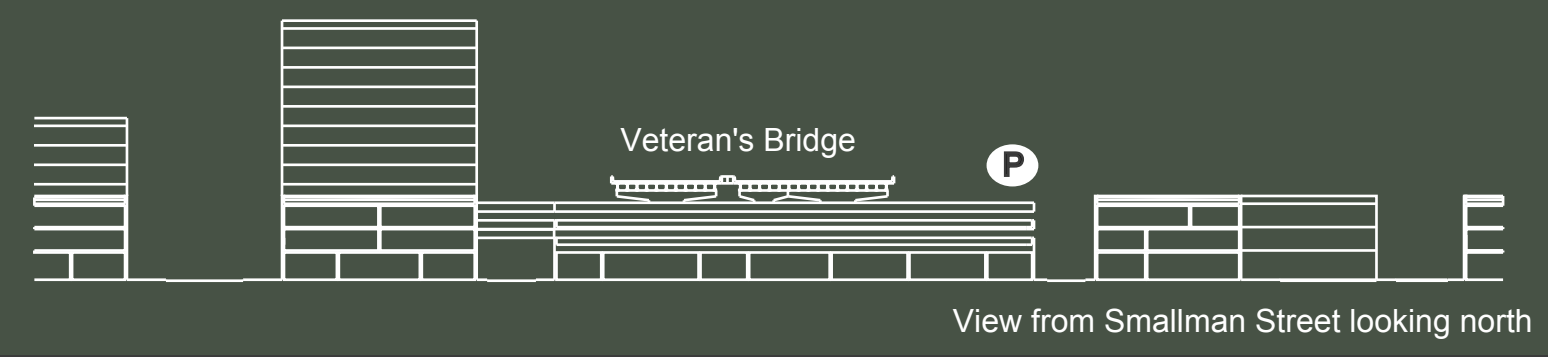


Strip Landing

Extending the Riverfront into Pittsburgh's Strip District

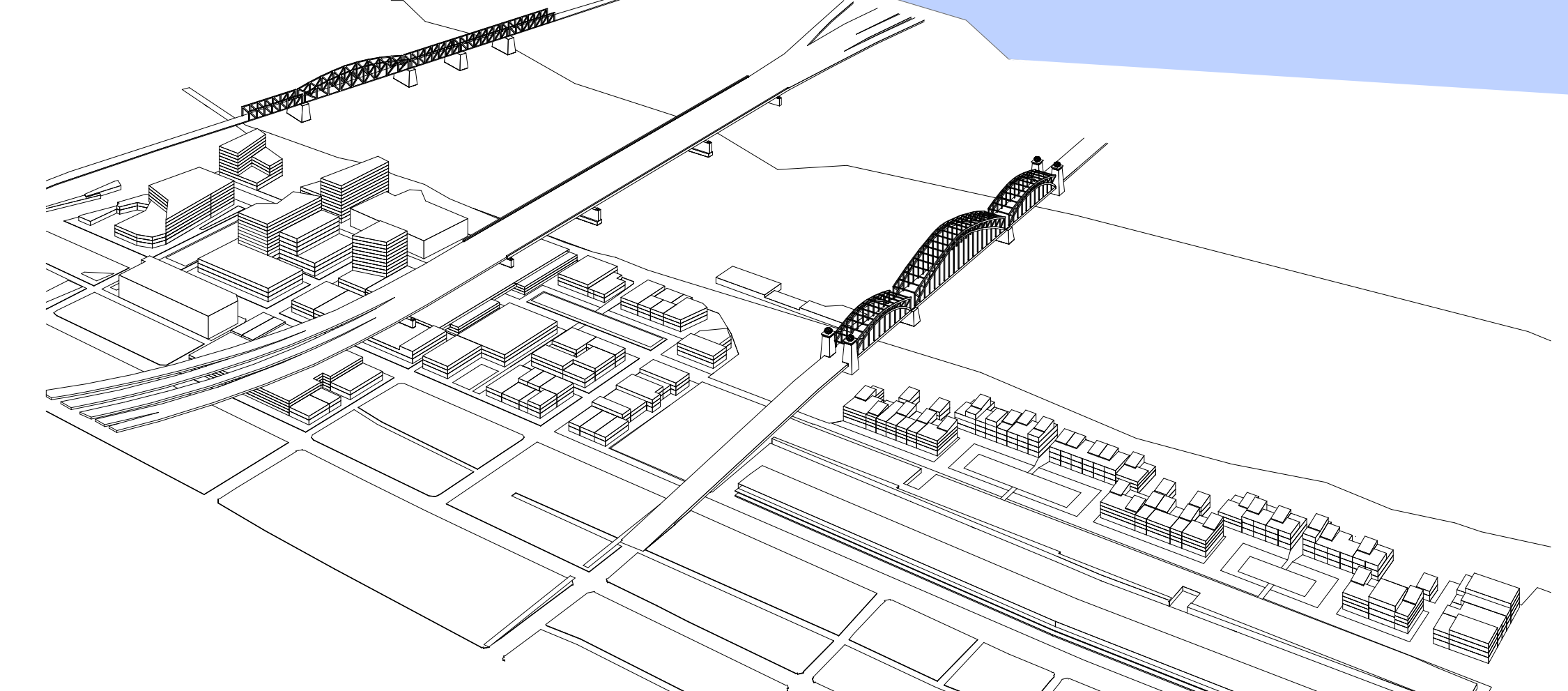
[8177]



