

## AN ORDINANCE

Amending the existing Gallery at Market East Tax Increment Financing District, being the area generally bounded by Filbert Street on the north, 8th Street on the east, 11th Street on the west, and Market Street on the south, to remove certain portions of such property generally bounded by Filbert Street on the north, 10th Street on the east, 11th Street on the west, and Market Street on the south from such District, and approving the amended project plan of the Philadelphia Authority for Industrial Development for the redevelopment of the Gallery at Market East Tax Increment Financing District and making certain findings and declarations, all in accordance with the Tax Increment Financing Act, being the Act of July 11, 1990, P.L. 465, No. 113, as amended, and authorizing the Director of Finance and other offices of the City to execute documents and do all things necessary to carry out the intent of this Ordinance.

WHEREAS, By ordinance approved June 18, 2015 (Bill No. 150380) (the “2015 Ordinance”), City Council created the Gallery at Market East Tax Increment Financing District (“District”) and approved the project plan (the “2015 Project Plan”) submitted by the Philadelphia Authority for Industrial Development (“PAID”) for the redevelopment of the District, all pursuant to the provisions of the Tax Increment Financing Act, being the Act of July 11, 1990, P.L. 465, No. 113, as amended (“Tax Increment Financing Act”); and

WHEREAS, Developer (as defined in the 2015 Project Plan) completed improvements to the District as a retail-oriented mall with office components and other uses as contemplated by the 2015 Project Plan; and

WHEREAS, Developer, or its successors or assignees, desires to remove certain real estate located between 10<sup>th</sup> and 11<sup>th</sup> Streets from the District in order to facilitate future development of a sports and entertainment arena to be developed outside the District, as amended hereby, without the benefits conferred by the 2015 Ordinance pursuant to the Tax Increment Financing Act; and

WHEREAS, PAID has prepared a detailed amended project plan for the District attached hereto as Exhibit “A” (the “Amended Project Plan”), including an amended and reduced boundary map and description of the District, as well as other documents and supporting data which form part of the Amended Project Plan submitted by PAID, and PAID has submitted the amended project plan for approval by Council pursuant to the Tax Increment Financing Act, and such Amended Project Plan is on file with the Chief Clerk of Council; and

WHEREAS, Developer anticipates continued operation of the District within the reduced footprint of the Amended Project Plan for the remaining term of the District; and

WHEREAS, In accordance with the provisions of the Urban Redevelopment Law, being the Act of May 24, 1945, P.L. 991, as amended and supplemented (“Urban Redevelopment Law”), and the Tax Increment Financing Act, the City Planning Commission of the City of Philadelphia (the “Commission”), certified that the District was located within the Center City Redevelopment Area, a certified redevelopment area under the Urban Redevelopment Law, and that the 2015 Project Plan conformed with the comprehensive plan for the City as a whole; and

WHEREAS, The Commission confirmed that the District boundary as amended remains a contiguous geographic area located within the Center City Redevelopment Area and further

confirmed that continued operation of the District as amended conforms with the comprehensive plan for the City as a whole; and

WHEREAS, To the extent that they apply to the District, as amended by this Ordinance, the 2015 Project Plan's prescriptions and requirements for the District regarding certain land uses, changes in zoning, streets, alleys, public ways, street patterns, the location and relocation of public utilities and other public facilities, and other public actions remain unchanged; and

WHEREAS, No person shall, on the grounds of race, ethnicity, color, creed, sex (including pregnancy, childbirth, or a related medical condition), sexual orientation, gender identity, religion, national origin, ancestry, age, disability, marital status, familial status, genetic information or domestic or sexual violence victim status, be excluded from participation in, be denied the benefits of, or be subjected to discrimination in the undertakings and carrying out of the Amended Project Plan; and

WHEREAS, City Council desires to take appropriate action with respect to the Amended Project Plan pursuant to the Tax Increment Financing Act; and

WHEREAS, Pursuant to the Tax Increment Financing Act, creation of a tax increment financing district authorizes the use of certain positive tax increments to finance improvements, including costs incidental thereto, within the District; NOW, THEREFORE,

*THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:*

SECTION 1. City Council hereby approves the amended project plan for the Gallery at Market East Tax Increment Financing District ("District") attached to this ordinance as "Exhibit A" and made part hereof ("Amended Project Plan") and amends the District, as provided herein, pursuant to the Tax Increment Financing Act. The District, as amended, consists of the area and property shown on a plan prepared by Langan Engineering & Environmental Services, which is included in the Amended Project Plan and is labeled East Market TIF District Exhibit, dated 7-31-2023, a copy of which shall be maintained on file by the Chief Clerk of Council and made available for review by the public, more particularly described as follows, to wit:

ALL THAT CERTAIN piece of land, situated in the City of Philadelphia and Commonwealth of Pennsylvania and being more particularly described as follows, to wit:

BEGINNING at a point at the intersection of the centerline of 8th Street (50' wide) and the centerline of Market Street (100' wide); thence,

1. Extending along the centerline of Market Street, North 78°59'00" West, a distance of 862.930 feet to a point on the easterly right-of-way line of 10th Street (55.781' wide); thence,
2. Leaving said centerline of Market Street and extending along the easterly right-of-way line of 10th Street, North 11°01'00" East, a distance of 383.250 feet to a point in the centerline of Filbert Street (variable width); thence,

Extending along the said centerline of Filbert Street the following 5 courses and distances;

3. South 78°59'00" East, a distance of 543.000 feet to a point; thence,
4. South 11°01'00" West, a distance of 0.250 feet to a point; thence,
5. South 78°59'00" East, a distance of 11.797 feet to a point; thence,
6. South 11°01'00" West, a distance of 1.500 feet to a point; thence,
7. South 78°59'00" East, a distance of 310.352 feet to a point in the aforementioned centerline of 8th Street; thence,
8. Along said centerline of 8th Street South 11°21'00" West, a distance of 381.506 feet to the first mentioned point and place of BEGINNING.

Excepting thereout and therefrom the following described areas;

Exception 1: Office Unit of 801 Market Street Condominium, from Floor 3 and extending upwards;

Beginning at a point at the intersection of the westerly right-of-way line of 8th Street (50' wide) and the northerly right-of-way line of Market Street (100' wide); thence,

1. Extending along the said northerly right-of-way line of Market Street North 78°59'00" West, a distance of 297.000 feet to a point; thence
2. Leaving said northerly line of Market Street and extending North 11°01'00" East, a distance of 306.000 feet to a point in the southerly right-of-way line of Filbert Street (variable width); thence,
3. Extending along the said southerly right-of-way line of Filbert Street South 78°59'00" East, a distance of 297.000 feet to a point in the aforementioned westerly right-of-way line of 8<sup>th</sup> Street; thence,
4. Extending along the said westerly right-of-way line of 8<sup>th</sup> Street, South 11°01'00" West, a distance of 306.000 feet to the first mentioned point and place of **BEGINNING**.

Containing an area of 90,610 square feet or 2.080 acres, more or less.

Exception 2: Air Rights

The TIF District does not include the Air Rights above the existing parcels of the Gallery buildings.

833 Market Street

Excluded from the TIF District are the air rights beginning at an approximate elevation of 84.0' city datum, and extending upwards.

901-905 Market Street

Excluded from the TIF District are the air rights beginning at an approximate elevation of 84.0' city datum, and extending upwards.

SECTION 2. City Council finds and declares that the Amended Project Plan, having been duly reviewed and considered, is approved and modifies the 2015 Project Plan, and that, in addition to the findings and declarations provided in Section 3 of the 2015 Ordinance:

- a) The Amended Project Plan conforms to the City Comprehensive plan for the development of the locality as a whole;
- b) The District, as amended, is a contiguous geographic area within a certified redevelopment area created pursuant to the Urban Redevelopment Law;
- c) The aggregate value of equalized taxable property of the District, as amended, plus all existing tax increment districts, does not exceed ten percent (10%) of the total value of equalized taxable property within the City of Philadelphia;
- d) The property to be removed from the District has no residential uses. The Amended Project Plan includes a feasible method for the relocation of commercial tenants to the remaining District.
- e) The Amended Project Plan affords maximum opportunity, consistent with the sound needs of the community as a whole, for the redevelopment of the District by private enterprise;
- f) Changes in zoning, streets, alleys, public ways, street patterns, location and relocation of sewer and water mains and other public facilities and utilities shown in the amended project plan are reasonable and necessary under the circumstances; and
- g) The Amended Project Plan meets all of the conditions and requirements imposed by law and the pertinent regulations with respect thereto, for the purpose of prohibiting discrimination with regard to race, ethnicity, color, creed, sex (including pregnancy, childbirth, or a related medical condition), sexual orientation, gender identity, religion, national origin, ancestry, age, disability, marital status, familial status, genetic information and domestic or sexual violence victim status.

SECTION 3. Council finds and declares that the Amended Project Plan is in conformity with the Center City Redevelopment Area Plan.

SECTION 4. Council's approval of the amended Project Plan for the District and amendment of the District is effective as of the January 1<sup>st</sup> next following the date that an agreement for payments in lieu of taxes among The City of Philadelphia, the School District of Philadelphia, and the taxpayer for the property being removed from the District pursuant to this Ordinance takes effect for such area.

SECTION 5. The provisions of Section 7 of Bill No. 150380 (approved June 18, 2015) are hereby reaffirmed and continue to apply to the amended TIF District.

SECTION 6. The Director of Finance and other officers of the City are hereby authorized to execute and deliver all documents and do all things necessary to carry out the intent of this Ordinance.

## **EXHIBIT A**

Gallery at Market East Tax Increment Financing District  
Amended Project Plan  
September \_\_, 2024

The purpose of this Amended Project Plan is to amend the existing Gallery at Market East Tax Increment Financing District Project Plan approved by the City Council of the City of Philadelphia (the “City”) in Bill No. 150380, enacted on June 18, 2015 (the “2015 TIF Ordinance” and the “2015 Project Plan” and collectively, the “TIF District”). This Amended Project Plan also constitutes a Neighborhood Improvement District Plan pursuant to 53 P.S. §18105 of the Community and Economic Improvement Act, being the Act of December 21, 1998, P.L. 1307, No. 174, as amended.

This Amended Project Plan is requested to facilitate development of a sports and entertainment arena and adjacent residential tower (as described in Part I, “The Project”) on portions of the existing TIF District and to promote future vitality of the remaining TIF District as amended. Development of the Project requires amendment of the TIF District to remove certain parcels as described in Part II, “The Proposed Amendment” to accommodate the Project. The base tax values and tax revenue projections are adjusted in accordance with the reduced TIF District size and net projected benefits are described in Part III, “Economic Analysis”.

Except as set forth in this Amended Project Plan, the original Gallery at Market East Tax Increment Financing District Project Plan shall remain in effect in the form attached hereto as Exhibit VI.

### **Part I: The Project**

*Developer:* CBL Arena LLC or an affiliate thereof (the “Developer” or “CBL”), is a Delaware limited liability company controlled by Harris Blitzer Sports Entertainment, whose owners also own, directly and indirectly, a controlling interest in the Philadelphia 76ers NBA Franchise (“Sixers”).

*The Project:* Developer proposes to acquire parcels generally bounded by 10<sup>th</sup>, 11<sup>th</sup>, Market and Filbert Streets including 1001-19 and 1025 Market Street (which are currently located in the existing TIF District and shall be removed by this amendment) together with the former bus terminal located at 1001-25 Filbert Street, demolish existing improvements thereon, and convey the cleared parcels via the Philadelphia Authority for Industrial Development (“PAID”) to the City for nominal consideration. The City will form a single parcel generally bounded by Cuthbert Street on the north, 10<sup>th</sup> Street on the east, Market Street on the south, and 11<sup>th</sup> Street on the west (the “Arena Parcel”) for lease via PAID to the Developer also for nominal consideration. The Developer will construct thereon an approximately 18,500-seat state-of-the-art arena which will serve as the new home of the Sixers (the “Arena Project”) and an adjacent mixed-income residential apartment tower estimated at 395 units in 22 stories (the “Residential Project” and, collectively with the Arena Project, the “Project”). The Arena Project and Residential Project will be developed and operated by the Developer and will not be located in the TIF District as amended hereby.

*The Amended TIF District:* The remaining parcels located within the TIF District as amended (the “Amended TIF District”) will continue to be operated primarily as a retail mall with office and other uses mixed in. The Amended TIF District will be repositioned into a retail, restaurant, and entertainment-based commercial center. Although smaller than the existing mall, the rejuvenated Fashion District Mall is expected to have increased utilization and performance, benefiting from completion of the Project.

*Phasing:* The Developer anticipates demolition of the existing structures on the Arena Parcel to begin in January 2026, with the construction of the Project commencing in 2028. Completion of the construction of both the Arena Project and the Residential Project is projected to occur in 2031 with the first full year of operations in 2032. The remaining Fashion District Mall retail facilities in the Amended TIF District will be repositioned beginning in 2026 and continue through 2031.

**Part II: The Proposed Amendment**

This Amendment shall remove parcels comprising the block generally bounded by 10<sup>th</sup>, 11<sup>th</sup>, Market and Filbert Streets from the existing TIF District (the “Removed Parcels”) thereby moving the western boundary of the existing TIF District from 11<sup>th</sup> Street to 10<sup>th</sup> Street. The general boundaries of the existing TIF District and Amended TIF District are as follows and as further depicted in Figure 1 and Figure 2.

Boundary	Existing TIF District	Amended TIF District
West	<b>11<sup>th</sup> Street</b>	<b>10<sup>th</sup> Street</b>
North	Filbert Street	Filbert Street
South	Market Street	Market Street
East	8 <sup>th</sup> Street	8 <sup>th</sup> Street

The 2015 TIF Ordinance and 2015 Project Plan defined the existing Gallery at Market East Tax Increment District as approximately 12 acres and 5 taxable parcels encompassing approximately 1,289,000 square feet including 839,000 square feet of retail space, 275,000 square feet of office space and 175,000 square feet of common areas (currently referred to as the “Fashion District”).

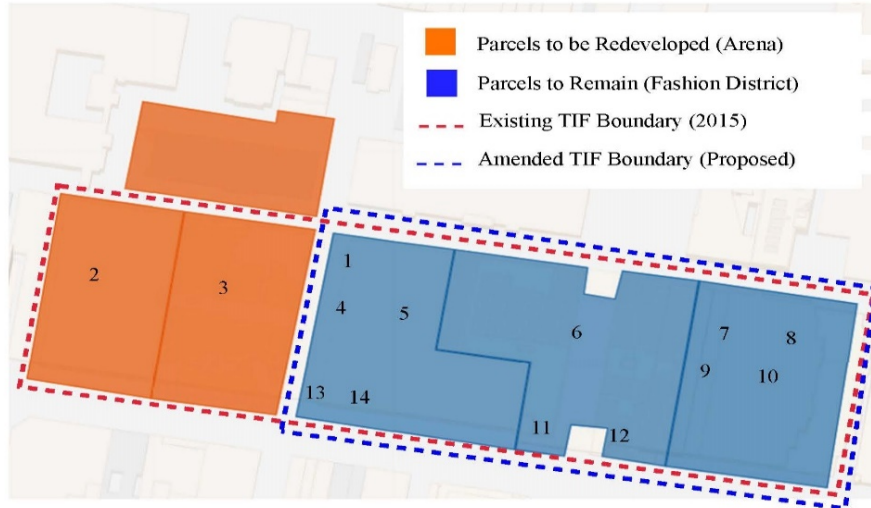
Amending the TIF District and eliminating the Removed Parcels will reduce the Fashion District space by approximately 2.9 acres, covering 380,000 square feet and result in a Fashion District with approximately 909,000 square feet of improvements including 522,000 square feet of retail, 264,000 square feet of office and 123,000 square feet of common space.

Use (square feet)	Existing	Amended	Change
Retail	839,245	521,746	-317,499
Office	274,568	263,947	10,621
Leasable	1,113,813	785,693	-328,120
Common Space	174,794	123,301	-51,492
<b>Total</b>	<b>1,288,607</b>	<b>908,994</b>	<b>-379,612</b>

The arena site to be removed from the TIF District is zoned commercially and has no residential uses. The Developer will work with commercial tenants in the arena site to relocate them to the remaining Fashion District or terminate their lease in accordance with those terms on a commercially reasonable basis.

Effective Date: The effective date of this Amendment shall be the January 1st next following the date that an agreement for payments in lieu of taxes (“PILOT”) among the City, the School District of Philadelphia (“School District”), and the Developer (the “Effective Date”) takes effect for the Removed Parcels through the expiration date of the TIF District on December 31, 2035 (the “Remaining TIF Period”). The Effective Date is expected to be January 1, 2028 for purposes of this plan.

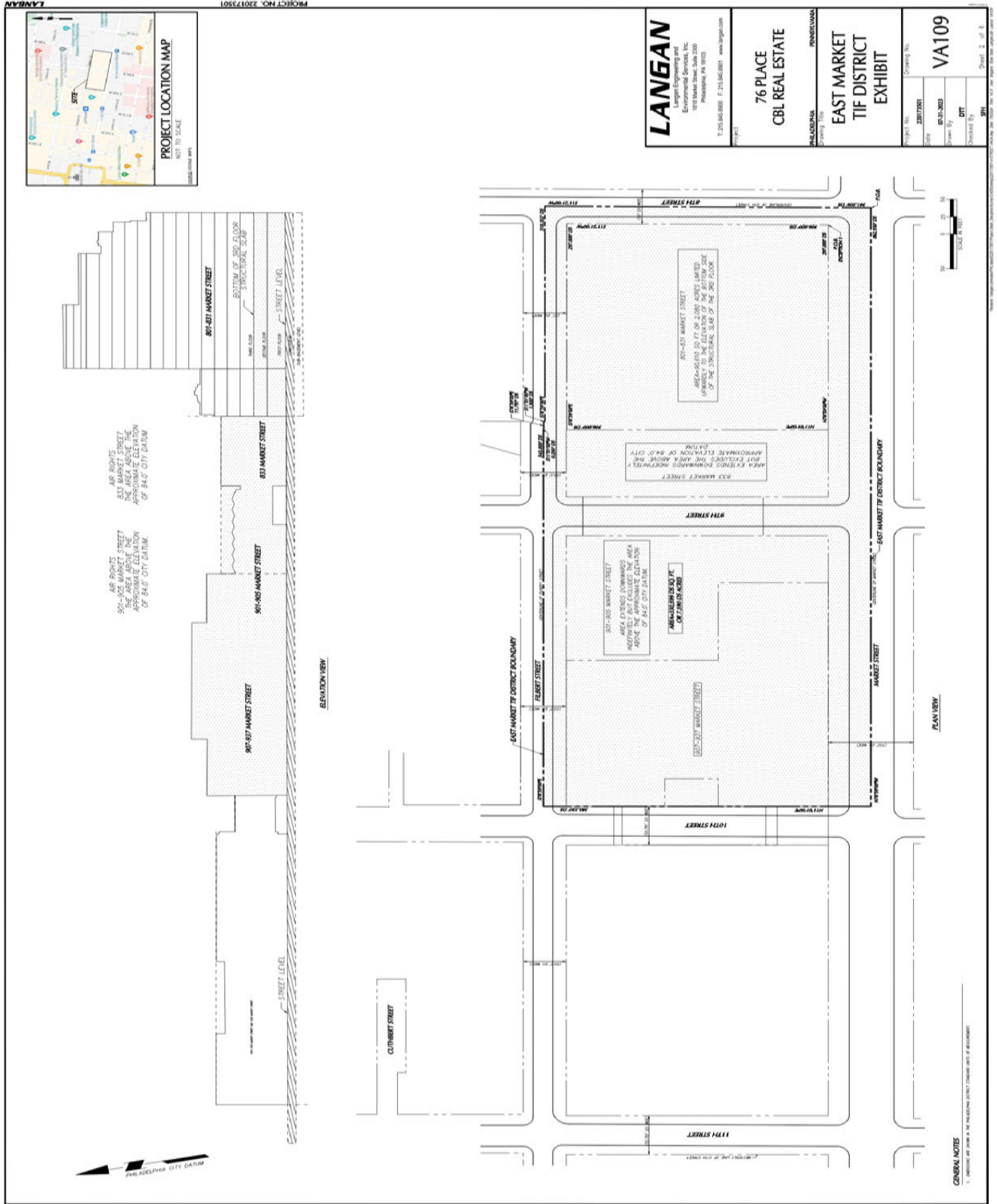
**Figure 1: Existing and Amended TIF District Boundaries, Including Amended TIF District and Arena Parcels**



- |   |   |
|---|---|
| 1. 15-19 N 10th St<br>(885696700)             | 8. 801 Market Street, Unit 202<br>(882000005)                           |
| 2. 1025 Market Street<br>(882508100)          | 9. 801S Market Street # A<br>(781209000)                                |
| 3. 1001-19 Market Street<br>(882508010)       | 10. 801S-31 Market Street # B<br>(781209200)                            |
| 4. 907-37 Market Street # A<br>(882506610)    | 11. Aerial rights over 9th between Market & Filbert<br>(882018190)      |
| 5. 907-37 Market Street # B<br>(883013600)    | 12. Subsurface rights under 9th between Market & Filbert<br>(781209600) |
| 6. 833 Market Street<br>(882506502)           | 13. Adjacent to 10th east side between Market & Filbert<br>(781209800)  |
| 7. 801 Market Street, Unit 101<br>(882000004) | 14. Adjacent to 10th east side between Market & Filbert<br>(781210000)  |



Figure 2: Amended TIF District



### Part III: Economic Analysis

*The economic impact analysis is based on the assumptions and methodology described below and is not intended to be construed as a maximum or minimum figure. This analysis includes direct impacts of the real estate; sales and use; business income and receipts; wage; amusement; outdoor advertising; liquor; beverage; parking; use and occupancy taxes; and payments or settlement in lieu of such taxes, as applicable. Direct impacts are impacts occurring at the Project and do not include any ancillary, off-site, indirect, or induced impacts with the exception of parking taxes.*

#### **Fiscal Effect on the Municipal Tax Base:**

Approval of this TIF Amendment and development of the Project as proposed (the “Build Scenario”) is projected to produce more tax revenues to the City and School District through the Remaining TIF Period than if existing conditions remain unchanged for the existing TIF District (the “No-Build Scenario”).

Tax revenues related to the Arena Project and the Amended TIF District are estimated to be \$24.5 million during the first full year of operations of the Project after the PILOT payments commence in 2033 with \$8.3 million generated by the TIF District as reduced and \$16.2 million generated by the Arena Project. Tax revenues from the Arena Project and the TIF District as reduced are estimated to be approximately \$162.6 million cumulatively from calendar year 2025 through the Remaining TIF Period. This represents a \$71.7 million net increase over the existing conditions from the remaining 11 years of TIF term in the No-Build Scenario.

Tax increment revenues pledged to the repayment of the TIF Notes will be derived from real estate, City sales (1%, i.e. half of the total 2% City portion), and business income and receipts tax increments (“BIRT”) authorized in the 2015 Project Plan (*see* 2015 Project Plan Part IV). An additional approximate \$40.4 million will accrue to the Tax Increment Fund to amortize the TIF Notes (as such terms are defined in the 2015 Project Plan).

The table below summarizes the projected cumulative tax revenues available to the City (including the Pension Fund), School District, and the TIF under existing conditions in the No-Build Scenario, and the tax revenues available to the City, School District, and the TIF assuming completion of the Project through the Remaining TIF Period in the Build Scenario. The Build Scenario tax revenues are summarized below and detailed in Exhibit I.

Beneficiary	No-Build Scenario	Build Scenario			Net Benefit
		Fashion District	Arena (net new)	Total	
City	\$4,056,057	(\$6,474,400)	\$79,816,092	\$73,341,692	\$69,285,635
School District	\$43,047,242	\$34,345,449	\$14,517,526	\$48,862,975	\$5,815,733
TIF Fund	\$43,795,086	\$40,405,204	\$0	\$40,405,204	(\$3,389,882)
<b>Total</b>	<b>\$90,898,384</b>	<b>\$68,276,253</b>	<b>\$94,333,618</b>	<b>\$162,609,871</b>	<b>\$71,711,486</b>

## Scope and Assumptions:

The economic analysis compares (i) tax revenue projections from January 2025 through the term of the TIF District (December 31, 2035) if this Amended Project Plan is approved and the Arena Project is completed (i.e. the Build Scenario) against (ii) tax revenue projections of existing conditions if the amendment is not approved (i.e. the No-Build Scenario) to estimate whether the Arena Project and this Amended Project Plan together represent a net fiscal benefit to the City and the School District.

