

Meeting Minutes

Project: Mellon Arena

Date: April 21, 2010

Subject: Interested Parties Meeting #5

Time: 6:00 – 8:00 pm

By: Jackie Freeman

Place: Room 336
David Lawrence Convention Center
Pittsburgh, PA

Attendees: See attachment 1

Handouts:

I. Introductions

A welcome and introduction was provided by Ray Maginness, Environmental Project Manager with Michael Baker, Jr. Participants were thanked for their continued involvement in the Interested Party Process and asked to introduce themselves and the organization they represent.

Ray referred to and reviewed the meeting AGENDA, a copy of which was contained in the handout folder:

- Meetings # 3 & 4 Minutes Review & Comment
- Development Option Review
- Workshop (continuation)
- Financial Assessment Presentation (time allowing)
- Meeting Summary & Follow-up Items

II. Meeting #3-4 Minutes Review & Comment

Ray noted that the minutes from IP meeting #3 had been partially reviewed at the last meeting, but comments were not solicited at that time. He asked if there were any comments related to IP #3 meeting minutes. There were none.

Minutes from IP meeting #4 were inadvertently left out of the handout folder and double copies of the IP #3 minutes were included by mistake. It was determined that minutes from IP meeting #4 would be reviewed at the next meeting, including discussion of the following two suggestions, which Ray briefly addressed:

- Combine Economic Development and Affordability Need categories into a single category. – After further consideration, there appeared to be sufficient difference between the categories to keep them separate. The Economic Development category is based more on quantifiable financial issues, while the Affordability is more qualitative in nature.
- Identifying the specific social and economic goals for the project and including them in the need statement. - Although the ultimate development plan to be implemented will need to consider these issues, this level of detail is beyond the IP process and is more appropriate for the City planning process.

Meeting minutes can be found on SEA's website.

III. Development Option Summary Review

Ray conducted a PowerPoint presentation to review the development options:

Option 1: Do Nothing (Mothball Arena)

As a review, at the last meeting the following development options were discussed:

Option 1 - the Do Nothing Option means closing or "Mothballing" the Mellon Arena.

- The Arena would remain in an un-used state. It would not be considered available for reuse.

- The parking lots would remain.
- The physical barriers between the Hill District & the downtown would remain unchanged.
- The operational costs would be reduced, but baseline maintenance / life support costs would still be incurred.
- There would be a loss of revenue derived from operation of the arena as well as an opportunity cost of alternative options
- The structure would be preserved with an “assumed” No Adverse Effect” to the historic resource.

This option will be given further consideration in light of the Purpose and Needs Statement.

Option 2 - Preserve Arena (Continued Multi-Purpose Use Arena)

Option 2 - This option was initially evaluated as an alternative to the construction of the Consol Energy Center. As a result of the analysis, the continued use of the Arena as a Multi-Purpose Use Arena had many draw-backs including:

- Structural constraints to restructuring and expansion
- Restricted truck loading facility
- Inability to accommodate the equipment load (ever-increasing) and technical requirements associated with concerts and performances
- Inadequate concourse and ticket sales facilities
- Inadequate ADA and safety features
- Inadequate toilet & waste removal facilities

This Option does not lend itself to any feasible use as a Multi-purpose Arena facility and therefore was not advanced for further consideration.

Option 3 - Arena Re-Use & Site Development

Option 3 – The Arena Re-Use & Site Development plan preserves a functioning dome through the restructuring of the arena for hotel construction and flexible open space. The remainder of the APE (28 acre site) is developed with mixed land uses. Lemieux Place is maintained and Wylie and Webster Avenues are extended. Structured parking to the Hill-side of the Arena supports mixed-use developments, and a Crawford Overlook. Due to the restructuring of the Arena, a Minimized Adverse Effect is anticipated.