View from Smallman Street looking north

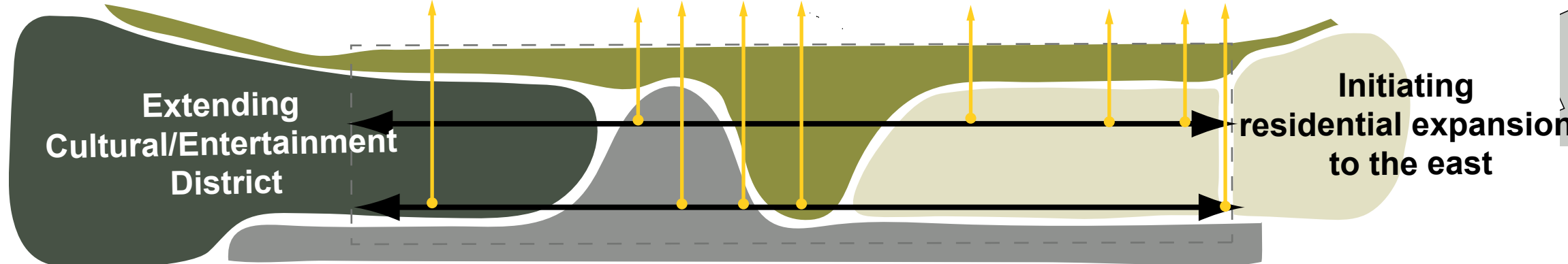
New parking structures underneath the Veteran's Bridge on both the north and south sides of Smallman Street take advantage of otherwise undesirable real estate. On the north side, the structure straddles Railroad Avenue, allowing traffic to flow freely while maximizing use of space. In total these structures provide over 3100 spaces, a number greater than the total capacity of the current lots

[8177]