Under the Build Scenario, the City and the School District can expect to receive tax revenues from continued operation of the reduced Fashion District in addition to tax revenues related to construction and operation of the Arena Project, which will be located outside of the Amended TIF District but is made possible by this Amended Project Plan. Elements of the benefit to the City and School District in the Build Scenario include the following:

- *Arena Construction:* Estimated net new benefit includes tax revenues from construction based on the assumption that the Sixers would continue to play at the Wells Fargo Center or construct an arena outside of the city if the Arena Project or this Amended Project Plan is not approved.
- *Arena Operations:* Net new benefit from Arena operations is estimated to result solely from 53 new concerts, family and other events that would not otherwise be available in Philadelphia under the single-arena No-Build Scenario. Estimated tax revenues from current Sixers games and existing other events are excluded from the projections of net tax revenues based on the assumption that Sixers games and other existing events would continue to be hosted in the city in the No-Build Scenario and consequently are *not* new revenues to the City and School District. Furthermore, while it is expected that the Arena Project will increase revenues from the Sixers' games, such expected increase is excluded from the projections of net tax revenues to form a more conservative estimate.
- *Fashion District:* Estimated net tax revenues from the Fashion District as reduced are measured by projecting tax revenues from the Fashion District in the Build Scenario including only the 800-900-blocks of Market Street.
- *Residential Project:* Estimated tax revenues from construction and operation of the proposed Residential Project on the former bus depot site are excluded from the projections of net benefit based on the assumption that a comparable residential development would occur in the No-Build Scenario if the Arena Project does not proceed.
- *Indirect Impacts:* Indirect and induced impacts (whether positive or negative) related to development and operation of the Arena Project on tax revenues from communities surrounding the Fashion District and the Arena Project and from the existing sports stadium district are not included in the estimated net benefit to form a more conservative estimate.

## Arena Construction:

Arena Project development costs are estimated at \$1.6 billion (\$1.3 billion in 2023 dollars as inflated to 2030) and include demolition of existing improvements and new construction of the Arena Project. Total development costs include core and shell construction of \$250 million which will serve as basis for the PILOT payments, other construction, tenant and finish work of \$591.2 million, and furniture, fixtures and equipment, professional services and other fees and costs of \$757.6 million. Of the total development budget costs, purchased materials subject to the sales & use tax represent 50% or \$799.4 million, and construction wages subject to the wage tax are estimated represent 30% or \$479.7 million. Demolition is estimated to commence January 2026 with construction to commence 2028 and be completed during 2031 in advance of the start of the NBA season.

Net new tax revenues are associated with wage tax on construction labor related to demolition and construction together with sales and use taxes from purchase of building materials and furniture, fixtures and equipment. These taxes represent net benefit to the City and School District of Philadelphia and are summarized below and detailed in Exhibit II-A.

Tax	Remaining TIF Period (construction)	City	School	Amended TIF District
Wage	\$ 17,496,223	\$ 17,496,223	\$ 0	\$ 0
Sales (2%)	\$ 15,988,360	\$ 15,988,360	\$ 0	\$ 0
<b>Total</b>	<b>\$ 33,484,583</b>	<b>\$ 33,484,583</b>	<b>\$ 0</b>	<b>\$ 0</b>

## Arena Operations:

### Net Events:

Net new tax benefit from development and operations of the Arena Project are calculated with respect to 53 new non-Sixers events related to concerts, family shows and other events that are projected to occur solely from addition of a second arena into the Philadelphia market as detailed in Exhibit II-F.

- *Current Usage in Single Arena Scenario:* Average annual events over the past three years at the Wells Fargo Center (excluding COVID-impacted years) total 186 events including 43 Sixers home games, 43 Flyers home games plus 100 concerts, family shows and other events.
- *Projected Usage in Dual Arena Scenario:* In total, the Philadelphia market is projected to support 239 events per year upon stabilization in a dual arena scenario including 43 Sixers home games, 43 Flyers home games plus 153 concerts, family shows and other events.
- *Net New Usage:* Retention of all Sixers and Flyers home games yields no new benefit but projection of 153 concerts, family shows and other events in the dual arena scenario less 100 events in the existing single arena scenario yields a net benefit of 53 additional events. The 53 net new events are projected to include 35 concerts, 15 family shows and three other events with total combined paid attendance of 612,705 persons and turnstile attendance of 567,496 persons.

- *Sensitivity Analysis:* A sensitivity analysis was performed to evaluate tax revenues in scenarios where net new events are less than the projected. Alternative scenarios included 45, 34, 26, and 18 new events.

New Tax Revenues (Remaining TIF Period):

Tax revenues associated with the 53 net new events over the 11 years of the Remaining TIF Period include the following elements:

- In-arena tax revenues including event-day wages plus sales, liquor, beverage, amusement and other taxes associated with purchase of tickets, food and beverage, and merchandise;
- Parking taxes related solely to the 53 net new events;
- Payments In Lieu Of Taxes (“PILOT”) payments on the Arena; and
- Use & Occupancy taxes paid under the settlement agreement related to the Arena.

These taxes represent net benefit to the City and School District derived from the 53 new events and are summarized below and detailed in Exhibit II-A.

Tax	Remaining TIF Period (Operations)	City	School	Amended TIF District
PILOT	\$ 15,000,000	\$ 6,600,000	\$ 8,400,000	\$ 0
Wage	\$ 19,499,297	\$ 19,499,297	\$ 0	\$ 0
Sales (2%)	\$ 23,967,706	\$ 23,967,706	\$ 0	\$ 0
Beverage	\$ 140,603	\$ 140,603	\$ 0	\$ 0
Amusement	\$ 16,430,756	\$ 16,430,756	\$ 0	\$ 0
Parking	\$ 1,870,395	\$ 1,870,395	\$ 0	\$ 0
BIRT	\$ 11,307,336	\$ 11,307,336	\$ 0	\$ 0
U&O	\$ 2,000,000	\$ 0	\$ 2,000,000	\$ 0
Liquor	\$ 4,117,526	\$ 0	\$ 4,117,526	\$ 0
<b>Total</b>	<b>\$ 94,333,618</b>	<b>\$ 79,816,092</b>	<b>\$ 14,517,526</b>	<b>\$ 0</b>

New Tax Revenues (Arena development and 30-year lease term):

Tax revenues associated with development of the Arena and the 53 net new events over the 30-year sublease Term were also calculated on a net present value basis, as summarized below and detailed in Exhibit II-B.

Tax	Arena Development & 30-year Lease Term	City	School
PILOT	\$ 54,748,461	\$ 24,089,323	\$ 30,659,138
Wage	\$ 20,524,717	\$ 20,524,727	\$ 0
Sales (2%)	\$ 41,651,149	\$ 41,651,149	\$ 0
Beverage	\$ 384,018	\$ 384,018	\$ 0
Amusement	\$ 61,179,563	\$ 61,179,563	\$ 0
Parking	\$ 6,964,375	\$ 6,964,375	\$ 0
BIRT	\$ 42,166,745	\$ 42,166,745	\$ 0
U&O	\$ 5,848,072	\$ 0	\$ 5,848,072
Liquor	\$ 15,331,518	\$ 0	\$ 15,331,518
<b>Total</b>	<b>\$ 248,798,619</b>	<b>\$ 196,959,891</b>	<b>\$ 51,838,728</b>

Sensitivity Analysis:

A sensitivity analysis indicates that the City and School District will see net positive tax revenues from the development and operations of the Arena Project over the 30-year sublease term even if net new events are significantly reduced. Tax revenues associated with development of the Arena Project and reduced event scenarios over the 30-year lease Term were calculated on a net present value basis, as summarized below and detailed in Exhibit II-C.

No. Events	Total	City	School
65 Events	\$ 291.8	\$ 235.8	\$ 56.0
53 Events (expected)	\$ 248.8	\$ 197.0	\$ 51.8
45 Events	\$ 219.2	\$ 170.2	\$ 49.0
34 Events	\$ 179.2	\$ 134.0	\$ 45.1
26 Events	\$ 171.6	\$ 127.6	\$ 44.0
18 Events	\$ 152.7	\$ 110.8	\$ 41.9

*\$ in millions*

**Fashion District (Amended TIF District):**

Development of the Arena Project will enable the Fashion District to be repositioned with potential for higher rates of occupancy and greater sales per square foot in a smaller volume. Projected benefits calculate gross benefits from the reduced Fashion District covering the 800-900 blocks of Market Street in the amended two-block TIF District associated with real estate, wage, sales, liquor, use and occupancy, advertising taxes and BIRT related to the Build Scenario are summarized below and detailed in Exhibit III A-C.

Tax	Remaining TIF Period (Total Revenues)	City Revenues	School Revenues	TIF District Revenues
Real estate	\$ 31,857,881	\$ 5,937,620	\$ 7,257,091	\$ 18,863,170
Wage	\$ 6,259,849	\$ 6,259,849	\$ 0	\$ 0
Sales (2%)	\$ 13,767,576	\$ 11,182,248	\$ 0	\$ 2,585,328
Amusement	\$ 275,367	\$ 275,367	\$ 0	\$ 0
Advertising	\$ 4,213,138	\$ 4,213,138	\$ 0	\$ 0
BIRT	\$ 20,422,749	\$ 1,266,043	\$ 0	\$ 19,156,706
U&O	\$ 22,987,699	\$ 0	\$ 22,987,699	\$ 0
Liquor	\$ 4,100,659	\$ 0	\$ 4,100,659	\$ 0
Mall Payments	\$ (35,608,666)	\$ (35,608,666)	\$ 0	\$ 0
<b>Total</b>	<b>\$ 68,276,253</b>	<b>\$ (6,474,400)</b>	<b>\$ 34,345,449</b>	<b>\$ 40,405,204</b>

**No-Build Scenario:**

In the No-Build Scenario, the Fashion District is projected to continue operating at current assessed property values and occupancy and sales rates. Projected tax revenues calculate benefits from the existing Fashion District covering 800-1000 blocks of Market Street in the current three-block TIF District associated with real estate, wage, sales, liquor, use and occupancy, and BIRT taxes (summarized below and detailed in Exhibit IV A-C.

Tax	Remaining TIF Period (Total Revenues)	City Revenues	School Revenues	TIF District Revenues
Real estate	\$ 43,614,494	\$ 7,461,972	\$ 9,120,188	\$ 27,032,333
Wage	\$ 9,112,042	\$ 9,112,042	\$ 0	\$ 0
Sales (2%)	\$ 20,040,540	\$ 16,277,910	\$ 0	\$ 3,762,630
Amusement	\$ 3,526,847	\$ 3,526,847	\$ 0	\$ 0
Advertising	\$ 1,539,352	\$ 1,539,352	\$ 0	\$ 0
BIRT	\$ 14,746,722	\$ 1,746,600	\$ 0	\$ 13,000,123
U&O	\$ 29,826,394	\$ 0	\$ 29,826,394	\$ 0
Liquor	\$ 4,100,659	\$ 0	\$ 4,100,659	\$ 0
Mall Payments	\$ (35,608,666)	\$ (35,608,666)	\$ 0	\$ 0
<b>Total</b>	<b>\$ 90,898,384</b>	<b>\$ 4,056,057</b>	<b>\$ 43,047,242</b>	<b>\$ 43,795,086</b>

**Addendum: Statutory Requirements**

Per Chapter 21-1400 § 21-1403 of The Philadelphia Code:

All projections contained in the TIF District’s Project Plan of tax revenues and jobs to be created by the TIF District are based on reasonable and appropriate assumptions and methods of estimation. All such assumptions and methods are consistently applied throughout the projections. Estimates of projected tax revenues are based on current or proposed tax rates, historical collection patterns and generally recognized econometric models.



## EXHIBITS

- Exhibit I: Tax Revenues (Build Scenario, combined summary)
- Exhibit II: Tax Revenues (Build Scenario, Arena)
- Exhibit II-A: *Taxes (TIF Term)*
  - Exhibit II-B: *Taxes (Arena Lease Term)*
  - Exhibit II-C: *Sensitivity Analysis*
  - Exhibit II-D: *Taxable Values*
  - Exhibit II-E: *Assumptions*
  - Exhibit II-F: *Arena Events*
  - Exhibit II-G: *Arena Development Budget*
- Exhibit III: Tax Revenues (Build Scenario, Fashion District)
- Exhibit III-A: *Taxes*
  - Exhibit III-B: *Taxable Values*
  - Exhibit III-C: *Assumptions*
- Exhibit IV: Tax Revenues (No-Build Scenario, Fashion District)
- Exhibit IV-A: *Taxes*
  - Exhibit IV-B: *Taxable Values*
  - Exhibit IV-C: *Assumptions*
- Exhibit V: Amended TIF Base Values
- Exhibit VI: 2015 TIF Ordinance and Project Plan
- Exhibit VII: Neighborhood Improvement District Management Association Budget

Tax Impact Analysis over remaining TIF term (build scenario - arena & fashion district combined)

7/24/2024

Actual revenues will vary according to market conditions

TIF Basis: All incremental real estate, city sales (1% portion), business income & receipts, and 0% of use & occupancy taxes.

Rates:

Tax	Rate	Benefit
<b>Property, U&amp;O Taxes</b>		
	2025	
Public Facility PILOT: City Rate	0.8800% City	2% statutory rate for publicly owned facilities x 44% city allocation (abated for 5 years from construction start)
Public Facility PILOT: School Rate	1.1200% School	2% statutory rate for publicly owned facilities x 56% school allocation (abated for 5 years from construction start)
Private Property: City Rate	0.6159% City	City property tax rate (44% of 1.398%), calculated against market value
Private Property: School Rate	0.7839% School	School property tax rate (56% of 1.398%), calculated against market value
Use & Occupancy	1.2100% School	Calculated on occupied commercial space
Use & Occupancy Discount \$	-	\$2,000 per property x 5 properties based on \$177,000 discount value
<b>Wage Tax</b>		
	2025	
Resident Rate	3.7500% City	
Non-Resident Rate	3.4400% City	
Percent Resident	67.0000%	
<b>Sales Taxes</b>		
	2025	
Sales (city portion)	2.0000% City	Calculated against gross sales: 1% benefits TIF; 1% benefits Pensions
Beverage \$	0.015 City	per oz of sweetened beverage
Liquor	10.0000% School	
Amusement	5.0000% City	
Outdoor Advertising	7.0000% City	
Parking	22.5000% City	
<b>Business Income &amp; Receipts Tax</b>		
	2025	
Gross Receipts Rate	0.1415% City	Landlord & Tenant BIRT based on Developer projections
Net Income Rate	5.8100% City	Of gross Receipts (rents to developer + total sales for tenants)
Discount per Account \$	100,000	Of taxable net income to developer and sales (note change from 5.99%) 120 tenant accounts

Source of Tax Revenue:

Calendar Year	PILOT/Real Estate	Wage	City							School			TOTAL		
			Sales	Beverage	Amusement	Advertising	Parking	BIRT	Access Pmt	PILOT/Real Estate	U&O	Liquor			
Initial Base (2015)	678,361		568,876						158,782			826,108			2,235,127
Revised Base (2028)	487,817		353,662						98,712			566,221			
Amendment Approved = 2025	1,498,336	593,157	1,304,557	-	275,367	120,199	-	1,081,880	(2,780,234)	1,906,973	1,472,960	320,169	5,793,354		
2026	1,167,226	469,378	1,032,324	-	-	99,960	-	872,772	(2,863,641)	1,485,560	1,470,933	329,774	4,064,285		
2027	1,085,647	349,310	768,253	-	-	78,409	-	678,155	(2,949,550)	1,381,733	1,330,779	339,667	3,062,404		
Amendment Effective = 2028	885,562	446,955	983,009	-	-	80,762	-	1,084,596	(3,038,036)	1,127,079	1,364,606	346,857	3,284,390		
2029	1,004,806	6,389,889	6,556,282	-	-	83,194	-	1,677,464	(3,129,178)	1,278,844	1,735,578	360,353	15,957,222		
2030	1,190,856	6,399,456	6,577,329	-	-	79,500	-	1,874,236	(3,223,053)	1,515,380	2,153,465	371,164	16,938,137		
2031	1,268,151	6,439,720	6,665,878	-	-	691,475	-	2,300,959	(3,319,744)	1,614,010	2,361,762	382,299	18,404,509		
Arena Opening = 2032	1,414,343	1,109,555	3,294,552	35,151	3,927,395	712,219	447,075	5,426,599	(3,419,337)	1,800,073	3,158,625	1,377,967	19,284,218		
2033	3,658,773	1,134,204	3,374,391	35,151	4,045,217	733,598	460,487	5,347,084	(3,521,917)	4,654,075	3,230,408	1,419,307	24,568,765		
2034	3,700,477	1,195,822	3,536,308	35,151	4,166,573	755,593	474,302	5,604,073	(3,627,574)	4,709,668	3,312,110	1,461,896	25,324,418		
2035	3,745,491	1,231,697	3,642,398	35,151	4,291,571	778,261	488,531	5,782,267	(3,736,402)	4,766,989	3,396,473	1,505,742	25,928,168		
11-yr Remaining TIF Total	20,617,468	25,759,146	37,735,282	140,603	16,706,123	4,213,138	1,870,395	31,730,085	(35,608,666)	26,240,413	24,987,699	8,218,185	162,609,871		

Use of Tax Revenue:

TIF	City	School	Total
2,904,340	266,777	2,622,237	5,793,354
1,859,307	(424,836)	2,629,815	4,064,285
1,479,285	(916,435)	2,469,554	3,062,404
2,052,330	(1,078,624)	2,310,684	3,284,390
3,038,116	10,228,954	2,662,151	15,957,222
3,667,798	10,149,489	3,120,850	16,938,137
4,314,620	10,749,308	3,340,281	18,404,509
4,887,166	9,264,236	5,132,814	19,284,218
5,118,564	11,404,266	8,045,936	24,568,765
5,438,418	11,717,784	8,170,216	25,324,418
5,646,656	11,982,772	8,208,436	25,928,168
40,405,204	73,341,692	48,862,975	162,609,871

Tax Impact Analysis over remaining TIF term (build scenario - arena only)

7/24/2024

Actual revenues will vary according to market conditions

TIF Basis: All incremental real estate, city sales (1% portion), business income & receipts, and 0% of use & occupancy taxes.

Rates:

Tax:	Rate:	Benefit:
<b>Property, U&amp;O Taxes</b>		
	2025	
Public Facility PILOT: City Rate	0.8800% City	2% statutory rate x 44% city allocation (abated for 5 years from construction start) escalating 10% every 10 years
Public Facility PILOT: School Rate	1.1200% School	2% statutory rate x 56% school allocation (abated for 5 years from construction start) escalating 10% every 10 years
Private Property: City Rate	0.6159% City	City property tax rate (44% of 1.398%), calculated against market value
Private Property: School Rate	0.7839% School	School property tax rate (56% of 1.398%), calculated against market value
Use & Occupancy \$	500,000 School	Negotiated settlement; escalating 10% every 10 years
Use & Occupancy Discount \$	-	\$2,000 per property x 5 properties based on \$177,000 discount value
<b>Wage Tax</b>		
	2025	
Resident Rate	3.7500% City	
Non-Resident Rate	3.4400% City	
Percent Resident	67.0000%	
<b>Sales Taxes</b>		
Sales (city portion)	2.0000% City	Calculated against gross sales: 1% benefits TIF; 1% benefits Pensions
Beverage \$	0.015 City	per oz of sweetened beverage
Liquor	10.0000% School	
Amusement	5.0000% City	
Outdoor Advertising	7.0000% City	
Parking	22.5000% City	
<b>Business Income &amp; Receipts Tax</b>		
	2025	
Gross Receipts Rate	0.1415% City	Landlord & Tenant BIRT based on Developer projections
Net Income Rate	5.8100% City	Of gross Receipts (rents to developer + total sales for tenants)
Discount per Account \$	100,000	Of taxable net income to developer and sales (note change from 5.99%) 120 tenant accounts

Source of Tax Revenue (TIF Term):

Use of Tax Revenue (TIF Term):

Calendar Year	City							School			TOTAL				Use of Tax Revenue (TIF Term):			
	PILOT	Wage	Sales	Beverage	Amusement	Parking	BIRT	PILOT	U&O	Liquor	TOTAL	TIF	City	School	Total			
Initial Base (2015)	678,361	-	568,876	-	-	-	158,782	829,108	-	-	2,235,127	-	-	-	-			
Revised Base (2028)	467,817	-	353,662	-	-	-	98,712	596,221	-	-	1,536,412	-	-	-	-			
Amendment Approved = 2025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Amendment Effective = 2028	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
2029	-	5,832,074	5,329,453	-	-	-	-	-	-	-	11,161,528	-	11,161,528	-	11,161,528			
2030	-	5,832,074	5,329,453	-	-	-	-	-	-	-	11,161,528	-	11,161,528	-	11,161,528			
2031	-	5,832,074	5,329,453	-	-	-	-	-	-	-	11,161,528	-	11,161,528	-	11,161,528			
Arena Opening = 2032	-	478,789	1,907,279	35,151	3,927,395	447,075	2,911,071	-	500,000	984,200	11,190,960	-	9,706,760	1,484,200	11,190,960			
2033	2,200,000	493,153	1,964,498	35,151	4,045,217	460,487	2,707,903	2,800,000	500,000	1,013,726	16,220,134	-	11,906,408	4,313,726	16,220,134			
2034	2,200,000	507,947	2,023,433	35,151	4,166,573	474,302	2,797,855	2,800,000	500,000	1,044,138	16,549,399	-	12,205,261	4,344,138	16,549,399			
2035	2,200,000	523,186	2,084,136	35,151	4,291,571	488,531	2,890,506	2,800,000	500,000	1,075,462	16,888,541	-	12,513,079	4,375,462	16,888,541			
11-yr Remaining TIF Total	6,600,000	19,499,297	23,967,706	140,603	16,430,756	1,870,395	11,307,336	8,400,000	2,000,000	4,117,526	94,333,618	-	79,816,092	14,517,526	94,333,618			

Tax Impact Analysis over arena development and 30-year operating lease term (build scenario - arena only)

7/24/2024

Growth Rate 3.00%  
Discount Rate 5.00%

Source of Tax Revenue (Lease Term):

Use of Tax Revenue (Lease Term):

Calendar Year	City							School				TOTAL	Use of Tax Revenue (Lease Term):					
	PILOT	Wage	Sales	Beverage	Amusement	Parking	BIRT	PILOT	U&O	Liquor	City		School	Total				
Arena Pre-Development = 2025 (7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Arena Demolition Start = 2026 (6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2027 (5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Arena Construction Start = 2028 (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2029 (3)	-	5,832,074	5,329,453	-	-	-	-	-	-	-	-	-	11,161,528	11,161,528	-	-	11,161,528	
2030 (2)	-	5,832,074	5,329,453	-	-	-	-	-	-	-	-	-	11,161,528	11,161,528	-	-	11,161,528	
Arena Opening = 2031 (1)	-	5,832,074	5,329,453	-	-	-	-	-	-	-	-	-	11,161,528	11,161,528	-	-	11,161,528	
Arena 1st Full Yr = 2032 1	-	478,789	1,907,279	35,151	3,927,395	447,075	2,911,071	-	500,000	984,200	11,190,960	9,706,760	1,484,200	11,190,960				
2033 2	2,200,000	493,153	1,964,498	35,151	4,045,217	460,487	2,707,903	2,800,000	500,000	1,013,726	16,220,134	11,906,408	4,313,726	16,220,134				
2034 3	2,200,000	507,947	2,023,433	35,151	4,166,573	474,302	2,797,855	2,800,000	500,000	1,044,138	16,549,399	12,205,261	4,344,138	16,549,399				
2035 4	2,200,000	523,186	2,084,136	35,151	4,291,571	488,531	2,890,506	2,800,000	500,000	1,075,462	16,888,541	12,513,079	4,375,462	16,888,541				
2036 5	2,200,000	538,881	2,146,660	35,151	4,420,318	503,187	2,985,936	2,800,000	500,000	1,107,726	17,237,858	12,830,132	4,407,726	17,237,858				
2037 6	2,200,000	555,048	2,211,059	35,151	4,552,927	518,282	3,084,229	2,800,000	500,000	1,140,958	17,597,654	13,156,697	4,440,958	17,597,654				
2038 7	2,200,000	571,699	2,277,391	35,151	4,689,515	533,831	3,185,471	2,800,000	500,000	1,175,186	17,968,244	13,493,058	4,475,186	17,968,244				
2039 8	2,200,000	588,850	2,345,713	35,151	4,830,200	549,846	3,289,750	2,800,000	500,000	1,210,442	18,349,952	13,839,510	4,510,442	18,349,952				
2040 9	2,200,000	606,516	2,416,084	35,151	4,975,106	566,341	3,397,158	2,800,000	500,000	1,246,755	18,743,111	14,196,356	4,546,755	18,743,111				
2041 10	2,200,000	624,711	2,488,567	35,151	5,124,360	583,331	3,507,788	2,800,000	500,000	1,284,158	19,148,065	14,563,907	4,584,158	19,148,065				
2042 11	2,200,000	643,452	2,563,224	35,151	5,278,090	600,831	3,621,736	2,800,000	550,000	1,322,683	19,615,168	14,942,485	4,672,683	19,615,168				
2043 12	2,420,000	662,756	2,640,121	35,151	5,436,433	618,856	3,710,053	3,080,000	550,000	1,362,363	20,515,733	15,523,370	4,992,363	20,515,733				
2044 13	2,420,000	682,639	2,719,324	35,151	5,599,526	637,422	3,830,941	3,080,000	550,000	1,403,234	20,958,237	15,925,003	5,033,234	20,958,237				
2045 14	2,420,000	703,118	2,800,904	35,151	5,767,512	656,545	3,955,456	3,080,000	550,000	1,445,331	21,414,016	16,338,685	5,075,331	21,414,016				
2046 15	2,420,000	724,211	2,884,931	35,151	5,940,537	676,241	4,083,706	3,080,000	550,000	1,488,691	21,883,469	16,764,778	5,118,691	21,883,469				
2047 16	2,420,000	745,938	2,971,479	35,151	6,118,753	696,528	4,215,804	3,080,000	550,000	1,533,352	22,367,005	17,203,653	5,163,352	22,367,005				
2048 17	2,420,000	768,316	3,060,623	35,151	6,302,316	717,424	4,351,865	3,080,000	550,000	1,579,352	22,865,047	17,655,695	5,209,352	22,865,047				
2049 18	2,420,000	791,365	3,152,442	35,151	6,491,386	738,947	4,492,007	3,080,000	550,000	1,626,733	23,378,030	18,121,297	5,256,733	23,378,030				
2050 19	2,420,000	815,106	3,247,015	35,151	6,686,127	761,115	4,636,354	3,080,000	550,000	1,675,535	23,906,403	18,600,868	5,305,535	23,906,403				
2051 20	2,420,000	839,559	3,344,426	35,151	6,886,711	783,949	4,785,031	3,080,000	550,000	1,725,801	24,450,627	19,094,826	5,355,801	24,450,627				
2052 21	2,420,000	864,746	3,444,759	35,151	7,093,312	807,467	4,938,168	3,080,000	605,000	1,777,575	25,066,178	19,603,603	5,462,575	25,066,178				
2053 22	2,662,000	890,689	3,548,101	35,151	7,306,112	831,691	5,063,945	3,388,000	605,000	1,830,902	26,161,590	20,337,688	5,823,902	26,161,590				
2054 23	2,662,000	917,409	3,654,544	35,151	7,525,295	856,642	5,226,408	3,388,000	605,000	1,885,829	26,756,278	20,877,550	5,878,728	26,756,278				
2055 24	2,662,000	944,931	3,764,181	35,151	7,751,054	882,341	5,393,746	3,388,000	605,000	1,942,404	27,368,807	21,433,404	5,935,404	27,368,807				
2056 25	2,662,000	973,279	3,877,106	35,151	7,983,585	908,811	5,566,103	3,388,000	605,000	2,000,676	27,999,712	22,006,036	5,993,676	27,999,712				
2057 26	2,662,000	1,002,478	3,993,419	35,151	8,223,093	936,076	5,743,631	3,388,000	605,000	2,060,696	28,649,544	22,595,848	6,053,696	28,649,544				
2058 27	2,662,000	1,032,552	4,113,222	35,151	8,469,786	964,158	5,926,486	3,388,000	605,000	2,122,517	29,318,871	23,203,354	6,115,517	29,318,871				
2059 28	2,662,000	1,063,529	4,236,619	35,151	8,723,879	993,083	6,114,825	3,388,000	605,000	2,186,193	30,008,278	23,829,085	6,179,193	30,008,278				
2060 29	2,662,000	1,095,435	4,363,717	35,151	8,985,596	1,022,875	6,308,815	3,388,000	605,000	2,251,778	30,718,367	24,473,589	6,244,778	30,718,367				
2061 30	2,662,000	1,128,298	4,494,629	35,151	9,255,164	1,053,562	6,508,625	3,388,000	605,000	2,319,332	31,449,759	25,137,427	6,312,332	31,449,759				
SUM	\$ 70,158,000	\$ 40,274,808	\$ 106,727,967	\$ 1,054,520	\$ 186,847,450	\$ 21,269,779	\$ 129,231,374	\$ 89,292,000	\$ 16,550,000	\$ 46,823,724	\$ 708,229,622	\$ 555,563,896	\$ 152,665,724	\$ 708,229,622				
NPV (2025)	\$ 24,089,323	\$ 20,524,717	\$ 41,651,149	\$ 384,018	\$ 61,179,563	\$ 6,964,375	\$ 42,166,745	\$ 30,659,138	\$ 5,848,072	\$ 15,331,518	\$ 248,798,619	\$ 196,959,891	\$ 51,838,728	\$ 248,798,619				

