

Development Project Proposal: Uptown Crossing



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Proposal Summary

This project proposal will explore the highest and best use for a mixed-use development across various asset classes located at Fifth Avenue and Dinwiddie Street, Pittsburgh PA. This site was valued at sales price of \$2,410,000. The Uptown area is located between the second (Downtown Pittsburgh) and third (Oakland) largest employment centers in Pennsylvania. Uptown presents an attractive opportunity for real estate investment due to the significant job growth, demand for housing, and price surge surrounding the area.

After conducting a market and financial feasibility analysis regarding the potential uses for the site, we have determined that a mixed-use development featuring 128 units of housing (64 affordable units), 8,500 s.f. of community space, 21,500 s.f. of commercial space, and 71,800 s.f. of office space would garner substantial long-term profits. In addition, the design responds to the neighborhood's call for affordability and sustainability where 40% of the housing units are affordable to low-income individuals with 60% AMI. We have incorporated community spaces throughout the site in an effort to better align the redevelopment initiatives set forth place by the URA. The following proposal will describe in more detail the specific elements of this mixed-use development project.

I. Existing Conditions Proposal Summary

A. Site Identification

1. The Site address: Fifth Avenue and Dinwiddie Street, Pittsburgh PA, 15219
2. Lot and block numbers, current ownership, and current tax assessment of parcels

Block and Lot Number	Ownership	Address	Street	Tax Assessment
11-E-19	URA	1749	5th Avenue	\$41,600
11-E-20	URA	1747	5th Avenue	\$42,700
11-E-22	URA	1743	5th Avenue	\$84,500
11-E-24	URA	1739	5th Avenue	\$27,700
11-E-25	URA		5th Avenue	\$600
11-E-26	URA		5th Avenue	\$30,100
11-E-27	URA		5th Avenue	\$28,400
11-E-28	URA		5th Avenue	\$33,900
11-E-29	URA	1729	5th Avenue	\$42,700
11-E-30	URA		5th Avenue	\$42,700
11-E-31	URA	1723	5th Avenue	\$46,600
11-E-56	URA	1654	Colwell Street	\$300
11-E-57	URA	1700	Colwell Street	\$30,600
11-E-58	URA	1702	Colwell Street	\$30,600
11-E-59	URA	1704	Colwell Street	\$8,100
11-E-60	URA	1720	Our Way	\$4,000
11-E-60-A	URA	1706	Colwell Street	\$2,700
11-E-61	URA		Colwell Street	\$8,100
11-E-62	URA	1710	Colwell Street	\$800
11-E-63	URA	1712	Colwell Street	\$30,600
11-E-64	URA	1714	Colwell Street	\$30,600
11-E-65	URA	1716	Colwell Street	\$400
11-E-65-A	URA	1729	Our Way	\$2,700
11-E-66	URA	1718	Colwell Street	\$30,600
11-E-67	URA	1720	Colwell Street	\$30,600
11-E-68	URA		Colwell Street	\$30,600

11-E-69	URA	1724	Colwell Street	\$30,600
11-E-70	URA	113	Dinwiddie Street	\$149,800
11-E-71	URA	115	Dinwiddie Street	\$83,200
11-E-72	URA		Dinwiddie Street	\$3,100
11-E-73	URA		Dinwiddie Street	\$3,100
11-E-81	City of Pittsburgh	1801	5th Avenue	\$1,000
11-E-82	City of Pittsburgh		5th Avenue	\$1,800
11-E-85	City of Pittsburgh	1807	5th Avenue	\$1,107,500

3. Neighborhood: Uptown
4. Existing structure on site: a multi-family homes and a single-family home on 11-E-70 and 11-E-71, both in poor condition.

B. Community Leaders

1. City council district: 6th
2. City council person: R. Daniel Lavelle
3. Primary community groups: Uptown Partners; Jubilee Association

C. Site Access

1. Nearby bus stops: the closest bus stop from the site is at Fifth Avenue and Dinwiddie Street, with bus lines going inbound to Downtown (61A/B/C/D, 71A/B/C/D, 67, 69). The closest bus stop with outbound bus lines connecting to Oakland is at Forbes Avenue and Miltenberger Street (61A/B/C/D, 71A/B/C/D). The upcoming BRT project is having a station on the northwest corner of Fifth-Dinwiddie intersection, with the route connecting to Oakland.
2. Nearby bike lanes: currently there is no marked on-street bike route or protected bike lane around the site. Dinwiddie Street is a safe bike route connecting to Hill District, and Fifth Avenue is recognized as a cautionary bike route. The upcoming Colwell Connections project is transforming Colwell Street into a marked on-street bike route, and provide a better pedestrian and biking network connecting the neighborhood amenities.
3. Nearby bike parking: the closest Healthy Ride Station from the site is at Fifth Avenue and Miltenberger Street, and there is no bike rack around the site.
4. Nearby parking lots: within 500 ft from the site, there are 5 parking lots that are open to public (excluding the parking lots on the site). The pricing is around \$5 per day/ \$75 per month. The parking lots on the site have approximately 100 parking spots in total.