THE CONCEPT

Strengthening Riverfront Connections

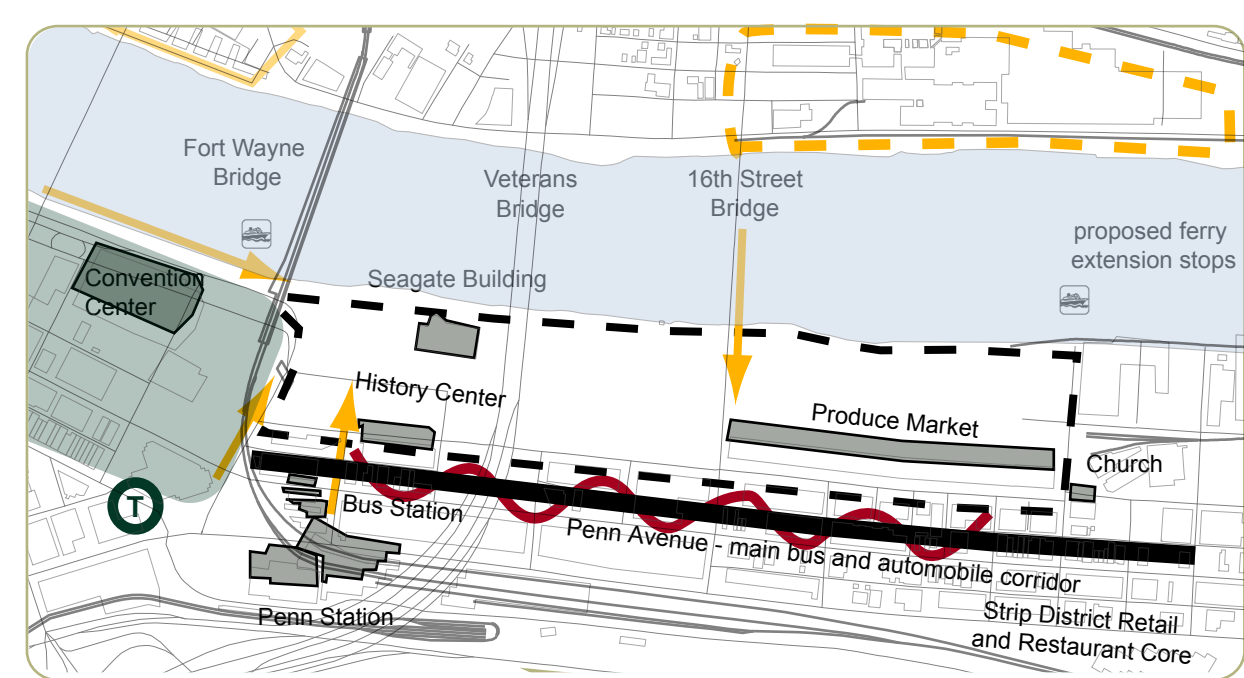


SITE STRENGTHS

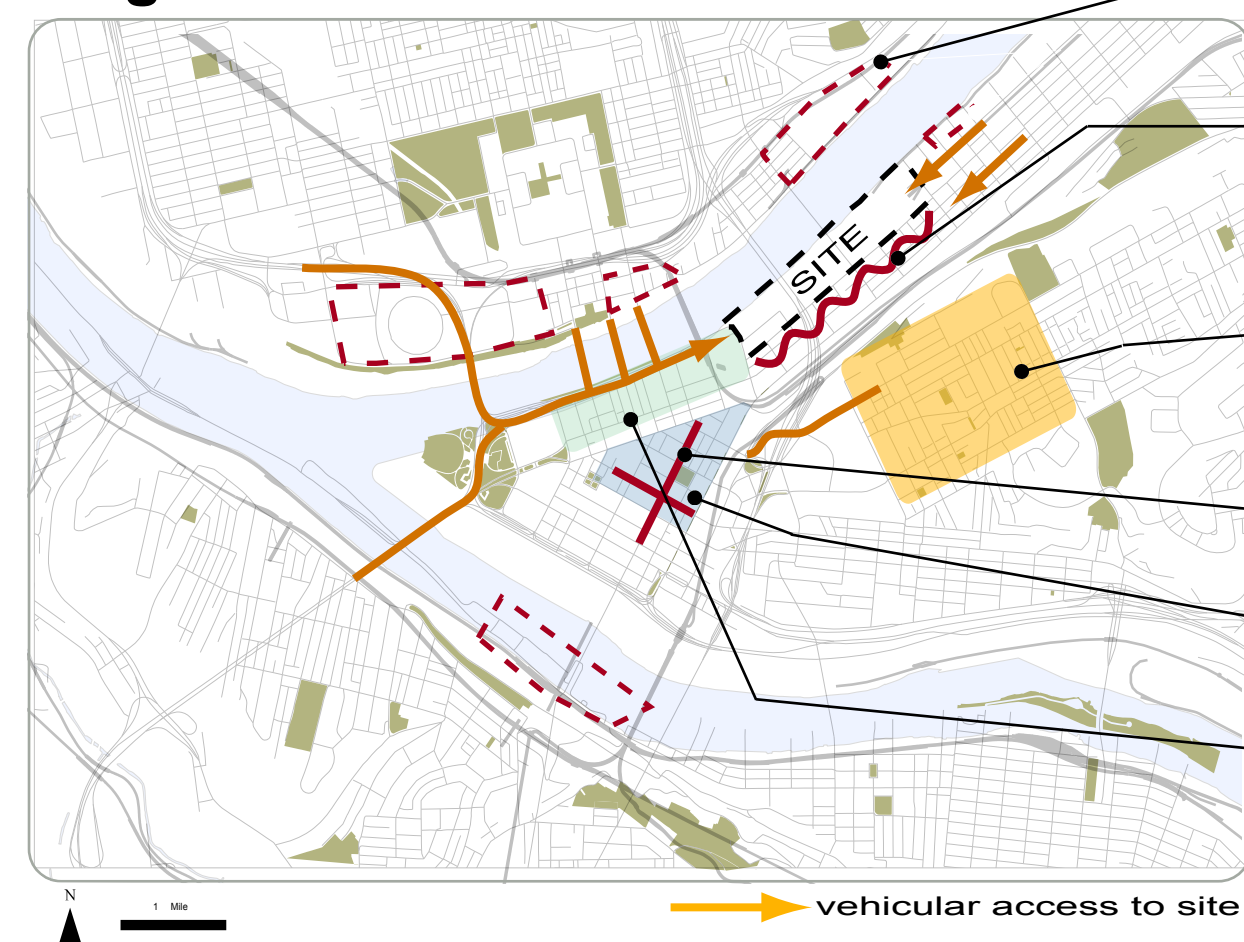
- 3,700 feet of riverfront access
- Situated at gateway to Golden Triangle
- Proximity to central business district
- Can build on the Strip Districts distinctive character
- Single ownership of all parcels makes site wide plan easier to implement
- Land is mostly vacant so use options are broad
- City is committed to riverfront development
- City's "Design 16:62" initiative is attracting design-related companies to the area

