

Request for Developer Proposals

BUILD TO SUIT DEVELOPMENT SITES @ The Pittsburgh Technology Center Second Avenue Pittsburgh, Pennsylvania

RFP Issued: September 30, 2009
RFP Due Date: Accepting Proposals on a Rolling Basis

INTRODUCTION

The URA is seeking developers with the experience, capacity, and creativity, to transform four (4) sites located at the Pittsburgh Technology Center ("PTC"). Ranging from .686 to 1.513 acres, these shovel ready sites offer a unique opportunity to develop in the region's premier research and development hub. The PTC offers proximity, available land, infrastructure, and parking, to create additional research and lab space close to Oakland.

Seven state of the art buildings totaling 684,400 square feet have emerged at the PTC over the past twelve years. The existing buildings are fully leased at this time. The PTC hosts a broad range of the region's technology leaders including: the University of Pittsburgh Center of Biotechnology and Bioengineering, the Carnegie Mellon Entertainment Technology Center, Union Switch and Signal, ThermoFisher, and the Sunoco Polypropylene Research and Development Center.

Over the next several years, the region's institutions forecast a need for more than one million square feet of additional research and lab space (according to the Battelle study conducted in 2005). Since this need for more space was projected, only one large construction project has been completed to meet this growing demand: Bridgeside Point II. In order to meet this demand, the URA is expanding and enhancing

the PTC by increasing density on the site. Development of these five sites will create a more urban center with mixed use tenants, while maintaining the open space system which creates a sense of place. The availability of parking spaces in garages on the site allows for greater density. For example, Bridgeside Point II was built on 1.6 acres but a comparable site with sufficient on-site surface parking would contain 6.5 acres.

The URA's intention is to select the developer(s) with the highest quality plan(s) and enter into an exclusive negotiation period which would enable the parties to undertake due diligence and establish a firm development schedule. These parcels have been designated for build to suit development defined as either owner-occupied or at least 85% pre-leased. The goal is to develop these parcels into financially viable new construction projects following good design principles. The developers will be expected to coordinate design and construction with the URA to ensure that the proposed developments match the PTC's goals.

SITE HISTORY

The PTC has transformed the former Jones & Laughlin Hot Mill into a state-of-the-art riverfront office park and regional center for research and development. The campus-like setting represents Pittsburgh's evolution from heavy industry to the cutting edge of research and innovation. It is a nationally recognized example of brownfield reclamation and the first project in Pennsylvania to use tax increment financing. The URA made significant public investment in preparing the PTC site for development; therefore the expectation is that no public subsidy will be provided for development of these five remaining sites.

AVAILABLE PARCELS

<u>Parcel</u>	<u>Acreage</u>	<u>Frontage (all on Technology Drive)</u>
2 West/1	1.513	West side of PTC west entrance
3A	.686	West side of PTC center entrance
3B	1.492	East side of PTC west entrance
8B	.920	East side of PTC center entrance

****Additional details about each parcel are available upon specific inquiry.****

SALES PRICES

The URA will consider proposals for available PTC development sites at consideration based upon a recent appraisal. Parcels 3A and 8B are considered appropriate for either office or commercial development, or a mix of each. Consideration for each parcel will be based on the planned use. Parcels 2 West/1 and 3B are considered most appropriate for office development.

<u>Parcel</u>	<u>Acreage</u>	<u>Price</u>
2 West/1	1.513	\$575,000 (appraised value)
3A	.686	\$260,000 (office)
		\$600,000 (commercial)
3B	1.492	\$570,000 (appraised value)
8B	.920	\$350,000 (office)
		\$800,000 (commercial)

ZONING REQUIREMENTS

The Pittsburgh Technology Center is zoned SP-1, which is a specially planned district particular to the Pittsburgh Technology Center. The Zoning Use Regulations for PTC are as follows:

- A. Laboratory\Research Services and associated manufacturing and assembly, and office use
- B. Office uses involved with or related to biotechnology, biologic research, computer software, or similar
- C. Hotel\motel
- D. Restaurant and retail included in a larger building or adjacent to a parking structure
- E. Multi-unit residential
- F. Business services related to the above
- G. Child day care center within a building housing related to the above

The following site development standards have been established:

- A. Minimum height – 3 stories or 45 feet
- B. Maximum height – 90 feet; 180 feet if a landmark structure
- C. Floor area ratio – 3:1
- D. Urban Open Space – at least 10% of the entire district
- E. Traffic and Parking Demand Analysis – must be submitted to Zoning Administrator

The Developer must comply with the City of Pittsburgh Zoning Code and will be responsible for working with the City of Pittsburgh Planning Commission and City Council to obtain approval for any variances from current zoning requirements.