D. Site Physical Features

1. Visibility and accessibility: the site is located at the intersection of Fifth Avenue and Dinwiddie Street. Fifth Avenue is a key traffic corridor citywide and Dinwiddie Street connects both the Hill District and Uptown regions. The site is easy to access for cars, public transportation, cyclists, and pedestrians. The main views of the site are west view, east view from Fifth Avenue, and north view from Dinwiddie Street.
2. Slope and grading: while the lots on the south of Our Way is relatively flat, the lots between Our Way and Colwell Street have a steep slope of 15%.
3. Sun location: the sun is on the south of the site.
4. Stormwater drainage or other water issues: Dinwiddie Street is at a ravine of the hill, thus there are potential flooding issues present during storms. The site is beneath hillside so there exists considerable landslide worries.
5. Soil: the soil on the site are mostly categorized as Urban land-Wharton complex. The land has been developed, and the natural soil and bedrock have been cut.

E. Zoning Analysis

1. Current zoning classification: Uptown Public Realm District (UPR). The part of site on the west of Dinwiddie Street is UPR-A, and the part on the east is UPR-B.
2. Variances:
 - a) UPR-A:
 - i. Usage: uses for UPR-A are the same as the uses in Golden Triangle District, except where modified as listed in 908.04.D.1.b. Specifically, housing for elderly, outdoor retail sales and service, and sidewalk café is permitted by right, and adult entertainment, correctional facility, excavation, firearms business establishment, and gaming enterprise is not permitted. More details refer to 908.04.D.1.b and 911.02 (GT column).
 - ii. Setbacks: according to 908.04.D.1.d, the setback should be in accordance with the standard below:

Minimum Interior Sideyard Setbacks	0 feet
Minimum Front and Exterior Sideyard Setbacks (<i>Heights are measured from grade on primary frontage.</i>)	
First 50 feet from ground level	0 feet

51-90 feet from ground level	10 feet
91-120 feet from ground level	15 feet
121-180 feet from ground level	25 feet
Minimum Rear Setback	
When not adjacent to way, Tustin Street or Watson Street	20 feet
When adjacent to way, Tustin Street or Watson Street	0 feet

- iii. Height: according to 908.04.D.1.d, the height should be in accordance with the standard below. Each 15 feet bonus height can be earned with one point, which should be calculated using the Point Performance System (915.07.D, and modified as 908.04.C.3). Specifically, more points will be earned by efficient on-site energy consumption (existing buildings) and affordable housing in UPR.

Minimum Height	30 feet
Maximum Height without Bonus	60 feet
Maximum Height with Bonus	180 feet

- iv. Parking: according to Pittsburgh Zoning Code 908.04.C.5, there is no minimum limitation of parking, and the maximum limitations are listed as below:

Use Type	Maximum Off-Street Automobile Spaces Allowed
Residential Uses	0.9 per unit
Commercial Uses (Includes all permitted non-residential uses other than Manufacturing and Assembly, Welding or Machine Shop)	1 per 1,000 s.f.
Industrial Uses (Includes Manufacturing	Parking Demand Analysis

and Assembly, Welding or Machine Shop)	Required, see section 914.02.B
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b) UPR-B:

- i. Usage: uses for UPR-B is the same as the uses in Local Neighborhood Commercial District, except where modified in 908.04.D.2.b. Specifically, housing for the elderly, grocery store, laboratory/research services, office, recycling collection station, restaurant, retail sales and services, and sidewalk café are permitted by right, and controlled substance dispensation facility, excavation, hotel/motel, service station, and vehicle/equipment sales are not permitted. More details refer to 908.04.D.2.b and 911.02 (LNC column).
- ii. Setbacks: according to 908.04.D.2.d, the setback should be in accordance with the standard below:

Minimum Interior Sideyard Setbacks	0 feet
Minimum Front and Exterior Sideyard Setbacks (<i>Heights are measured from grade on primary frontage.</i>)	
First 40 feet from ground level	0 feet
41-70 feet from ground level	10 feet
Minimum Rear Setback	
When not adjacent to way, Tustin Street or Watson Street	20 feet
When adjacent to way, Tustin Street or Watson Street	0 feet

- iii. Height: according to 908.04.D.2.d, the height should be in accordance with the standard below. The point system mentioned in UPR-A section also applies to UPR-B.

Minimum Height	20 feet
Maximum Height without Bonus	40 feet
Maximum Height with Bonus	70 feet

- iv. Parking: the same design standard as mentioned in UPR-A section.

II. Market Fit

A. Market Your Proposal

Proposal Justification

Key market trends present in the Uptown area and neighboring regions were heavily considered during the course of planning the development project. There is a growing emphasis on living close to work, growth of co-living, and luxury amenities exhibited by the market. Uptown will exhibit rapid change over the next couple years due to various multi-million dollar developments planned within walking distance. The market is continuing to absorb new multi-family development as the technology sector continues to expand in Pittsburgh. The continual rise in home prices throughout Pittsburgh has resulted in a shift towards a preference in renting over buying spaces. Data shows that the increase in supply of rentals in relation to the decrease in 2018 vacancy rates is promising and has given us great confidence that the proposed development will be successful.