THE ANALYSIS

Local Context



Regional Context

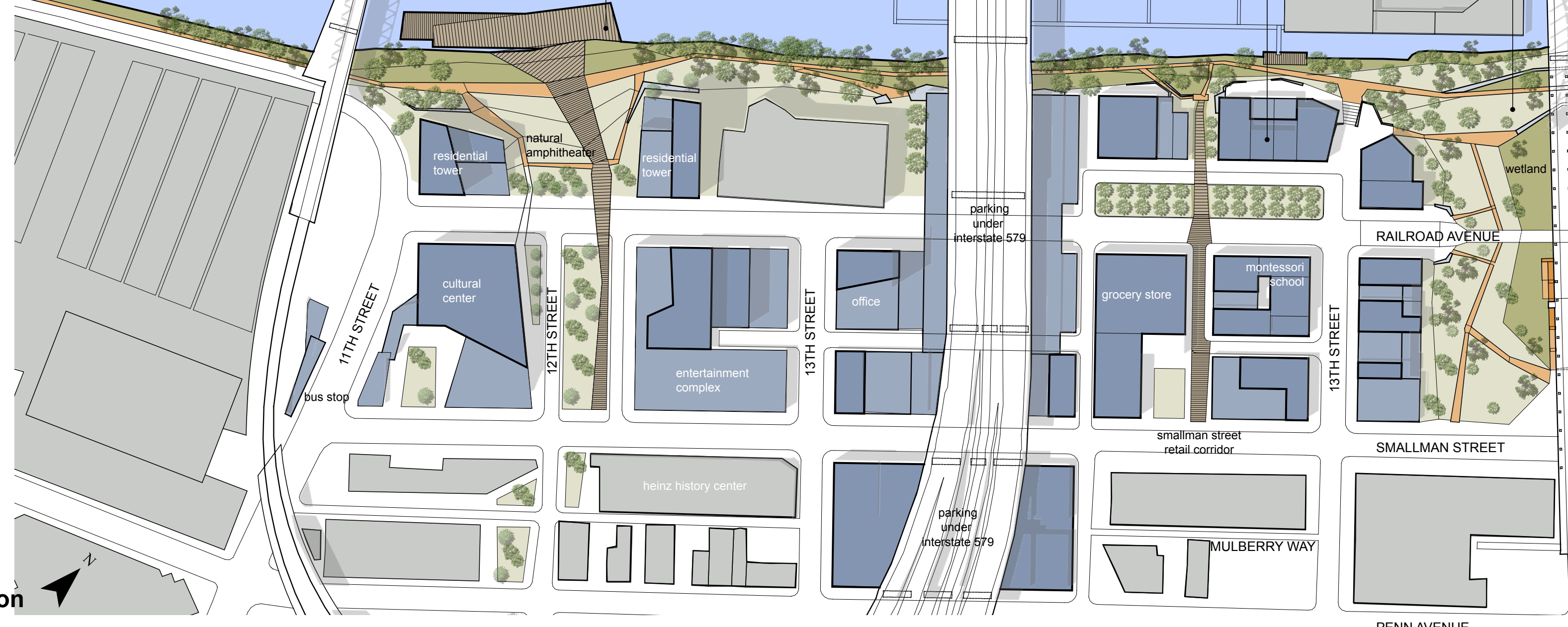


SITE WEAKNESSES

- Bridges bisecting the site obstruct East-West access
- Low market rental rates make construction costs difficult to justify
- Parking needs are exacerbated by additional development
- Brownfield status must be addressed/ remediated
- Recent riverfront projects indicate developers optimism about riverfront investment
- Vibrant Restaurant and Bar Corridor along Smallman Street and Penn Avenue. Marketplaces make it a walk destination on weekends.
- Dense Low-Income Housing to the south of the site is currently the predominate form of nearby urban residential space
- High End Shopping Corridors line two axis within the downtown core
- Central Business District to the southwest is easily accessible to the site
- Cultural District to the west of the site from 6th Street to the Convention Center is home to Pittsburgh's major performance facilities and galleries.

THE PLAN

SCALE: 1"=150'-0"



