

MINUTES OF THE MEETING
OF THE BOARD OF THE
SPORTS & EXHIBITION AUTHORITY OF PITTSBURGH
AND ALLEGHENY COUNTY
HELD THURSDAY, MAY 12, 2016
AT THE DAVID L. LAWRENCE CONVENTION CENTER
PITTSBURGH, PENNSYLVANIA
COMMENCING AT 10:39 A.M. E.S.T.

A meeting of the Board of Directors of the Sports & Exhibition Authority of Pittsburgh and Allegheny County (the "Authority") was held upon proper notice in Room 333 at the David L. Lawrence Convention Center in Pittsburgh, PA 15222, on Thursday, May 12, 2016 commencing at 10:39 A.M. E.S.T.

Members of the Authority

Present: Senator Wayne Fontana, Chairman
Jill Weimer, Member
Sala Udin, Member
Michael Dunleavy, Vice-Chairman
Reverend John Welch, Member

Absent: Councilman Dan Gilman, Member
Councilman James Ellenbogen, Member

Also Present: Mary Conturo, Doug Straley, Taylor Blice, Rosanne Casciato, Rosemary Carroll, Theresa Bissell, Rifat Qureshi, Christina Lynch, Clarence Curry, Allison Botti, and Caitlin Fadgen of the Authority; Morgan Hanson, Solicitor; Tim Muldoon, Linda Mihalic, Ryan Buries, Conor McGarvey, Kevin Fonner, and Heidi Strothers of SMG; Nigel and Chad Garnett, citizens; Tim Pratt of Pittsburgh Associates; Carol Hardeman of Hill District Consensus Group; and Frederick Winkler, architect.

Senator Wayne Fontana called the meeting to order with the Pledge of Allegiance. Mr. Morgan Hanson followed with a roll call of the Board Members. Mr. Hanson advised that a quorum was present.

Beginning with public participation, Senator Fontana asked if any members of the audience would like to address the Board. Hearing none, he continued on to the next item on the agenda, approval of the minutes from the meeting of April 14, 2016. A motion was made, seconded, and unanimously approved.

Senator Fontana continued onto the next item on the agenda under David L. Lawrence Convention Center, a request for authorization to enter into an agreement with CJL Engineering, Inc. in an amount not-to-exceed \$31,814, to be billed based on hourly rates, plus approved expenses not-to-exceed \$1,000, for an energy audit that meets LEED recertification criteria.

Ms. Christina Lynch explained that in 2011, a case study was completed that analyzed the DLCC's green features, performance and operations. The case study documented a series of energy conservation measures, or projects to reduce the energy consumption of the building. These measures have been mostly implemented. The case study also served as the foundation for the DLCC's submission to the LEED for Existing Buildings: Operations & Maintenance certification program. The DLCC received a Platinum certification, the highest possible rating, in 2012.

A new energy audit is recommended to continue the DLCC's goal of constantly improving energy efficiency and operations. This energy audit, if approved, would meet the requirements of the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE), in their published text, Procedures for Commercial Building Energy Audits, 2nd Edition.

The audit will include an evaluation of the HVAC, steam system, chiller plant, lighting, water, wastewater treatment plant, and building automation systems of the DLCC. Historical energy/water consumption data, weather data, and space utilization schedules will be analyzed.

The audit will identify opportunities to reduce the building's energy usage and operating costs, as well as identifying potential capital-intensive improvements, with estimates of potential costs and savings.

Completion of this audit will also meet the requirements of LEED for Existing Buildings: Operations and Maintenance ("EBOM"). Certification under LEED EBOM lasts 5 years. As such, Authority staff is preparing the necessary documentation to submit for recertification in early 2017.

A request for proposal was prepared, and a notice was placed on the SEA website, and advertised in the Tribune-Review and the New Pittsburgh Courier. A non-mandatory pre-proposal meeting was held on April 5, 2016 with three (3) companies in attendance. Proposals were received from four (4) companies. CJL Engineering, Inc. was selected based on their low price, knowledge of the DLCC systems, experience doing similar work, and their MBE/WBE participation of 23% MBE and 6% WBE.

CJL Engineering, Inc. will perform the audit with assistance from their sub-consultants, Chester Engineers, Inc., and Santangelo & Lindsay, Inc. They will produce a final report and support Authority staff in the completion of documentation requirements for LEED recertification. CJL estimates that the work will take approximately nine (9) to ten (10) weeks.

Senator Fontana asked if there were any questions from the Board. Hearing none, he asked for a motion to approve. On a motion duly made, seconded, and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5400

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to enter into an agreement with CJL Engineering, Inc. in an amount not-to-exceed \$31,814, to be billed based on hourly rates, plus approved expenses not-to-exceed \$1,000, for an energy audit that meets LEED recertification criteria; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana continued onto the next item, a request for authorization to enter into an agreement with FMS Construction in a lump sum amount of \$12,580 for wall repair and protection in the main kitchen.