Uses

We are proposing an affordable mixed-used development across office, commercial, and residential asset classes.

Square Footage Allocation per Asset Class

Office – 71,800 sq. ft.
Commercial – 31,100 sq. ft.
Residential – 97,800 sq. ft.
Community Space – 8,500 sq. ft.

Target Market

University students always look for alternative housing and this development can easily target this particular pool of potential tenants due to its affordability. Institutions of higher learning and medical sectors are driving demand for multifamily apartments. The presence of universities such as Duquesne University with a student enrollment over 9,000 students will continually supply the demand for student housing. This trend is only growing where new developments have exhibited 100% occupancy over the past couple years. UPMC's \$2 billion development plan will create thousands of jobs that will increase traffic in the region and ultimately lure commercial businesses and increase occupancy and longevity of our site. Companies in suburban areas looking to follow the trend of relocating to Pittsburgh's urban regions while avoiding steep Downtown prices will be the target market for our office spaces.

Pricing

Based on market research, the average asking rent PSF in Uptown is \$1.35, 1 bed (\$1,011), and 2 bed (\$1,299). A comparable apartment includes 5th Avenue School Lofts 2 Bed – 1,100 sq. ft. priced at \$1,510. Our regular priced bedrooms are mainly \$1.20 per sq. ft in order to be competitive in the market and decrease potential vacancy. Our affordable units are priced at 60% of the \$44,000 AMI.

Amenities

At the site there is a proposed BRT station, bike sharing station, and parking garage with 215 parking spaces and secure biking storage. The different modes of accessible transportation allow for the project to be accessed by any means. The project has two plazas. One is more public and is situated at the corner of Fifth Avenue and Dinwiddie Street, surrounded by restaurants and retail spaces. The second plaza is adjacent to Colwell Street which is surrounded by a community center and apartment building. On the residential floors, there are rooftop gardens for the residents as common space.

B. Market Competition & Risks

We believe that our project will be competitive with the other properties due to its unique design, accessibility on 5th Avenue, and our approach at bringing together the different asset classes with the construction of the plaza. Our competitive prices compared to the average Uptown developments will increase the number of potential tenants. Midpoint City's Edge approved affordable housing development project will be one of our biggest competitors. The project consists of 100 units, over 400+ parking spaces, and 12,000 square feet of commercial space. The 70%+ affordable housing development will pose a challenge. Penguins master plan for the Civic Arena site will be a commercial mixed development that will drive economic growth in the region. The creation of over 3,000 permanent jobs and 4,000 construction jobs will increase traffic and attract tenants. However, the project will include over 800,000 sq. ft., 190,000 sq. ft. of retail space, 1,420 residential units, and 50,000 sq. ft. entertainment. The site will only be a 7-minute walk from the PPG arena.

Possible risks include: competing with an increasing number of institutional investors in the real estate market. Dealing with the topography can drive up unexpected costs due to the site's uneven slope and gradient. Uptown has exhibited stagnant rent prices on average hovering over \$1.35 per sq. ft. over the past 10 years. The market may not respond positively to a gradual increase in rental prices. As costs continually rise, net operating income may be at risk.

C. Conformity with RFP Documents

Our proposal meets the requirements of the RFP including schematic drawings, financial capacity, budgets, and most bullet points of the project narrative. Depicting the development timeline along with an explanation regarding the ownership entity would fulfill the particular requirement.

The proposal meets and exceeds the affordable housing requirement set forth by the RFP. In addition, the commercial rents prices are priced at an affordable rate so that we can embrace the minority and women-owned business enterprise requirements. The locals within Uptown and the Hill District will be able to be the owners of the various commercial spaces. Some ways we could not meet some of these requirements would stem from focusing solely on capital gains. Attempting to minimize costs during the contracting stages could result in the failure to meet the MWBE requirements.

III. Building Layout

A. Introduction

The goal of the design is not only to bring in new business and office to Uptown, but also to provide sufficient affordable housing and create assembly space for the whole neighborhood. On the west of Dinwiddie Street, the zigzagging linear massing creates two plazas on the site. One is at the corner of Fifth Avenue and Dinwiddie Street, which is right next to the upcoming BRT line and station. This is a more open and public plaza surrounded by retail, restaurants, and café, and will be home to new Uptown public art projects. The other one is at Colwell Street, where a more pedestrian and cyclist-friendly connection is proposed. This is a neighborhood plaza with children playground, and will be surrounded by apartments and a big community space. In addition, the massing setbacks of the residential high-rise create a series of terraces, offering great view to the Hill District and sufficient common open space for residents. On the east of Dinwiddie Street, the historic building will be redeveloped and transformed into office space and auxiliary commercial space, with two-story addition to the original building. The existing parking lot will become a small plaza, responding to the major plaza across the street. In total, the project created 128 units of housing (64 affordable units), 8,500 s.f. of community space, 31,100 s.f. of commercial space, and 71,800 s.f. of office space.

