

Meeting Minutes

Project: Mellon Arena
Subject: Interested Parties Meeting #6

Date: May 5, 2010
Time: 6:00 – 8:00 pm

By: Jackie Freeman

Place: West Lobby
David Lawrence Convention Center
Pittsburgh, PA

Attendees: See attachment 1

Handouts:

I. Introductions

Chris Cieslak of Chronicle Consulting opened the meeting by thanking participants for coming. She explained the purpose of releasing the draft economic study during the last meeting. The intention was to post information from each meeting on the SEA website for review by IPs that could not attend the meetings, which has been the practice since the beginning of the process. Chris then apologized for an error in the posting. The economic study that was posted was a DRAFT, but was not clearly identified as a DRAFT. She emphasized that it is a DRAFT, and because it is complex, the project team wanted to permit time for IP members to digest it before discussing it. She said that later in the meeting, there would be time to go through the assumptions and the project team will attempt to address any questions. She apologized if the lack of clarity on the document put anyone in an awkward position.

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 #4 & 5 Minutes Review & Comment
- Workshop Summary & Discussion
- Economic Analysis Discussion
- Public Meeting Approach
- Meeting Summary and Follow-up Issues

II. Meetings #4 & 5 Minutes Review & Comment

Ray said that during IP meeting #4, a suggestion was made to combine Economic Development and Affordability Need categories into a single category. He said that after further consideration, he thinks there is 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.

Ray stated that the other suggested revision concerned identifying the specific social and economic goals for the project and including them in the Needs statement. Ray said that 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.

Ray said that during IP meeting #5, the Development Options and Purpose and Needs statement were reviewed and then the workshop exercise was completed. Mr. Gary English read a statement concerning Pennsylvania Act 77 and the Regional Asset District and provided the statement to the SEA.

At the end of meeting #5, Larry Castonguay of Oxford Real Estate Advisors presented an overview of the general

assumptions of the financial analysis as well as notes on the assumptions. The financial analysis was provided for review and comment at tonight's meeting.

Ray asked if there were any other comments on the minutes for IP meetings #4-5 (with the exception of financially related comments). There were not.

III. Workshop Summary & Discussion

Ray conducted a PowerPoint presentation to review the development options:

Option 1 - Do Nothing Option, involves closing or "mothballing" the Mellon Arena.

- The Arena would remain in an un-used state.
- The parking lots would remain and be maintained for use by the Consol Energy Center.
- 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 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.

Option 3 – Arena Re-Use & Site Development is a plan that preserves a functioning dome through the restructuring of the arena for hotel construction and flexible open space.

- The remainder of the Area of Potential Effect (APE - 28 acre site) is developed with mixed land uses.
- Lemieux Place is maintained and Wylie Ave and Webster Avenue are extended with Wylie Avenue as a pedestrian only facility.
- 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.

As follow-up to the previous IP meeting and to establish a set of assumptions for the financial analysis, a coordination meeting with Rob Pfaffman was conducted.

Option 5 - 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 downtown with residential most dense near Crawford and higher office buildings near downtown.
- Structured and on-street parking is located through the site.
- This option would result in an Adverse Effect upon Mellon Arena.

During the presentation the following comments and responses were made:

Comment / Response

C: In Option 1 – Do Nothing, why is the Arena considered to be not competing with Consol?

R: In Option 1, the Arena would remain vacant; the only thing that would be used is the parking lot.

C: Wouldn't Option 1 bring in more revenue to reuse the Arena, for promoters to bring in events?

R: Option 1 serves as a baseline and is required for comparison purposes as required.

C: Senator Specter has earmarked \$28 million for this project, and Congressman Altmire has earmarked another \$1 million for the same purpose.

R: There is currently no federal funding in place for this project and there is no identified lead federal agency. We are following a process very similar to Section 106 in the event that a lead federal agency is identified.

C: In the Mothball option, can the parking situation be modified, even though nothing will happen to the Arena itself?

R: That is yet to be determined, but with this option, the parking lot does not have to be frozen in time. It would provide

additional parking for the Consol Arena.