THE TOUR

Strengthening Riverfront Connections



Riverfront greenway meets Railroad Park at Sixteenth Street Bridge

Expanding Strip District Fabric

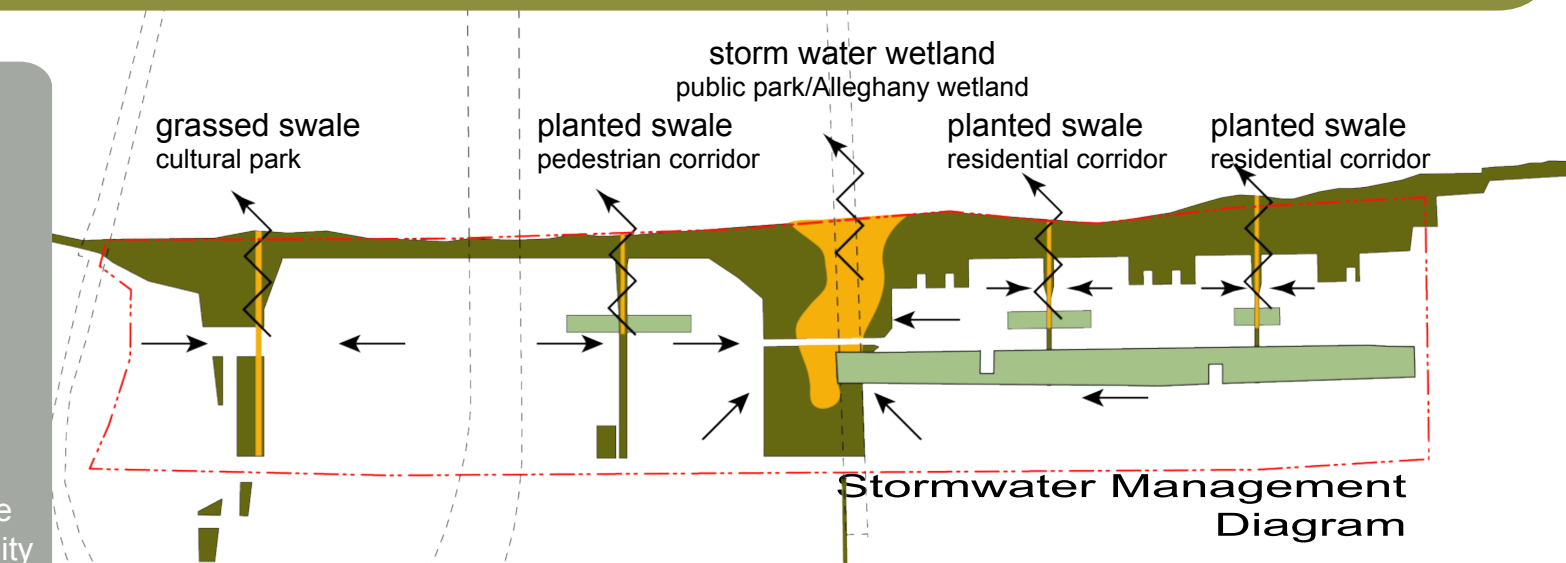


Railroad Avenue facing east

THE IMPACT

Ecologically Sustainable

Planted swales are integrated within the site to remediate polluted storm water as well as provide a natural amenity with access to the river's edge. The current flooding which occurs under the 16th Street Bridge provides an opportunity for natural water filtration through a terraced wetland



Financially Attractive

Sources and Uses of Funds					
Source	\$	%	Use	\$	%
Debt	295,978,756	80%	Land Acquisition	29,023,556	8%
Equity	73,994,689	20%	Construction	292,575,624	79%
			Interest Reserve	48,374,266	13%
Total	369,973,446	100%	Total	369,973,446	100%

Cash Flows					
	12/31/2008	12/31/2009	12/31/2024		
Gross Potential Revenue	10,950,796	11,368,817	65,553,276		
Less: Vacancy and Lease-up	(736,107)	(765,551)	(4,326,125)		
Net Revenue	10,214,679	10,603,266	61,227,151		
Less: Operating Expenses	(1,498,844)	(1,543,707)	(12,953,119)		
Net Operating Income (NOI)	8,715,835	9,079,558	48,274,032		
Capital and Leasing Reserve	(441,664)	(450,331)	(3,168,205)		
Cash Flow From Operations	8,274,170	8,629,228	45,105,827		
Initial Investment (Staged)	(369,973,446)		580,770,778		
Sale of Asset s		8,274,170	8,629,228	625,876,605	
Total Unlevered Cash Flows	(369,973,446)	8,274,170	8,629,228	625,876,605	
Unlevered IRR				11.9%	
Levered Return on Equity				30.3%	

Assumptions		Construction		Leasing		Notes	
Land Acquisition \$/SqFt	\$15.00	Cost of Construction (\$/SqFt)	\$135	A Rent (\$/SqFt/yr, triple net)	\$19	Residential	Debt is drawn down from a credit facility based on acquisition and construction needs and repaid out of cash flow. 12% of Debt is repaid as a TIF. Developers bear carrying cost of land.
Interest Rate (General)	7.5%	Residential	\$120	B Rent (\$/SqFt/yr, triple net)	\$15	High-end Retail (\$/SqFt/month)	20% of residential space is allotted to affordable housing to allow for floating of tax-free bond.
Interest Rate (Tax-free debt)	4.5%	Retail	\$140	Avg. Stabilized Vacancy	10%	Affordable Rent	40% of high end residential is condo.
Debt: Value Ratio	80%	Live/Work	\$140	Avg. Stabilized Vacancy	10%	Condo Sales Price	\$100,000
Exit Cap Rate	9.0%	Office	\$140	Opex (% of NetRev)	10%	Opex (% of NetRev)	30%
Office, Retail	9.0%	Parking	\$120	Rent (\$/SqFt/yr)	\$18	Average Rent (\$/SqFt/yr)	\$17
Residential	8.0%	Underground	\$120	Avg. Stabilized Vacancy	10%	Opex (% of NetRev)	10%
Avg. Rent Increase/yr	4%	Structured	\$50	Opex (% of NetRev)	20%	Average Rent (\$/SqFt/yr)	\$17
		Construction Period (yrs)	6	Lease-up Period (months)	6	Avg. Stabilized Vacancy	10%
		Park Upkeep (\$/SqFt)	\$0	Capital Reserve (% of NetRev)	6%	Opex (% of NetRev)	30%