This option is being further analyzed in light of the Purpose and Needs Statement. Additionally, since this option relies upon background work of architect Rob Pfaffman, a coordination meeting was conducted with him in order to establish a set of assumptions for financial analysis.

Option 4: Restructure Arena

Option 4 – Restructure the Arena for continued use as a Multi-purpose Arena facility. This option was initially evaluated as an alternative to the construction of the Consol Energy Center. The restructuring involved elevating 2 of the 6 dome leaves to house the arena expansion. As a result of the analysis, the continued use of the Arena as a Multi-Purpose Use Arena had many draw-backs. Although this option allowed for additional new suites, it was not able to address the other deficiencies including:

- expansion of the concourse & ticket sales areas
- toilet facilities and infrastructure,
- ADA and safety issues
- truck loading facility
- and competitiveness with larger venue facilities

This Option does not lend itself to any feasible use as a Multi-purpose Arena facility and therefore was not advanced for further consideration.

Option 5: Arena Demo & Site Development

Option 5 - Includes the Demolition of the Arena and development of the entire APE with high density mixed use. Wylie Avenue is extended through the site and a street network is established. Land use type and scale transitions from Crawford

Street towards the downtown with residential most dense near Crawford and higher office buildings near the downtown. Structured and on-street parking is located through the site. This option would result in an Adverse Effect upon the Mellon Arena.

This option is being further analyzed in light of the Purpose and Needs Statement.

During the presentation the following comments and responses were made:

Comment / Response

1. C: In Option 5, the houses and structured parking that are referenced are also part of Option 3, correct?
R: Yes, that is correct.
2. C: What do you mean when you say "Minimized Adverse Effect?"
R: The term "adverse effect" is embedded and gives us little room to maneuver. There are really only three choices: to avoid, minimize, or mitigate adverse effects. Almost anything will have adverse effect.
3. C: I'm referring to where to you mention "Minimized No Adverse Effect" [in Option 3]. Is that a different category?
R: No, that is an error. It should say "Minimized Adverse Effect."
4. C: Is there anything about the percentage of the building that stays or doesn't stay that determines the adverse effect?
R: There is not a percentage that determines when it becomes an adverse effect. Demolition is a specific adverse effect.
5. C: For example, similar to the buildings in Washington, D.C., when you protect the façade, is that still an adverse effect?
R: Yes, but it is a minimized adverse effect.
6. C: So if the "guts" of the bowl and facility were removed, and a hotel is built under the shell, isn't that the same thing [as protecting the façade]?
R: Anything that happens to the building at this point is probably going to be considered an adverse effect.
7. C: When can we address mitigation then?
R: Mitigation comes after avoidance. Once you determine that there will be an adverse effect (and it is not going to be avoided), then you begin to minimize/mitigate. It is premature to talk about mitigation at this point.

Gary English addressed the group, citing legal interest as an area for concern. He said that in 1993, House Bill 659, Printer's Number 2958 passed, amending Act 77. Page three of the bill makes a declaration of policy from a majority of the PA General Assembly stating; "Supplemental sources of public and private revenue are required to preserve, improve and develop the region's civic, recreational, library, sports, cultural and other regional assets. He asserts that preserving "regional assets" is the prime directive and demolition of the Arena would be contra to the law.

The SEA agreed to investigate the applicability of Act 77 to the IP process.

IV. Option Assessment Workshop

The collaborative assessment of the Development Options was initiated in a workshop format similar to the process of IP meeting #4. Participants were asked to divide into the same two groups from the last meeting. Participants were reminded that as IP members they agreed to work collaboratively, cooperatively and objectively.

Ray explained that the assignment is to discuss the Development Options' relative ability to address each of the need items,

designate the Workgroup's opinion by circling the appropriate value (L/M/H), and provide a rationale for the group's opinion. There are a total of 9 Major Need issues to address with several sub-issues listed for consideration. The sub-list can be expanded upon to more fully reflect the thoughts of the group. To aid in discussion, each group was provided with a collage of image excerpts from IP Meeting #3 and a form with summarized discussion from the last meeting.