TECHNOLOGY ZONE INCENTIVES

As an added benefit for tenants, the PTC is located in the Technology Zone. This program offers incentives for businesses locating in the Technology Zone; including competitive loan funds and tax credits. For more information see: http://www.ura.org/business_owners/pgh_technology_zone.php

SUSTAINABLE DEVELOPMENT INCENTIVES

The City of Pittsburgh has enacted legislation incentivizing green building. The legislation grants a size and height bonus for LEED certified buildings in an appropriate zoning area, under certain conditions. Under these guidelines, the maximum floor area may exceed the floor area ratios specified for the applicable base zoning district, but shall not exceed an additional 20% floor area. The maximum height of the building may exceed the permitted height of the base zoning district but shall not exceed an additional 20% of the permitted height. Please see 915.04 "Sustainable Development Bonuses" in the Pittsburgh Code, Title Nine, Zoning, for more information.

LOCATION

Downtown Pittsburgh is located a mere 2.4 miles away or about a 5 minute drive along Second Avenue. Oakland is easily accessible via Bates Street, which is across from the PTC entrance. The PTC has fabulous proximity to highways, I-376 is adjacent to the site, I-579 is 5 minutes away, I-279 is 7 minutes away, 885, 30, 22 are all within 5 minutes of the site. The PTC is less than 20 miles from the airport; it is about 30 minute drive. Warehousing opportunities are available in Lawrenceville, 12 minutes away and in Glenwood, 7 minutes away.

The 56C bus route directly services the site which also has stops on the North Side, Oakland, and the South Side. The 56B and 56E also stop at the site. The site is easily walkable from bus stops on Carson Street on the South Side.

AMENITIES

The PTC has quick bicycle, pedestrian, and vehicle access, to the South Side Works (SSW). Located approximately a scenic 10 minute walk away, SSW is a comprehensive lifestyle center with numerous dining, housing, and entertainment options. East Carson Street also has a myriad of dining options; with something to suit every palate and budget. There are a full range of residential choices within a walking distance commute of the site; from high end condominiums to historic single family homes. Gyms, clothing stores, coffee shops, restaurants, and bars, populate the immediate area.

PARKING

There are currently 723 spaces in the parking garage constructed by the URA between Parcels 8a and 8B. Spaces are available daily on a first come, first served basis. As demand warrants, additional parking would be provided by a proposed 745 plus space parking garage to be built between Parcels 3A and 3B. The URA will work together with proposers on a parking plan to accommodate specific uses. Below is a photo of the existing garage.



In addition, there are other transportation options convenient to the site including PAT buses, PITT and CMU shuttles, as well as easy walkability from the South Side.

DEVELOPMENT PLAN GUIDELINES

A Preliminary Land Development Plan for PTC was adopted in January of 2007. It is available upon request. It includes the following planning and development principals:

- A. Continue to encourage initiatives that will secure the Center as a nationally recognized, premier regional research and development center well into the next generation.
- B. Encourage the growth of advanced technology industries by developing competitive sites
- C. Create a mixed use component offering project related retail and restaurant space, potential site for residential uses as the market dictates while affording a natural expansion of research and development space

All available parcels (see site map in Exhibit “A”) are level lots with all utility connections and accessible by concrete paved streets and curbs.