**Tax Benefit Analysis - arena event scenarios & sensitivity**

7/24/2024

Scenario	Base / Expected Case	Increased Concerts	Reduced Concerts	Additional Reduced Concerts	Reduced Concerts & Family Shows	High Reduction
Net New Events	53	65	45	34	26	18

*(net present value at 5% over development period + 30 year lease term)*

City General Fund

PILOT	24.1	24.1	24.1	24.1	24.1	24.1	24.1
Wage	20.5	21.2	20.1	19.5	19.3	19.0	19.0
Sales	41.7	50.4	35.6	27.5	26.1	22.3	22.3
Sweetened Beverage	0.4	0.6	0.4	0.2	0.2	0.2	0.2
Amusement	61.2	79.3	48.5	31.6	28.9	21.3	21.3
Parking	7.0	9.0	5.6	3.7	3.4	2.5	2.5
Business Income & Receipts	42.2	51.3	35.9	27.4	25.6	21.5	21.5
Total City General Fund	\$ 197.0	\$ 235.8	\$ 170.2	\$ 134.0	\$ 127.6	\$ 110.8	\$ 110.8

School District

PILOT	30.7	30.7	30.7	30.7	30.7	30.7	30.7
Use & Occupancy	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Liquor	15.3	19.5	12.5	8.6	7.5	5.4	5.4
Total School District	\$ 51.8	\$ 56.0	\$ 49.0	\$ 45.1	\$ 44.0	\$ 41.9	\$ 41.9

Total Local Tax Revenue

	\$ 248.8	\$ 291.8	\$ 219.2	\$ 179.2	\$ 171.6	\$ 152.7	\$ 152.7
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Schedule of Taxable Values (build scenario - arena only)

7/24/2024

All figures are estimates only; actual figures will vary according to market conditions

TAXABLE VALUES:

Calendar Year	PILOT basis Growth 3.0%	Taxable Sales 3.0%	Sweetened Beverage (oz) 0.0%	Liquor Sales 3.0%	Ticket Sales 3.0%	Parking Revenues 3.0%	Gross Receipts 3.0%	Net Income 3.0%	Construction Wages 3.0%	Permanent Wages 3.0%
Initial Base (2015)	112,497,697	56,887,638					23,404,929	11,682,729		
Revised Base (2028)	80,898,353	35,366,189					-	-		
pre-development & demolition										
	2025									
	2026									
	2027									
arena construction		266,472,671							159,883,603	
	2029									
	2030								159,883,603	
	2031								159,883,603	
arena operations	2032	-	95,363,967	2,343,378	9,842,000	78,547,900	1,987,000	147,583,000	46,510,175	13,125,778
	2033	250,000,000	98,224,886	2,343,378	10,137,260	80,904,337	2,046,610	152,010,490	42,905,480	13,519,551
	2034	250,000,000	101,171,632	2,343,378	10,441,378	83,331,467	2,108,008	156,570,805	44,342,645	13,925,138
	2035	250,000,000	104,206,781	2,343,378	10,754,619	85,831,411	2,171,249	161,267,929	45,822,924	14,342,892
<b>11-yr Remaining TIF Total</b>		\$ 1,198,385,278	9,373,512	\$ 41,175,257	\$ 328,615,115	\$ 8,312,867	\$ 617,432,224	\$ 179,581,225	\$ 479,650,808	\$ 54,913,358

**Assumptions (build scenario - arena only)**

7/24/2024

**All figures are estimates only; actual figures will vary according to market conditions**

<b>Schedule:</b>			
Initial TIF Effective Date	12/31/2015		
Initial TIF Project Opening (Fashion District)	2019		
Demolition Start (1000 block of Market & Filbert)	2020		
Construction Start (Arena)	2028		
Amended TIF Effective Date (projected)	1/1/2028		
Arena Opening	2031		
First full year of Arena operations	2032		

<b>Construction &amp; Real Estate Assumptions</b>		<b>2029-2031</b>	
Total Development Costs	\$	1,598,830,025	
Construction Period as modeled (years)		3	
Allocation to Purchased Materials (in Phila)	\$	799,418,013	50%
Allocation to Labor (in Phila)	\$	479,650,808	30%
Allocation to PILOT taxable basis (yr1)	\$	250,000,000	
Use & Occupancy Amount	\$	500,000	

<b>Employment:</b>		<b>2029-2031</b>	
<b>Arena Construction</b>			
Average annual salary per FTE	\$	85,000	
Full Time Equivalent Jobs		5,943	
<b>Arena Operations</b>			
Average annual salary per FTE	\$	60,850	
Full Time Equivalent Jobs per year		216	

<b>Net New Events to Market (2032)</b>	<b>Events</b>	<b>Paid Attendance</b>	<b>Turnstile</b>
Concerts - Tier I	20	281,760	262,188
Concerts - Tier II	15	180,990	167,805
Family Shows	15	118,200	108,162
Other Sports / Dirt Shows	3	31,755	29,341
<b>Total</b>	<b>53</b>	<b>612,705</b>	<b>567,496</b>

<b>Operating Assumptions &amp; Tax Basis</b>					
	<b>Avg Ticket Price</b>	<b>Food &amp; Beverage</b>	<b>Merchandise</b>	<b>Parking</b>	<b>Net New Tax Basis</b>
<b>Per Capita Assumptions</b>					
Concerts - Tier I	\$ 171.17	\$ 32.63	\$ 11.50	\$ 50.00	
Concerts - Tier II	\$ 138.85	\$ 33.62	\$ 11.50	\$ 50.00	
Family Shows	\$ 57.73	\$ 21.91	\$ 5.50	\$ 20.00	
Other Sports / Dirt Shows	\$ 78.67	\$ 34.32	\$ 11.50	\$ 40.00	
Gross Revenue (2032)	\$ 82,682,000	\$ 17,575,000	\$ 5,877,000	\$ 3,974,000	
<b>Employment (permanent operations)</b>					
Operating Labor Expenses; Labor as % of Spend	\$ 10,000,000	25%	14%		
Displacement	9.9%	19.8%	28.1%		
Net New Taxable Basis	\$ 9,010,000	\$ 3,523,788	\$ 591,960		\$ 13,125,778
<b>Sales Tax</b>					
Displacement	1.7%	20.0%			
Net New Taxable Basis	\$ 81,303,967	\$ 14,060,000			\$ 95,363,967
<b>Amusement Tax</b>					
Displacement	5.0%				
Net New Taxable Basis	\$ 78,547,900				\$ 78,547,900
<b>Liquor Tax</b>					
Liquor (percentage of Food & Beverage)		70%			
Displacement		20.0%			
Net New Taxable Basis		\$ 9,842,000			\$ 9,842,000
<b>Sweetened Beverage (ounces per capita)</b>					
Ounces of sweetened beverage per capita					
Net New Taxable Basis (ounces)		2,343,378			\$ 35,151
<b>Parking</b>					
Percentage of turnstile who drive				40%	
Riders per car				2.5	
Displacement				50.0%	
Net New Taxable Basis				\$ 1,987,000.0	\$ 1,987,000
<b>Outdoor Advertising</b>					
Net New Taxable Basis					\$ -
<b>Business Income &amp; Receipts Assumptions</b>					
Gross Receipts (ArenaCo)					\$ 64,901,000
Gross Receipts = ticket sales (Promoter)					\$ 82,682,000
Net Income (ArenaCo)					\$ 38,241,975
Net Income (Promoter)					\$ 8,288,200

**Arena Events**

7/24/2024

	Existing Events <i>single arena scenario</i> (3yr average)	Projected Events <i>two arena scenario</i>	Net New Events
	<u>No.</u>	<u>No.</u>	<u>No.</u>
<u>Ticketed Events</u>			
Philadelphia 76ers	43	43	-
Flyers	43	43	-
Concerts	42	77	35
Family Shows	32	47	15
Other Sports	23	26	3
Comedy Shows	2	2	-
Total Ticketed Events	186	239	53
Non Ticketed Events	58	58	-

**Net New Event Detail**

	<u>No.</u>	<u>Ticketed</u>	<u>Turnstile</u>
Concerts - Tier I	20 #	281,760	262,188
Concerts - Tier II	15 #	180,990	167,805
Family Shows	15 #	118,200	108,162
Other Sports, "Dirt Shows", Misc.	3 #	31,755	29,341
Total	53	612,705	567,496

**Historic Detail (Wells Fargo Center)**

	<u>2018</u>	<u>2019</u>	<u>2022</u>
<u>Ticketed Events</u>			
Philadelphia 76ers	44	40	46
Flyers	45	38	47
Concerts	49	40	37
Family Shows	32	27	37
Other Sports	30	27	12
Comedy Shows	4	-	2
Total Ticketed Events	204	172	181
Non Ticketed Events	41	74	n/a



**Arena Development Budget**

7/24/2024

<b>Uses of Funds</b>	<b>Total (\$MM)</b>
CAPITAL COSTS:	
Core & Shell Construction (PILOT Basis)	250.0
Construction Tenant Work & Finishes	591.2
Total Capital Costs	841.2
FF&E, PROFFESIONAL SERVICES and OTHER COSTS	757.6
<b>TOTAL PROJECT</b>	<b>\$ 1,598.8</b>

<b>Sources of Funds</b>	<b>Total (\$MM)</b>
PRIVATE FINANCING:	
Developer's debt and/or equity	1,598.8
PUBLIC FINANCING:	
City	-
Other Public (to be determined)	-
<b>TOTAL PROJECT</b>	<b>\$ 1,598.8</b>

*The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations.*

Tax Impact Analysis over remaining TIF term (build scenario - fashion district only)

7/24/2024

Actual revenues will vary according to market conditions

TIF Basis: All incremental real estate, city sales (1% portion), business income & receipts, and 0% of use & occupancy taxes.

Rates:

Tax:	Rate:	Benefit:	Comment:
<b>Property, U&amp;O Taxes</b>			
2025			
Property: City Rate	0.6159%	City/TIF	City property tax rate (44% of 1.398%), calculated against market value
Property: School Rate	0.7839%	School/TIF	School property tax rate (56% of 1.398%), calculated against market value
Use & Occupancy	1.2100%	School	Calculated on occupied commercial space
Use & Occupancy Discount \$	-		\$2,000 per property x 5 properties based on \$177,000 discount value
<b>Wage Tax</b>			
2025			
Resident Rate	3.7500%	City	
Non-Resident Rate	3.4400%	City	
Percent Resident	67.0000%		
<b>Sales Taxes</b>			
2025			
Sales (city portion)	2.0000%	City/TIF	Calculated against gross sales: 1% benefits TIF; 1% benefits Pensions
Beverage \$	0.015	City	per oz of sweetened beverage
Liquor	10.0000%	School	
Amusement	5.0000%	City	
Outdoor Advertising	7.0000%	City	
<b>Business Income &amp; Receipts Tax</b>			
2025			
Gross Receipts Rate	0.1415%	City/TIF	Landlord & Tenant BIRT based on Developer projections Of gross Receipts (rents to developer + total sales for tenants)
Net Income Rate	5.8100%	City/TIF	Of taxable net income to developer and sales (note change from 5.99%)
Discount per Account \$	100,000		120 tenant accounts

Source of Tax Revenue:

Calendar Year	Real Estate	Wage	Sales	City				School			TOTAL
				Amusement	Advertising	BIRT	Access Pmt	Real Estate	U&O	Liquor	
Initial Base (2015)	678,361		568,876			158,782		829,108			2,235,127
Revised Base (2028)	487,817		353,662			98,712		596,221			
Amendment Approved = 2025	1,498,336	593,157	1,304,557	275,367	120,189	1,081,880	(2,780,234)	1,906,973	1,472,960	320,169	5,793,354
2026	1,167,226	469,378	1,032,324	-	99,960	872,772	(2,863,641)	1,485,560	1,470,933	329,774	4,064,285
2027	1,085,647	349,310	768,253	-	78,409	678,155	(2,949,550)	1,381,733	1,330,779	339,667	3,062,404
Amendment Effective = 2028	885,562	446,955	983,009	-	80,762	1,084,596	(3,038,036)	1,127,079	1,364,606	349,857	3,284,390
2029	1,004,806	557,815	1,226,828	-	83,184	1,677,464	(3,129,178)	1,278,844	1,735,578	360,353	4,795,695
2030	1,190,656	567,385	1,247,876	-	79,500	1,874,236	(3,223,053)	1,515,380	2,153,465	371,164	5,776,610
2031	1,268,151	607,646	1,336,425	-	691,475	2,300,959	(3,319,744)	1,614,010	2,361,762	382,299	7,242,981
Arena Opening = 2032	1,414,343	630,766	1,387,273	-	712,219	2,515,528	(3,419,337)	1,800,073	2,658,625	393,767	8,093,258
2033	1,456,773	641,051	1,409,893	-	733,586	2,639,180	(3,521,917)	1,854,075	2,730,408	405,581	8,348,631
2034	1,500,477	687,875	1,512,876	-	755,593	2,806,218	(3,627,574)	1,909,698	2,812,110	417,748	8,775,019
2035	1,545,491	708,511	1,558,262	-	778,261	2,891,761	(3,736,402)	1,966,989	2,896,473	430,280	9,039,626
11-yr Remaining TIF Total	14,017,468	6,259,849	13,767,576	275,367	4,213,138	20,422,749	(35,608,666)	17,840,413	22,987,699	4,100,659	68,276,253

Use of Tax Revenue:

0.0% TIF	100.0% City	100.0% School	Total
1,859,307	(424,836)	2,629,815	4,064,285
1,479,285	(916,435)	2,499,554	3,062,404
2,052,330	(1,078,624)	2,310,684	3,284,390
3,038,116	(934,573)	2,692,151	4,795,695
3,667,798	(1,012,038)	3,120,850	5,776,610
4,314,920	(412,220)	3,340,281	7,242,981
4,887,169	(442,524)	3,648,614	8,093,258
5,118,564	(502,143)	3,732,210	8,348,631
5,436,418	(487,477)	3,826,079	8,775,019
5,646,959	(530,307)	3,922,974	9,039,626
40,405,204	(6,474,400)	34,345,449	68,276,253

Schedule of Taxable Values (build scenario - fashion district only)

7/24/2024

All figures are estimates only; actual figures will vary according to market conditions

TAXABLE VALUES:

Calendar Year	Real Estate				Occupancy (macerich) (other - 85%)	Total Sales 3.0%	Taxable Sales 3.0%	Liquor Sales 3.0%	Ticket Sales 3.0%	Outdoor Advertising 3.0%	Gross Receipts (landlord) 3.0%	Net Income (landlord) 3.0%	Net Income (tenants) 3.0%	BIRT Deductions		Permanent Wages 3.0%	
	TIF (Macerich) 3.0%	TIF (Other) 3.0%	de TIF (Macerich) 3.0%	Total 3.0%										Gross Receipts	Net Income		
Initial Base (2015)				112,497,897		112,213,267	56,887,838	106,435			23,404,929	7,662,168	4,030,561			60,144,000	
Revised Base (2028)				80,888,353			35,386,180										
pre-development & demolition	2025	115,883,240	53,289,007	74,098,818	243,271,085	85.98%	108,713,105	85,227,883	3,201,890	5,507,344	1,716,981	32,309,867	11,241,219	4,728,020	11,102,411	513,397	16,261,117
	2026	119,359,737	54,887,677	15,264,346	189,511,780	62.76%	86,027,010	51,616,206	3,297,741	-	1,427,999	26,687,652	9,239,563	3,742,175	9,943,218	462,801	12,867,770
	2027	104,010,024	56,534,308	15,722,276	176,266,608	59.54%	64,021,100	38,412,660	3,396,673	-	1,120,132	21,308,762	7,442,029	2,784,818	8,876,810	416,716	9,576,164
	2028	85,550,286	58,230,337	-	143,780,623	73.97%	81,917,436	49,150,462	3,498,573	-	1,153,736	27,967,637	13,118,937	3,563,408	9,549,548	457,979	12,253,067
arena construction	2029	103,163,913	59,977,247	-	163,141,160	89.62%	102,235,676	61,341,406	3,603,530	-	1,188,348	37,874,710	21,763,080	4,447,252	10,279,757	500,280	15,292,234
	2030	131,539,394	61,776,564	-	193,315,928	95.38%	103,669,672	62,393,803	3,711,636	-	1,135,721	41,831,785	24,938,240	4,523,551	10,227,638	500,454	15,564,564
	2031	142,298,161	63,629,861	-	205,928,022	99.18%	111,366,714	66,621,228	3,822,965	-	9,878,212	49,278,154	31,611,331	4,944,539	10,361,779	511,941	16,658,338
	2032	164,095,214	65,538,757	-	229,633,971	99.95%	115,608,069	69,383,941	3,937,675	-	10,174,559	53,225,109	34,924,519	5,028,864	10,425,313	514,788	17,292,154
arena operations	2033	169,018,070	67,504,920	-	236,522,990	99.56%	117,491,091	70,494,655	4,055,905	-	10,479,795	55,520,698	36,895,855	5,110,962	10,367,805	513,050	17,574,112
	2034	174,088,613	69,530,067	-	243,618,680	99.55%	126,072,982	75,643,789	4,177,470	-	10,794,189	58,442,854	39,099,969	5,484,175	10,548,154	521,311	18,957,777
	2035	179,311,271	71,615,969	-	250,927,240	99.55%	129,855,171	77,913,103	4,302,804	-	11,118,015	60,196,140	40,272,968	5,648,700	10,548,154	521,311	19,423,510
<b>11-yr Remaining TIF Total</b>							\$ 1,147,298,026	\$ 688,378,816	\$ 41,006,593	\$ 5,507,344	\$ 80,187,687	\$ 464,433,348	\$ 270,517,710	\$ 46,907,484	\$ 112,256,587	\$ 5,433,008	\$ 171,810,837

**Assumptions (build scenario - fashion district only)**

7/24/2024

**All figures are estimates only; actual figures will vary according to market conditions**

**Schedule:**

Initial TIF Effective Date	12/31/2015
Initial TIF Project Opening (Fashion District)	2019
Demolition Start (1000 block of Market & Filbert)	2026
Construction Start (Arena)	2028
Amended TIF Effective Date (projected)	1/1/2028
Arena Opening	2031
First full year of Arena operations	2032

Square Footage:	Base (2015)	2019	Retail (2019)	Office (2019)	2026
Tenanted Area:	<i>initial base</i>	<i>mall opening</i>			
801 Market Street (former Strawbridge & Clothier)	222,561	222,561	222,561	-	222,561
833 & 901-905 Market Street (Gallery I)	198,133	180,499	130,576	49,923	180,499
907 Market Street (former Gimbels/Kmart)	377,792	382,633	168,609	214,024	382,633
1001-19 & 1025 Market Street (Gallery II, Burlington Ct)	338,597	328,120	317,499	10,621	-
Total Tenanted Areas	1,137,083	1,113,813	839,245	274,568	785,693
Common Areas	151,524	174,794			123,301
Total Square Footage	1,288,607	1,288,607			908,994

Occupancy:	Base (2015)	2019	2024	2026
	<i>initial base</i>	<i>mall opening</i>	<i>current</i>	
Retail occupied (square feet)	429,083	790,463	663,956	412,753
Office occupied (square feet)	247,764	247,764	247,764	247,764
Total occupied (square feet)	676,847	1,038,227	911,720	660,517
Vacant (square feet)	460,236	75,586	202,093	125,176
Total Leasable Space	1,137,083	1,113,813	1,113,813	785,693
Common Area	151,524	174,794	174,794	123,301
Total (square feet)	1,288,607	1,288,607	1,288,607	908,994
Occupancy Rate (occupied / available)	60%	93%	79%	79%

Income:	Base (2015)	2024
Gross Retail Sales	\$ 112,213,267	\$ 127,659,612
Average Sales per square foot of occupied retail	\$ 261.52	\$ 192
Percent Taxable	51%	60%
Liquor Sales	\$ 106,435	\$ 3,108,437
Outdoor Advertising	n/a	\$ 1,666,972
Tickets / Amusement	n/a	\$ 5,346,936
Gross Operating Income (landlord = rental income)	\$ 16,377,610	\$ 31,033,413
Net Operating Income (landlord)	\$ 7,652,168	\$ 10,111,819
Net Operating Income (tenants)	n/a	\$ 5,553,193

Real Estate:	Base (2015)	OPA Actual(2024)	Base (2028)
TIF (Macerich-owned)			
801 Market, 101	22,400,000	28,490,000	22,400,000
833 Market	20,079,529	51,666,400	20,079,529
907-37 Market, A	38,418,824	32,351,600	38,418,824
Subtotal	80,898,353	112,508,000	80,898,353
TIF (Other-owned / New)			
801 Market, 202	n/a	12,900,000	-
907-37 Market, B	n/a	38,836,900	-
Subtotal	-	51,736,900	-
De-TIF'd (arena site)			
1001-19 Market	25,499,344	46,337,000	-
1025 Market	6,100,000	25,603,600	-
Subtotal	31,599,344	71,940,600	-
Taxable	\$ 112,497,697	\$ 236,185,500	\$ 80,898,353

Employment:	Base (2015)	2024	2032
Operational employment (full time equivalent)	2,500	485	347
Average annual operational salary per FTE	\$ 23,220	\$ 39,400	\$ 49,900
Gross annual operational wages	\$ 60,144,000	\$ 19,095,102	\$ 17,292,154

Tax Impact Analysis over remaining TIF term (no build scenario)

7/24/2024

Actual revenues will vary according to market conditions

TIF Basis:

Rates:

