

Minutes of the Special Board Meeting of the Urban Redevelopment Authority of Pittsburgh, Wherrett Memorial Room, 13<sup>th</sup> Floor, John P. Civic Building, 200 Ross Street

July 16, 2018 – 3:00 P.M., E.D.S.T.

Members Present: Acklin, Lavelle, Dr. Hall-Russell, Gainey, Williamson

Members Absent: None

Staff Present: Rubinstein, Hobbes, Clark, Kaminski, Link, Nemani-Stanger, Smith Perry, Meier, Saladna, Bohince, O' Leary, Miller, Powell, Chintalapalli, German, and Roytas.

Mr. Acklin called the Special Meeting to order and declared a quorum present.

1. Central Business District – 420 Boulevard of the Allies

- a. Authorization to execute an agreement of sale with 420 Allies LLC for the acquisition of Block 1-M, Lot 150, in the 1<sup>st</sup> Ward (420 Boulevard of the Allies) for \$27,500,000.00.
- b. Authorization to pay the URA's share of the down payment on the acquisition of 420 Boulevard of the Allies in the amount of \$1,666,667.00.
- c. Issuance of a request for proposals (RFP) for design of the interior build out of the URA-occupied portion of 420 Boulevard of the Allies.
- d. Authorization to enter into an agreement with Blank Rome LLP for an amount not to exceed \$25,000.00 for legal services related to the acquisition of 420 Boulevard of the Allies.
- e. Authorization to enter into cooperation agreements with the City of Pittsburgh and the Housing Authority of the City of Pittsburgh concerning funding and ownership matters related to the acquisition of 420 Boulevard of the Allies, including, but not limited to, a commitment to execute a guaranty and related security instruments securing a borrowing by the City of Pittsburgh by a to-be-determined lending institution in an amount not-to-exceed \$40,000,000.00 to finance acquisition, design, and build out.

Mr. Rubinstein requested Board approval of the above items.

Mr. Robert Rubinstein, Executive Director stated that authorization is requested to purchase 420 Boulevard of the Allies, Block 1-M, Lot 150 in the 1<sup>st</sup> Ward. 420 Boulevard of the Allies is a 9-story, approximately 150,000 sq. ft., office building in Pittsburgh's Central Business District.

The purchase of 420 Boulevard of the Allies will allow for the relocation of the occupants of the John P. Robin Civic Building (the Civic Building) including the URA, Housing Authority of the City

of Pittsburgh (HACP), and City of Pittsburgh (City) departments. The relocation to a larger newly renovated facility will allow these entities to provide enhanced public service. A major addition to the facility will be the inclusion of a first floor “one-stop shop” for City permitting activities and HACP public-facing resident services.

The URA, HACP, and City currently own the Civic Building as tenants-in-common. The Civic Building is in need of substantial capital investment, including upgrades that would be necessary to make the building compliant with current City Code. Maintenance costs are also increasing due to the building’s age, energy inefficiencies, and outdated elevators and mechanical systems. The Civic Building also has a narrow floor plate and is ill-suited to collaborative office space or customer service in its current configuration, meaning that the Civic Building will not be able to house a “one-stop shop” to serve the public absent additional capital investments.

Over the last three years the URA, HACP, and the City have undergone a thorough facility analysis to evaluate options for a new renovated facility with the following objectives: efficient public service, sustainability and historic preservation, and improved work environment for employees. In 2015 and 2016 the URA engaged GBBN Architects, Inc. to evaluate the renovation of the Civic Building. A full analysis was completed including an assessment of building systems and code compliance, recommendations for modernization and expansion to include a “one-stop shop”, programming, and construction cost estimates. As a next step, the URA engaged CBRE Consulting in 2017 to provide real estate evaluation services. These services provided an assessment of relocation alternatives for the URA, HACP, and the City and the costs and risks associated with committing to the Civic Building long-term versus relocating to an alternative facility. Following this thorough analysis, a recommendation was made to proceed with the purchase of a newly renovated building in the Central Business District.

The purchase terms have been the subject of on-going negotiations. The \$27.5 million purchase price is considered by our advisor, CBRE, as within the market range for this type of building in this stage of renovation. URA, HACP, and City staff worked with the seller’s architect, Strada, to test fit our respective programming and space needs into this building. Based on those floor plans, an estimate from the seller’s contractor and staff’s estimate of closing and soft costs, total project costs for all three (3) entities are expected at \$39.5 million. It is estimated that final designs and build out will take approximately twelve (12) months post-closing. The URA intends to work closely with the HACP and the City to make sure that MWBE goals for its portion of this project are met or exceeded. Furthermore, we will seek a minimum designation of LEED Silver for this project.