The design also responds to the neighborhood's call for affordability and sustainability. 40% of the housing units in this project are affordable to low-income residents with 60% AMI. The rooftop solar panels will generate a large proportion of energy for the project, and the shading system will reduce energy use. The rainwater harvest system and bioswale on the plaza will improve stormwater issues while also sustaining the landscape on site. The parking garage on the northwest of the site, which provides 120 parking spaces for the project and the community, is a community hub that generates energy and provides space for public bikes and safe bike storage.

B. Program

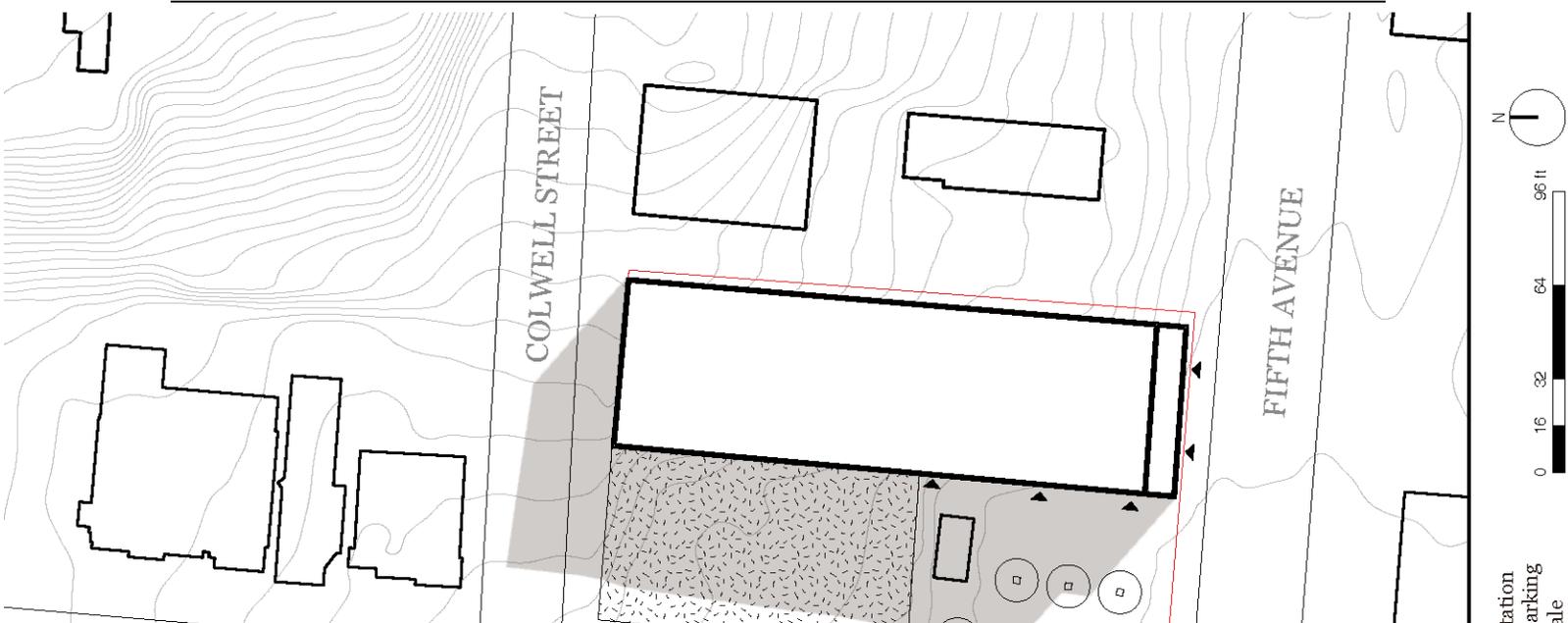
Complex on the west of Dinwiddie

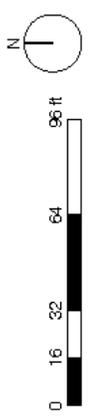
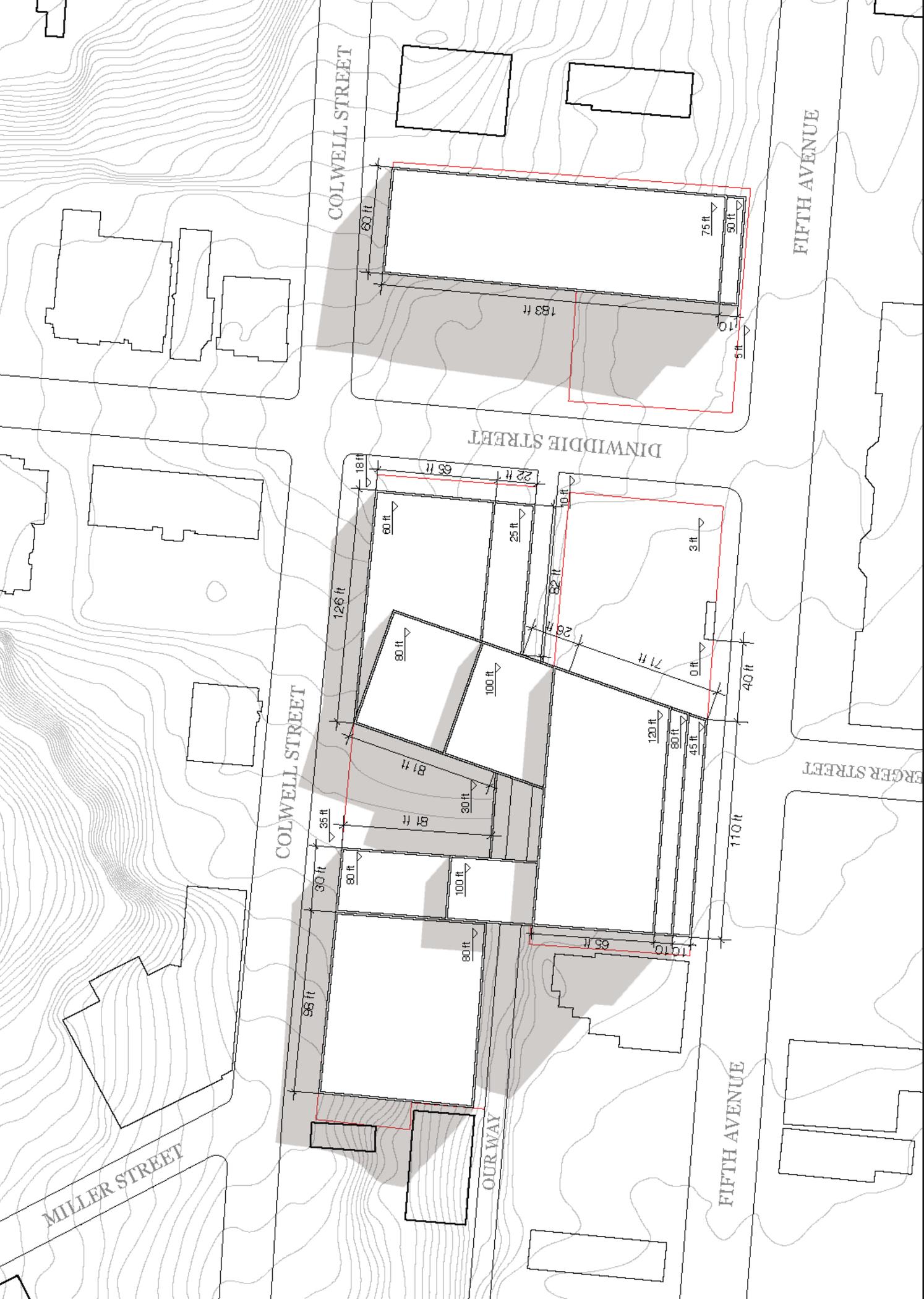
Floor	Usage	Breakdown	Total Square Footage
1st Floor	Commercial	2 spaces of 3300 s.f.	6600
		3 spaces of 2000 s.f.	6000
		2 spaces of 1000 s.f.	2000