Tax	Rate:	Benefit:	Comment:
<b>Property, U&amp;O Taxes</b>			
	2025		
Property: City Rate	0.6159%	City/TIF	City property tax rate (44% of 1.398%), calculated against market value
Property: School Rate	0.7839%	School/TIF	School property tax rate (56% of 1.398%), calculated against market value
Use & Occupancy	1.210%	School	Calculated on occupied commercial space
Use & Occupancy Discount	\$0		\$2,000 per property x 5 properties based on \$177,000 discount value
<b>Wage Tax</b>			
	2025		
Resident Rate	3.7500%	City	
Non-Resident Rate	3.4400%	City	
Percent Resident	67.0%		
<b>Sales &amp; Income Taxes</b>			
	2025		
Sales (city portion)	2.0000%	City/TIF	Calculated against gross sales: 1% benefits TIF; 1% benefits Pensions
Beverage \$	0.015	City	per oz of sweetened beverage
Liquor	10.0000%	School	
Amusement	5.0000%	City	
Outdoor Advertising	7.0000%	City	
<b>Business Income &amp; Receipts Tax</b>			
	2025		
Gross Receipts Rate	0.1415%	City/TIF	Landlord & Tenant BIRT based on Developer projections
Net Income Rate	5.810%	City/TIF	Of gross Receipts (rents to developer + total sales for tenants)
Discount per Account \$	100,000		Of taxable net income to developer and sales (note change from 5.99%) 120 tenant accounts

Source of Tax Revenue:

Calendar Year	City							School			TOTAL
	Real Estate	Wage	Sales	Amusement	Advertising	BIRT	Access Pmt <sup>1</sup>	Real Estate	U&O	Liquor <sup>1</sup>	
Base (2015)	678,361	n/a	568,876		n/a	158,782	n/a	829,108	n/a	n/a	2,235,127
2025	1,498,336	711,445	1,564,714	275,367	120,189	1,144,522	(2,780,234)	1,906,973	2,328,769	320,169	7,090,249
2026	1,543,286	732,788	1,611,656	283,628	123,794	1,180,210	(2,863,641)	1,964,182	2,398,632	329,774	7,304,309
2027	1,589,584	754,772	1,660,005	292,137	127,508	1,217,100	(2,949,550)	2,023,107	2,470,591	339,667	7,524,922
2028	1,637,272	777,415	1,709,805	300,901	131,333	1,255,097	(3,038,036)	2,083,801	2,544,708	349,857	7,752,154
2029	1,686,390	800,738	1,761,100	309,928	135,273	1,294,234	(3,129,178)	2,146,315	2,621,050	360,353	7,986,203
2030	1,736,982	824,760	1,813,933	319,226	139,332	1,334,545	(3,223,053)	2,210,704	2,699,681	371,164	8,227,273
2031	1,789,091	849,503	1,868,351	328,803	143,512	1,376,066	(3,319,744)	2,277,025	2,780,672	382,299	8,475,575
2032	1,842,764	874,988	1,924,401	338,667	147,817	1,418,832	(3,419,337)	2,345,336	2,864,092	393,767	8,731,327
2033	1,898,047	901,237	1,982,133	348,827	152,251	1,462,881	(3,521,917)	2,415,696	2,950,015	405,581	8,994,751
2034	1,954,988	928,274	2,041,597	359,292	156,819	1,508,252	(3,627,574)	2,488,167	3,038,515	417,748	9,266,077
2035	2,013,638	956,123	2,102,845	370,070	161,523	1,554,983	(3,736,402)	2,562,812	3,129,670	430,280	9,545,544
<b>11-yr Remaining TIF Total</b>	<b>19,190,377</b>	<b>9,112,042</b>	<b>20,040,540</b>	<b>3,526,847</b>	<b>1,539,352</b>	<b>14,746,722</b>	<b>(35,608,666)</b>	<b>24,424,117</b>	<b>29,826,394</b>	<b>4,100,659</b>	<b>90,898,384</b>

Use of Tax Revenue:

TIF	100.0%		Total
	City	School <sup>1</sup>	
n/a	n/a	n/a	n/a
3,097,060	515,144	3,478,046	7,090,249
3,258,378	488,417	3,557,514	7,304,309
3,424,667	460,889	3,639,366	7,524,922
3,595,945	432,535	3,723,674	7,752,154
3,772,361	403,331	3,810,511	7,986,203
3,954,070	373,250	3,899,953	8,227,273
4,141,230	342,267	3,992,078	8,475,575
4,334,005	310,354	4,086,967	8,731,327
4,532,563	277,485	4,184,703	8,994,751
4,737,078	243,628	4,285,371	9,266,077
4,947,728	208,757	4,389,059	9,545,544
<b>43,795,086</b>	<b>4,056,057</b>	<b>43,047,242</b>	<b>90,898,384</b>

Schedule of Taxable Values (no build scenario)

7/24/2024

All figures are estimates only; actual figures will vary according to market conditions

TAXABLE VALUES:

Calendar Year Growth	Real Estate 3.0%	Total Sales 3.0%	Taxable Sales 3.0%	Liquor Sales 3.0%	Ticket Sales 3.0%	Outdoor Advertising 3.0%	Gross Receipts (landlord) 3.0%	Net Income (landlord) 3.0%	Net Income (tenants) 3.0%	Permanent Wages 3.0%
Base	112,497,697	112,213,267	56,887,638	106,435	5,507,344	1,716,981	23,404,929	7,652,168	4,030,561	60,144,000
2025	243,271,065	130,392,850	78,235,710	3,201,690	5,672,564	1,768,490	32,309,867	10,913,805	5,672,089	19,503,935
2026	250,569,197	134,304,635	80,582,781	3,297,741	5,672,564	1,768,490	33,279,163	11,241,219	5,842,252	20,089,053
2027	258,086,273	138,333,774	83,000,265	3,396,673	5,842,741	1,821,545	34,277,538	11,578,456	6,017,519	20,691,724
2028	265,828,861	142,483,788	85,490,273	3,498,573	6,018,024	1,876,191	35,305,864	11,925,809	6,198,045	21,312,476
2029	273,803,727	146,758,301	88,054,981	3,603,530	6,198,564	1,932,477	36,365,040	12,283,584	6,383,986	21,951,850
2030	282,017,839	151,161,050	90,696,630	3,711,636	6,384,521	1,990,451	37,455,991	12,652,091	6,575,506	22,610,406
2031	290,478,374	155,695,882	93,417,529	3,822,985	6,576,057	2,050,165	38,579,671	13,031,654	6,772,771	23,288,718
2032	299,192,725	160,366,758	96,220,055	3,937,675	6,773,339	2,111,670	39,737,061	13,422,603	6,975,954	23,987,379
2033	308,168,507	165,177,761	99,106,657	4,055,805	6,976,539	2,175,020	40,929,173	13,825,281	7,185,233	24,707,001
2034	317,413,562	170,133,094	102,079,856	4,177,479	7,185,835	2,240,270	42,157,048	14,240,040	7,400,790	25,448,211
2035	326,935,969	175,237,087	105,142,252	4,302,804	7,401,410	2,307,479	43,421,759	14,667,241	7,622,813	26,211,657
<b>11-yr Remaining TIF Total</b>	<b>\$ 3,115,766,098</b>	<b>\$ 1,670,044,981</b>	<b>\$ 1,002,026,988</b>	<b>\$ 41,006,593</b>	<b>\$ 70,536,938</b>	<b>\$ 21,990,738</b>	<b>\$ 413,818,175</b>	<b>\$ 139,781,783</b>	<b>\$ 72,646,957</b>	<b>\$ 249,802,408</b>

**Assumptions (no build scenario)**

7/24/2024

**All figures are estimates only; actual figures will vary according to market conditions**

**Schedule:**

Initial TIF Effective Date	12/31/2015
Initial Project Opening (Fashion District)	2019
Amended TIF Effective Date (projected)	1/1/2028

Square Footage:	Base (2015)	2019	Retail	Office
Tenanted Area:	<u>initial base</u>	<u>mall opening</u>		
801 Market Street (former Strawbridge & Clothier)	222,561	222,561	222,561	-
833 & 901-905 Market Street (Gallery I)	198,133	180,499	130,576	49,923
907 Market Street (former Gimbels/Kmart)	377,792	382,633	168,609	214,024
1001-19 & 1025 Market Street (Gallery II, Burlington Ct)	<u>338,597</u>	<u>328,120</u>	<u>317,499</u>	<u>10,621</u>
Total Tenanted Areas	1,137,083	1,113,813	839,245	274,568
Common Areas	<u>151,524</u>	<u>174,794</u>		
Total Square Footage	1,288,607	1,288,607		

Occupancy:	Base (2015)	2019	2024
	<u>initial base</u>	<u>mall opening</u>	<u>current</u>
Retail occupied (square feet)	429,083	790,463	663,956
Office occupied (square feet)	<u>247,764</u>	<u>247,764</u>	<u>247,764</u>
Total occupied (square feet)	676,847	1,038,227	911,720
Vacant (square feet)	<u>460,236</u>	<u>75,586</u>	<u>202,093</u>
Total Leasable Space	1,137,083	1,113,813	1,113,813
Common Area	<u>151,524</u>	<u>174,794</u>	<u>174,794</u>
Total (square feet)	1,288,607	1,288,607	1,288,607
Occupancy Rate (occupied / available)	60%	93%	79%

Income:	Base (2015)	2024
Gross Retail Sales	\$ 112,213,267	\$ 126,595,000
Average Sales per square foot of occupied retail	\$ 262	\$ 191
Percent Taxable	51%	60%
Liquor Sales	\$ 106,435	\$ 3,108,437
Outdoor Advertising	n/a	\$ 1,666,972
Tickets / Amusement	n/a	\$ 5,346,936
Gross Operating Income (landlord = rental income)	\$ 16,377,610	\$ 31,033,413
Net Operating Income (landlord)	\$ 7,652,168	\$ 10,111,819
Net Operating Income (tenants)	n/a	\$ 5,506,882

Real Estate:	Base (2015)	OPA Actual(2024)
TIF (Macerich-owned)		
801 Market, 101	22,400,000	28,490,000
833 Market	20,079,529	51,666,400
907-37 Market, A	38,418,824	32,351,600
Subtotal	80,898,353	112,508,000
TIF (Other-owned / New)		
801 Market, 202	n/a	12,900,000
907-37 Market, B	n/a	38,836,900
Subtotal	-	51,736,900
De-TIF'd (arena site)		
1001-19 Market	25,499,344	46,337,000
1025 Market	6,100,000	25,603,600
Subtotal	31,599,344	71,940,600
Taxable	\$ 112,497,697	\$ 236,185,500

Employment:	Base (2015)	2024
Operational employment (full time equivalent)	2,590	481
Average annual operational salary per FTE	\$ 23,220	\$ 39,400
Gross annual operational wages	\$ 60,144,000	\$ 18,935,859

**Exhibit V**  
**Amended TIF Base Values**

Amendment of the TIF District boundaries requires adjustment of the base values as of the Effective Date. The base values of the Original TIF District and Amended TIF District are estimated as follows:

- *Real Estate:* Total real estate value of \$112,497,697 in 2015 generated base tax revenue of \$1,507,469. This amount is reduced by removal of 1001-19 Market St (882508010) then valued at \$25,499,344 and 1025 Market St. (882508100) then valued at \$6,100,000 for a revised base value of \$80,898,353 equating to \$1,084,038 at the then current rate of 1.34%. Remaining taxable parcels in the TIF District as amended include 801 Market St, unit 101 (882000004), 801 Market St, unit 202 (882000005), 833 Market St (882506502), 907-37 Market St #A (882506610) and 907-37 Market St #B (883013600).
- *Sales (1%):* \$56,887,638 of taxable sales in 2015 generated annual base sales taxes of \$568,876 associated with the 1% portion of TIF'able sales tax in the original TIF District. Removal of 1001-19 and 1025 Market Street equates to removal of 317,499 square feet of leasable retail area out of a total of 839,245 square feet of leasable retail area, equating to a reduction of 37.83%. Reduction of the base sales amount by this same ratio equates to revised base sales of \$35,366,189 and a revised base sales tax amount of \$353,662.
- *BIRT:* BIRT taxes as of 2015 equated to base tax revenue of \$158,782 in the original TIF District. Removal of 1001-19 and 1025 Market Street equates to removal of 317,499 square feet of leasable retail area out of a total of 839,245 square feet of leasable retail area, equating to a reduction of 37.83%. Reduction of the base BIRT amount by this same ratio equates to revised base BIRT tax amount of \$98,712.

	Real Estate	Sales (1%)	BIRT
2015 Base Value	\$1,507,469	\$568,876	\$158,782
Reduction	- \$423,431	- \$215,214	- \$60,070
Amended Base Value	\$1,084,038	\$353,662	\$98,712



**Exhibit VI**  
**2015 TIF Ordinance and Project Plan**

See attached.

# City of Philadelphia



(Bill No. 150380)

## AN ORDINANCE

Creating the Gallery at Market East Tax Increment Financing District, being the area generally bounded by Filbert Street on the north, 8th Street on the east, 11th Street on the west, and Market Street on the south, including certain improvements located therein, and approving the project plan of the Philadelphia Authority for Industrial Development for the redevelopment of the Gallery at Market East Tax Increment Financing District and making certain findings and declarations, all in accordance with the Tax Increment Financing Act, being the Act of July 11, 1990, P.L. 465, No. 113, as amended, and authorizing the Director of Finance and other offices of the City to execute documents and do all things necessary to carry out the intent of this Ordinance.

WHEREAS, In accordance with the provisions of the Urban Redevelopment Law, being the Act of May 24, 1945, P.L. 991, as amended and supplemented, and the Tax Increment Financing Act, being the Act of July 11, 1990, P.L. 465, No. 113, as amended, the City Planning Commission of the City of Philadelphia (“Commission”) has certified the Center City Redevelopment Area as a redevelopment area, and the Commission has completed a detailed redevelopment area plan for the Center City Philadelphia Redevelopment Area; and

WHEREAS, In conformity with this redevelopment area plan, the Philadelphia Authority for Industrial Development (“PAID”) has prepared a detailed project plan for the redevelopment of a portion of the Center City Redevelopment Area designated as the Gallery at Market East Tax Increment Financing District (“District”), which project plan has been prepared by PAID and submitted by PAID for approval by the City Council pursuant to the Tax Increment Financing Act; and

WHEREAS, The Commission has submitted to the City Council its report and recommendations respecting the redevelopment of the District, the determination of blight, and has certified that the said project plan conforms to the comprehensive plan for the City as a whole; and

WHEREAS, The project plan prescribes certain land uses and requires, among other things, changes in zoning, streets, alleys, public ways, street patterns, the location and relocation of public utilities and other public facilities, and other public actions; and

WHEREAS, No person shall, on the ground of race, ethnicity, color, creed, sex (including pregnancy, childbirth, or a related medical condition), sexual orientation, gender identity, religion, national origin, ancestry, age, disability, marital status, familial status, genetic information or domestic or sexual violence victim status, be excluded from participation in, be denied the benefits of, or be subjected to discrimination in the undertakings and carrying out of the project plan; and

# City of Philadelphia

BILL NO. 150380 continued

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WHEREAS, City Council desires to take appropriate action with respect to the project plan pursuant to the Tax Increment Financing Act; and

WHEREAS, Pursuant to the Tax Increment Financing Act, creation of a tax increment financing district authorizes the use of certain positive tax increments to finance improvements, including costs incidental thereto, within the District; NOW, THEREFORE,

*THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:*

SECTION 1. City Council hereby creates the Gallery at Market East Tax Increment Financing District ("District"), as provided herein, pursuant to the Tax Increment Financing Act. The District consists of the area and property shown on a plan prepared by Langan Engineering & Environmental Services, which is included in the "Project Plan" attached to this ordinance as "Exhibit A," and is labeled Drawing No. 04.01, dated 01-13-12, last revised 04-15-15, a copy of which shall be maintained on file by the Chief Clerk of Council and made available for review by the public, more particularly described as follows, to wit:

ALL THAT CERTAIN piece of land, situated in the City of Philadelphia and Commonwealth of Pennsylvania:

BEGINNING at a point at the intersection of the centerline of 8<sup>th</sup> Street (50' wide) and the centerline of Market Street (100' wide); thence,

1. Extending along the centerline of Market Street, North 78°59'00" West, a distance of 1364.710 feet to a point in the westerly right-of-way line of 11<sup>th</sup> Street (55.78' wide); thence,
2. Leaving said centerline of Market Street and extending along the westerly right-of-way line of 11<sup>th</sup> Street, North 11°01'00" East, a distance of 381.750 feet to a point in the centerline of Filbert Street (variable width); thence,

Extending along the said centerline of Filbert Street the following 7 courses and distances;

1. South 78°59'00" East, a distance of 473.890 feet to a point; thence,
2. North 11°01'00" East, a distance of 1.500 feet to a point; thence,
3. South 78°59'00" East, a distance of 570.890 feet to a point; thence,
4. South 11°01'00" West, a distance of 0.250 feet to a point; thence,
5. South 78°59'00" East, a distance of 11.797 feet to a point; thence,
6. South 11°01'00" West, a distance of 1.500 feet to a point; thence,
7. South 78°59'00" East, a distance of 310.352 feet to a point in the aforementioned centerline of 8<sup>th</sup> Street; thence,
8. Along said centerline of 8th Street South 11°21'00" West, a distance of 381.506 feet to the first mentioned point and place of BEGINNING.

Containing an area of 522,195 square feet or 11.988 acres, more or less.

# City of Philadelphia

BILL NO. 150380 continued

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Excepting thereout and therefrom the following described areas (collectively, the "Exceptions"):

Exception 1: Condominium Unit 1 A-C (Parcel ID# 883013505), Condominium Unit 1 D (Parcel ID# 883013516), Condominium Unit 2 (Parcel ID# 883013300) and Condominium Unit 3 (Parcel ID# 883013400) at 801 Market Street Condominium.

Beginning at a point at the intersection of the westerly right-of-way line of 8<sup>th</sup> Street (50' wide) and the northerly right-of-way line of Market Street (100' wide); thence,

1. Extending along the said northerly right-of-way line of Market Street North 78°59'00" West, a distance of 297.000 feet to a point; thence,
2. Leaving said northerly line of Market Street and extending North 11°01'00" East, a distance of 306.000 feet to a point in the southerly right-of-way line of Filbert Street (variable width); thence,
3. Extending along the said southerly right-of-way line of Filbert Street South 78°59'00" East, a distance of 297.000 feet to a point in the aforementioned westerly right-of-way line of 8<sup>th</sup> Street; thence,
4. Extending along the said right-of-way line of 8<sup>th</sup> Street, South 11°01'00" West, a distance of 306.000 feet to the first mentioned point and place of BEGINNING.

Containing an area of 90,610 square feet or 2.080 acres, more or less.

Exception 2: Air Rights above Gallery

The TIF District does not include the Air Rights above the existing parcels of the Gallery buildings.

Gallery I – 833 Market Street

Excluded from the TIF District are the air rights beginning at an approximate elevation of 84.0' city datum, and extending upwards.

Gallery I – 901-905 Market Street

Excluded from the TIF District are the air rights beginning at an approximate elevation of 84.0' city datum, and extending upwards.

Gallery II – 1001-1019 Market Street and 1025 Market Street

Excluded from the TIF District are the air rights beginning at the underside of the existing structural roof slabs of the existing Gallery II building and extending upwards, also excluded are any existing mechanical areas above the existing roof slabs.

Dimensions described above are subject to official survey.

SECTION 2. The project plan included herein as Exhibit "A" and on file with the Chief Clerk, including the detailed redevelopment area plan, the maps, as well as all other documents and supporting data which form part of the project plan submitted by the Philadelphia Authority

# City of Philadelphia

BILL NO. 150380 continued

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for Industrial Development (“PAID”) for the District, having been reviewed and considered, is approved.

SECTION 3. City Council finds and declares that the project plan for the District, having been duly reviewed and considered, is approved, and that:

(a) The project plan conforms to the City Comprehensive plan for the development of the locality as a whole;

(b) The District is a contiguous geographic area within a certified redevelopment area created pursuant to the Urban Redevelopment Law;

(c) The improvement of the area is likely to enhance significantly the value of substantially all of the other real property in the District;

(d) The aggregate value of equalized taxable property of the District, plus all existing tax increment districts, does not exceed ten percent (10%) of the total value of equalized taxable property within the City of Philadelphia;

(e) The area comprising the District as a whole has not been subject to adequate growth and development through investment by private enterprise and would not reasonably be anticipated to be adequately developed or further developed without the adoption of the project plan;

(f) The project plan does not call for displacement of any lawfully possessed individuals, families or businesses as a result of this project;

(g) The project plan affords maximum opportunity, consistent with the sound needs of the community as a whole, for the redevelopment of the District by private enterprise;

(h) The District is a blighted area containing characteristics of blight as described in the Urban Redevelopment Law and the Tax Increment Financing Act and the project to be undertaken is necessary to prevent, arrest and eliminate such conditions of blight;

(i) Changes in zoning, streets, alleys, public ways, street patterns, location and relocation of sewer and water mains and other public facilities and utilities shown in the project plan are reasonable and necessary under the circumstances; and

(j) The project plan meets all of the conditions and requirements imposed by law and the pertinent regulations with respect thereto, for the purpose of prohibiting discrimination with regard to race, ethnicity, color, creed, sex (including pregnancy, childbirth, or a related medical condition), sexual orientation, gender identity, religion, national origin, ancestry, age, disability, marital status, familial status, genetic information and domestic or sexual violence victim status.

SECTION 4. City Council finds and declares that the project plan is in conformity with the Center City Redevelopment Area Plan.

# City of Philadelphia

BILL NO. 150380 continued

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SECTION 5. City Council hereby creates the District as of December 31, 2015, which District shall exist for a period of twenty (20) years from and after such date.

SECTION 6. The Director of Finance and other officers of the City are hereby authorized to execute all documents and do all things necessary to carry out the intent of this Ordinance.

SECTION 7. Creation of the District pursuant to this ordinance is conditioned upon the commitment of the Pennsylvania Real Estate Investment Trust and The Macerich Company in any agreement with the City necessary to carry out the Project Plan that they shall, for the life of the District and for five years thereafter:

- (1) provide their employees whose work arises out of the existence of the redeveloped Gallery at Market East with the pay and benefits applicable to covered employees under Chapter 17-1300 of The Philadelphia Code;
- (2) require any of their service contractors, or subcontractors of such service contractors, who provide services within the District who would be deemed “Employers” under Chapter 17-1300 if they were City contractors to provide their employees whose work arises out of the existence of the redeveloped Gallery at Market East with the pay and benefits applicable to covered employees under Chapter 17-1300; and
- (3) require any subsequent owner of any portion of the property in the District to commit, for the life of the District and for five years thereafter, to the requirements of subsections (1) and (2).

**Exhibit A**  
**Gallery at Market East**  
**Tax Increment Financing District**

**Project Plan**

Introduction April 23, 2015

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## EXECUTIVE SUMMARY

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Addendum: Statutory Requirements

- Letter from the City of Philadelphia Director of Finance
- Economic Opportunity Plan



## Executive Summary

### Gallery at Market East Tax Increment Financing District

The Philadelphia Authority for Industrial Development (PAID) hereby submits this Project Plan to create the Gallery at Market East Tax Increment Financing District ("District") in accordance with the Commonwealth of Pennsylvania Tax Increment Financing Act as amended (P.L. 465, approved July 11, 1990 and amended December 16, 1992, 53 P.S. 6930.1 et seq.). The objective of the District is to eliminate a blighting influence and restore economic vitality to a prominent commercial corridor by providing for renovations within the District.

The District shall consist of approximately 12.0 acres, including five parcels bounded by and including Filbert Street on the north, 8<sup>th</sup> Street on the east, Market Street on the south, and 11<sup>th</sup> Street on the west, commonly known collectively as "The Gallery at Market East," or the "Gallery". The TIF District does not include 801 Market Street from the 3rd floor and above or air-rights parcels located above the Gallery I and Gallery II. The District currently encompasses more than 1.2 million square feet of improvements, comprised of approximately 1.1 million square feet of leasable retail and office space plus common areas located on the concourse, street and bridge levels.

Pennsylvania Real Estate Investment Trust ("PREIT") in partnership with The Macerich Company (together and through their affiliates, "Developer") propose to renovate and upgrade all major building systems, common area finishes, exterior signage, façade improvements, tenanted areas, and surrounding public areas throughout the District ("Project"). Work is expected to commence in July 2015 with substantial completion of phase one by January 2017, and completion of all work and project stabilization by January 2019. The TIF creation date is December 31, 2015 and base amounts for incremental tax revenues approved herein are established as set forth in Part IV(b).

Total Project Costs are estimated at \$325.0 million, of which up to \$55.0 million will be secured by incremental tax revenues authorized herein. Incremental increases in Real Estate, the 1% portion of City Sales, and Business Income and Receipts taxes for up to a 20-year term shall be pledged for repayment of the TIF bonds or notes ("TIF Notes"). All base and other incremental tax revenue will inure to the benefit of the City and School District in accordance with their respective millage rates.

The Project is expected to create 2,165 construction jobs and to retain and create approximately 3,950 full-time equivalent permanent jobs. Taxable market value of the District after improvements is estimated to be \$345.0 million, yielding an incremental increase in property value of \$232.5 million over the current taxable valuation of \$112.5 million. Total tax revenue from the Project is estimated at \$16.0 million in the first full year of operations and \$378.0 million over twenty years based on analysis of property, use and occupancy, wage, city sales, liquor, and business privilege taxes. Projections show that approximately \$126.0 million will accrue to the School District, \$72.3 million will accrue to the City, \$52.1 million will accrue to the City Pension Fund, and \$127.5 million in tax increments will be used to pay debt service on the TIF Notes as authorized herein.