420 Allies, LLC is a Delaware limited liability company with a mailing address c/o M & J Wilkow, Ltd., 20 South Clark Street, Suite 3000, Chicago, IL 60603. Mr. Mark R. Wilkow, is its president.

Bank financing was sought with the URA as borrower but subject to guarantees from the City and HACP. Twelve local lenders were solicited with four not providing 100% financing as requested but six at 100% financing and with competitive interest rates and terms. The three considered most competitive include 100% financing, with fixed interest rates at or below 4.0% with varying

amortization and terms. The City of Pittsburgh has offered to act as borrower with commitments from the URA and HACP to guarantee the debt issuance.

The URA, HACP, and the City will each contribute one-third of the \$5M down payment at the close of the due diligence period. The URA will front its portion from the General Fund, to be reimbursed with financing at closing.

Authorization is also requested to issue a request for proposals for the design of the interior build out of the URA-occupied portion of 420 Boulevard of the Allies.

Attorney James Barnes of Blank Rome LLP, along with his colleagues, are providing legal advice regarding the ownership structure for the property. Blank Rome's Pittsburgh office is located at 501 Grant St., Suite 850, Pittsburgh, Pennsylvania 15219.

Finally, authorization is requested to enter into Cooperation Agreements with the HACP and City related to the acquisition of 420 Boulevard of the Allies. As the URA continues to work with the HACP and City to finalize purchase terms and ownership structure, we will need to enter into a Cooperation Agreement or Agreements to memorialize the flow of funds between the entities, and matters related to ownership structure, including, but not limited to, a commitment to execute a guaranty and related security instruments securing a borrowing by the City of Pittsburgh by a to-be-determined lending institution in an amount not-to-exceed \$40,000,000.00 to finance acquisition, design, and build out.

Mr. Rubinstein recognized Dave Thomas, Emily Mitchell, Jason Hobbes, and others for their hard work on this project.

Mr. Acklin thanked Mr. Rubinstein for his hard work. Mr. Acklin asked about the current ownership structure of the Civic Building location. Mr. Hobbes responded that the Civic building is currently owned by the parties as tenants-in-common. Mr. Acklin asked if the ownership status will change at the 420 Boulevard of the Allies location. Mr. Hobbes answered that there is a possibility. Mr. Hobbes stated that outside legal counsel has been retained and a meeting will take place this Thursday with outside counsel, the Authority, the City, and HACP to explore different options of ownership for the 420 Boulevard of the Allies location.

Mr. Acklin asked if new construction had been considered as an option. Mr. Rubinstein answered that the option of new construction had been considered, but the downtown locations that had been assessed were not economically feasible. Dr. Hall-Russell asked about the cost of new construction. Mr. Rubinstein stated that he did not have that information currently, but would review his files while the meeting continued. Mr. Acklin asked how the \$27,500,000.00 had been reached. Mr. Rubinstein answered that a leasehold scenario had been compared to a sale scenario.

Gerry Dudley, of CBRE, was present. Mr. Dudley stated that his firm has been advising the parties and doing an analysis on the scenarios that Mr. Rubinstein had mentioned. Mr. Acklin asked if a

market evaluation had been completed on this location. Mr. Dudley answered that their analysis included looking at alternatives that the three entities had for occupancy. Mr. Acklin asked if CBRE had conducted an appraisal on this property. Mr. Dudley answered in the negative. Mr. Hobbes stated that HACP is conducting an appraisal of this property currently, and the appraisal is expected to be finalized before action is taken by HACP on July 26<sup>th</sup>. Mr. Williamson asked how our sale price compares to other similar buildings. Mr. Dudley explained that it compares favorably.

Mr. Hobbes explained that the authorization requested of the Authority would still be contingent on similar authorizations by the City and HACP. Mr. Acklin asked about the risk of losing the Authority's down payment. Mr. Hobbes explained that the Authority has the right under the Purchase Agreement with the seller to recover its down payment for any reason on or before July 31, 2018. Thereafter, the parties could only back out of the deal for certain specified reasons, such as a title defect.