	Circulation/ Lobby	2000 s.f.	2000
		Cinema	4 100-seat theaters @ 2500 s.f. each
	Cinema Lobby	2000 s.f.	2000
2nd Floor	Office	9000 s.f.	9000
	Circulation/ Lobby	1500 s.f.	1500
	Community Space	8500 s.f.	8500
	Circulation/ Lobby	1200 s.f.	1200
3rd Floor	Office	9000 s.f.	9000
	Circulation/ Lobby	1500 s.f.	1500
	Apartments	13, Studio apartments @ 600 s.f. each	7800
		2, 1BR apartments @ 750 s.f. each	1500
		1, 2BR apartments @ 1100 s.f. each	1100
	Circulation/ Lobby	2200 s.f.	2200
4th Floor	Office	8300 s.f.	8300
	Circulation/ Lobby	1500 s.f.	1500
	Apartments	12, Studio apartments @ 600 s.f. each	7200
		3, 1BR apartments @ 750 s.f. each	2250
		1, 2BR apartments @ 1100 s.f. each	1100
	Circulation/ Lobby	2050 s.f.	2050
	Typical Floor	Apartments	12, Studio apartments @ 600 s.f. each
5th Floor through 6th Floor	6, 1 BR apartments @ 750 s.f. each		4500
	6, 2BR apartments @ 1100 s.f. each		6600
	Circulation/ Lobby		2000 s.f.
Typical Floor	Apartments	2, Studio apartments @	