C: In the Mothball option, would cars be able to park in the building?

R: No, the structure would remain as is with seating still in place. It is assumed to remain vacant, but no parking would be available inside.

Ray said that there are a few clarifications to discuss from the workshop forms. These clarifications were discussed, a consensus was reached, and the results are published in the workshop form.

IV. Economic Analysis Discussion

Larry Castonguay of Oxford Real Estate Advisors began the discussion of the financial analysis by stating that he met with Rob Pfaffmann to clarify/confirm assumptions about Option 3:

- Cost & Revenue Metrics
- Construction Costs Metrics
- Infrastructure Costs Proportionate
- Other Costs Equalized

He said that these assumptions were made for the purpose of equalization and the assumptions may not be entirely accurate.

Comment / Response

C: Why is the hotel option included in the financial analysis?

R: The hotel within the Arena was advanced because it was a main element of Option 3, as conceptualized, a lot of time was spent to explore the option, and there was likelihood of it gaining traction as a viable option. If we need to make changes because the hotel is not what we end up that is fine. At least the framework of the building stays there. Larry said that it was assumed after his conversation with Rob Pfaffmann that there would be an interior hotel and public space to hold concerts, ice skating, etc. He said they didn't consider specific reuse, like the cost of operating a skating rink, but looked at operating cost data for Mellon Arena for an event to take place.

C: What about the tax credit?

R: From our standpoint, we couldn't come up with a finite view of what happens with the 20% historical tax credit; we're not even sure it would qualify, but assumed it would.

C: With regard to the tax credit, you should talk to the PHMC. The Arena may not qualify if it is not maintained in an as-is condition.

C: The tax credit is for private developers.

C: To be eligible for the tax credit, it has to be income-producing property and the credit cannot be used for new construction.

C: What about expenses for operating, like heating and cooling?

R: We met with Operations staff to determine the cost during the fully loaded year. We assume the dome to be able to open but closed most of the time. Now with the hotel option, the dome would be open so there is daylight for the hotel, and therefore we assumed minimal heating and cooling costs.

C: You should look at an "Option 3-B," and consider operating expenses for a facility not dependent on having a structure built inside.

C: Look at Mellon Arena as a public civic space like Mellon Square Park or Schenley Plaza. There is value added to surrounding real estate. There is social vitality but also pays operating expenses of park.

R: We understand the concept of adding value because of parks. However, we had to remove subjectivity. There is also a potential opportunity cost lost due to the 3-acre footprint of the Arena to be considered as an offset of potential intrinsic values to adjacent development.

C: I disagree that adding park value is subjective. I think leaving it out makes the analysis incomplete.
R: We did provide a sustainable net revenue component. We did not have specific data for the public park concept.
C: What is the operating cost per year for Mellon Square Park or Schenley Plaza?
R: That is not applicable to this.

C: The process demands we look at specifics, no matter how messy. Option 3 should match the economic expectation of the Option 5. We can achieve density of development area by taking out 3 acres. There would be income potential.

C: (Rhetorical Question without expectation for response) Can you give us the likelihood of a major tenant taking the space by the Crosstown development? I heard it is at least 10 years off.

C: You talk conceptually. Are there detailed documents that articulate in writing all the assumptions that were made?

R: The assumptions were all applied equally to each option, so it really doesn't matter. However, we will publish the agreed upon assumptions.

C: Rob Pfaffmann, on behalf of ReUse the Igloo, made the following proposition: ReUse the Igloo has a benefactor, David Conrad, an actor who has an interest in the city's history, who will hire Todd Poole, a planning economist. He said they would like to work together with the project team to develop a baseline set of underlying agreements of how the financial analysis should be done and what is the best way to read the economic benefit of this site.

R: The SEA requested that the specific and material comments (10 comments in letter from Todd Poole) resulting from the review of the financial analysis be provided for review and consideration.

C: In response to the proposition to re-do the financial analysis, Harry Johnson, on behalf of the office of Councilman Lavelle, said that from their standpoint, this appears to be a delay tactic.

