Triangle Building Renovation
926 Liberty Ave

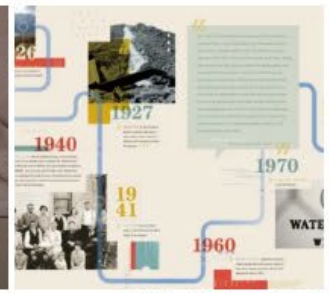
Hullett Properties LLC

6 February 2023


DUQUESNE LIGHT CO.
JAMES CAFE
G2 to Carnegie


JAMES CAFE
JAMES CAFE

Color story 1 *Inspiration Mood Board*



James Cafe
Strip District

Podcast Booth

Programming

- The proposed project involves the rehabilitation of the building's exterior and interior.
- A 15-unit residential and commercial redevelopment with retail activation at grade.
- No parking; 12 bike stalls to promote cycling with a bike sharing program
- The building has sat vacant above the commercial level for a decade.
- Unit mix is mostly large 2-bedroom units that are family-friendly in size. Families help create neighborhoods, a stated goal of the Mayor's for the Golden Triangle.
- Anticipate flexible lease terms in hospitality-like offering demanding greater employment needs.

Project Economics

2022 School Property Tax is $10,762.51 (increase from $7,653.22 in 2021)

This project suffers from very tight budgetary economics:

1. Bringing this historic building up to current Building Code as required.
2. The small and awkward footprint (which gives the building its charm) makes this a very inefficient building (Gross to Net Leasable space metric). This is why so many small footprint buildings are vacant or underutilized.
3. Local lender concerns with Downtown, particularly in the retail asset class. These small floorplate historic buildings need significant subsidization to buttress project economics to achieve lender loan approvals.
4. Unanticipated budgetary issues due to macroeconomic realities and building specific issues such as poor sanitary infrastructure and structural damage from decades of neglect.

Support

- Grant funding achieved: Historic Tax Credits, New Market Tax Credits, PDP Paris to Pittsburgh façade grant, Enterprise Zone Tax Credit
- Approved City of Pittsburgh 10-Year Chapter 265 Enhanced Tax Abatement
- Stated support from the community's political leadership (letters have been submitted to Committee)
  - Jake Wheatley, Mayor's Chief of Staff (As State Rep.)
  - Councilman Daniel Lavelle
  - Councilman Bobby Wilson
  - State Senator Jay Costa
  - State Senator Wayne Fontana
  - Kevin McMahon, Pittsburgh Cultural Trust
  - Jeremy Waldrup, Pittsburgh Downtown Partnership
  - John Valentine, Downtown Neighbors Alliance
  - Mark Anthony Thomas, Pittsburgh Regional Alliance (former)
  - State House Representative Sara Innamorato

Community Benefits

- Affordability
  - New Market Tax Credit program stipulates an Affordability mandate for 20% of residential units to be at 80% AMI and minimum 20% commercial component. We are under contract for this program.
- Environmental Sustainability
  - The adaptive repurposing renovation will include sustainable green building standards.
- Healthy City initiative
  - James Cafe will have a marketplace selling healthy fresh food (Triangle Building is currently surrounded by many fast-food restaurants).
  - This Cafe retailer will apply to the USDA for food stamp compliance through the Supplemental Nutrition Assistance program (SNAP) and Electronic Benefit Transfer (EBT) programs.

Community Benefits

- Infrastructure
  - Major infrastructure improvements are being made to the building such as installing new sewer/sanitary lines, sidewalk and lighting (faux antique electric replacements) and this will enhance safety/security of that block. At building acquisition retail tenancies had to cease due to sewage line degradation and resulting public health risk.
- Community space
  - A Podcast Room - made available to non-profits like the DNA and August Wilson Center. This will act as a hub bringing interesting people to do the building helping to create retail vibrancy.
- Lynchpin Location
  - Triangle Building is located between the Cultural District and the Smithfield Corridor, and acts as a connection point between the two sitting on its own block. Investment will spurn on further development on Smithfield Street, itself the recipient of federal funding for streetscape improvement.

School Property Tax Analysis

Taxable Market Value / Assessed Value 2022	$	1,050,000.00
School Millage Rate 2022		0.999500%
School property Taxes 2022	$	10,762.51
Construction Cost	$	3,000,000.00
projected Completion Value	$	4,050,000.00
School Millage Rate 2022		0.999500%
School property Taxes 2022	$	40,479.75

Year	Projected Gross Property Tax	LERTA	Net after LERTA	Existing Gross Property Tax	LERTA	Net after LERTA	School Benefit
Current				$ 10,762.51	$ -	$ 10,762.51	
Completion:							
Year 1	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
Year 2	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
Year 3	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
Year 4	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
Year 5	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
Year 6	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
Year 7	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
Year 8	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
Year 9	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
Year 10	$ 40,479.75	$ 29,717.24	$ 10,762.51	$ 10,762.51	$ -	$ 10,762.51	$ -
10-Year Total			$ 107,625.10			$ 107,625.10	$ -
Year 11	$ 40,479.75	$ -	$ 40,479.75	$ 10,762.51	$ -	$ 10,762.51	$ 29,717.24
Years 11-20 Total			**$ 404,797.50**			$ 107,625.10	**$ 297,172.40**
Years 1-20 Total			**$ 512,422.60**				