## Part I, Proposed Improvements

The District shall consist of approximately 12.0 acres, bounded by and including Filbert Street on the north, 8<sup>th</sup> Street on the east, Market Street on the south, and 11<sup>th</sup> Street on the west. The TIF District includes buildings individually known as 801-831 Market Street unit 1EH (including concourse, street and 2<sup>nd</sup> levels of the former "Strawbridge and Clothier's"), 833 and 901-905 Market Street ("Gallery I"), 907-937 Market Street ("Gimbels" or "Kmart"), 1001-1019 Market Street ("Gallery II"), and 1025 Market Street ("Burlington Coat" or "JC Penney's) and collectively known as "The Gallery at Market East," or the "Gallery". The TIF District does not include (i) Condominium Unit 1 A-C (Parcel ID# 883013505), Condominium Unit 1 D (Parcel ID# 883013516), Condominium Unit 2 (Parcel ID# 883013300) and Condominium Unit 3 (Parcel ID# 883013400) at 801 Market Street Condominium and (ii) the following air rights: (a) air rights above 833 Market Street and 901-905 Market Street beginning at an approximate elevation of 84.0' city datum and extending upwards, and (b) air rights above 1001-1019 Market Street and 1025 Market Street beginning at the underside of the existing structural roof slabs of the existing Gallery II building and extending upwards.

The District currently encompasses approximately 1,288,607 square feet comprised of 151,524 square feet of common areas on the concourse, street and bridge levels, and 1,137,083 square feet of leasable space, of which 676,847 square feet is leased for office and retail uses for a baseline occupancy rate of 60%. The Gallery is connected to the commuter rail and subway network, and the concourse level common areas provide contiguous public access between 8<sup>th</sup> Street and 11<sup>th</sup> Street under roof to these several stations.

Pennsylvania Real Estate Investment Trust ("PREIT") in partnership with The Macerich Company (together and through their affiliates, "Developer") control all space in the District through ownership of 801-831 Market unit 1EH and 907-37 Market Street, and lease of Gallery I, Gallery II, and Burlington Coat from the Philadelphia Redevelopment Authority ("PRA").

Developer and the PRA propose to amend the leases and ultimately convey title for Gallery I, Gallery II and Burlington Coat and to invest approximately \$325.0 million into renovations and upgrade of all major building systems, common area finishes, exterior signage, façade improvements, tenanted areas, and surrounding public areas throughout the District ("Project"). Work is expected to commence in July 2015 with substantial completion of phase one by January 2017, and completion of all work and project stabilization by January 2019. The TIF creation date is December 31, 2015 and base amounts for incremental tax revenues approved herein are established as set forth in Part IV(b).

**The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are funded privately or by non-local public sources. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the TIF Notes, provided, however, that the Developer complies with all minimum investment requirements of the Project Amended Lease and Development Agreements.**

## Part II, Economic Analysis

### (A) Fiscal Effect on the Municipal Tax Base:

Development of the Project will produce significant positive net benefits to the City and School District of Philadelphia. The tax impact analysis is based on assumptions and methodology described below and is not intended as a maximum or minimum figure. The analysis includes the direct impact of the property, use and occupancy, wage, sales, liquor, and business privilege taxes.

### Cost Benefit Analysis:

The cost benefit analysis indicates whether the Project provides a net benefit to the City and School District based on the assumption that the existing uses remain unchanged over the 20-year TIF period if the Project is not completed. Under current conditions, the City can expect to receive \$14.6 million over twenty years based on total tax receipts of \$71.9 million less \$57.3 million in payments that the City would be required to make towards maintenance of the mall if the Project does not proceed. In addition, the City's Pension Fund would receive \$11.3 million, and the School District would receive \$31.6 million. If the Project is completed, the City is estimated to collect \$72.3 million based on total tax receipts of \$129.6 million less \$57.3 million in payments that the City is required to make towards construction, maintenance and operation of a Public Access Area in the mall under the proposed Project during the 20 year TIF term. In addition, the City's Pension Fund is estimated to collect \$52.1 million, and the School District is estimated to collect approximately \$126.0 million over twenty years even after subtracting increments pledged to repay the TIF Notes. **Thus, the Project represents a net gain of \$57.7 million to the City, \$40.8 million to the City's Pension Fund, and \$94.4 million to the School District over the next twenty years.**

### Tax Revenues:

Tax revenues from the Project are estimated at \$16.0 million in the first full year of operations and approximately \$378.0 million over twenty years. Of the taxes generated by the Project over 20 years, approximately \$72.3 million will accrue to the City, \$52.1 million will accrue to the City's Pension Fund, \$126.0 million will accrue to the School District, and \$127.5 million will accrue to the Tax Increment Fund to amortize the TIF Note(s). Tax increments will be derived from Real Estate, half of City Sales, and Business Income and Receipts Taxes as authorized herein (see Part IV). Tax projections are based on the following estimates.

- *Real Estate Tax.* Real Estate (property) taxes assume a base market value for real estate tax assessment purposes of \$167.5 million on December 31, 2015 of which \$112.5 million is taxable for 2015. Projected market value as of stabilization in 2019 is \$345 million assuming the Office of Property Assessment will assess the improvements based on projected tax liability of approximately \$4.10 per square foot

after taking into account construction costs, projected income, and comparable property values. Incremental Real Estate taxes will be pledged for repayment of the TIF Notes (see Part IV) and base amounts will inure to the benefit of the City and School District in proportion to their respective millage rates.

- *City Sales Tax:* The District currently contains approximately 889,300 square feet of total retail space, of which 48% is currently occupied. The approximately 429,083 square feet of existing occupied retail space currently generates average gross sales of \$112.2 million, or \$261 per available square foot, of which approximately 51% is taxable. Upon completion of the project and stabilization in 2019, it is projected that 839,200 square feet will generate average gross sales of \$447.6 million, or \$566 per square foot, of which approximately 51% is taxable. Incremental City Sales taxes derived from the City's 1% portion that is not otherwise obligated will be pledged for repayment of the TIF Notes (see Part IV) and the remaining incremental portion plus base values will inure to the benefit of the City and the City's Pension Fund.
- *Business Income and Receipts Tax:* Business Income and Receipts Tax projections are based on Developer's current BIRT payment and Developer's estimates after taking into account projected income. Projections include estimates of BIRT payable by tenants located within the District by calculating the gross tax rate by projected sales, discounted by 2/3 to reflect collectability. Incremental Business Income and Receipt Taxes will be pledged for repayment of the TIF Notes (see Part IV), and the base value will inure to the benefit of the City.
- *Wage Tax:* There are an estimated 2,590 full-time equivalent employees currently within the District, with an average annual salary of approximately \$23,220. Wage tax projections assume the Project will employ approximately 3,950 persons at 93% occupancy on a full time equivalent basis with an average estimated annual salary of \$28,880. Wage tax calculations for permanent, full-time equivalent employees assume that 65% of employees reside in the City. Wage taxes are calculated for the construction phase using an input-output model and assume that 35% of employees reside in the City. If the Project is completed, the City is estimated to collect \$103.0 million in Wage taxes over twenty years. Wage taxes will not be pledged for repayment of the TIF Notes and will inure to the benefit of the City.
- *Use & Occupancy Tax.* Base Use & Occupancy tax is calculated on current occupancy rate of 60% and assumes that tenants will occupy 93% of available space upon stabilization of the Project. Incremental Use & Occupancy taxes will not be pledged for repayment of the TIF Loan and the entire increment plus base amounts will inure to the benefit of the School District.
- *Liquor Tax:* Liquor tax projections assume that there will be approximately 59,788 square feet of sit-down restaurant retail space with a liquor license, and that 25% of restaurant sales revenues (\$665 per square foot) are derived from liquor sales. Liquor taxes will not be pledged for repayment of the TIF Notes and will inure to the benefit of the School District.

(B) Feasibility Analysis

Pennsylvania Real Estate Investment Trust (PREIT) is a publicly traded real estate investment trust founded in 1960 and headquartered in Philadelphia. PREIT was one of the first equity REITs in the United States and has a primary investment focus on retail shopping malls and power centers. The company's portfolio currently consists of 34 million square feet in 49 retail properties, including 38 shopping malls, eight strip and power centers and three properties under development. These properties are located in 13 U.S. states, primarily in the Mid-Atlantic region. In the Philadelphia area, PREIT manages The Gallery at Market East, the Shops at the Bellevue, Exton Square, Plymouth Meeting, Willow Grove, Cherry Hill and Moorestown Malls.

The Macerich Company (Macerich) is a publicly traded real estate investment trust founded in 1994 and headquartered in Santa Monica CA. Macerich acquires, owns, develops, renovates, manages and leases regional and community/power shopping centers throughout the United States and operates over 50 malls with approximately 57 million square feet under management, and \$3.7b of equity on \$9.1b total assets and \$1.0b total revenue. One of Macerich's major strategies is to redevelop acquired properties and it has built a staff of redevelopment professionals to oversee design and construction of projects. Macerich has recently undertaken major renovation and construction projects in Rosemont II, McLean VA, and Niagara Falls NY.

Gallery Market East  
Tax Increment Financing District

Tax Benefit Analysis TIF

4/15/2016

**TIF Basis:** All incremental real estate, city sales (1% portion), business income & receipts, and 0% of use & occupancy taxes.  
**Actual revenues will vary according to market conditions**

Tax	Rate	Benefit	Comment
Property, U&O Taxes			
Property: City Rate	0.6018% City/TIF		City property tax rate, calculated against market value
Property: School/TIF	0.7382% School/TIF		School property tax rate, calculated against market value
Use & Occupancy	1.1309% School		Calculated on occupied commercial space
Use & Occupancy Discount	\$10,000		\$2,000 per property x 5 properties based on \$177,000 discount value
Sales Taxes			
City Sales	2.000% City/TIF		Calculated against gross sales; 1% benefits TIF; 1% benefits Pensions
Liquor Tax	10.00000% School		Assumes 25% of gross restaurant sales are for liquor
Wage Tax			
Resident Rate	2015 3.9200% City	2017 3.8140%	
Non-Resident Rate	3.4915% City	3.4970%	
Percent Resident	65% 35%		65% resident for operations; 35% resident for construction

**Business Income & Receipts Tax**  
 Landlord BIRT based on Developer projections; Tenant BIRT = BIRT Tax on 1/3 of Gross revenues only  
 Of gross Receipts (assumes half of sales can be captured under BIRT) 65,981.26

**Source of Tax Revenue:**

Calendar Year	City				School				TOTAL	
	Real Estate	Sales	Landlord BIRT	Tenant BIRT	Wage	Access Pmt	Real Estate	U&O		Liquor
Base	677,025	1,137,753	33,054	52,927	2,267,444	(1,855,000)	830,475	746,710	10,643	3,901,031
2015	677,025	1,058,394	21,514	52,149	2,786,523	(2,068,755)	830,475	663,877	-	4,023,191
TIF Start = 2016	2,076,210	984,997	21,514	49,405	3,527,742	(2,130,818)	2,546,790	649,130	-	4,609,471
Opening = 2016	2,128,115	4,055,408	69,902	196,908	5,207,052	(2,194,742)	2,610,490	3,966,476	762,106	15,979,350
Stabilized = 2019	2,181,318	4,560,539	72,005	211,121	4,565,668	(2,281,584)	2,610,490	3,449,963	781,159	15,596,885
2020	2,235,851	4,679,731	73,805	216,399	4,408,366	(2,328,402)	2,610,490	3,907,908	983,245	16,464,601
2021	2,291,747	4,796,724	75,650	221,909	4,008,366	(2,398,254)	2,742,614	3,903,366	1,016,076	16,879,945
2022	2,349,041	4,916,642	77,542	227,355	4,518,575	(2,470,202)	2,811,180	4,001,190	1,043,528	17,290,202
2023	2,407,767	5,039,558	79,490	233,038	4,631,539	(2,544,308)	2,881,459	4,101,470	1,069,617	17,710,356
2024	2,467,961	5,165,547	81,467	238,884	4,747,328	(2,620,637)	2,953,496	4,204,257	1,096,957	18,140,643
2025	2,529,660	5,294,686	83,504	244,836	4,866,011	(2,699,256)	3,027,333	4,309,613	1,123,766	18,561,306
2026	2,592,902	5,427,029	85,591	250,957	4,997,661	(2,780,234)	3,103,016	4,417,603	1,151,860	19,032,593
2027	2,657,724	5,562,728	87,731	257,231	5,112,353	(2,863,641)	3,180,592	4,528,293	1,180,556	19,494,756
2028	2,724,167	5,701,797	89,924	263,662	5,240,161	(2,949,550)	3,260,107	4,641,751	1,210,173	19,968,057
2029	2,792,272	5,844,342	92,172	270,263	5,371,165	(3,038,036)	3,341,609	4,758,044	1,240,427	20,452,761
2030	2,862,078	5,990,451	94,477	277,009	5,505,445	(3,129,178)	3,425,149	4,877,246	1,271,438	20,949,139
2031	2,933,690	6,140,212	96,889	283,935	5,643,081	(3,223,053)	3,510,778	4,999,427	1,303,224	21,457,472
2032	3,006,971	6,293,717	99,260	291,033	5,786,158	(3,319,744)	3,596,548	5,124,662	1,335,904	21,978,044
2033	3,082,145	6,451,060	101,741	298,309	5,928,762	(3,419,337)	3,688,511	5,253,029	1,369,200	22,511,146
2034	3,159,199	6,612,337	104,295	305,767	6,076,991	(3,521,917)	3,780,724	5,384,605	1,403,430	23,057,078
2035	3,238,179	6,777,645	106,892	313,411	6,228,905	(3,627,572)	3,875,242	5,519,470	1,438,515	23,616,145
<b>20-yr TIF Total</b>	<b>50,333,965</b>	<b>104,241,972</b>	<b>1,661,641</b>	<b>4,843,403</b>	<b>103,035,423</b>	<b>(87,255,868)</b>	<b>61,815,927</b>	<b>86,954,099</b>	<b>22,267,059</b>	<b>377,958,620</b>

**Use of Tax Revenue:**

TIF	City	City Pension	School	Total
1,744,326	568,876	1,597,828	3,901,031	7,911,031
-	1,999,648	529,192	4,023,191	6,551,931
2,637,367	492,498	1,479,605	4,609,471	9,619,941
4,518,441	1,978,248	5,136,470	15,979,350	33,512,509
4,870,729	3,636,966	2,027,704	15,596,885	36,532,284
5,253,228	2,275,420	5,631,629	16,464,601	40,624,878
5,446,177	3,341,994	2,339,865	16,879,945	45,008,081
5,636,391	2,398,362	5,751,938	17,290,202	49,076,903
5,831,360	3,419,114	5,875,193	17,710,356	53,836,023
6,031,203	2,458,321	6,001,561	18,140,643	58,631,728
6,236,042	2,519,779	6,131,088	18,561,306	63,547,215
6,446,001	3,496,637	6,263,854	18,981,306	68,687,698
6,661,210	3,599,310	2,847,343	19,032,593	74,100,456
6,881,800	3,622,494	2,781,526	19,494,756	79,786,576
7,107,904	3,655,012	2,781,365	19,968,057	85,532,336
7,339,660	3,708,150	2,850,939	20,452,761	91,351,310
7,577,211	3,751,910	2,922,171	20,949,139	97,250,231
7,820,700	3,795,296	2,995,225	21,457,472	103,228,693
8,070,276	3,841,308	3,070,106	21,978,044	109,276,734
8,326,092	3,886,946	3,146,659	22,511,146	115,394,985
8,588,303	3,933,213	3,225,530	23,057,078	121,587,826
8,857,070	3,980,109	3,306,168	23,616,145	127,854,091
<b>127,499,796</b>	<b>72,325,767</b>	<b>52,120,996</b>	<b>125,011,070</b>	<b>377,958,620</b>

Schedule of Taxable Values for TIF

All figures are estimates only; actual figures will vary according to market conditions

4/15/2015

Schedule:

TIF Start 12/31/2015  
Initial Project Opening 1/1/2017  
Stabilization 1/1/2019

Square Footage:	Base	Opening	Retail	Office
Tenanted Area:				
801 Market Street (former Strawbridge & Clothier)	222,561	222,561	222,561	
833 & 901-905 Market Street (Gallery I)	198,133	180,499	130,576	49,923
907 Market Street (former Gimbels/Kmart)	377,792	382,633	168,609	214,024
1001-19 & 1025 Market Street (Gallery II, Burlington Ct)	338,597	328,120	317,499	10,621
Total Tenanted Areas	1,137,083	1,113,813	839,245	274,568
Common Areas	151,524	174,794		
Total Square Footage	1,288,607	1,288,607		

Construction & Occupancy:	2014	2015	2016	2017	2018	2019
Retail occupied (square feet)	429,083	354,992	341,802	716,619	716,619	790,463
Office occupied (square feet)	247,764	247,764	247,764	247,764	247,764	247,764
Total occupied (square feet)	676,847	602,756	589,566	964,383	964,383	1,038,227
Vacant / Under Construction (square feet)	460,236	534,327	547,517	149,430	149,430	75,586
Total Leasable Space	1,137,083	1,137,083	1,137,083	1,113,813	1,113,813	1,113,813
Common Area	151,524	151,524	151,524	174,794	174,794	174,794
Total (square feet)	1,288,607	1,288,607	1,288,607	1,288,607	1,288,607	1,288,607
Occupancy Rate (occupied / available)	60%	53%	52%	87%	87%	93%

Income:

	Base	Stabilized
Gross Retail Sales	\$ 112,213,267	\$ 447,606,949
Average Sales per square foot of available retail	\$ 261.52	\$ 566.26
Percent Taxable	51%	51%
Sit-Down Restaurant (square feet)	625	59,788
Sit-Down Restaurant (sales per square foot)	681	665
Ratio of liquor to sit-down restaurant sales	25%	25%
Annual Rents	\$ 16,377,610	\$ 25,304,950
Net Operating Income	\$ 7,652,168	\$ 25,867,251

Real Estate:

	Base	Stabilized
Total	\$ 168,800,000	\$ 383,000,000
Exempt	\$ 56,300,000	\$ 38,000,000
Taxable	\$ 112,500,000	\$ 345,000,000

Employment:

	Base	Projected
Operational employment (full time equivalent)	2,590	3,950
Average annual operational salary per FTE	\$ 23,220	\$ 28,880
Gross annual operational wages	\$ 60,144,000	\$ 114,080,000
Construction employment (full time equivalent)		2,165
Average annual construction salary per FTE	\$	\$ 46,882
Gross construction wages	\$	\$ 101,500,000

**Schedule of Taxable Values for TIF**

All figures are estimates only; actual figures will vary according to market conditions

**TAXABLE VALUES:**

Calendar Year	Real Estate	Total Sales	Taxable Sales	Liquor Sales	Landlord Gross Receipts	Net Operating Income	Construction Wages	Permanent Wages
Growth	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		2.5%
Base	112,500,000	112,213,267	56,887,638	106,435	23,404,929	7,652,168	15,225,000	60,144,000
2015	112,500,000	110,563,517	52,919,198	-	15,296,545	4,030,561	15,225,000	59,259,768
TIF Start = 2016	112,500,000	104,746,490	49,249,828	-	15,296,545	4,030,561	35,525,000	59,259,768
Opening = 2017	345,000,000	407,285,797	197,824,782	7,621,060	45,540,488	21,957,268	35,525,000	103,803,491
2018	353,625,000	417,467,942	202,770,402	7,811,586	46,911,122	22,620,250	35,525,000	106,398,578
Stabilized = 2019	362,465,625	447,606,949	227,541,970	9,932,453	50,887,003	25,867,251	15,225,000	114,080,000
2020	371,527,266	458,797,122	233,986,532	10,180,764	52,159,178	26,513,932	15,225,000	116,932,000
2021	380,815,447	470,267,050	239,836,196	10,435,283	53,463,158	27,176,781	15,225,000	119,855,300
2022	390,335,833	482,023,727	245,832,101	10,696,165	54,799,736	27,856,200	15,225,000	122,851,683
2023	400,094,229	494,074,320	251,977,903	10,963,669	56,169,730	28,552,605	15,225,000	125,922,975
2024	410,096,585	506,426,178	258,277,351	11,237,658	57,573,973	29,266,420	15,225,000	129,071,049
2025	420,349,000	519,086,832	264,734,284	11,518,600	59,013,322	29,998,081	15,225,000	132,297,825
2026	430,857,725	532,084,003	271,352,642	11,806,565	60,488,656	30,748,033	15,225,000	135,605,271
2027	441,629,168	545,365,603	278,136,458	12,101,729	62,000,872	31,516,734	15,225,000	138,995,403
2028	452,669,897	558,999,743	285,089,869	12,404,272	63,550,894	32,304,652	15,225,000	142,470,288
2029	463,986,644	572,974,737	292,217,116	12,714,379	65,139,666	33,112,268	15,225,000	146,032,045
2030	475,586,310	587,299,105	299,522,544	13,032,239	66,768,158	33,940,075	15,225,000	149,682,846
2031	487,475,968	601,981,583	307,010,607	13,358,045	68,437,362	34,788,577	15,225,000	153,424,917
2032	499,662,867	617,031,122	314,685,872	13,691,996	70,148,296	35,658,291	15,225,000	157,260,540
2033	512,154,439	632,456,901	322,553,019	14,034,296	71,902,003	36,549,748	15,225,000	161,192,053
2034	524,958,300	648,268,323	330,616,845	14,385,153	73,699,553	37,463,492	15,225,000	165,221,855
2035	538,082,258	664,475,031	338,882,266	14,744,782	75,542,042	38,400,080	15,225,000	169,352,401
<b>20-yr TIF Total</b>	<b>\$ 8,373,872,562</b>	<b>\$ 10,268,698,559</b>	<b>\$ 5,212,098,586</b>	<b>\$ 222,670,592</b>	<b>\$ 1,169,491,756</b>	<b>\$ 588,321,299</b>	<b>\$ 86,275,000</b>	<b>\$ 2,649,710,286</b>



### Part III, Project Costs

**The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are funded privately or by non-local public sources. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the TIF Notes, provided, however, that the Developer complies with all minimum investment requirements of the Project Amended Lease and Development Agreements.**

- (A) *Initial Project Costs:* Initial Project Costs estimated to be \$325 million include capital costs of \$275 million of which \$90.3 million is in tenanted areas, and financing, working capital and other costs of \$50 million (see "Initial Project Costs," attached).
- (B) *Eligible Project Costs:* Proceeds of TIF Notes issued by PAID will be used to fund and/or reimburse the Developer for the payment of Initial Project Costs. Tax increments authorized pursuant to this Project Plan will be applied to repayment of the TIF Notes including but not limited to payment of principal, interest, reimbursement of principal and interest payments advanced by the Developer or its affiliates and any financing fees, interest, or penalties due thereon, which together shall constitute qualifying project costs for purposes of the TIF Act ("Eligible Project Costs").

**Initial Project Costs**

4/15/2015

LINE ITEM (\$ Millions)	Total (\$MM)
CAPITAL COSTS:	
Construction	184.7
Tenant Work	90.3
Total Capital Costs	275.1
FINANCING COSTS	5.8
SOFT COSTS AND WORKING CAPITAL	44.2
TOTAL PROJECT	\$ 325.0

The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are funded privately or by non-local public sources. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the TIF Notes, provided, however, that the Developer complies with all minimum investment requirements of the Project Amended Lease and Development Agreements.

## Part IV, Method and Timing of Financing

**The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are funded privately or by non-local public sources. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the TIF Notes, provided, however, that the Developer complies with all minimum investment requirements of the Project Amended Lease and Development Agreements.**

### (A) Sources of Funds:

- *Private Debt and Equity (\$234.5 million = 72%):* It is expected that the Developer will invest \$234.5 million in private debt and equity financing with terms and mix dependent on market conditions.
  - *Public Funding Agreement:* The City will enter into one or more project funding agreements with PAID to facilitate one or more sub-agreements with the Developer for City reimbursement of the Developer's construction, maintenance and operating costs relating to the public access area over a 43-year term with an aggregate present value equal to approximately \$58 million.
- *Tax Increment Financing (\$55.0 million = 17%):* The Developer expects to obtain debt financing by a public offering, or private placement to third party lender, of taxable TIF Notes in a principal amount not to exceed \$55 million secured by the projected tax increments authorized herein.
- *Commonwealth of PA (\$15.5 million = 5%)*
  - *PA Redevelopment Assistance Capital Program (RACP):* The Developer has received commitment from the Commonwealth of Pennsylvania for a RACP grant, of which \$13.0 million is available to fund Initial Project Costs.
  - *PA Infrastructure and Facilities Improvement Program (IFIP):* The Developer has received commitment from the Commonwealth of Pennsylvania for an IFIP grant in the amount of \$2 million with a present value of approximately \$1.5 million.
  - *PA Multi-Modal Grant:* The Developer has received commitment from the Commonwealth of Pennsylvania for a Multi-Modal grant in the amount of \$1.0 million.
- *Other non-City public or below market financing (\$20.0 million = 6%):* The Developer and the City shall cooperate to obtain the remaining \$20.0 million from non-City public sources, which amounts might include additional Federal, State or Regional funds, net present value benefit of low-cost financing obtained through the

US Immigrant Investor program, and/or reduction in project scope and budget to the extent that additional funds are less than projected, provided, however, that the Developer complies with all minimum investment requirements of the Project Amended Lease and Development Agreements.

