

TERM SHEET OF PRELIMINARY CONDITIONS
FOR
PROPOSED DEVELOPMENTS

Adopted by the URA Board of Directors
October 18, 2019 (the "Effective Date")

1. **Parties:** Pittsburgh Arena Real Estate Redevelopment LP ("**Optionee**"), the Sports & Exhibition Authority of Pittsburgh and Allegheny County ("**SEA**") and the Urban Redevelopment Authority of Pittsburgh ("**URA**"). SEA and URA may be referred to collectively as "**Seller**". Optionee and Seller may be referred to collectively as the "**Parties**".

2. **Background:**

Option Agreement. Pursuant to that certain Amended and Restated Comprehensive Option Agreement dated June 20, 2018 (the "**Option Agreement**"), Seller granted to Optionee redevelopment option rights with regard to a site comprising approximately 21.50 developable acres of land located in the Lower Hill District of Pittsburgh, Pennsylvania, as more particularly described in the Option Agreement (the "**Option Premises**"). Capitalized terms used and not defined in this Term Sheet have the meaning given such terms in the Option Agreement.

Block E Development. Optionee has proposed Take Downs on the following portions of the Option Premises: a portion of Block F designated as "Parcel F-1", a/k/a Take Down Tract # 5; a portion of Block F designated as "Parcel F-2", a/k/a Take Down Tract #6; Block E, a/k/a Take Down Tract #7; and a portion of Block G designated as "Parcel G-1", a/k/a Take Down Tract #10. With regard to Take Down Tract #7 on Block E, Optionee and its designated redeveloper Lower Hill Developer LLC (the "**Block E Redeveloper**") have proposed constructing, owning, and operating a structured parking facility with associated retail and music venue premises on Block E (the "**Block E Structured Parking**"). The proposed Block E Structured Parking differs in certain material respects from the Parking Garage described in Section 7.2 of the Option Agreement due to a number of factors, including but not limited to complexity of construction, embedding a portion of the Block E Structured Parking underground, timing of delivery, and control of future parking revenue.

Block B Development. Pursuant to Letters of Intent #8 and #9, each dated April 18, 2019, Optionee has proposed Take Downs on the

following portions of the Option Premises: Block B and a portion of Block A designated as "Parcel B", a/k/a Take Down Tract # 8; and portions of Block A and Block B designated as "Parcel A1" and "Parcel B1", a/k/a Take Down Tract #9. Pursuant to such Letters of Intent; Optionee and its designated proposed redeveloper Intergen Lower Hill Initial Phase, LLC (the "**Proposed Housing Redeveloper**") have proposed to construct, own, and operate a multi-family residential building with associated parking on Take Down Tract #8 and construct associated Urban Open Space on Take Down Tract #9 (collectively, the "**Residential First Phase Development**"). The Residential First Phase Development is currently contemplated as the first phase of a larger multi-family residential development to be undertaken by the Proposed Redeveloper or its affiliates on the remainder of Block A of the Option Premises in accordance with the Option Agreement (collectively, the "**Residential Development**").

3. Purpose of Term Sheet:

The Parties desire to clarify responsibilities and commitments related to developments proposed by Optionee for the portions of the Option Premises set forth above. In addition, the Parties have agreed to modify certain provisions of the Option Agreement as described herein. Such modifications would be set forth in an agreed-upon amendment to the Option Agreement (the "**Amendment**"). Material responsibilities and commitments, as well as material provisions of the Amendment, shall be as follows:

- A. Optionee Block E Obligations: The Closing of Block E (the "**Block E Closing**") shall be conditioned upon the following on or prior to the applicable Closing Date:
- i. Optionee shall require the Block E Redeveloper to fund the construction of the City of Pittsburgh's (the "**City**") Rescue 2 station and/or the City EMS 14 station (the "**Rescue 2/EMS 14 Station**") to a mutually agreed-upon location within the Block E Structured Parking, with associated parking, on a schedule and pursuant to specifications to be agreed to by the City and Optionee within an agreed-upon time period. In connection with such relocation, the Block E Redeveloper will deliver to the City a turnkey (excluding fixtures, furnishings, specialty systems, offsite improvements and other exclusions to be specified in the agreement described below) Rescue 2/EMS 14 Station of approximately 2,500 sq. ft. and, in addition, at least 3 bays for rescue/EMS vehicles within the Block E Structured Parking as further described on Exhibit A attached hereto. The terms of such relocation and turnkey finish, dedicated parking for the Rescue 2/EMS 14 Station, together with the City's responsibility for paying its pro rata share

of real estate taxes (as applicable), operating expenses and common area maintenance, shall be further set forth in an agreement among the City, Optionee and the Block E Redeveloper, which shall be finalized by the Closing Date for the Block E Closing (the "**Block E Closing Date**"). Optionee's obligation to provide a turnkey Rescue 2/EMS 14 Station shall not be made from the "Retained Amount" as defined in Section D(i).