Ms. Linda Mihalic explained that the finish cooler in the main kitchen of the David L. Lawrence Convention Center is original to construction of the building. Although there are no mechanical issues with the cooler, a gap has developed at the base of two of the insulated cooler walls. The engineering consultant, Barber & Hoffman, Inc., specified a reinforcement system consisting of steel angle anchored into the floor slab behind the insulated walls, stainless steel angle baseboard inside the cooler, and a rack guard mounted to the floor inside the cooler to protect the wall. A notice was placed on the SEA website and SMG solicited quotes from nine (9) contractors, including four (4) MBEs and two (2) WBEs. Three (3) contractors submitted quotes. FMS Construction provided the lowest cost quote.

Senator Fontana asked if there were any questions from the Board. Hearing none, he asked for a motion to approve. On a motion duly made, seconded, and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5401

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to enter into an agreement with FMS Construction in a lump sum amount of \$12,580 for wall repair and protection in the main kitchen; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana continued onto the next item, a request for authorization to enter into a contract with FMS Construction in a lump sum amount of \$12,535 for sprinkler line repair and drywall replacement in Hall A; and reimbursement to the Convention Center operating account in an amount of \$248 for environmental sampling.

Ms. Mihalic explained that in February 2016, Convention Center maintenance personnel observed a stain in the drywall ceiling adjacent to the pedestrian bridge in Hall A. Field investigation revealed that a sprinkler line had a very slow leak over a long period of time, damaging the drywall. The sprinkler line will be repaired, and the damaged drywall will be replaced and painted. A notice was placed on the SEA website and SMG solicited quotes from nine (9) contractors, including four (4) MBEs and two (2) WBEs. Three (3) general contractors submitted quotes. FMS Construction provided the lowest cost quote.

Senator Fontana commented on the significant price differences in the quotes received from the three (3) contractors. Ms. Mihalic agreed and confirmed that a scope review was conducted with each of the contractors who submitted quotes. Senator Fontana asked if there were any additional questions from the Board. Hearing none, he asked for a motion to approve. On a motion duly made, seconded, and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5402

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to enter into a contract with FMS Construction in a lump sum amount of \$12,535 for sprinkler line repair and drywall replacement in Hall A; and reimbursement to the convention center operating account in an amount of \$248 for environmental sampling; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana continued onto the next item, a request for authorization to enter into a 64-month lease, with options to extend for two periods of three years each, with First National Bank of Pennsylvania for general office use in 2nd floor space at North Shore Garage.

Mr. Rifat Qureshi explained that North Shore Garage has retail spaces on the first two floors along East General Robinson Street. The first floor consists of restaurant spaces, and on the second floor, approximately half is finished office space, and the adjacent half is raw space. First National Bank of Pennsylvania requested the entire second floor to use as its general office space. The total square footage for the entire second floor is approximately 10,650 square feet. First National Bank of Pennsylvania is a wholly owned subsidiary of First National Bank Corporation (FNB), a financial services company publicly traded on the New York Stock Exchange. Avison Young is the Authority's real estate broker for its retail spaces. The tenant is represented by Collier's International.

Avison Young negotiated the terms of the lease, reviewed FNB's information and recommends that the Tenant is suitable, that it is an appropriate use of the space, and that the rent is fair market rate for comparable "Class B" office space. The initial term of the lease is for 64 months until August 31, 2021. The initial rent is \$18.00 per square foot, and increases each year

to \$18.40, \$18.75, \$19.15, and \$19.55. The rent includes the tenant's utilities, common area maintenance, and any assessed real estate taxes. The tenant will be responsible for its janitorial and related maintenance of its office space.

The tenant has options to extend the lease for two (2) periods of three (3) years each, with rent for renewal period to be negotiated between Tenant and Authority prior to renewal. However, if the rent cannot be agreed to, the lease will be terminated. It is estimated that 30-40 employees will utilize the entire second floor when fully occupied.

With respect to tenant improvements, the tenant will build out the raw space to complete the second floor for general office use. For the finished space, the tenant will provide aesthetic improvements such as painting, replacing carpeting and related work. Together, the estimated total cost of the buildout is \$420,576. The Authority will provide the Tenant a tenant improvement allowance in the amount of \$407,310, which is approximately \$70 per square foot for the raw space and \$5 per square foot for the finished space. The allowance will be paid upon completion and receipt of certificate of occupancy. The tenant is responsible for all costs above the tenant improvement allowance. All tenant improvements will become property of the Authority at lease end (not including furniture and fixtures).