School Property Tax Analysis

The development is unprofitable without School LERTA and will result in project not being able to proceed as planned

	WITHOUT SCHOOL LERTA AT STABILIZATION	WITH SCHOOL LERTA AT STABILIZATION
REVENUE		
Retail Revenue	$ 81,000.00	$ 101,430.00
Potential Gross Residential Revenue	$ 547,740.00	$ 547,740.00
Total Rental Revenue	$ 628,740.00	$ 649,170.00
		$ -
Expense Reimbursements	$ -	$ -
Potential Gross Revenue	$ 628,740.00	$ 649,170.00
		$ -
Less: General Vacancy	5.00%	5.00%
	$ 31,437.00	$ 31,437.00
		$ -
Effective Gross Revenue	$ 597,303.00	$ 617,733.00
		$ -
EXPENSES		$ -
Insurance	$ 19,170.90	$ 19,170.90
Property Tax (Retail Reimbursable not included)	$ 52,590.00	$ 19,500.00
HTC Investor 2% Carried Interest	$ 8,400.00	$ 8,400.00
PUI NMTC Legal & Accountancy	$ 11,250.00	$ 11,250.00
PUI Asset Management Fee	$ 20,000.00	$ 20,000.00
URA Loan Servicing Fee	$ 2,500.00	$ 2,500.00
Twain Fund Management Fee	$ 5,606.04	$ 5,606.04
Maintenance & Repair	$ 6,120.00	$ 6,120.00
Cleaning	$ 6,120.00	$ 6,120.00
IT	$ 2,550.00	$ 2,550.00
Life Safety/Communications/Elevator	$ 18,360.00	$ 18,360.00
Utilities	$ 7,140.00	$ 7,140.00
Property Management	$ 7,038.00	$ 7,038.00
Tax Accountancy, corporate filing & Contingency	$ 12,750.00	$ 12,750.00
Total Expenses	$ 179,594.94	$ 146,504.94
	30.07%	23.72%
Net Operating Income	$ 417,708.06	$ 471,228.06
Mortgage Payment	$ 444,567.96	$ 444,567.96
DSCR	0.94	1.06
Net Cash Flow After Mortgage Payment	$ (26,859.90)	$ 26,660.10

Community Benefits

- WMBE Participation:
  - Hullett Properties itself is a wholly woman-owned business
  - Most engineering professionals on the design team are woman (Structural, MEP, Retail Architect, Civil Engineer, etc.) representing over 50% of all engineering consultants.
  - We involved the Building Inclusive Development (BID) program. BID is a catalyst program for minority-owned companies working in construction.
  - The project general contractor - Continental Building Co. - is a member of the African American Chamber of Commerce
  - This project is subject to URA WMBE mandate requiring efforts to achieve 18% Minority and 7% Women Business Enterprise participation in planning and/or professional service activities
- 926 Liberty Ave. is located in a Low-Income Community. Investment will be catalytic.
- Retail is very challenging in the Golden Triangle and needs support for Gross Rent offering to tenants. We are seeking high value retailers, not fast-food chains.

Community Benefits

- Wages
  - Union Inclusion efforts with Continental Building Co. to achieve over 15% of the Budget.
- Accessibility
  - Building brought up to modern ADA standards with access from streetscape and ADA unit and ADA convertible units.
- No displacement
  - no existing residents – building above grade was vacant and commercial tenants vacated due to sewage line corrosion making building a health violation.
- Job creation
  - includes construction jobs and permanent employment and engagement with community organizations like Partner4Work and Community Kitchen Pittsburgh.
  - We have calculated that 70 FTE construction jobs during construction and 55 FTE jobs on completion/operations will be created.

PPS Student benefits

- If awarded the PPS LERTA we will connect with schools located downtown to offer several avenues for participation in the project.
- We can offer internships that will provide excellent exposure to the economics of real estate development and construction management and property management. We will make this available on a competitive basis to PPS students. Fostering real world financial literacy at a young age has proven to be a foundation of future personal financial stability.
- The project will benefit from a podcast booth and we are able to make that available to PPS students at no charge for broadcasting their own content.
- We are receptive to having an art contest the winner of which would have their art piece displayed at the Triangle Building.
- We are receptive to any PPS Administration suggestions on how we may provide any other type of value for this development project to enrich students and their learning experience.

But For

- ‘But for’ the School Board LERTA this project will not be able to proceed as planned.
- Budget has increased over $1,000,000 due to construction cost inflation and issues confronted during demolition, such as mold damage and asbestos remediation, structural issues requiring complete replacement of certain floors, and major sewer line replacement, that was unanticipated.
- Construction Loan lender Debt Service Coverage Ratio will not be achieved without School LERTA.
- Retail will sit vacant if we do not have a more generous Tenant Improvement Allowance offer and gross rent package.
  - No James Cafe lease will be signed without this.
  - There are 54 empty retail spaces in the Golden Triangle as determined by the Pittsburgh Downtown Neighbors Alliance as at September 15 2022.
- Project has no outside investors due to very challenging project economics so Hullett Properties has taken on full project risk to redevelop this building with a very long-term financial outlook with a direct cash equity investment of $3,250,000 to date.

We are asking for PPS support with the granting of a LERTA Abatement

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Thank you for your consideration

Breanna Tyson

Brett Walsh