7th Floor through 8th Floor		600 s.f. each	1200
		9, 1 BR apartments @ 750 s.f. each	6750
		4, 2 BR apartments @ 1100 s.f. each	4400
	Circulation/ Lobby	1200 s.f.	1200
Typical Floor 9th Floor through 10th Floor	Apartments	2, Studio apartments @ 600 s.f. each	1200
		3, 1 BR apartments @ 750 s.f. each	2250
		4, 2 BR apartments @ 1100 s.f. each	4400
	Circulation/ Lobby	900 s.f.	900
Total S.F. All Floors			180300
FAR			3.5
Rentable S.F.			150850
Rentable %			84%

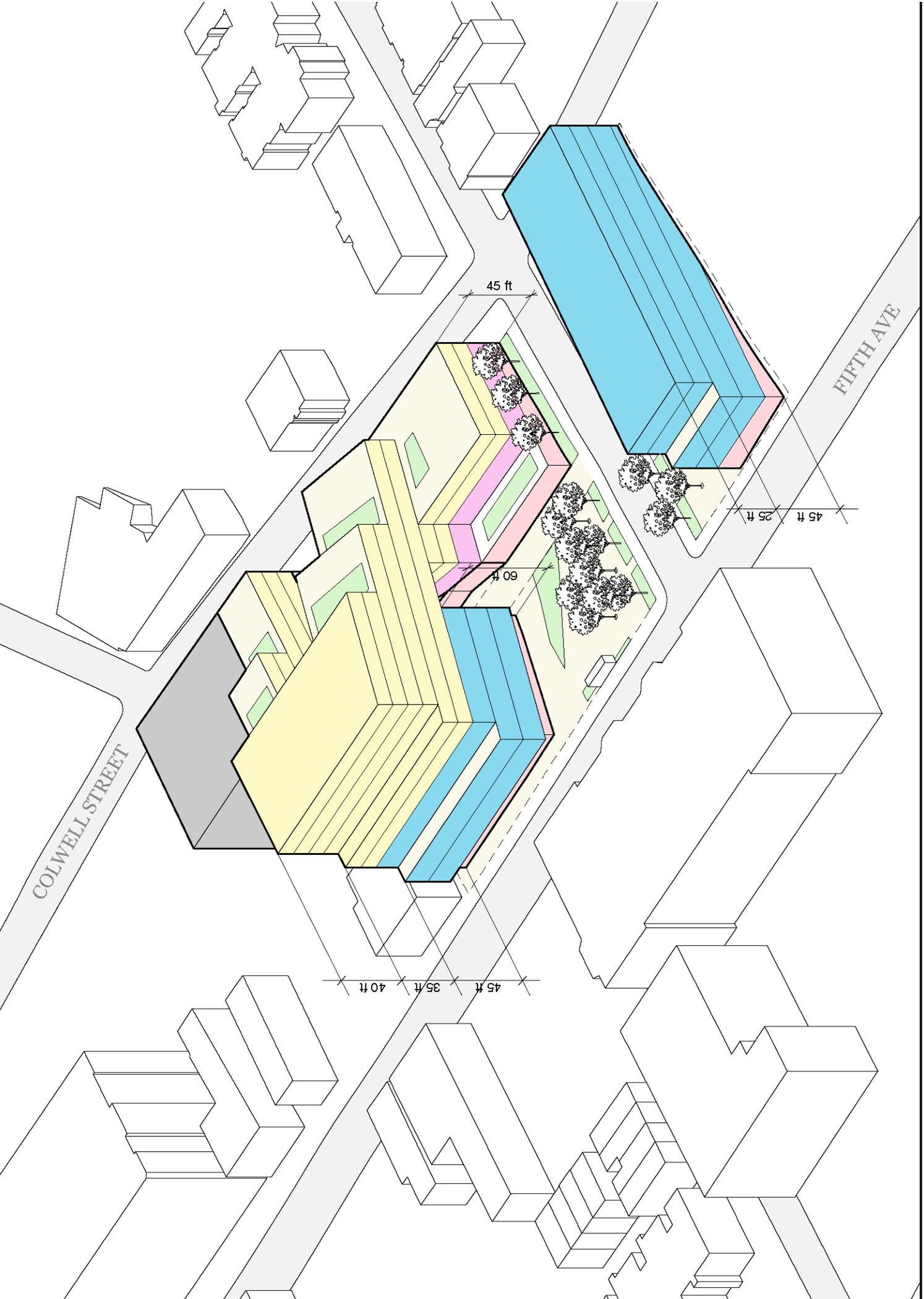
Historic Building Redevelopment on the east of Dinwiddie

Floor	Usage	Breakdown	Total Square Footage
1st Floor	Commercial	2 spaces of 2250 s.f.	4500
	Office	5500 s.f.	5500
	Circulation/ Lobby	2000 s.f.	2000
Typical Floor	Office	10000 s.f.	10000
2nd Floor through 3rd Floor	Circulation/ Lobby	2000 s.f.	2000
Typical Floor	Office	9940 s.f.	10000
4th Floor through 5th Floor	Circulation/ Lobby	2000 s.f.	2000