The tenant will pursue the Authority's MBE-WBE participation goals and sustainable strategies, and will work with the Authority's senior diversity coordinator and sustainability coordinator, as needed, and will provide for prevailing wage for the building.

With respect to schedule, the tenant will pursue necessary permits for build-out after lease execution and Authority's review and approval of plans. Rent commencement of the raw space will occur at the latter of the receipt of certificate of occupancy, or 120 days following the

date of lease execution. It is estimated the build out will be completed by September. Rent commencement for the finished space will start in July.

In accordance to the Authority's broker agreement with Avison Young, for a transaction involving a cooperating broker, the broker fee due is 6% of total base rental for years 1-5. With respect to the total base rent generated over the term of the lease, the amount is approximately \$999,950. The broker's fee is estimated to be \$59,976. No commissions are to be paid for any extensions. The payback period, including both the tenant improvement allowance and broker's fee is estimated to be 2.5 years.

Senator Fontana asked Mr. Qureshi how long the space had been vacant. Mr. Qureshi responded the last tenant in the space was Brinker Group and they vacated the office space in 2014. Ms. Mary Conturo added that half of the space (the raw unfinished space) has never been occupied. Mr. Udin asked Mr. Qureshi to clarify the total estimated cost for the buildout, who will be contracted to complete it, and what the MBE-WBE participation will be. Mr. Qureshi replied that the tenant hired Massaro Corporation, who is in the process of completing the design of the space. The estimated cost for the buildout of raw space is approximately \$394,000 and for the finished space, approximately \$26,000 for a total of \$420,000. After lease execution, Massaro will present their plans to Authority and any sub-contractors that will be used. The Authority's senior diversity coordinator, Clarence Curry, will review the plans and assist with the MBE-WBE participation plan. Mr. Curry added that he has already spoken to Massaro Corporation and they are aware of the Authority's MBE-WBE participation goals, and they will be working with the Authority to ensure they meet these goals. Mr. Udin asked if Massaro will be sending back an MBE-WBE participation report. Mr. Curry replied that Massaro will send a participation plan and then Massaro will follow that plan with reports of actual spending. Mr.

Curry assured Mr. Udin and the Board that he will make them aware of what the plan is for participation goals.

Senator Fontana asked if there were any other questions from the Board. Hearing none, he asked for a motion to approve. On a motion duly made, seconded, and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5403

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that its Executive Director and other proper officers are authorized to enter into a 64-month lease, with options to extend for two periods of three years each, in form acceptable to solicitor, with First National Bank of Pennsylvania for general office use in 2nd floor space at North Shore Garage; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana continued onto the final item under new business, acceptance of the Sports & Exhibition Authority audit as of December 31, 2015.

Ms. Theresa Bissell explained that the Sports & Exhibition Authority audit was completed by MaherDuessel. MaherDuessel issued an unmodified opinion, which means that the Financial Statements present fairly, in all material respects, the financial position of the Authority. There were no significant deficiencies, findings or questioned costs relating to the audit and therefore no management letter was issued. No federal audit was required for this audit period. The auditors, MaherDuessel, have reviewed the audit with the Chairman and Vice-Chairman.

As you recall, we will be refinancing the existing SEA and Stadium Authority parking loans in 2017. Initially, the thought was to include a more detailed parking schedule in the SEA

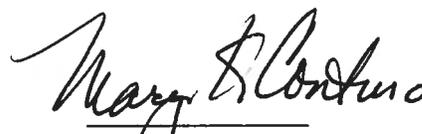
audit. After review and discussions with the Auditors, the Board Vice-Chairman and the banks, it was decided not to include this supplemental schedule in the audit report, and instead create a separate report. A final copy of the audit, without the schedule, and also the parking supplemental, will be provided to the Board upon final issuance by the Auditors.

Senator Fontana asked if there were any questions from the Board. Hearing none, he asked for a motion to approve. On a motion duly made, seconded, and unanimously carried, the following resolution was approved:

RESOLUTION NO. 5404

RESOLVED by the Sports & Exhibition Authority of Pittsburgh and Allegheny County that the Independent Auditor's Report for the years ending December 31, 2015 and December 31, 2014 prepared by MaherDuessel is hereby accepted; and further that the proper officers and agents of the Authority are authorized to take all action and execute such documents as are necessary and proper to effectuate the terms of this Resolution.

Senator Fontana continued onto the final item on the agenda and asked if there were any questions from the Board or the audience. There being no comments or business, Senator Fontana asked for a motion to adjourn. Upon a motion duly made, seconded a unanimously carried, the meeting was adjourned at 10:55 A.M.


Mary Conturo
Assistant Secretary