Dr. Hall-Russell asked for an explanation of all scenarios for usage of the Civic Building. Mr. Rubinstein stated that an RFP would be issued to the market place, but we do not want to go through that process and build expectations until the acquisition of a new property is finalized.

Mr. Williamson wanted a further explanation of the scenario regarding a lease versus ownership. He stated that the public might be concerned about the timeframe for purchasing this building. Mr. Rubinstein stated that the future of the Authority as an organization is being considered and the possible need for more office space as well as finding a location where expenses are within the Authority's control. He stated that there would be taxability issues in paying a higher rent as a tenant.

Mr. Acklin asked about current building's operating cost per square foot. Mr. Rubinstein answered \$13.00 or \$14.00 per square foot. Mr. Williamson asked about the amount of space the Authority will need to expand in the future. Mr. Rubinstein answered that there is one 15,000 square foot vacant floor that is for a shorter-term lease that would be used if one of the entities were to expand. Mr. Acklin stated that he agrees with Mr. Williamson that this process is being rushed, but the conversation around the future of the Civic Building has been a top priority for the Administration for the last ten years because of safety issues. Mr. Williamson asked if there were discussions with other entities. Mr. Rubinstein answered in the positive.

Mr. Hobbes stated that several firms were retained through a competitive process to complete due diligence at the 420 Boulevard of the Allies location. Mr. Williamson asked about the closing costs. Mr. Hobbes answered that the costs will be relatively low in terms of due diligence and will be shared between the three entities. Mr. Acklin asked about parking. Mr. Rubinstein answered that there is a parking garage across the street, and about a dozen spaces adjacent to the building. Dr. Hall-Russell asked about a timeline regarding building out. Mr. Rubinstein answered that the closing will take place in September, and within two weeks after the interior design work of the Authority floors will begin. Mr. Hobbes stated that there will be additional items presented at the August and September URA Board meetings. Dr. Hall-Russell asked about

additional costs. Mr. Rubinstein answered that between the three entities, the cost of design and build-out will be between ten to twelve million dollars.

Upon a motion to approve by Mr. Williamson, seconded by Dr. Hall-Russell, and unanimously carried, the following resolutions were adopted:

**RESOLUTION NO.223 (2018)**

RESOLVED: That the acquisition of Block 1-M, Lot 150, in the 1<sup>st</sup> Ward (420 Boulevard of the Allies), from 420 Allies LLC, for \$27,500,000.00 is hereby approved, and the Executive Director or Director of Finance, on behalf of the Authority, is authorized to execute an agreement of sale and all documents required for said acquisition, and the Secretary or Assistant Secretary is authorized to attest the same and affix the seal of the Authority thereto.

**RESOLUTION NO.224 (2018)**

RESOLVED: That payment of the Authority's proportionate share of the down payment on the acquisition of 420 Boulevard of the Allies in the amount of \$1,666,667.00 is hereby approved.


**RESOLUTION NO. 225 (2018)**

RESOLVED: That the engagement of Blank Rome LLP for legal services related to the acquisition of 420 Boulevard of the Allies, for an amount not to exceed \$25,000.00, payable from the General Fund, is hereby approved, and the Executive Director or Director of Finance, on behalf of the Authority, is hereby authorized to execute an agreement therefor, and the Secretary or Assistant Secretary is authorized to attest the same and affix the seal of the Authority thereto.

**RESOLUTION NO. 226 (2018)**

RESOLVED: That a cooperation agreement or agreements with the City of Pittsburgh and the Housing Authority of the City of Pittsburgh concerning funding and ownership related to the acquisition of 420 Boulevard of the Allies, and specifically including a commitment to execute a guaranty agreement and related security instruments to secure a borrowing by the City of Pittsburgh from a to-be-determined lending institution in an amount not to exceed \$40,000,000.00 to finance acquisition, design, and build-out (collectively, the "Financing"), is hereby approved, and the Executive Director or Director of Finance, on behalf of the Authority, is hereby authorized to execute agreement or agreements therefor, along with all related documents necessary for the acquisition and closing on the Financing, including, but not limited to, a guaranty agreement for the Financing and a mortgage of the Authority's interest in 420 Boulevard of the Allies, and the Secretary or Assistant Secretary is authorized to attest the same and affix the seal of the Authority thereto.

There being no further action to come before the Members, the Meeting was adjourned.

  
Assistant Secretary