Ray said that he and Tim would act as recorders and interact with the groups as process helpers. After the completion of the forms, if time permits, there would be a presentation of the preliminary results of the financial analysis of Options 1, 3 & 5 and open the floor to comments.

Ray mentioned that while he was summarizing the discussion on the forms from last meeting, he noticed an apparent misunderstanding of the options under consideration and the Need Statement. Essentially, under Option 1, the Arena would remain in an unused state and should not be considered for as available for "future possible reuse" or as "buying time". Additionally, under the Need Statement category "Community fabric that pre-dates the Arena", "preserving the historic Arena" does not appear to appropriately address this need. He has highlighted these types of considerations on the form for workgroup re-assessment.

V. Financial Assessment Presentation

Scott Pollock of Oxford Development Company, the owners' representative for the Sports & Exhibition Authority on the Consol Energy Center project, introduced Larry Castonguay, of Oxford Real Estate Advisors, to present a preliminary financial analysis.

Below is a summary of the presentation which compares Options 3 and 5. The presentation in its entirety, including financial tables, is included as an attachment to these minutes.

Larry said that the task was to prepare a general comparative economic benefit analysis of development plans contemplated for the Mellon Arena Site. He briefly reviewed Options 1, 3, and 5 and explained the methodology of the financial analysis: For purposes of eliminating as many 'subjective' criteria as possible, the analysis utilized the real estate 'use' programs specified in each plan, and applied equal cost and revenue metrics to each plan. By way of example, the cost to construct office space per square foot is the same in both analyses and the revenue generated per square foot is the same. Likewise, the employment generation, tax revenues, etc. utilize the same criteria for each plan, and the costs for providing the necessary road infrastructure were allocated proportionately.

Larry described the assumptions used in preparation of the financials as follows:

Infrastructure Costs - Estimates provided by the various plans and their consultants were used in this analysis. In cases where 'unit costs' differed between plans, a new unit cost was used and applied to each plan equally. In cases where costs were incomplete or omitted the 'equalized' unit costs were applied to complete the data.

Development Program Components - The residential, retail, office, hospitality, parking and other development components for each plan are substantially consistent with those proposed by the proponents.

Development Costs - Identical per unit costs were used for each plan's program components. Option 3 data for the Arena reuse and Option 5 data for its removal were provided by each plan proponent.

Income Projections - Identical per unit residential sales prices and rental rates, as well as, the same rental rates for office and retail space were used. Each plan's 'parking' component was assumed to generate the same net profit and pay for the cost of construction.

Construction Job Creation and Permanent Employment - Identical assumptions based upon the construction costs and the amount of completed office and retail space were used to calculate the construction and on-going employment figures.

Employment and Real Estate Tax Revenue - Equal metrics were applied to each plan to calculate the results.

Concerning public subsidies, Larry stated that it is likely that infrastructure costs and certain costs for public amenities pursuant to the reuse of the Arena (should that alternative be chosen) will create the need for government assistance.

Larry stated that a 3 year infrastructure development period was assumed and a 10 year overall development was assumed.

After the presentation, the following comments and responses were made:

Comment / Response

1. C: On the analysis of money/cost, do you factor in the revenue generated in reuse of the structure independently?

R: No, we used data from the development plans presented in February.

Larry noted that questions about the financial analysis can also be asked at the next meeting.

VI. Meeting Summary & Follow Up Items

- Minutes from IP Meeting #4 will be reviewed at the next meeting.

Next Meeting: IP Meeting #6 is scheduled for May 5, which will include discussion of a summary of the work group forms, the economic analysis, and the approach to the public meeting.

A public meeting is tentatively scheduled for May 13 in the evening and the location has yet to be determined. Options include Epiphany Church and the Mellon Arena itself. IP members will be contacted by email as the meeting location and time are finalized.