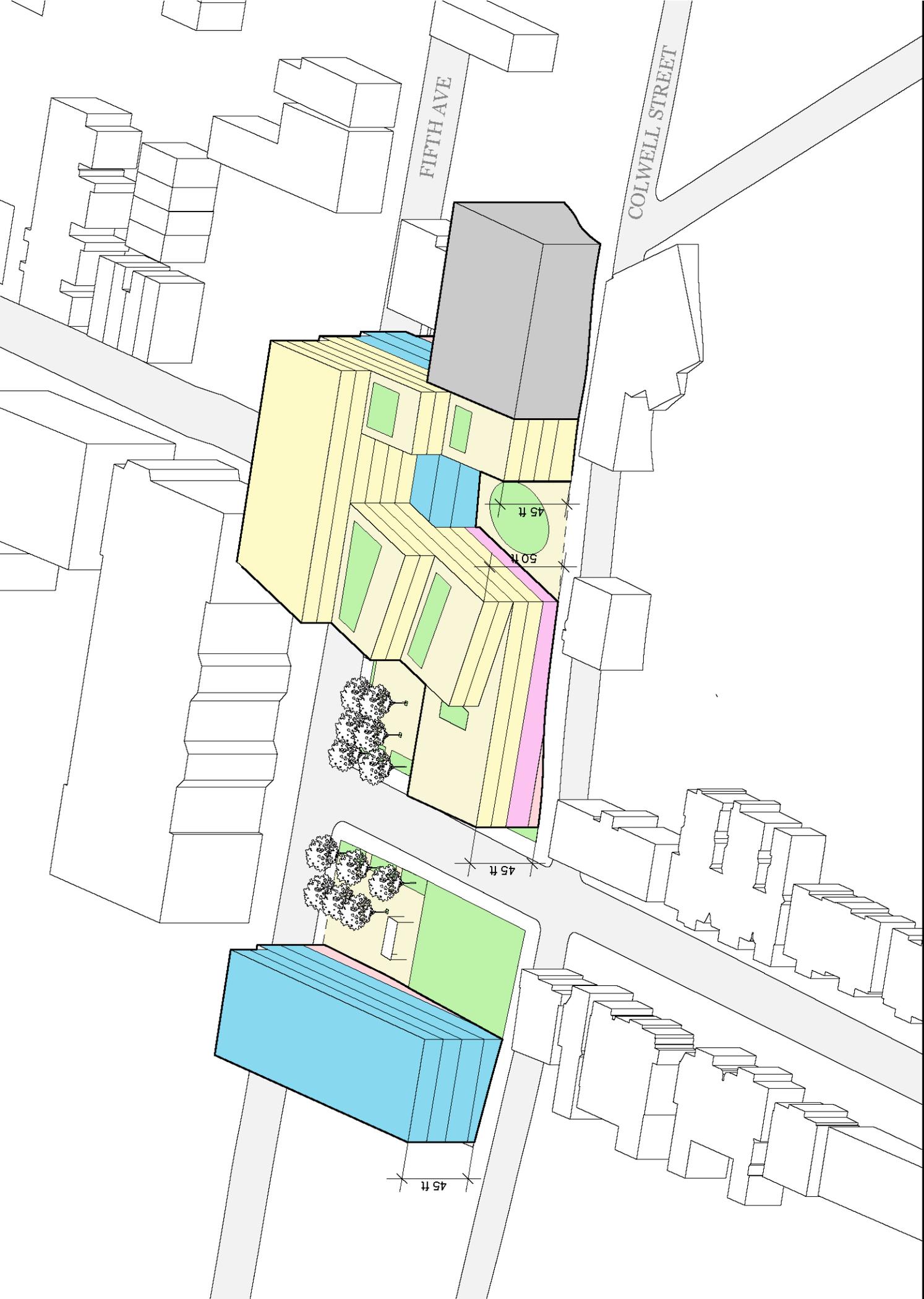


FIFTH & DINWIDDIE PROJECT SITE PLAN
(measurement)



- community center
- open space
- parking
- apartment
- office
- commercial

FIFTH & DINWIDDIE PROJECT ISOMETRIC MASSING (SE)



- apartment
- office
- commercial
- open space
- community center
- parking

FIFTH & DINWIDDIE PROJECT ISOMETRIC MASSING (NW)

IV. Financial Analysis

Our proposal was difficult to craft for several reasons, chief among them was the complexity of our design. In our pro forma we went with a cost per square foot of \$170, because we felt that after doing some calculations this figure best represented the cost of the project. As a result of increasing our cost/sf, we decreased our contingency fund from 10% of the total construction costs to around 2%. Unsurprisingly, the biggest problem with such a large and complex project proposal was determining the sources. We utilized LERTA in our Pro Forma and we also budgeted for being granted and selling our 9% Low Income Housing Tax Credit for a little under \$3 million. In total, we created 64 units of Affordable Housing and 138 total units in the project. Based on the size and quantity of affordable units we are going to create we felt like our LIHTC could potentially fetch more on the market than what we are budgeting.