APPROVAL PROCESS

Once a proposal is reviewed and a developer(s) is selected to go forward in the process towards a transaction, there are a number of administrative steps that take place. The process usually takes several months and includes these key milestones:

URA Board Action: preliminary plan
Contextual Design and Planning (CDAP): review
Planning Commission: briefing and final action
City Council: Disposition Agreement
M/WBE Commission: Construction Plan approval
URA Board Action: final plan

PITTSBURGH MARKET

In January 2009, Pittsburgh was ranked the top commercial real estate market in the country according to Moody's Investors Service. Rising from one of the ten most troubled markets in 2005, to the sixth best in 2007, Pittsburgh has shown significant improvement. In January 2009, NAI Global named Pittsburgh as a "safe haven for real estate". Partially this rise in commercial real estate performance is due to the region's thriving academic institutions and technology based businesses. As these flourishing institutions and corporations seek more than one million square feet of additional research and lab space in the next few years, the PTC will remain a highly desirable location. The level site, infrastructure, new buildings, and parking options, make the PTC a unique development opportunity for high quality projects in close proximity to both Oakland and Downtown.

The 150,000 square foot Bridgeside Point II building located at the PTC received a commitment from the University of Pittsburgh for the majority of the building in May 2009. This project was developed by the Ferchill Group, which also developed Bridgeside Point I, the building next door at the PTC. The next largest building planned for the Oakland submarket is on South Craig Street. Cambridge Venture Partners is constructing a 45,000 square foot office building, slated to begin construction in the fall. The \$9 million, Class A project will provide new office space in the high demand area close to CMU.

Pittsburgh remains strong in the healthcare, energy and education sectors, which help keep employment stable. Therefore Pittsburgh will likely experience less unemployment than other metropolitan areas with more volatile employment sectors. Despite a national rise in vacancy rates for metropolitan areas, Pittsburgh has been relatively unaffected by the downturn in the financial sectors based on its' diversified economy. Absorption rates remain unmet for the Pittsburgh market, so new projects will not increase vacancy. New construction starts have been low; only 2 new buildings were placed in service in the 4th Quarter 2008 according to CB Richard Ellis (CBRE). Overall absorption rates are projected to rise over the next few quarters because large blocks of space are occupied by tenants that are experiencing growth, despite the economic downturn. (CBRE)

The PTC is considered part of the Oakland submarket. Currently only 3.27% of CBRE's rentable area in Oakland is vacant and it is projected that vacancy rates are going to dip further. CBRE's Class A average lease rate for Oakland is \$21.45. 6.4% of Grub and Ellis' (G&E) Oakland properties are vacant. G&E's Class A average lease rate for Oakland is \$26.04.

CURRENT PTC CONDITIONS

Tenant	Sq Ft	Year Completed
Center for Biotechnology and Bioengineering	91,000	1993
Carnegie Mellon Research Center	87,000	1995
Union Switch and Signal	175,000	1995
Union Switch and Signal Parking Garage	572 spaces	1996
2000 Technology Drive	68,000	1996
Sunoco Chemical	80,000	1995
Adelphia Business Solutions	30,400	2001
Bridgeside Point I	153,000	2001
Bridgeside Point II	150,000	2008

SUBMITTAL AND REVIEW PROCESS FOR PROPOSALS

The URA intends to make subjective decisions based upon information in the Proposal submitted by the developer, interviews, investigation of projects completed by the developer, performance in previous undertakings, and other pertinent factors. The selected developer will be chosen on the basis of quality of the proposed project and factors which may include, but are not limited to - the purchase price that is proposed, developer's qualifications and experience, the value of the improvements, quality of proposed design relative to the **PTC Preliminary Land Development Plan (is available upon request)**, developer's financial commitment and capabilities to undertake, complete and manage the project, as well as reasonableness of the project's cost estimates and market analysis.

The submittal and review process is conducted with as much interface between the developer and the URA staff as needed. URA staff which combines many years of experience in site planning, engineering, real estate law and finance, works with developers throughout the process towards project viability and approval.

The submittal and review process is described as follows:

- A. Developer completes and submits "Proposal to Purchase Property for Private Redevelopment" package (see Exhibit "B") along with a \$1,000 deposit.
- B. URA staff reviews the Proposal and meets with developer to identify and address any issues on such matters as scope, feasibility, schedule, minority\woman owned business compliance and financing. Developers work closely with the URA and the City Planning Department to provide a project consistent with and complementary to the surrounding buildings and any applicable development design guidelines.
- C. Proposal presented to URA Board of Directors for acceptance at which time developer makes an additional payment which combined with the

\$1,000 deposit will total 10% of the purchase price. Developer then has site control for a limited time period to enable completion of design and financing.