Financing is expected to be committed by July 2015 with a TIF effective date of December 31, 2015 and project completion projected for January 1, 2017.

- (B) *Trustee; Security:* In connection with either a public offering or private placement, PAID and the Developer may appoint a financial institution to serve as trustee for the benefit of the holder(s) from time to time of the TIF Notes, and all TIF Revenues shall be deposited by the Taxing Bodies directly with such Trustee and applied in accordance with the Act and as authorized herein.
- (C) *Authorized Tax Increments:* Incremental increases in Real Estate, City Sales, and Business Privilege Taxes are hereby authorized to fund Eligible Project Costs as described below (“Tax Increments”).

1. Real Estate taxes:

a) *Base:* The full aggregate market value of the taxable property in the district determined by the Office of Property Assessment as of the date on which the district is created.

b) *Increment:* The annual Real Estate Tax Increment shall mean all incremental real estate tax revenues resulting from an increase in the total market value of taxable real property situated in the district over the Base amount. The Real Estate Tax Increment each year shall be eligible under the Act and is hereby authorized to fund Eligible Project Costs in accordance with the Act. Such Real Estate Tax Increment may result either from an increased assessment of the property in the district or an increased millage rate as applied to the portion of the market value of the property in excess of the Base amount.

2. City Sales taxes:

a) *Base:* All City sales tax revenue collected each year during the term of the District up to the City Sales Tax Base, which amount has been determined by the Philadelphia Finance Director based on the retail sales in the District to be \$568,876 as of the District’s creation date, shall constitute the City Sales Tax Base and each year shall inure to the benefit of the City in accordance with the Act.

b) *Increment:* The City Sales Tax Increment shall mean incremental increases in sales tax revenue over the City Sales Tax Base derived from a 1% tax rate collected each year until termination of the District. The City Sales Tax Increment each year shall be eligible under the Act and is hereby authorized to fund Eligible Project Costs in accordance with the Act. City Sales Tax revenues in excess of amounts derived from the 1% rate shall inure to the benefit of the City, City Pension Fund or School

District in accordance with existing law.

3. Business Income and Receipt Taxes:

a) *Base*: All Business Income and Receipt Tax revenue collected each year during the term of the District up to the Business Income and Receipts Tax Base, which amount has been determined by the Philadelphia Finance Director based on taxable business revenue in the District to be \$85,981 as of the District's creation date, shall constitute the Business Income and Receipts Tax Base and each year shall inure to the benefit of the City in accordance with the Act.

b) *Increment*: The Business Income and Receipts Tax Increment shall mean all incremental increases in business privilege tax revenue over the Business Income and Receipts Tax Base collected each year based on increases in gross receipts and net income until termination of the District. The Business Income and Receipts Tax Increment each year shall be eligible under the Act and is hereby authorized to fund Eligible Project Costs in accordance with the Act.

(D) *Additional Tax Increments*: Tax Increments which are authorized above but not required to pay debt service on the TIF Note shall be applied, *first*, to reimbursement of debt service on the TIF Notes paid by the Developer under the Project Note, including interest thereon and, *second*, to prepayment of principal on the TIF Note (subject to lender's prepayment restrictions and reserve requirements applicable to excess Tax Increments sufficient to defease the then outstanding TIF Notes). Tax Increments not applied to payment of Eligible Project Costs including prepayments, defeasance escrow deposits or reimbursements, if any, shall be returned to the City and School District upon satisfaction of the TIF Notes.

(E) *Substitute TIF Loan*: The TIF Note may be refunded ("Substitute Loan"), and Tax Increments authorized herein may be applied towards repayment of the Substitute Loan so long as the terms of the Substitute Loan do not increase the principal amount of the then outstanding TIF Notes or the interest on the Substitute Loan above the maximum interest rate on the initial TIF Notes.

(F) *Maximum Interest Rate*: The maximum stated interest rate, without regard to original issue discount or premium, on the TIF Notes and any Substitute Loan shall not exceed 9% per annum.

**Method & Timing of Financing**

4/15/2015

LINE ITEM (\$ Millions)	Total (\$MM)
PRIVATE FINANCING:	
Developer's debt and/or equity (1)	234.5
PUBLIC FINANCING:	
Tax Increment Financing	55.0
Commonwealth of PA	15.5
Other non-City public or below market financing	20.0
Total Public Financing	90.5
TOTAL PROJECT	\$ 325.0

(1) The City will enter into a project funding agreement with the developer under which the City will provide reimbursement for construction, operating and maintenance costs relating to the public access area on an annual basis over a 43-year term with a present value equal to approximately \$58 million.

The Project design has not been finalized and the figures presented here are based on estimates. The total amount and line items may vary as the Project design is refined and are not intended as limitations. The Initial Project Costs and/or size of the Project may be increased as long as such increases are funded privately or by non-local public sources. If the Initial Project Costs and/or size of the Project decrease by more than 15% prior to settlement of the financing, such decreases shall result in a pro rata reduction of the TIF Notes, provided, however, that the Developer complies with all minimum investment requirements of the Project Amended Lease and Development Agreements.

**Part V, Site Maps**

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Following, please find site maps, which outline the District and depict the existing project site and proposed improvements.

*(Site map on file with the Chief Clerk of City Council)*

APPLETREE

HL180

FILBERT

LUDLOW

801 MARKET ST PREIT RUBIN INC

REDEVELOPMENT AUTHORITY  
833 MARKET ST

GALLERY MARKET PROPERTIES  
807-37 MARKET ST

KEYSTONE PHILA PROPERTIES  
1007-19 MARKET ST

REDEVELOPMENT AUTHORITY  
1025 MARKET ST

MARKET

HL60

RANSTEAD

HUTCHINSON

OUTBERT

DEGRAY

LUDLOW

HL100

ARCH

FILBERT

LUDLOW

OUTBERT

HL110

CIRARD

CLOVER





**Part VI, Related Code Changes**

There are no related code changes associated with the Project at this time.

**Part VII, Non-Project Costs**

The Initial Project Costs do not include expenditures by new or existing tenants for fit-out of leased spaces within the District, or improvements to space within the District controlled by SEPTA ("Non-Project Costs").

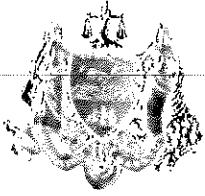
**Part VIII, Relocation**

The Project Plan does not call for displacement of any lawfully possessed individuals, families and business through condemnation as a result of the Project. Accordingly, there are no relocation costs associated with the Project.

**Addendum: Statutory Requirements**

Per Chapter 21-1400 § 21-1403 of The Philadelphia Code:

- (1) All projections contained in the TIF District's Project Plan of tax revenues and jobs to be created by the TIF District are based on reasonable and appropriate assumptions and methods of estimation. All such assumptions and methods are consistently applied throughout the projections. Estimates of projected tax revenues are based on current or proposed tax rates, historical collection patterns and generally recognized econometric models.
  
- (2) There will be an Economic Opportunity Plan submitted for the TIF District, and the Economic Opportunity Plan will contain (i) a detailed statement by the Developer that addresses the Developer's good faith efforts to insure that (a) the maximum feasible number of any year-round, part-time or full-time jobs provided by the project to youth (persons under the age of twenty-one (21)) shall be provided to low and moderate income youth, and (b) in order to meet these goals, the project shall utilize the services of the School District of Philadelphia, the Archdiocese of Philadelphia, the Greater Philadelphia Urban Affairs Coalition, the Urban League of Philadelphia, the Philadelphia Workforce Development Corporation or any related entities, or training apprenticeship programs such as the Philadelphia Housing Authority's Working Together for Jobs Agreement, the TOP/WIN program, the Congreso de Latinos Unidos Apprenticeship Prep of Trades APTitude program, YouthBuild Philadelphia, or other similar Programs; and (ii) a preliminary implementation plan for such youth employment goals. In addition, the Economic Opportunity Plan will contain a detailed statement by the developer that addresses the developer's good faith efforts to insure that the project shall provide for significant contracting, construction and job opportunities, including without limitation, goods, services and equipment, to minority, female and disabled business enterprises and individuals, and a preliminary implementation plan for these employment goals.

**CITY OF PHILADELPHIA**

OFFICE OF THE DIRECTOR OF FINANCE  
1401 John F. Kennedy Blvd.  
Room 1330, Municipal Services Bldg.  
Philadelphia, PA 19102-1693  
(215) 686-6140  
FAX (215) 568-1947

ROB DUBOW  
Director of Finance

April 9, 2015

**STATEMENT OF REVIEW OF ESTIMATES**

To President Darrell L. Clarke and Members of City Council:

We have reviewed the Project Plan for the Gallery at Market East Tax Increment Financing (TIF) District. Specifically, we have reviewed the assumptions, estimation methods, and calculations in the Tax Benefit Analysis, and the Schedule of Taxable Values (version dated 3/31/15).

Our review has found that all projections contained in the TIF District's project plan of tax revenues to be generated by the TIF District are based on reasonable and appropriate assumptions and methods of estimation. All such assumptions and methods are consistently applied throughout the projections. Estimates of base tax revenues and projected tax revenues are based on current or projected tax rates and are consistent with historical collection patterns.

The assumptions are based on critical project descriptions. These descriptions, which include the project size, the project completion date, as well as the tenant mix and occupancy level, were not included in our review.

The projected TIF increment values for sales tax and Business Income and Receipts Tax (BIRT) include only the amounts for those taxpayers with an account that is unique to the Gallery location. Accordingly, taxpayers that are within the Gallery location must use accounts unique to the Gallery location in order to be counted for TIF reimbursement purposes. Locations outside of the Gallery will not be counted for TIF reimbursement purposes.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Dubow".

Rob Dubow  
Director of Finance

cc: Michael Nutter, Mayor  
Everett Gillison, Mayor's Chief of Staff  
John Grady, President, Philadelphia Industrial Development Corporation  
Alan Greenberger, Deputy Mayor for Economic Development  
Marjorie Neff, Chairman, School Reform Commission  
Anna Adams, Chief of Staff, Finance  
Clarena Tolson, Chief Revenue Collections Officer  
Michael Isard, Research Director, Department of Revenue

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# **City of Philadelphia Economic Opportunity Plan**

## **Gallery Redevelopment Project**

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## I. Introduction and Definitions

The City of Philadelphia strongly encourages the use of certified Minority ("MBE"), Women ("WBE"), Disabled ("DSBE") and Disadvantaged<sup>1</sup> ("DBEs") Business Enterprises (collectively, "M/W/DSBEs") and minority and female workers in all aspects of **GALLERY REDEVELOPMENT PROJECT** located between **8th Street, 11th Street, Filbert Street, and Market Street** which may include financial investment, design, construction and operations. In support of this objective, the City of Philadelphia will require that **Pennsylvania Real Estate Investment Trust - PREIT** (the "Owner") of the Project commit to this Economic Opportunity Plan ("EOP" or "Plan"). This Plan contains ranges of projected M/W/DSBE utilization and goals for the employment of minority and female workers in connection with the Project at the Site. This Plan shall be a part of and incorporated into the resulting agreement(s) with the owners of the **GALLERY REDEVELOPMENT PROJECT**.

The Owner hereby verifies that all information submitted to the Office of Economic Opportunity ("OEO") in response to this Plan, is true and correct and take notice that the submission of false information is subject to the penalties of 18 PA C. S. Section 4904, relating to unsworn falsification to authorities and 18 PA C. S. Section 4107.2 (a)(4), relating to fraud in connection with minority business enterprises or women's business enterprises.

For the purposes of this Plan, MBE, WBE, DBE and DSBE shall refer to certified businesses so recognized by OEO. Only the work or supply effort of firms that are certified as M/W/DSBEs by an OEO approved certifying agency<sup>2</sup> will be eligible to receive credit as a Best and Good Faith Effort. In order to be counted, certified firms must successfully complete and submit to the OEO an application to be included in the OEO Registry which is a list of registered M/W/DSBEs maintained by the OEO and available online at [www.phila.gov/oEO/directory](http://www.phila.gov/oEO/directory).

For this Plan, the term "Best and Good Faith Efforts," the sufficiency of which shall be in the sole determination of the City, means: efforts, the scope, intensity and appropriateness of which are designed and performed to foster meaningful and representative opportunities for participation by M/W/DSBEs and an appropriately diverse workforce and to achieve the objectives herein stated. Best and Good Faith Efforts are rebuttably presumed met when commitments are made within the M/W/DSBE participation ranges established for the improvements and a commitment is made to employ a diverse workforce as enumerated herein.

## II. Project Scope.

The Project includes redevelopment of substantial portions of the Gallery, 801 Market Street and 907 Market Street. Features include, but are not limited to:

- Common area improvements
- New retail space construction
- New street level openings on Market Street for retail use
- New restaurants inside the Gallery and along Market Street

<sup>1</sup> Disadvantaged Business Enterprises ("DBEs") are those socially or economically disadvantaged minority and woman owned businesses certified under 49 C.F.R. Part 26.

<sup>2</sup> A list of "OEO approved certifying agencies" can be found at [www.phila.gov/oEO](http://www.phila.gov/oEO)



- New gateway façade and landmark identification at 10<sup>th</sup> & Market
- Installation of a food market at former Strawbridge's site at 801 Market Street

**III. Goals.**

**A. M/W/DSBE Participation Ranges.**

As a benchmark for the expression of "Best and Good Faith Efforts" to provide meaningful and representative opportunities for M/W/DSBEs in the Project, the following participation ranges have been established. These participation ranges represent, in the absence of discrimination in the solicitation and selection of M/W/DSBEs, the percentage of MBE, WBE and DSBE participation that is reasonably attainable through the exercise of Best and Good Faith Efforts. These percentages relate to the good faith estimated cost of the entire Project. In order to maximize opportunities for as many businesses as possible, a firm that is certified in two or more categories (e.g., MBE and WBE and DSBE or WBE and DSBE) will only be credited toward one participation range as either an MBE or WBE or DSBE. The ranges are based upon an analysis of factors such as the size and scope of the improvements and the availability of MBEs, WBEs, DSBEs and DBEs to participate in this development.

The following contract goals have been set for the Project:

<b>Contracts</b>	<b>Minority Owned</b>	<b>Female Owned</b>	<b>DsBEs</b>	<b>Total</b>
<b>Professional Services</b>	15-20%	10-15%	BGFE	25-35%
<b>Construction</b>	25-30%	5-10%	BGFE	30-40%

The project owner will use good and best faith efforts to provide meaningful opportunities to enterprises owned and controlled by a United States veteran.

The owner agrees to meet the obligations of the First Source agreement for this project.

**B. Employment Goals.**

The following Construction contract goals have been set for the Project:

<b>Local Residents</b>
35%

The owner agrees to exhaust Best and Good Faith Efforts to employ minority persons and females in its workforce of apprentices and journeymen at the following levels<sup>3</sup>:

- Minority Apprentices - 50% of all hours worked by all apprentices.
- Minority Journeymen - 32% of all journey hours worked across all trades.
- Female Apprentices - 7% of all hours worked by all apprentices.
- Female Journeypersons - 2% of all hours worked across all trades.

**IV. Equity Ownership**

“Economic Opportunity Plans,” to require that each Economic Opportunity Plan include information concerning the Equity Ownership (as defined) of (1) the contractor, developer and/or recipient of financial assistance required to submit the Plan; (2) participants (as defined) engaged by the contractor, developer and/or recipient of financial assistance; and (3) the eventual owner or owners of the project or contract to which the Plan relates; and requiring periodic reports for the purpose of updating Equity Ownership information; all under certain terms and conditions.

Identify the current equity owners of the project.

Type of Ownership	% Minority Owned	% Women-Owned	% Disabled Persons
<b>Sole Proprietorship</b>			
<b>Partnership</b>			
<b>Corporation</b>	*	*	*

\* PREIT and Macerich are publicly traded and operate under rules & regulations of the SEC. Anyone is able to buy or sell stock.

If the project is privately owned, the following individuals will become the anticipated Equity Owners upon completion.

Type of Ownership	% Minority Owned	% Women-Owned	% Disabled Persons
<b>Sole Proprietorship</b>			
<b>Partnership</b>			
<b>Corporation</b>	*	*	*

\* PREIT and Macerich are publicly traded and operate under rules & regulations of the SEC. Anyone is able to buy or sell stock.

Following the completion of the project, the project owner is responsible for meeting the reporting guideline identified in the Philadelphia Code.<sup>4</sup>

<sup>3</sup> These goals, which have been adopted by the Economic Opportunity Cabinet, are the recommendations of the Mayor's Commission on Construction Industry Diversity

<sup>4</sup> Philadelphia Code 17-1603.

**V. Diversity Practices**

In compliance with Chapter 17-1603 entitled Equal Opportunity Plan: Contents of The Economic Opportunity Plan shall contain a statement from the contractor, developer and/or recipient of financial assistance summarizing past practices by identifying and describing examples of processes used to develop diversity at any/all levels of its organization including, but not limited to, Board and managerial positions. This statement shall also summarize strategic business plans specific to current or past practices of M/W/DSBE utilization on government and non-government projects and procurement. Where appropriate, such a statement should contain:

1. Describe employment and recruitment policies used to achieve diversity in your workforce.

The Company is committed to equal employment opportunity and to attracting and retaining the most qualified employees, regardless of race, color, national origin, ancestry, citizenship, religion, creed, sex, sexual orientation, marital status, familial status, domestic partnership status, age, physical or mental disability, military status, veteran status, genetic information or family medical history, or other characteristic or activity protected by federal, state, or local law ("Protected Status").

2. Provide the race, gender, and residential (local) status of your:

A. Directors	14% are Women 43% reside in Philadelphia
B. Management	7% are African American 33% are Women 24% reside in Philadelphia
C. General Workforce	18% are African American 9% are Hispanic or Latino 4% are Asian or Pacific Islander 61% are Women 43% reside in Philadelphia

3. Identify your organization's methods of solicitation and utilization of Minority, Woman and Disabled Businesses (M/W/DSBEs). Please be specific in describing outreach and any procurement policies that are focused on creating or sustaining business relationships with M/W/DSBEs.

As it relates to Philadelphia activity at the subject property, the asset is entering a construction project phase.

4. What percentage of your company's total spend with vendors and suppliers is attributable to M/W/DSBEs? Please include a list of the largest M/W/DSBEs used by your organization in the last 12 months.

A. Identify the type of goods or services purchased.	n/a
--	-----

B. Amount of the contract.	n/a
C. Indicate if any of these M/W/DSBEs are listed in the City of Philadelphia's Office of Economic Opportunity Registry.	n/a
D. Are these companies certified as M/W/DSBEs? Do you rely on any particular certifying agency?	n/a
E. If there is no previous M/W/DSBE utilization, the Plan shall contain a statement that explains the reason for the lack of M/W/DSBE participation in past contract(s) or project(s).	As it relates to Philadelphia activity at the subject property, the asset is entering a construction project phase.

5. Describe any initiatives made by your organization to increase investment and promote equity ownership by minorities and women.

PREIT and Macerich are publicly traded and operate under rules & regulations of the SEC. Anyone is able to buy or sell stock.

**VI. Responsiveness**

A. The owner shall identify M/W/DSBE commitments and other agreements evidencing their intent to use Best and Good Faith efforts to employ minority persons and females at the levels stated herein on the form entitled "M/W/DSBE Participation and Workforce Commitments." The identified commitments on this form constitute a representation that the M/W/DSBE is capable of providing commercially useful goods or services relevant to the commitments and that the Owner has entered into legally binding commitments or other legally binding agreements with the listed M/W/DSBEs for the work or supply effort described and the dollar/percentage amounts set forth on the form. In calculating the percentage of M/W/DSBE participation, the standard mathematical rules apply in rounding off numbers. In the event of inconsistency between the dollar and percentage amounts listed on the form, the percentage will govern.

B. M/W/DSBE commitments are to be memorialized in a written subcontract agreement. Letters of intent, quotations, contracts, subcontracts and any other documents evidencing commitments with M/W/DSBEs, including the M/W/DSBE Participation and Workforce Commitments Form, become part of and an exhibit to the Agreement resulting from the RFP.

C. OEO will review the owner's commitments for the purpose of determining whether Best and Good Faith Efforts have been made. OEO reserves the right to request further documentation and/or clarifying information at any time during the construction and development of the Project.

**VII. Compliance and Monitoring of Best and Good Faith Efforts.**

A. The owner agrees to cooperate with OEO in its compliance monitoring efforts, and to submit, upon the request of OEO, documentation relative to its implementation of the Plan, including the items described below:

- Copies of signed contracts and purchase orders with M/W/DSBE subcontractors
- Evidence of payments (cancelled checks, invoices, etc.) to subcontractors and suppliers to verify participation; and
- Telephone logs and correspondence relating to M/W/DSBE commitments.
- To the extent required by law, the Owner shall ensure that its on-site contractors maintain certified payrolls which include a breakout of hours worked by minority and female apprentices and journeypersons. These documents are subject to inspection by OEO.

B. Prompt Payment of M/W/DSBEs.

The owner agrees and shall cause its contractors to ensure that M/W/DSBEs participating on the Project receive prompt payment for their work or supply effort within five (5) days after receipt of payment from the project owner.

C. Oversight Committee.

For this Project, in the sole discretion of the City, an oversight committee may be established consisting of representatives from [the Owner], representatives of the building trades, the construction manager, the City which may include the Project site's district councilperson, OEO, and appropriate community organizations ("Committee"). The Committee will meet regularly to provide advice for the purpose of facilitating compliance with the Plan.

D. Reporting.

The owner agrees to file an annual report with the City of Philadelphia and City Council concerning the performance of the Economic Opportunity Plan through the duration of the Project. In addition, during construction, the Owner will provide "snapshot" reports containing updates for certain categories of information contained in its annual report on a monthly basis during construction. Snapshot reporting will include: (i) utilization of M/W/DSBEs and/or DBEs, and (ii) the hiring and employment of minorities and females. All reports (quarterly & annually) provided to the City under this section will also be provided to the Office of Economic Opportunity.

**VIII. Remedies and Penalties for Non-Compliance.**

A. The owner agrees that its compliance with the requirements of this Plan is material to the Agreement. Failure to comply with the Plan may constitute a substantial breach of the Agreement and is subject to the remedies and penalties contained therein or otherwise available

at law or in equity. Notwithstanding the foregoing, no privity of contract exists between the City and any M/W/DSBE identified in any contract resulting from implementation of the Plan. Neither the Owner nor the City intends to give or confer upon any such M/W/DSBE any legal rights or remedies in connection with subcontracted services under any law or policy or by any reason of any contract resulting from implementation of the Plan except such rights or remedies that the M/W/DSBE may seek as a private cause of action under any legally binding contract to which it may be a party.

## **IX. Post-Construction Opportunities**

PREIT, through a combination of reduced rent, tenant improvements, and professional services will support the following initiatives:

### Home Grown Retail Development Pilot

PREIT will develop a public solicitation for proposals from independently owned Philadelphia retailers interested in leasing space within the Project. PREIT's specialty leasing group will lead this initiative. Space considerations could include kiosks, carts, and fixed interior locations. The categories of desired retailers will be determined as PREIT nears completion of its merchandising and leasing plan. PREIT will encourage applicants who have demonstrated successful management of smaller scale retail operations to apply for consideration.

Selected retailers will participate in a professional development program. Under this pilot program, PREIT will provide the following professional mentoring services:

- Basic operations financial modeling, including capital needs and operations budget
- Introductory marketing plan
- Product placement and point of sale advice
- Employee management seminar
- Periodic review of expansion plans, when appropriate

PREIT will provide kiosk owners operating in the Gallery during 2014 a right of first offer to relocate back into the Gallery once the reconstruction has been completed and will provide these kiosk owners with the professional mentoring and technical assistance services of PREIT's Home Grown Retail Development Pilot.

### Food and Beverage Minority Entrepreneur Initiative

The new merchandising plan for the Project features venues for specialty prepared foods in an expanded floor plate concept. PREIT will identify food concepts which complement the broader merchandising plan and select targeted concepts for placement. PREIT will reserve specialty food space for placement of Philadelphia minority food vendors drawn from the following pool of candidates:

- The Center for Culinary Enterprises at the Enterprise Center
- The Philadelphia branch of The Network for Teaching Entrepreneurship
- Other local neighborhood retailer associations identified by the Office of Economic Opportunity

Retail Employment - Local Residents

PREIT completed a survey of the Gallery tenants to determine the residency of employees. The survey revealed that 483 of the 737 (65.5%) of employees reside in Philadelphia. The current tenants conducted their own employee recruitment and hiring. PREIT expects that future tenants will continue that practice. PREIT will notify current and prospective tenants that PREIT and the City share the goal of promoting the hiring of Philadelphia residents at the Gallery and will utilize the Philadelphia Workforce Development Agency to identify potential local employee pools.

Retail Employment - Youth

PREIT, in cooperation with its tenants, will develop a youth employment recruitment program that will provide Philadelphia area high school students with part-time and full-time positions at the Gallery. PREIT will coordinate through the proper agency to accomplish programs for Hotel, Restaurant, Travel, and Tourism and Business and Technology to expand the curriculum to include retail support training to ensure an adequate candidate pool. A publicized Job Fair will also be scheduled in coordination with the construction phasing. Finally, PREIT will encourage tenants to hire successful high school graduates in a full time capacity.

PREIT has set a goal of 25-30% M/W/DSBI<sup>4</sup> for the Home Grown Retail program. The project owner will use good and best faith efforts to provide meaningful opportunities to enterprises owned and controlled by a United States veteran.