To fund our community center, we would seek a donation from the Richard King Mellon Foundation of around \$5 million. This funding would help with the construction of the plaza adjacent to the center as well. We are confident in our ability to obtain such a grant given the donations the foundation has made in the past to similar projects.

We feel that our pro forma is quite conservative when it comes to the figures. We feel that we have budgeted well for any pauses in construction, leasing troubles, and any other surprise costs. We believe our mix of affordable with market rates for the housing units creates a positive environment. We are also certain that despite a slight premium, our upper level rents are still competitive with nearby apartment buildings because we would be providing a more refined finished product.

If the developer was to hold off on selling the project to year 20, the total return on investment would be around 38.5%. We get this figure by dividing the year 20 NOI of \$5,363,034 by the expected cap rate of 8% to achieve a total value of just above \$67 million. Next, we subtract the total uses (\$48,400,000) from that \$67 million and then divide it by the total uses to achieve our ROI. These strong figures make us confident on the success of the project going forward for all parties involved.

V. Conclusion and Recommendation

We believe our site has the potential to be the cornerstone development of the Uptown neighborhood. At the crossing of Dinwiddie and 5th Avenue, our project, Uptown Crossing, has it all. We will have the community amenities and commercial space that will attract people to the site and what we believe to be a perfect balance in market rate vs affordable housing. With all the amenities of our proposal paired with the breathtaking and inviting design of Uptown Crossing, we believe our project will serve as a springboard for the neighborhood to return to its former glory.

While we are extremely excited for our project, we are not without reservations. We are concerned about the total cost of the construction, which is already above \$40 million, and we are also concerned with the commercial vacancy. We have priced our commercial within the upper range of the neighborhood, but we thoroughly believe the increased \$3-\$4 psf will be worth it for the tenants given the tremendous exposure and excellence of the site. We are also concerned about when the BRT will be finished. Upon beginning this project we thought that it was certain that the BRT would be finished prior to our project's completion, but we became aware of the likelihood that it wouldn't recently from the Port Authority.

We believe the 5th and Dinwiddie site is a site with tremendous untapped potential, but the site requires a significant amount of creativity, especially financially, to make it happen. If Opportunity Zone funding could be secured, and the LIHTC helps offset a significant amount of the cost of construction, the proposal would quickly become much more feasible. We believe our mix of for-profit commercial and residential space paired with our non-profit community space creates a diverse environment that all great neighborhoods are rooted in.

Any research on price sensitivity for new developments in Pittsburgh would be extremely helpful. If we were able to definitively say that \$18 psf for commercial is the upper end then we could adjust our model accordingly. Price sensitivity reports on rental rates in Pittsburgh would also be a great help.

We thoroughly believe that our proposal represents the best use of the project. Ideally, we might have been able to cut off a few more floors of residential and lower the commercial rents, but they were necessary to make the numbers work. Our goal for the project site was to create a corner that all people want to live, work, and play in the same area, and we believe that between our cinema, various commercial spaces, office space, and apartments, we have accomplished our goal.

Resources

Request For Proposals Fifth Avenue & Dinwiddie Street, Urban Redevelopment Authority, February 27, 2019

Parcel List, Urban Redevelopment Authority,

<https://www.ura.org/media/W1siZiIsIjIwMTkvMDIvMjYvN25qamZqdDlzaV9FeGhpYml0X0JfUGFyY2VsX0xpc3QucGRmlld/Exhibit%20B%20Parcel%20List.pdf>

Draft 5th and Dinwiddie Public Realm Master Plan, Stoss,

<https://www.ura.org/media/W1siZiIsIjIwMTkvMDIvMjYvM21iazNyenpuaV9FeGhpYml0X0RfUHVibGljX1JlYWxtX01hc3Rlc9QbGFuLnBkZiJdXQ/Exhibit%20D%20Public%20Realm%20Master%20Plan.pdf>

Colwell Connections, Urban Redevelopment Authority,

<https://www.ura.org/media/W1siZiIsIjIwMTkvMDIvMjYvMXBwdTFjeGI3OF9FeGhpYml0X0VfQ29sd2VsbF9Db25uZWNo0b3JfUHJvcG9zYWxfUHJlc2VudGF0aW9uLnBkZiJdXQ/Exhibit%20E%20Colwell%20Connector%20Proposal%20Presentation.pdf>

502-510 Liberty Ave, LoopNet, <https://www.loopnet.com/Listing/502-510-Liberty-Ave-Pittsburgh-PA/17450563/>

Fort Pitt Blvd, LoopNet, <https://www.loopnet.com/Listing/Fort-Pitt-Blvd-Pittsburgh-PA/4282010/>

Office Market, Pittsburgh Downtown Partnership, <https://downtownpittsburgh.com/office-market/>

Pittsburgh Bike Map, BikePGH, https://www.bikepgh.org/wp-content/uploads/2018/06/Full-map_V7_Part1-web.pdf.