1. During this time period, the developer will pay the URA on a monthly basis one-half of one percent (0.05%) of the purchase price. These payments will start on the first day of the succeeding month following Board approval and continue to be due on the first day of the succeeding month up to the time of closing.

2. If the transaction is not terminated, the total 10% deposit money and total monthly payments will then be applied toward the purchase price. Should the developer be unable to perform for any reason, the deposit and monthly payments to date shall be forfeited and retained by the URA as liquidated damages.

- D. Plan for Minority\Woman Owned Business participation submitted to City's MWBE Review Committee for preliminary approval.

The URA has Minority and Women Business Enterprise (M/WBE) participation goals of at least 18% Minority Business Enterprise and 7% Women-Owned Business Enterprise participation in the project development process. Selected developers will be required to submit an M/WBE plan to the City of Pittsburgh's Equal Opportunity Commission.

- E. Developer submits for URA approval final design and evidence of financing.
- F. Final design and evidence of financing presented to URA Board of Directors for authorization to enter into a Disposition Contract.
- G. Pittsburgh City Council approves the sale of property.
- H. MWBE Plan submitted for final approval.
- I. Disposition Contract signed at closing.

The Developer's purchase of the property will occur simultaneously with the closing on the Developer's construction financing, and after execution of the Disposition Contract, approval of the final construction documents and issuance of a building permit. Taxes, liability insurance, site security, and all aspects of owning and developing the property shall be the full responsibility of the Developer as specified in the Disposition Contract.

FINANCING

A. Tax Increment Financing (TIF), Minimum Payment Agreement Required

These available parcels are located in the PTC Tax Increment Financing (TIF) District. TIF is a financing mechanism whereby projected future increases in tax revenue are used to finance the improvements that will create those gains. At the PTC, TIF loan proceeds were used towards garage construction and road relocation.

The URA will require the selected developer(s) to sign a minimum payment agreement before new development begins. The minimum payment agreement between the URA and the developer sets forth a negotiated minimum amount of real estate payments, regardless of the actual amount of real estate taxes, as determined by the County Assessors office upon project completion. The negotiated minimum is usually below the actual. Its' purpose is to assure providers of Tax Increment Financing at the beginning of a project that a given amount of taxes to service debt will be paid by the property owner after project completion.

This agreement will provide additional security for TIF related financings that will be done to fund similar public improvements at Pittsburgh Technology Center.

B. Deposit

Along with the proposal, the Developer shall submit a check (certified or cashier's) made payable to the Urban Redevelopment Authority of Pittsburgh in the amount of \$1,000.00 to serve as a deposit. Deposits will be returned to the developers who are not selected.

C. Earnest Money

Upon selection, the Developer shall submit a non-refundable check (certified or cashier's) made payable to the Urban Redevelopment Authority in the amount of 10% of the purchase price as earnest money for the Disposition Agreement. The developer(s) will be required to submit the earnest money within 10 days of being notified that it has been selected or forfeit its position and the URA will begin negotiations with an alternative developer selected by the URA. The earnest money shall be refundable in the event developer, after performing its due diligence, elects to terminate the proposed transaction and not enter into the Disposition Agreement. The earnest money will be returned to the developer with the Certification of Completion.

URA and CITY Non-Liability and Related Matters

1. Inspection of Property: Developers shall be given an opportunity to inspect the parcel, environmental studies and the title to the parcels. If the Developer is selected and elects to proceed after conducting its due diligence, it shall acquire or take possession of the parcel in **"AS- IS" CONDITION**.

2. Building Permits, Zoning Variances, and Financial Viability: The URA through the sale of a Parcel in no way guarantees or warrants demolition permits, building permits, zoning variances, or financial viability.

D. Understood and Subject to:

This Request for Proposals is submitted subject to errors, omissions, and/or withdrawal without notice at any time.

SITE TOUR

To arrange a site tour, please contact Claire Hosteny at (412) 255-6570, or via e-mail at chosteny@ura.org.

CONTACT INFORMATION

For additional information concerning this RFP, interested parties may contact Claire Hosteny at (412) 255-6570, or via e-mail at chosteny@ura.org.