R: The reality is that it is not a delay, but a protracted process to get potential pertinent answers.

C: Where in the process did we agree the process would be "broad-brush?"

R: IP meeting #1, see minutes. We are dealing with conceptual development plans.

C: Can I have clarification of housing density?

R: Presented at IP meeting #3 and included in tonight's PowerPoint presentation.

Ray said that the following is a summary of the back page of the financial analysis as he would have summarized it:

Developers are attracted to:

- Unconstrained Construction site
- Continuous Street grid network
- Conventional Design
- Conventional Construction
- Minimal Maintenance / Operation Costs

V. Public Meeting Approach

Ray said that as part of the historic process, the project team will obtain input from the community on the process. A public meeting has been scheduled for May 13, 2010 from 5:30 to 7:00 pm at the Ebenezer Baptist Church, with a presentation occurring at 6:00 pm. Ray said that a copy of the meeting flyer can be found in the handout folder. The purpose of the meeting is to afford the public the opportunity to review and comment on the Purpose and Needs statement and range of Development Options being considered for the Mellon Arena site.

Ray said that information to be presented is based on the slides that have been presented during the IP Process. The project team will seek input via a comment form soliciting information in areas of affiliation, Purpose and Needs, additional Development Options for consideration, preference of Development Options, appropriate Arena reuses, and potential memorialization of the Arena should it be removed. Also included on the form is space for comment in other areas of personal importance.

Comment / Response

C: Will you present Option 3 as a facility with a hotel or open public park?

R: Hotel with flexible open space.

C: Will financial data be presented at the public meeting?

R: No.

C: It is important that the Hill District residents see redevelopment as an asset they can immediately benefit from.

R: What you've seen so far at IP meetings is what will be presented at the public meeting.

C: I am not happy with the 3D sketch model.

R: It won't be there.

C: How are you publicizing the meeting?

R: Pittsburgh *Courier*, Pittsburgh *Post-Gazette*, SEA's website, and there are flyers in your handout folder that you may distribute if you wish.

C: There is another meeting on May 17. Can we distribute the comment form there?

R: You may conduct your own survey, but this comment form is for our public meeting event.

C: The goal of the process is to consider options to avoid, minimize, or mitigate adverse effect to the Arena.

R: We are in a consultation process that was triggered because a plan/concept was proposed to remove the Arena. There is the removal option and the preservation option. At the end of the day, someone will make a decision. This process is the consultation, not the decision.

C: Can you assure us the decision has not already been made?

R: The decision has not yet been made.

C: Why were Options 2 and 4 removed from consideration?

R: They preceded the construction of the Consol Energy Center.

C: With regard to Oxford, what is the contract amount? And will they recuse themselves from future contracts on development of the site?

R: We acknowledge your comment.

C: Who has that information?

R: The Sports & Exhibition Authority.

C: What about the \$34 million in RAD funding? And the \$28 million earmarked by Senator Specter and \$1 million earmarked by Congressman Altmire for the reconnection of the grid through the Urban Redevelopment Authority?

R: Public subsidies were considered.

C: Can our booklet be published and can we set up a display (Re-Use the Igloo)?

R: Feel free to publish your booklet, and if enough space is available, you can set up a display.

C: There should be a handout with all the websites for more information available.

R: That is a good idea.

C: You should have a drawing of the old street grid with new street grid overlays.

R: No, because it will not show vertical changes.

C: Attention should be paid to the quality of the street grid. Can be grossly generalized and worthless.

R: Keep in mind that this meeting is to educate the public about the process, not about various approaches to urban design.

C: Can the comment form be put on the website so those who don't attend the meeting can submit their comments?

R: Yes.

C: Will there be other public meetings?

R: If needed.

C: Is there a road map for the rest of the process?

R: We had one, but in light of ReUse the Igloo's proposition to re-examine the financial analysis, we have to re-evaluate the rest of the process.

VI. Meeting Summary & Follow Up Items

Next Meeting: IP members will be notified by email of the next meeting.