*Christopher Mrozinski*  
 Christopher Mrozinski  
 Vice President of Development  
 PREIT Services LLC on behalf of Owner  
 Pennsylvania Real Estate Investment Trust PREIT

*6.1.15*  
 Date

*Angela Howard-Burton*  
 Angela Howard-Burton  
 Executive Director  
 City of Philadelphia

*6/1/2015*  
 Date

<sup>4</sup> The Owner's Representative is required to sign and date, but the City reserves the right to obtain the Owner's Representative signature thereon at any time prior to Plan certification. The Owner Representative will receive from the City a certified copy of its Plan which should be filed with the Chief Clerk of City Council within fifteen (15) days of the issuance and published by OIG, in a downloadable format on the OIG website.

<sup>5</sup> Pursuant to Section 17-1603 (2) of The Philadelphia Code, the representative of the City of Philadelphia's Office of Economic Opportunity, the "certifying agency" certifies that the contents of this Plan are in compliance with Chapter 17-1600.

**FIRST SOURCE EMPLOYMENT AGREEMENT  
GALLERY MALL**

THIS FIRST SOURCE EMPLOYMENT AGREEMENT (this "**Agreement**") is made this \_\_\_\_ day of \_\_\_\_\_, 2015 (the "**Effective Date**") between **THE CITY OF PHILADELPHIA**, a municipal corporation and body politic organized and existing under the laws of the Commonwealth of Pennsylvania (the "**City**"), acting through its Department of Commerce (the "**Department**") and PR Gallery I Limited Partnership, a Pennsylvania limited partnership (the "**Beneficiary**").

**Background**

A. The Beneficiary is redeveloping the properties located on the north side of Market Street between 8<sup>th</sup> and 11<sup>th</sup> Streets commonly known as the Gallery Mall, including, without limitation, the construction and maintenance of an integrated public access area at the street and lower levels of the Gallery Mall and 801 Market Street to allow convenient access to the regional transportation hub beneath and adjacent to the Gallery Mall (collectively, the "**Entire Redevelopment Project**").

B. The City is facilitating the Entire Redevelopment Project through the provision to the Beneficiary of the following Financial Assistance (defined below), of which the Beneficiary is a recipient: (1) tax increment financing; and (2) City grant funds, each as more fully described in the agreements listed in **Exhibit A** to this Agreement, attached and made a part hereof,

C. Chapter 17-2000 of The Philadelphia Code (the "**Code**") requires that the City enter into a First Source Employment Agreement with the Beneficiary as a condition for the Beneficiary's receipt of the City's Financial Assistance, requiring the Beneficiary to use the First Source Registry (defined below) as its initial source for obtaining candidates for all New, Entry-Level Jobs (defined below) created directly or indirectly as a result of such Financial Assistance, subject to the below terms and conditions.

D. The Department is the "Designated Department" designated by the Mayor under §17-2000 of the Code to be responsible for the overall implementation and enforcement of Chapter 17-2000 of the Code.

E. The Beneficiary acknowledges that this Agreement and the Beneficiary's compliance with Chapter 17-2000 of the Code are material inducements for the City's grant of Financial Assistance to the Beneficiary.

**NOW, THEREFORE**, in consideration of the terms, covenants and conditions hereinafter set forth, with the intention of being legally bound hereby, the parties hereto agree as follows:

1. **Background.** The Background set forth above is incorporated by reference herein.



## 2. Definitions.

a. **“Applicable Law(s)”** means all applicable present and future federal, state, municipal laws, ordinances, codes, rules, regulations, statutes, orders and requirements, as may be amended from time to time, including without limitation, The City of Philadelphia Home Rule Charter, The Philadelphia Code (including, without limitation, Chapter 17-2000 thereof), and the Americans With Disabilities Act of 1990, P.L. Section 101-336, generally codified at 42 U.S.C. § 1201 et seq.

b. **“City-related Agency”** means all authorities and quasi-public corporations which either: (i) receive appropriations from the City; (ii) have entered into continuing contractual or cooperative relationships with the City; or (iii) operate under legal authority granted to them by City ordinance.

c. **“Community Referral Agency”** means any organized job registry or employment referral organization operated by a nonprofit organization or union approved by the City as satisfying the following requirements: (i) the agency has established a community membership base and record of conducting outreach to low and moderate income neighborhoods in Philadelphia; and (ii) the agency has a track record of nondiscriminatory employment referral and job placement with respect to race, color, religion, national origin, gender, gender orientation, age, marital or family status, or disability unrelated to job ability. As of the Effective Date, the Community Referral Agency is Philadelphia Works, Inc., a non-profit corporation with a place of business at One Penn Center at Suburban Station 1617 JFK Boulevard, 13<sup>th</sup> Floor, Philadelphia PA 19103, or such organization as the City may designate from time to time in its discretion.

d. **“Entry-level Job(s)”** means work that requires little to no formal vocational training, education or prior experience in the field or profession beyond on-the-job training.

e. **“Financial Assistance”** means any grant, loan, incentive or abatement subject to City Council approval in the amount of twenty-five thousand dollars (\$25,000.00) or more that is provided to the Beneficiary with the authority or approval of the City or a City-related Agency, including but not limited to, bond financing subsidies, Tax Increment Financing (TIF) aid, industrial development bonds, use of the power of eminent domain, Community Development Block Grant (CDBG) loans or grants, airport revenue bonds, Enterprise Zone designations, and aid from the Philadelphia Works, Inc. (successor to the Philadelphia Workforce Development Corporation) or other similar agencies.

f. **“First Source Candidate(s)”** means an individual on the First Source Registry who meets the minimum qualifications and requirements of an Entry-level Job.

g. **“First Source Period”** means a period of ten (10) business days following notice by the Beneficiary to the Department or, if directed by the Department, to the Community Referral Agency of New, Entry-level Jobs projected or created as a direct or indirect result of Financial Assistance.

h. **“First Source Registry”** means a listing of Philadelphia residents compiled and maintained by the Department or the Community Referral Agency on behalf of the Department for the purpose of employment referrals, including but not limited to the Commonwealth of Pennsylvania Department of Labor and Industry’s Commonwealth Workforce Development System.

i. **“Good Faith Efforts”** means documentation submitted by the Beneficiary to the Department or if directed by the Department, to the Community Referral Agency which includes the following:

- (i) Timely, written notification projecting New, Entry-level Jobs;
- (ii) Written description of specific job qualifications and the minimum requirements for each New, Entry-Level Job;
- (iii) Written verification of compliance with the First Source Period timetable as provided in Section 17-2006(2) of the Code;
- (iv) Timely, written notification of the First Source Candidates that were either contacted, interviewed, hired or rejected; and
- (v) Such other information as the Department may request from time to time in its sole discretion in order to implement and enforce Chapter 17-2000 of the Code.

j. **“Lease”** That certain Amended and Lease and Redevelopment Agreement dated \_\_\_ by and between Philadelphia Redevelopment Authority (as Landlord) and Beneficiary (as Tenant) with respect to certain property commonly known as Gallery I.

k. **New, Entry-Level Job(s)**” means all newly created Entry-Level Jobs, but excluding vacancies in New, Entry-level Jobs where such vacancies occur 45 consecutive days or more after the Beneficiary’s Good Faith Efforts to fill the same New, Entry-Level Job.

3. **Term.** The term of this Agreement (the **“Term”**) shall begin on the Effective Date and expires upon the two (2) year anniversary of Beneficiary’s completion, in accordance with the terms of the Lease, of the **“Entire Redevelopment Project”** (as defined in the Lease).

4. **Beneficiary’s Obligations.** The Beneficiary shall make and evidence Good Faith Efforts to fill 100 percent of New, Entry-level Jobs created directly or indirectly as result of Financial Assistance with First Source Candidates in accordance with the terms of this Agreement and Chapter 17-2000 of the Code. Following expiration of the First Source Period, the Beneficiary may fill New, Entry-level Jobs from other sources. For each New, Entry-level Job created directly or indirectly from the City’s Financial Assistance the Beneficiary shall:

a. Notify the Department or, if directed by the Department, the Community Referral Agency of New, Entry-Level Jobs and shall include in such notifications a general description of the job and the minimum requirements for qualified job applicants.

b. Not make any public announcement or advertisement of any New, Entry-Level Job created directly or indirectly as a result of the Financial Assistance during the First Source Period; provided, however, that the Department may waive the First Source Period only if the Beneficiary demonstrates to the satisfaction of the Department that a New, Entry-Level Job will be filled by the transfer or promotion of the Beneficiary's existing or former employee.

c. Accept from the Department or, if directed by the Department, the Community Referral Agency a list of First Source Candidates from the First Source Registry as referrals for employment, unless there are no First Source Candidates for the specific job.

d. Maintain records and submit to the Department or, if directed by the Department, the Community Referral Agency reports containing the following information on a quarterly basis for each of the three (3) month periods ending on March 31, June 30, September 30 and December 31, in the form specified by the Department in its sole discretion, each such report being due to the Department or, if directed by the Department, the Community Referral Agency within seven (7) days following the end of each quarterly reporting period:

- i. The number of New, Entry-Level Jobs covered by this Agreement;
- ii. The number of First Source Candidates and other City residents interviewed;
- iii. The number of First Source Candidates and other City residents employed; and

iv. Such additional information as the Department or, if directed by the Department, the Community Referral Agency may request from time to time in its sole discretion in order to implement and enforce Chapter 17-2000 of the Code.

e. Use Good Faith Efforts to hire First Source Candidate(s) referred to the Beneficiary from the First Source Jobs Registry, provided, however, that the Beneficiary shall not be required to hire any First Source Candidate(s).

f. Insert in its contracts with contractors and leases with tenants provisions requiring, as applicable, such contractors (as to themselves and their subcontractors) and tenants (as to themselves and their subtenants) to comply with (i) the Sections 4(a)-(e) above and Sections 10(a)-(b) below to the extent to which New, Entry-level Jobs are created directly or indirectly with such contractors, subcontractors, tenants and subtenants as a result of Financial Assistance hereunder, and (ii) to permit the audit of their affairs as provided in Section 14 below. The requirement that contractors (and their subcontractors) and tenants (and their subtenants) comply with the provisions of this Section 4(f) is herein defined as the "**Pushdown Provisions.**" Beneficiary shall use reasonable and good faith efforts to enforce the Pushdown Provisions. If Beneficiary uses such reasonable and good faith efforts to enforce the Pushdown Provisions, Beneficiary shall not be in default of this Agreement due to the failure of any contractor, subcontractor, tenant or subtenant to comply with the Pushdown Provisions.

5. **Indemnification.**

a. The Beneficiary shall indemnify, defend and hold harmless the City, and its respective officials, employees, departments, boards, commissions, agents and representatives, including the Community Referral Agency (acting officially or otherwise) (each an **"Indemnified Party"**; collectively, the **"Indemnified Parties"**), whether or not the Indemnified Parties or any other person or entity whatsoever, shall have been negligent, from and against any and all losses, claims, suits, administrative or enforcement actions, public or private cost recovery actions, demands, liabilities, fines (civil or criminal) damages and/or expenses (including, without limitation, legal fees and court costs), at law or in equity, which may be imposed upon or incurred by or asserted against any of them by reason, in whole or in part, of (i) any failure on the part of the Beneficiary, its officers, directors, shareholders, employees or agents to keep, observe or perform any of the provisions contained in this Agreement; or (ii) in the performance of this agreement, any violation or alleged violation of Applicable Law by the Beneficiary, its officers, directors, shareholders, employees or agents.

b. In the event any action or proceeding is brought against an Indemnified Party for which the Beneficiary has indemnified the Indemnified Party, the Beneficiary shall, upon written notice from the Indemnified Party, resist or defend such claim at the Beneficiary's sole cost and expense (including without limitation, legal and experts' fees, and litigation costs), and resist or defend such action or proceeding by counsel approved by each Indemnified Party in writing, provided that each Indemnified Party may, if it so desires, engage at its sole expense its own counsel to participate in the defense of any such claim.

c. Without limiting the generality of Section 16 below, the provisions of this Section 5 shall survive expiration of the Term or earlier termination of this Agreement.

6. **Release.** In consideration of the terms, covenants and conditions of this Agreement, the Beneficiary does hereby remise, quitclaim, release and forever discharge, and by these presents does for the Beneficiary's successors and assigns, and the Beneficiary's officers, directors, shareholders, employees, agents, and any person claiming under or through any of them (each a **"Releasor"**; collectively, the **"Releasors"**), hereby remise, quitclaim, release and forever discharge the City and its respective officials, employees, departments, boards, commissions, agents and representatives, including the Community Referral Agency (acting officially or otherwise) (each a **"Releasee"**; collectively, the **"Releasees"**) from any and all, and all manner of, actions and causes of action, suits, claims and demands whatsoever at law or in equity which any or all Releasors may have against any or all Releasees relating in any way whatsoever to the exercise of any rights, or performance of any obligations under, this Agreement by the Beneficiary, including without limitation, the evaluation, hiring, employment and/or termination of any First Source Candidate(s).

7. **Compliance with Applicable Laws; Review by City.**

a. Throughout the Term of this Agreement the Beneficiary shall, at its sole cost and expense, comply with all Applicable Laws in the performance of its obligations under this Agreement.

b. Review, approval and/or inspection by the City of any materials submitted or work performed by the Beneficiary in connection with this Agreement shall not constitute any representation, warranty or guaranty by the City as to the substance or quality of the matter reviewed or approved. No person or party shall rely in any way on such review or approval, and at all times the Beneficiary shall use its own independent judgment as to the accuracy and quality of all such matters. The Beneficiary shall use its own independent judgment in evaluating First Source Candidates. The City's review or approval of any matters under this Agreement shall not constitute or be construed to constitute approval otherwise required by any and all City departments, boards and commissions in connection with any and all aspects of such matters.

8. **No City Financial Obligation.** Nothing herein shall impose any financial obligation whatsoever upon the City.

9. **Default; Remedies.**

a. An event of default by the Beneficiary shall occur if the Beneficiary fails to perform or observe any of the terms, provisions, conditions, restrictions and covenants herein contained to be performed or observed by the Beneficiary and such failure continues for fifteen (15) days after written notice thereof from the City to the Beneficiary (or, if such failure cannot with due diligence be cured within said 15-day period, then such additional time as is reasonably required provided Beneficiary promptly commences and diligently prosecutes such cure, but in no event longer than sixty (60) days after written notice from the City (each an "Event of Default").

b. Upon an Event of Default by the Beneficiary, the City shall be entitled to do one or more of the following, in addition to exercising any of their respective rights and remedies available at law or in equity:

i. Withhold payment(s) or any part thereof related to the Financial Assistance pending corrective action.

ii. Require reimbursement of an appropriate amount of the Financial Assistance already provided to the Beneficiary.

iii. Suspend Beneficiary from bidding on and/or participating in future City contracts for up to three (3) years from the Event of Default.

c. The rights and remedies of the City, whether provided at law or in equity, or by this Agreement, shall be cumulative, and the exercise by the City of any one or more of such

rights or remedies shall not preclude the exercise by it, at the same or different times, of any other right or remedy for any default or breach by the Beneficiary.

**10. Non-Discrimination.**

a. This Agreement is entered into under the terms of The Philadelphia Home Rule Charter and, in its performance, the Beneficiary shall not discriminate nor permit discrimination against any person because of race, color, religion, sex, sexual orientation, ancestry or national origin. Without limiting the generality of Section 10 of this Agreement, the Beneficiary's noncompliance with the provisions of this Section 10 shall constitute a substantial breach of this Agreement entitling the City to take appropriate action to enforce compliance, including without limitation, at the City's option, pursuit of remedies as may be provided in this Agreement, at law or in equity.

b. In accordance with Chapter 17-400 of the Code, the Beneficiary agrees that its payment or reimbursement of membership fees or other expenses associated with participation by its employees in an exclusionary private organization, insofar as such participation confers an employment advantage or constitutes or results in discrimination with regard to hiring, tenure of employment, promotions, terms, privileges or conditions of employment, on the basis of race, color, sex, sexual orientation, religion, national origin or ancestry, constitutes, without limiting the generality of Section 10 of this Agreement, a substantial breach of this Agreement entitling the City to all rights and remedies provided in this Agreement or otherwise available at law or in equity.

c. The Beneficiary agrees to include Paragraphs (a) and (b) of this Section 10, with appropriate adjustments for the identity of the parties, in all contracts which are entered into for work to be performed pursuant to this Agreement.

d. The Beneficiary further agrees to cooperate with the Commission on Human Relations of The City of Philadelphia in any manner which such Commission deems reasonable and necessary to carry out its responsibilities under Chapter 17-400 of the Code. Failure to so cooperate shall, without limiting the generality of Section 10 of this Agreement, constitute a substantial breach of this Agreement, entitling the City to all rights and remedies provided in this Agreement or otherwise available at law or in equity.

**11. Intentionally Deleted.**

**12. Assignment; No Third Party Beneficiaries.**

a. The Beneficiary shall not transfer or assign all or any part of its interest under this Agreement without the prior written consent of the City, which consent shall be in the sole discretion of the City, provided, however, that consent by the City shall not be required for any transfer or assignment of this Agreement where Beneficiary has transferred or assigned the Agreement in accordance with the terms and conditions of the Lease. Subject to the preceding

sentence, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

b. The provisions of this Agreement shall not be construed for the benefit of any third party.

13. **Notices.** Any notice, demand, request, consent or waiver to be given in accordance with this Agreement shall be in writing and shall be sent by: (a) United States certified mail, postage prepaid, return receipt requested, (b) hand delivery by courier service with receipt obtained, charges prepaid, (c) overnight mail through a nationally recognized courier, charges prepaid, addressed to the following parties, or (d) by facsimile, with proof of transmission (with hard copy to follow by one of the other recognized methods within one (1) business day ) and addressed as follows:

If addressed to Beneficiary: PR Gallery I Limited Partnership  
c/o PREIT Services, LLC  
200 South Broad Street  
The Bellevue, Third Floor  
Philadelphia, PA 19102  
Attn: Daniel Herman,  
Senior Vice President, Development

With a copy to: PR Gallery I Limited Partnership  
c/o PREIT Services, LLC  
200 South Broad Street  
The Bellevue, Third Floor  
Philadelphia, PA 19102  
Attn: General Counsel

If addressed to the City: City of Philadelphia Department of Commerce  
One Parkway Building,- 12<sup>th</sup> Floor  
1515 Arch Street  
Philadelphia, PA 19102  
Attn: Commerce Director

With a copy to: City of Philadelphia Law Department  
Real Estate and Economic Development Division  
One Parkway Building 17<sup>th</sup> Floor  
1515 Arch Street  
Philadelphia, PA 19102  
Attention: Divisional Deputy City Solicitor, Real  
Estate and Economic Development

or to such other address as the party to receive the notice, demand, request, consent or waiver may hereafter designate by written notice to the other party. Such notice, demand, request, consent or waiver shall be deemed given (a) three (3) days following deposit in the U.S. mail, (b) upon receipt in the case of hand delivery, (c) the next business day following deposit with a nationally recognized overnight courier, or (d) the day faxed, except where such fax is transmitted after 5:00 p.m. EST, in which case the next business day. Notices may be given by the parties' respective counsel.

14. **Audit of Affairs.** During the Term of this Agreement, the City Controller shall have the right to audit the affairs of the Beneficiary in connection with this Agreement to the extent required under Section 6-400 of The Home Rule Charter. In order to facilitate such an audit, upon prior reasonable notice, the Beneficiary shall provide the Controller with reasonable access to the Beneficiary's books and financial records in connection with this Agreement.

15. **Severability.** If any term, covenant or condition of this Agreement or the application thereof to any party or circumstance shall, to any extent, be invalid, or unenforceable, the remainder of this Agreement, or the application of such term, covenant or condition to parties or circumstances other than those to which the Agreement was held invalid or unenforceable, shall not be affected thereby and each remaining term, covenant or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

16. **Survival.** Any and all provisions set forth in this Agreement which, by its nature or their nature, would reasonably be expected to be performed after the expiration or earlier termination of this Agreement shall survive and be enforceable after the expiration or earlier termination of this Agreement. Any and all liabilities, actual or contingent, which shall have arisen in connection with this Agreement, shall survive any expiration or termination of this Agreement.

17. **Amendment.** This Agreement may only be amended, modified or supplemented by an agreement in writing signed by the City and the Beneficiary. No oral representations, whenever made, by any official or employee of the City shall be effective to modify the terms and provisions of this Agreement.

18. **Governing Law; Venue.** This Agreement is made in Philadelphia, Pennsylvania, and shall be governed, construed, and decided by the laws of the Commonwealth of Pennsylvania, excluding conflict of law principles. Any proceeding instituted in connection with this Agreement shall be brought exclusively in the United States District Court for the Eastern District of Pennsylvania or the Court of Common Pleas of Philadelphia County.

19. **Entire Agreement.** This Agreement sets forth all the promises, agreements, conditions and understandings by and between the City and the Beneficiary with respect to Chapter 17-2000 of the Code. There are no promises, agreements, conditions or understandings by and between the City and the Beneficiary with respect to Chapter 17-2000 of the Code other than those set forth in the Agreement.



20. **Counterparts.** This Agreement may be executed in on or more counterparts, each of which is an original, and all of which together are a single agreement between the City and the Beneficiary.

*[Remainder of the page left intentionally blank; signature pages to follow.]*

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Agreement as of the date and year first above written.

**THE CITY OF PHILADELPHIA**, by and through its Commerce Department

Approved as to Form:  
Shelly R. Smith, City Solicitor

Per:           BOR            
Divisional Deputy City Solicitor

By: \_\_\_\_\_  
Name: Alan Greenberger  
Title: Commerce Director

**Beneficiary**

**PR GALLERY I LIMITED PARTNERSHIP**

- By: GPM GP LLC, its general partner
- By: PM Gallery LP, its sole member
- By: PR 8-10 Market GP LLC, a general partner
- By: PREIT Associates, L.P., its sole member
- By: Pennsylvania Real Estate Investment Trust,  
                    its general partner

By: \_\_\_\_\_  
Name: Bruce Goldman  
Title: Executive Vice President, General Counsel & Secretary

and  
By: Macerich Gallery Market East GP LLC, a general partner

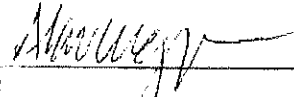
By: \_\_\_\_\_  
Name: Thomas J. Leanse  
Title: Senior Executive Vice President, Chief Legal Officer & Secretary

**IN WITNESS WHEREOF**, the parties hereto have duly executed this Agreement as of the date and year first above written.

**THE CITY OF PHILADELPHIA**, by and through its Commerce Department

Approved as to Form:  
Shelly R. Smith, City Solicitor

Per: \_\_\_\_\_  
Chief Deputy City Solicitor

By:   
Name: \_\_\_\_\_  
Title: Commerce Director

**Beneficiary**

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- By: Pennsylvania Real Estate Investment Trust, its general partner

By: \_\_\_\_\_  
Name: Bruce Goldman  
Title: Executive Vice President, General Counsel & Secretary

and

By: Macerich Gallery Market East GP LLC, a general partner

By: \_\_\_\_\_  
Name: Thomas J. Leanse  
Title: Senior Executive Vice President, Chief Legal Officer & Secretary

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THE CITY OF PHILADELPHIA, by and through its Commerce Department

Approved as to Form: Shelly R. Smith, City Solicitor

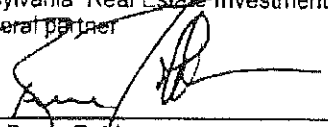
Per: \_\_\_\_\_ Chief Deputy City Solicitor

By: \_\_\_\_\_ Name: \_\_\_\_\_ Title: Commerce Director

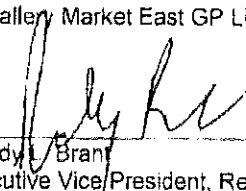
Beneficiary

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- By: PREIT Associates, L.P., its sole member
- By: Pennsylvania Real Estate Investment Trust, its general partner

By:  Name: Bruce Goldman Title: Executive Vice President, General Counsel & Secretary

and By: Macerich Gallery Market East GP LLC, a general partner

By:  Name: Randy Bran Title: Executive Vice President, Real Estate

**EXHIBIT A**

## Financial Assistance Description

## (1) Tax Increment Financing:

- a. Tax Increment Financing Agreement (Gallery at Market East Tax Increment Financing District), dated \_\_\_\_\_, 2015, by and among The City of Philadelphia (the "City"), The School District of Philadelphia, the Philadelphia Authority for Industrial Development ("PAID") and \_\_\_\_\_.

## (2) City Grant Funds

- a. Project Funding Agreement (Gallery I), dated \_\_\_\_\_, 2015, by and between the City and PAID.
- b. Sub-Agreement for Project Funding (Gallery I), dated \_\_\_\_\_, 2015, by and between PAID.

**FIRST SOURCE EMPLOYMENT AGREEMENT  
GALLERY MALL**

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**Background**

A. The Beneficiary is redeveloping the properties located on the north side of Market Street between 8<sup>th</sup> and 11<sup>th</sup> Streets commonly known as the Gallery Mall, including, without limitation, the construction and maintenance of an integrated public access area at the street and lower levels of the Gallery Mall and 801 Market Street to allow convenient access to the regional transportation hub beneath and adjacent to the Gallery Mall (collectively, the "**Entire Redevelopment Project**").