View of planted swale through pedestrian corridor

Parking Analysis

Spaces Built	5,082
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Day Use

Residents	Day	Evening
Residential Units	1,025	
Cars / resident	1.5	
Total	2038	100%
Office employees	3,000	
SqFt of Office	121,958	
Spaces required / 1,000 SqFt	3	
Total	366	73

Entertainment/Retail Patrons

Current users (commuters and overflow)	Day	Evening
Total current spaces	3,000	
% Utilization	100%	20%
Spaces needed	3,000	600

Entertainment/Retail Patrons

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Total current spaces	3,000	
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Current users (commuters and overflow)	3,000
% Utilization	100%
Spaces needed	3,000
Entertainment/Retail Patrons	366
SqFt of Retail	630,108
SqFt per required space	260
% Utilization	50%
Total	1,260
Spaces Needed	4,934
	4,479

1 STAGE ONE

...extends the existing neighborhood fabric of the Strip toward the river through a series of live/work loft spaces. Early adopters of urban living and design businesses make this a creative neighborhood

...sets key infrastructure to lay the groundwork for future phases of development; the riverfront is incorporated into an integrated park space, extensive parking is constructed, and space is allocated for a Montessori school

...strengthens Smallman Street as a boulevard with a retail character, anchored by a grocery store/pharmacy at the base of the Veterans Bridge

Construction Begins Year 1

Total Investment \$104,078,686

Equity Investment \$ 20,815,737

Unleveraged Returns 12.0%

Leveraged ROE 30.5%

2 STAGE TWO

...creates a destination entertainment/retail complex at the corner of 12th and Smallman. This complex sets the cornerstone of the Smallman Street corridor and intersects a promenade extending to the riverfront. The complex allows the community to experience the riverfront as a 24-hour amenity.

...unveils a capstone cultural building at the corner of Smallman and 11th Street that unites the site with Pittsburgh's adjacent Cultural District

Construction Begins Year 5

Total Investment \$101,863,491

Equity Investment \$20,372,698

Unleveraged Returns 13.3%

Leveraged ROE 30.5%

3 STAGE THREE

...responds to the area's newfound popularity by developing a variety of desirable living spaces. Luxury high-rise apartments and condos adjacent to the Convention Center have elevated river views and low-rise housing along the riverfront as far as 21st Street plants the seed for future residential development east of the site.

Construction Begins Year 10

Total Investment \$172,375,022

Equity Investment \$ 34,475,004

Unleveraged Returns 9.5%

Leveraged ROE 25.6%

IMPLEMENTATION

Residential (Yellow)

Retail (Red)

Park/Open Space (Green)

Office (Blue)

Mixed Use (Live/Work) (Orange)

Cultural (Dark Blue)

Parking (Grey)

School (Purple)

Stage 1 Building	Area	Use	Area	Use
Parking Under Bridge	952,500 SF	Office Building	12,700 SF	Retail
Mixed Use East	52,600 SF Live/Work	Entertainment Complex	316,500 SF	
Mixed Use Northeast	20,250 SF Live/Work	Underground Parking	189,000 SF	
Mixed Use North	36,300 SF Live/Work	Mixed Use on Smallman	29,400 SF Office	
Mixed Use Northwest	28,800 SF Live/Work	Low-Rise Residential Complex	134 Units	Affordable
Mixed Use with School	27,200 SF School	Parking under Linear Park	210,000 SF	Parking
Smallman East	30,900 SF Live/Work	Waterfront East	30,000 SF	Retail
		Waterfront West	29,000 SF	Retail
			70 SF	Rental Apts
			45 SF	Condo
			172,500 SF	Underground Parking
			117,000 SF	Cultural Center

City Benefits:

- Extension of river park system (475,000 SqFt of public park space)
- Brownfields replaced with environmentally sound design
- Affordable housing (133 units)
- Increased property tax revenue (\$32 Million)
- Land for park and cultural complex donated (\$8.7 million value)

City Costs:

- Installation of utilities and circulation infrastructure
- Construction of major park spaces
- Opportunity cost of taxes foregone due to TIF and tax-free debt issuances

section A-A

25 50 100 feet

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