- ii. Optionee's agreement, in collaboration with the URA, to deliver to the URA or its designee up to 1,200 square feet of commercial space on the ground floor of the Block E Structured Parking facing Wylie Avenue in a location as mutually determined by URA and Optionee, to be delivered as open plan space in a condition sufficient to permit occupancy and tenant finish work (painting and installation of furniture, fixtures and equipment), for use as part of the URA's Catapult Program (or a similar program that seeks to lower retail occupancy costs) (the "**Catapult Space**"). The Block E Redeveloper shall have the right to reasonably approve the tenant, and such tenant shall not be permitted to use the Catapult Space for restricted uses as specified in the lease. The rental rate and term for such lease shall be \$1/year for 29 years, with the tenant at all times responsible for paying its pro rata share of real estate taxes, operating expenses and common area maintenance. URA shall have the option to purchase the Catapult Space at any time following the fifth anniversary of the effective date of its lease for the Catapult space at 80% of the then-market value of the Catapult Space. The full terms of any lease shall be as agreed upon by Optionee, the Block E Redeveloper and the URA and shall be finalized by the Block E Closing Date. Optionee and the URA shall further support the Catapult Space's annual operating budget with revenues derived from the Option Premises, sponsorships, and charitable and foundation investments. Optionee's obligation to deliver the Catapult Space shall not be made from the "Retained Amount."
- iii. The Block E Redeveloper shall require any entertainment or music venue operator to coordinate with the New Granada Theater on programming.

- B. Optionee Block B Obligations: The Closing of the Block B URA Investment (as defined in Part D below) shall be conditioned upon Optionee's pursuit (or the Proposed Housing Redeveloper's pursuit), subject to the discussions with the Housing Authority of the City of Pittsburgh ("**HACP**"), of project based gap financing and rental assistance program gap financing to provide for affordability for 20% of the residential units to be developed by the Proposed Housing Redeveloper or its affiliates with respect to the entire Residential Development (the "**HACP Financing**"). Optionee or the Proposed Housing Redeveloper shall work with the URA staff on the submission of the HACP Financing application. If HACP Financing is not awarded, then affordability shall be as set forth in the CCIP. If

HACP Financing is awarded, then the affordability shall be as set forth under applicable federal and HACP requirements for twenty years. In either case, Optionee will make a good-faith effort to increase the affordability levels beyond the levels identified in the CCIP. Additionally, as set forth in Part D below, a URA subordinate loan is conditioned on the Proposed Housing Redeveloper receiving HACP Financing. The terms shall be set forth in an agreement among the HACP, Optionee and the Proposed Housing Redeveloper, which shall be finalized by the Closing of the Block B URA Investment. The Parties acknowledge that the performance of Optionee's obligations described in this Paragraph B shall be deemed to satisfy the first phase of affordable housing on the Option Premises, and the Parties' respective obligations set forth in Section 7.3 of the Option Agreement.

- C. Additional Obligations. Optionee agrees that, as consideration for the performance of the Seller obligations described herein, Optionee will perform (or cause its Affiliates to perform) the following:
- i. Optionee (or its Affiliates) shall capitalize 50% of the "Owner Payment" for the benefit of the Greater Hill District Reinvestment Fund (the "**Reinvestment Fund**") as set forth in the Declaration of Restrictive Covenants dated September 10, 2015, as recorded in the Allegheny County Department of Real Estate on December 7, 2015 at Deed Book Volume 16218, Page 453 (the "**LERTA Declaration**").
 - ii. Optionee(or its Affiliates) shall fund the rehabilitation of the Ammon Community Recreation Center, including, but not limited to, the installation of a multipurpose space for community celebrations and dek hockey, refurbishment of playground and basketball court, and development of Rech2Tech programming space for the benefit of Hill District children and families, and as set forth in an agreement among Optionee (or its Affiliate), Macedonia Church of Pittsburgh and the City. Optionee's financial obligation under this provision shall not be made from the "Retained Amount."
 - iii. Optionee(or its Affiliates) shall work with Parnter4Work to locate a First Source Center on or near the Option Premises for the benefit of workers, contractors and businesses seeking commercial opportunities on the Option Premises, and to pursue the job creation, local inclusion and workforce development goals and strategies described in the Lower Hill Redevelopment Community Collaboration and Implementation Plan ("**CCIP**") and the Statement of Principles previously executed by Optionee. The arrangement with Partner4Work will include (1) at least two Intro to the Trades pre-apprenticeship classes timed to coincide with the planned construction schedule on the Option Premises and otherwise consistent with the CCIP goals, and (2) pre-employment job training programs connecting

operators to applicants for building service and hospitality jobs within the Option Premises. Optionee's financial obligation under this provision shall not be made from the "Retained Amount."

