevelopment of the site with approximately 655,000 square feet of office, hotel, parking and retail components will generate substantial economic and fiscal benefits in terms of new jobs and increased tax revenues. The addition of new office and other mixed-use components will provide additional benefits to the Pittsburgh region in terms of enhancing the area's vitality and competitiveness.

The development will provide the city with new, high-quality office space with large contiguous space. The office demand from the medical community in the nearby Oakland market will be the catalyst for demand for the subject space.

Finally, the subject development will provide an opportunity to engage the private sector in public/private partnerships. With an estimated \$24 million in public sector participation including \$10 million in tax increment financing, the development will attract private sector participation in terms of new and/or expanding businesses that will create new jobs and private sector investment.

CONCLUSION

Economic and Fiscal Impact

The redevelopment of Bakery Square will create 210 direct on-site jobs with an aggregate payroll of \$10.5 million. Furthermore, these direct jobs will create 210 additional indirect, or spin-off, jobs off-site with an aggregate payroll of \$8.1 million. Direct consumer expenditures will total more than \$8.8 million and nearly \$30 million in material purchases will be made in the Pittsburgh region.

The related fiscal impact of construction will be more than \$3.1 million in tax revenue to Pennsylvania, Allegheny County, the City of Pittsburgh, and the school district. Pennsylvania will receive approximately \$2.7 million in tax revenue and Allegheny County will receive \$190,000 in tax revenue. The city the school district will receive more than \$280,000 and \$14,000 in tax revenue, respectively.