- iv. Optionee (or its Affiliates) shall fill any remaining funding gap as of the date of this Term Sheet for the Curtain Call project, and shall (or its Affiliates) assist the Seller with the design and installation of the Curtain Call project. Optionee's financial obligation under this provision shall not be made from the "Retained Amount."

D. Seller Obligations: Seller agrees that, as consideration for the performance of the Optionee obligations described herein, Seller will perform the following:

- i. Seller will amend the LERTA Guidelines (defined below) to provide that 50% of the "Owner Payment" shall be paid to URA for the benefit of the Reinvestment Fund and the remaining 50% of the "Owner Payment" shall be retained by Optionee ("**Retained Amount**"). Optionee shall apply the Retained Amount to project development costs on the Option Premises for purposes not inconsistent with the LERTA legislation and the guidelines adopted by the URA Board with respect to the Lower Hill LERTA (the "**LERTA Guidelines**"). Optionee and Seller (or their respective Affiliates) will engage with the City, County and School Board as needed and relating to such amendment to the LERTA Declaration and the related URA Guidelines. In exchange for Optionee obtaining the Retained Amount and subject to the terms and conditions of the Option Agreement, Optionee shall not seek additional funding from Seller or the City for design, funding and installation of critical public infrastructure needs relating to the Option Premises and immediately surrounding streets (such as water and sewer infrastructure, open space, pedestrian access, mobility, and public transportation improvements); provided that Seller will use commercially reasonable efforts to assist Optionee securing funding from federal, state, non-profit and foundation sources. In connection with the foregoing, the Parties shall cooperate in making any necessary amendments or modifications to the LERTA Declaration or other agreements or policies binding upon the Seller with regard to the LERTA Declaration.
- ii. Seller will introduce appropriate legislation, and work in good faith with the City, to obtain a Parking Tax Diversion for the Option Premises that includes the diversion of 75% of parking taxes for a period of 19 years from and after the opening of each structured parking asset on the Option Premises (the first such asset being the Block E Structured Parking) to assist in the delivery of the Optionee obligations hereunder.

- iii. URA will attempt to secure funding in the amount of \$3,000,000 to be made towards the construction of the Block E Structured Parking and the associated music venue and retail development on Block E, not later than the Block E Closing Date; provided that, URA shall not be required to bridge any such third party financing (such as RACP). Any such financing not secured by URA will be made by URA in a cash equity contribution not later than the Block E Closing Date.
- iv. URA will negotiate a subordinate loan in the amount of \$1,000,000 to be made towards the construction of the Residential First Phase Development upon terms mutually agreeable to the URA, Optionee and the Proposed Housing Developer (the "**Block B URA Investment**"). This subordinate loan is contingent on the developer receiving HACP funding.

4. Definitive Documentation:

The Parties intend to enter into the Amendment not later than October 30, 2019. Until such time as the Parties enter into the Amendment, this Term Sheet shall be considered the binding obligation of the Parties with respect to the matters set forth herein. Following the execution and delivery of this Term Sheet (and, when applicable, the Amendment or any agreements contemplated herein) by the Parties, the Option Agreement, as amended by this Term Sheet (and, when applicable, the Amendment), will contain the sole and entire agreement among the Parties with respect to the redevelopment of the Option Premises and will supersede any contrary terms of the Option Agreement. To the extent not modified by this Term Sheet (and, when applicable, the Amendment), the Option Agreement (as the same is in effect as of the date of this Term Sheet) shall continue in full force and effect.

5. **Seller Obligations Unaffected:** No failure of any Optionee Block E Obligations shall affect or excuse Seller from Seller Obligations hereunder that relate to Block B. No failure of any Optionee Block B Obligations shall affect or excuse Seller from Seller Obligations hereunder that relate to Block E.
6. **URA Approval:** This Term Sheet, and any and all obligations of the URA contained herein, are subject to the approval of by the URA's Board of Directors.
7. **SEA Approval:** This Term Sheet, and any and all obligations of the SEA contained herein, are subject to the approval of the SEA's Board of Directors.

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[SIGNATURE PAGE FOLLOWS]

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Agreed to and Accepted by Pittsburgh Arena Real Estate Redevelopment LP,
effective on the 18th day of October, 2019, intending to be legally bound hereby:

By:  Pittsburgh Arena Real Estate Redevelopment LLC, its General Partner

By: _____

Name: DAVID MORHOUSE

Title: CEO / PRESIDENT

Agreed to and Accepted by Urban Redevelopment Authority of Pittsburgh,
effective on the 18th day of October, 2019, intending to be legally bound hereby:

By: 

Name: Sam Williams

Title: Chair

Agreed to and Accepted by Sports & Exhibition Authority of Pittsburgh and Allegheny
County, on this 18 day of November, 2019, intending to be legally bound hereby:

By: 

Name: Mary K Conturo

Title: Exec Dir