B. The City is facilitating the Entire Redevelopment Project through the provision to the Beneficiary of the following Financial Assistance (defined below), of which the Beneficiary is a recipient: (1) tax increment financing; and (2) City grant funds, each as more fully described in the agreements listed in **Exhibit A** to this Agreement, attached and made a part hereof.

C. Chapter 17-2000 of The Philadelphia Code (the "**Code**") requires that the City enter into a First Source Employment Agreement with the Beneficiary as a condition for the Beneficiary's receipt of the City's Financial Assistance, requiring the Beneficiary to use the First Source Registry (defined below) as its initial source for obtaining candidates for all New, Entry-Level Jobs (defined below) created directly or indirectly as a result of such Financial Assistance, subject to the below terms and conditions.

D. The Department is the "Designated Department" designated by the Mayor under §17-2000 of the Code to be responsible for the overall implementation and enforcement of Chapter 17-2000 of the Code.

E. The Beneficiary acknowledges that this Agreement and the Beneficiary's compliance with Chapter 17-2000 of the Code are material inducements for the City's grant of Financial Assistance to the Beneficiary.

**NOW, THEREFORE**, in consideration of the terms, covenants and conditions hereinafter set forth, with the intention of being legally bound hereby, the parties hereto agree as follows:

1. **Background.** The Background set forth above is incorporated by reference herein.

## 2. Definitions.

- a. **“Applicable Law(s)”** means all applicable present and future federal, state, municipal laws, ordinances, codes, rules, regulations, statutes, orders and requirements, as may be amended from time to time, including without limitation, The City of Philadelphia Home Rule Charter, The Philadelphia Code (including, without limitation, Chapter 17-2000 thereof), and the Americans With Disabilities Act of 1990, P.L. Section 101-336, generally codified at 42 U.S.C. § 1201 et seq.
- b. **“City-related Agency”** means all authorities and quasi-public corporations which either: (i) receive appropriations from the City; (ii) have entered into continuing contractual or cooperative relationships with the City; or (iii) operate under legal authority granted to them by City ordinance.
- c. **“Community Referral Agency”** means any organized job registry or employment referral organization operated by a nonprofit organization or union approved by the City as satisfying the following requirements: (i) the agency has established a community membership base and record of conducting outreach to low and moderate income neighborhoods in Philadelphia; and (ii) the agency has a track record of nondiscriminatory employment referral and job placement with respect to race, color, religion, national origin, gender, gender orientation, age, marital or family status, or disability unrelated to job ability. As of the Effective Date, the Community Referral Agency is Philadelphia Works, Inc., a non-profit corporation with a place of business at One Penn Center at Suburban Station 1617 JFK Boulevard, 13<sup>th</sup> Floor, Philadelphia PA 19103, or such organization as the City may designate from time to time in its discretion.
- d. **“Entry-level Job(s)”** means work that requires little to no formal vocational training, education or prior experience in the field or profession beyond on-the-job training.
- e. **“Financial Assistance”** means any grant, loan, incentive or abatement subject to City Council approval in the amount of twenty-five thousand dollars (\$25,000.00) or more that is provided to the Beneficiary with the authority or approval of the City or a City-related Agency, including but not limited to, bond financing subsidies, Tax Increment Financing (TIF) aid, industrial development bonds, use of the power of eminent domain, Community Development Block Grant (CDBG) loans or grants, airport revenue bonds, Enterprise Zone designations, and aid from the Philadelphia Works, Inc. (successor to the Philadelphia Workforce Development Corporation) or other similar agencies.
- f. **“First Source Candidate(s)”** means an individual on the First Source Registry who meets the minimum qualifications and requirements of an Entry-level Job.
- g. **“First Source Period”** means a period of ten (10) business days following notice by the Beneficiary to the Department or, if directed by the Department, to the Community Referral Agency of New, Entry-level Jobs projected or created as a direct or indirect result of Financial Assistance.

h. **“First Source Registry”** means a listing of Philadelphia residents compiled and maintained by the Department or the Community Referral Agency on behalf of the Department for the purpose of employment referrals, including but not limited to the Commonwealth of Pennsylvania Department of Labor and Industry’s Commonwealth Workforce Development System.

i. **“Good Faith Efforts”** means documentation submitted by the Beneficiary to the Department or if directed by the Department, to the Community Referral Agency which includes the following:

- (i) Timely, written notification projecting New, Entry-level Jobs;
- (ii) Written description of specific job qualifications and the minimum requirements for each New, Entry-Level Job;
- (iii) Written verification of compliance with the First Source Period timetable as provided in Section 17-2006(2) of the Code;
- (iv) Timely, written notification of the First Source Candidates that were either contacted, interviewed, hired or rejected; and
- (v) Such other information as the Department may request from time to time in its sole discretion in order to implement and enforce Chapter 17-2000 of the Code.

j. **“Lease”** Those certain Amended and Lease and Redevelopment Agreements dated \_\_\_ by and between Philadelphia Redevelopment Authority (as Landlord) and Beneficiary (as Tenant) with respect to certain property commonly known as Gallery II and 1025 Market Street, Philadelphia.

k. **New, Entry-Level Job(s)**” means all newly created Entry-Level Jobs, but excluding vacancies in New, Entry-level Jobs where such vacancies occur 45 consecutive days or more after the Beneficiary’s Good Faith Efforts to fill the same New, Entry-Level Job.

3. **Term.** The term of this Agreement (the **“Term”**) shall begin on the Effective Date and expires upon the two (2) year anniversary of Beneficiary’s completion, in accordance with the terms of the Lease, of the **“Entire Redevelopment Project”** (as defined in the Lease).

4. **Beneficiary’s Obligations.** The Beneficiary shall make and evidence Good Faith Efforts to fill 100 percent of New, Entry-level Jobs created directly or indirectly as result of Financial Assistance with First Source Candidates in accordance with the terms of this Agreement and Chapter 17-2000 of the Code. Following expiration of the First Source Period, the Beneficiary may fill New, Entry-level Jobs from other sources. For each New, Entry-level Job created directly or indirectly from the City’s Financial Assistance the Beneficiary shall:

a. Notify the Department or, if directed by the Department, the Community Referral Agency of New, Entry-Level Jobs and shall include in such notifications a general description of the job and the minimum requirements for qualified job applicants.



b. Not make any public announcement or advertisement of any New, Entry-Level Job created directly or indirectly as a result of the Financial Assistance during the First Source Period; provided, however, that the Department may waive the First Source Period only if the Beneficiary demonstrates to the satisfaction of the Department that a New, Entry-Level Job will be filled by the transfer or promotion of the Beneficiary's existing or former employee.

c. Accept from the Department or, if directed by the Department, the Community Referral Agency a list of First Source Candidates from the First Source Registry as referrals for employment, unless there are no First Source Candidates for the specific job.

d. Maintain records and submit to the Department or, if directed by the Department, the Community Referral Agency reports containing the following information on a quarterly basis for each of the three (3) month periods ending on March 31, June 30, September 30 and December 31, in the form specified by the Department in its sole discretion, each such report being due to the Department or, if directed by the Department, the Community Referral Agency within seven (7) days following the end of each quarterly reporting period:

- i. The number of New, Entry-Level Jobs covered by this Agreement;
- ii. The number of First Source Candidates and other City residents interviewed;
- iii. The number of First Source Candidates and other City residents employed; and

iv. Such additional information as the Department or, if directed by the Department, the Community Referral Agency may request from time to time in its sole discretion in order to implement and enforce Chapter 17-2000 of the Code.

e. Use Good Faith Efforts to hire First Source Candidate(s) referred to the Beneficiary from the First Source Jobs Registry, provided, however, that the Beneficiary shall not be required to hire any First Source Candidate(s).

f. Insert in its contracts with contractors and leases with tenants provisions requiring, as applicable, such contractors (as to themselves and their subcontractors) and tenants (as to themselves and their subtenants) to comply with (i) the Sections 4(a)-(e) above and Sections 10(a)-(b) below to the extent to which New, Entry-level Jobs are created directly or indirectly with such contractors, subcontractors, tenants and subtenants as a result of Financial Assistance hereunder, and (ii) to permit the audit of their affairs as provided in Section 14 below. The requirement that contractors (and their subcontractors) and tenants (and their subtenants) comply with the provisions of this Section 4(f) is herein defined as the "**Pushdown Provisions.**" Beneficiary shall use reasonable and good faith efforts to enforce the Pushdown Provisions. If Beneficiary uses such reasonable and good faith efforts to enforce the Pushdown Provisions, Beneficiary shall not be in default of this Agreement due to the failure of any contractor, subcontractor, tenant or subtenant to comply with the Pushdown Provisions.

5. **Indemnification.**

a. The Beneficiary shall indemnify, defend and hold harmless the City, and its respective officials, employees, departments, boards, commissions, agents and representatives, including the Community Referral Agency (acting officially or otherwise) (each an **"Indemnified Party"**; collectively, the **"Indemnified Parties"**), whether or not the Indemnified Parties or any other person or entity whatsoever, shall have been negligent, from and against any and all losses, claims, suits, administrative or enforcement actions, public or private cost recovery actions, demands, liabilities, fines (civil or criminal) damages and/or expenses (including, without limitation, legal fees and court costs), at law or in equity, which may be imposed upon or incurred by or asserted against any of them by reason, in whole or in part, of (i) any failure on the part of the Beneficiary, its officers, directors, shareholders, employees or agents to keep, observe or perform any of the provisions contained in this Agreement; or (ii) in the performance of this agreement, any violation or alleged violation of Applicable Law by the Beneficiary, its officers, directors, shareholders, employees or agents.

b. In the event any action or proceeding is brought against an Indemnified Party for which the Beneficiary has indemnified the Indemnified Party, the Beneficiary shall, upon written notice from the Indemnified Party, resist or defend such claim at the Beneficiary's sole cost and expense (including without limitation, legal and experts' fees, and litigation costs), and resist or defend such action or proceeding by counsel approved by each Indemnified Party in writing, provided that each Indemnified Party may, if it so desires, engage at its sole expense its own counsel to participate in the defense of any such claim.

c. Without limiting the generality of Section 16 below, the provisions of this Section 5 shall survive expiration of the Term or earlier termination of this Agreement.

6. **Release.** In consideration of the terms, covenants and conditions of this Agreement, the Beneficiary does hereby remise, quitclaim, release and forever discharge, and by these presents does for the Beneficiary's successors and assigns, and the Beneficiary's officers, directors, shareholders, employees, agents, and any person claiming under or through any of them (each a **"Releasor"**; collectively, the **"Releasors"**), hereby remise, quitclaim, release and forever discharge the City and its respective officials, employees, departments, boards, commissions, agents and representatives, including the Community Referral Agency (acting officially or otherwise) (each a **"Releasee"**; collectively, the **"Releasees"**) from any and all, and all manner of, actions and causes of action, suits, claims and demands whatsoever at law or in equity which any or all Releasors may have against any or all Releasees relating in any way whatsoever to the exercise of any rights, or performance of any obligations under, this Agreement by the Beneficiary, including without limitation, the evaluation, hiring, employment and/or termination of any First Source Candidate(s).

7. **Compliance with Applicable Laws; Review by City.**

a. Throughout the Term of this Agreement the Beneficiary shall, at its sole cost and expense, comply with all Applicable Laws in the performance of its obligations under this Agreement.

b. Review, approval and/or inspection by the City of any materials submitted or work performed by the Beneficiary in connection with this Agreement shall not constitute any representation, warranty or guaranty by the City as to the substance or quality of the matter reviewed or approved. No person or party shall rely in any way on such review or approval, and at all times the Beneficiary shall use its own independent judgment as to the accuracy and quality of all such matters. The Beneficiary shall use its own independent judgment in evaluating First Source Candidates. The City's review or approval of any matters under this Agreement shall not constitute or be construed to constitute approval otherwise required by any and all City departments, boards and commissions in connection with any and all aspects of such matters.

8. **No City Financial Obligation.** Nothing herein shall impose any financial obligation whatsoever upon the City.

9. **Default; Remedies.**

a. An event of default by the Beneficiary shall occur if the Beneficiary fails to perform or observe any of the terms, provisions, conditions, restrictions and covenants herein contained to be performed or observed by the Beneficiary and such failure continues for fifteen (15) days after written notice thereof from the City to the Beneficiary (or, if such failure cannot with due diligence be cured within said 15-day period, then such additional time as is reasonably required provided Beneficiary promptly commences and diligently prosecutes such cure, but in no event longer than sixty (60) days after written notice from the City (each an "Event of Default").

b. Upon an Event of Default by the Beneficiary, the City shall be entitled to do one or more of the following, in addition to exercising any of their respective rights and remedies available at law or in equity:

i. Withhold payment(s) or any part thereof related to the Financial Assistance pending corrective action.

ii. Require reimbursement of an appropriate amount of the Financial Assistance already provided to the Beneficiary.

iii. Suspend Beneficiary from bidding on and/or participating in future City contracts for up to three (3) years from the Event of Default.

c. The rights and remedies of the City, whether provided at law or in equity, or by this Agreement, shall be cumulative, and the exercise by the City of any one or more of such

rights or remedies shall not preclude the exercise by it, at the same or different times, of any other right or remedy for any default or breach by the Beneficiary.

**10. Non-Discrimination.**

a. This Agreement is entered into under the terms of The Philadelphia Home Rule Charter and, in its performance, the Beneficiary shall not discriminate nor permit discrimination against any person because of race, color, religion, sex, sexual orientation, ancestry or national origin. Without limiting the generality of Section 10 of this Agreement, the Beneficiary's noncompliance with the provisions of this Section 10 shall constitute a substantial breach of this Agreement entitling the City to take appropriate action to enforce compliance, including without limitation, at the City's option, pursuit of remedies as may be provided in this Agreement, at law or in equity.

b. In accordance with Chapter 17-400 of the Code, the Beneficiary agrees that its payment or reimbursement of membership fees or other expenses associated with participation by its employees in an exclusionary private organization, insofar as such participation confers an employment advantage or constitutes or results in discrimination with regard to hiring, tenure of employment, promotions, terms, privileges or conditions of employment, on the basis of race, color, sex, sexual orientation, religion, national origin or ancestry, constitutes, without limiting the generality of Section 10 of this Agreement, a substantial breach of this Agreement entitling the City to all rights and remedies provided in this Agreement or otherwise available at law or in equity.

c. The Beneficiary agrees to include Paragraphs (a) and (b) of this Section 10, with appropriate adjustments for the identity of the parties, in all contracts which are entered into for work to be performed pursuant to this Agreement.

d. The Beneficiary further agrees to cooperate with the Commission on Human Relations of The City of Philadelphia in any manner which such Commission deems reasonable and necessary to carry out its responsibilities under Chapter 17-400 of the Code. Failure to so cooperate shall, without limiting the generality of Section 10 of this Agreement, constitute a substantial breach of this Agreement, entitling the City to all rights and remedies provided in this Agreement or otherwise available at law or in equity.

**11. Intentionally Deleted.**

**12. Assignment; No Third Party Beneficiaries.**

a. The Beneficiary shall not transfer or assign all or any part of its interest under this Agreement without the prior written consent of the City, which consent shall be in the sole discretion of the City, provided, however, that consent by the City shall not be required for any transfer or assignment of this Agreement where Beneficiary has transferred or assigned the Agreement in accordance with the terms and conditions of the Lease. Subject to the preceding

sentence, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

b. The provisions of this Agreement shall not be construed for the benefit of any third party.

13. **Notices.** Any notice, demand, request, consent or waiver to be given in accordance with this Agreement shall be in writing and shall be sent by: (a) United States certified mail, postage prepaid, return receipt requested, (b) hand delivery by courier service with receipt obtained, charges prepaid, (c) overnight mail through a nationally recognized courier, charges prepaid, addressed to the following parties, or (d) by facsimile, with proof of transmission (with hard copy to follow by one of the other recognized methods within one (1) business day ) and addressed as follows:

If addressed to Beneficiary: Keystone Philadelphia Properties, LP  
c/o PREIT Services, LLC  
200 South Broad Street  
The Bellevue, Third Floor  
Philadelphia, PA 19102  
Attn: Daniel Herman,  
Senior Vice President, Development

With a copy to: Keystone Philadelphia Properties, LP  
c/o PREIT Services, LLC  
200 South Broad Street  
The Bellevue, Third Floor  
Philadelphia, PA 19102  
Attn: General Counsel

If addressed to the City: City of Philadelphia Department of Commerce  
One Parkway Building, - 12<sup>th</sup> Floor  
1515 Arch Street  
Philadelphia, PA 19102  
Attn: Commerce Director

With a copy to: City of Philadelphia Law Department  
Real Estate and Economic Development Division  
One Parkway Building - 17<sup>th</sup> Floor  
1515 Arch Street  
Philadelphia, PA 19102  
Attention: Divisional Deputy City Solicitor, Real Estate and Economic Development

or to such other address as the party to receive the notice, demand, request, consent or waiver may hereafter designate by written notice to the other party. Such notice, demand, request, consent or waiver shall be deemed given (a) three (3) days following deposit in the U.S. mail, (b) upon receipt in the case of hand delivery, (c) the next business day following deposit with a nationally recognized overnight courier, or (d) the day faxed, except where such fax is transmitted after 5:00 p.m. EST, in which case the next business day. Notices may be given by the parties' respective counsel.

14. **Audit of Affairs.** During the Term of this Agreement, the City Controller shall have the right to audit the affairs of the Beneficiary in connection with this Agreement to the extent required under Section 6-400 of The Home Rule Charter. In order to facilitate such an audit, upon prior reasonable notice, the Beneficiary shall provide the Controller with reasonable access to the Beneficiary's books and financial records in connection with this Agreement.

15. **Severability.** If any term, covenant or condition of this Agreement or the application thereof to any party or circumstance shall, to any extent, be invalid, or unenforceable, the remainder of this Agreement, or the application of such term, covenant or condition to parties or circumstances other than those to which the Agreement was held invalid or unenforceable, shall not be affected thereby and each remaining term, covenant or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

16. **Survival.** Any and all provisions set forth in this Agreement which, by its nature or their nature, would reasonably be expected to be performed after the expiration or earlier termination of this Agreement shall survive and be enforceable after the expiration or earlier termination of this Agreement. Any and all liabilities, actual or contingent, which shall have arisen in connection with this Agreement, shall survive any expiration or termination of this Agreement.

17. **Amendment.** This Agreement may only be amended, modified or supplemented by an agreement in writing signed by the City and the Beneficiary. No oral representations, whenever made, by any official or employee of the City shall be effective to modify the terms and provisions of this Agreement.

18. **Governing Law; Venue.** This Agreement is made in Philadelphia, Pennsylvania, and shall be governed, construed, and decided by the laws of the Commonwealth of Pennsylvania, excluding conflict of law principles. Any proceeding instituted in connection with this Agreement shall be brought exclusively in the United States District Court for the Eastern District of Pennsylvania or the Court of Common Pleas of Philadelphia County.

19. **Entire Agreement.** This Agreement sets forth all the promises, agreements, conditions and understandings by and between the City and the Beneficiary with respect to Chapter 17-2000 of the Code. There are no promises, agreements, conditions or understandings by and between the City and the Beneficiary with respect to Chapter 17-2000 of the Code other than those set forth in the Agreement.

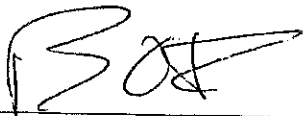
20. **Counterparts.** This Agreement may be executed in on or more counterparts, each of which is an original, and all of which together are a single agreement between the City and the Beneficiary.

*[Remainder of the page left intentionally blank; signature pages to follow.]*

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date and year first above written.

THE CITY OF PHILADELPHIA, by and through its Commerce Department

Approved as to Form:  
Shelly R. Smith, City Solicitor

Per:   
Divisional Deputy City Solicitor

By: \_\_\_\_\_  
Name: Alan Greenberger  
Title: Commerce Director

**Beneficiary**

KEYSTONE PHILADELPHIA PROPERTIES, LP

Keystone Philadelphia Properties, LP

By: GPM GP LLC, its general partner

By: PM Gallery LP, its sole member

By: PR 8-10 Market GP LLC, a general partner

By: PREIT Associates, L.P., its sole member

By: Pennsylvania Real Estate Investment Trust,  
its general partner

By: \_\_\_\_\_  
Name: Bruce Goldman  
Title: Executive Vice President, General Counsel & Secretary

and  
By: Macerich Gallery Market East GP LLC, a general partner

By: \_\_\_\_\_  
Name: Thomas J. Lease  
Title: Senior Executive Vice President, Chief Legal Officer & Secretary

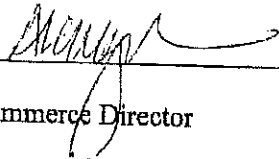


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THE CITY OF PHILADELPHIA, by and through its Commerce Department

Approved as to Form:  
Shelly R. Smith, City Solicitor

Per: \_\_\_\_\_  
Chief Deputy City Solicitor

By:   
Name: \_\_\_\_\_  
Title: Commerce Director

**Beneficiary**

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By: PREIT Associates, L.P., its sole member

By: Pennsylvania Real Estate Investment Trust,  
its general partner

By: \_\_\_\_\_  
Name: Bruce Goldman  
Title: Executive Vice President, General Counsel & Secretary

and  
By: Macerich Gallery Market East GP LLC, a general partner

By: \_\_\_\_\_  
Name: Thomas J. Leanse  
Title: Senior Executive Vice President, Chief Legal Officer & Secretary

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Shelly R. Smith, City Solicitor

Per: \_\_\_\_\_  
Chief Deputy City Solicitor

By: \_\_\_\_\_  
Name:  
Title: Commerce Director

**Beneficiary**

KEYSTONE PHILADELPHIA PROPERTIES, LP

Keystone Philadelphia Properties, LP

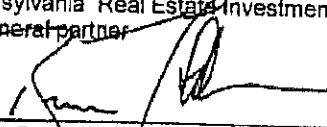
By: GPM GP LLC, its general partner

By: PM Gallery LP, its sole member

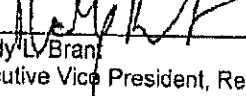
By: PR 8-10 Market GP LLC, a general partner

By: PREIT Associates, L.P., its sole member

By: Pennsylvania Real Estate Investment Trust,  
its general partner

By:   
Name: Bruce Goldman  
Title: Executive Vice President, General Counsel & Secretary

and  
By: Macerich Gallery Market East GP LLC, a general partner

By:   
Name: Randy L. Brand  
Title: Executive Vice President, Real Estate

**EXHIBIT A**

## Financial Assistance Description

## (1) Tax Increment Financing:

- a. Tax Increment Financing Agreement (Gallery at Market East Tax Increment Financing District), dated \_\_\_\_\_, 2015, by and among The City of Philadelphia (the "City"), The School District of Philadelphia, the Philadelphia Authority for Industrial Development ("PAID") and \_\_\_\_\_.

## (2) City Grant Funds

- a. Project Funding Agreement (Gallery II), dated \_\_\_\_\_, 2015, by and between the City and PAID.
- b. Sub-Agreement for Project Funding (Gallery II), dated \_\_\_\_\_, 2015, by and between PAID.

# City of Philadelphia

BILL NO. 150380 continued

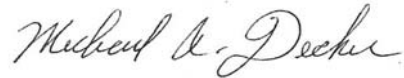
Certified Copy

# City of Philadelphia

BILL NO. 150380 continued

Certified Copy

CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on June 18, 2015. The Bill was Signed by the Mayor on June 18, 2015.



Michael A. Decker  
Chief Clerk of the City Council

**Exhibit VII**  
**Neighborhood Improvement District Management Association Budget**

	2024 & Prior	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
<b>Revenues</b>													
Projected TIF Revenues	6,050,859	2,904,340	1,859,307	1,479,285	2,052,330	3,038,116	3,667,798	4,314,920	4,887,169	5,118,564	5,436,418	5,646,959	46,456,065
Projected NIDMA Assessment	-	3,607,883	4,775,134	5,321,431	4,918,819	4,107,725	3,657,103	3,193,517	2,809,394	2,770,826	2,650,620	31,102,610	68,915,062
Subordinated Note Proceeds	10,475,690	-	-	-	-	-	-	-	-	-	-	-	10,475,690
<b>Total Revenues</b>	16,526,549	6,512,223	6,634,441	6,800,716	6,971,149	7,145,841	7,324,901	7,508,437	7,696,563	7,889,390	8,087,038	36,749,569	125,846,817
<b>Expenses</b>													
<b>TIF Loan:</b>													
Interest Expense	13,918,775	4,452,141	4,229,907	4,017,689	3,772,528	3,491,201	3,170,198	2,805,691	2,393,516	1,929,131	1,407,595	994,589	46,582,961
Loan Payment	2,607,774	2,060,082	2,404,534	2,783,027	3,198,621	3,654,640	4,154,703	4,702,746	5,303,047	5,960,259	6,679,443	11,491,126	55,000,002
<b>Subordinated Notes Payable:</b>													
Note balance due: 12/31/35	11,743,439	-	-	-	-	-	-	-	-	-	-	-	11,743,439
Accrued Interest due: 12/31/35	-	-	-	-	-	-	-	-	-	-	-	12,520,415	12,520,415
<b>Total Expense</b>	28,269,988	6,512,223	6,634,441	6,800,716	6,971,149	7,145,841	7,324,901	7,508,437	7,696,563	7,889,390	8,087,038	25,006,130	125,846,817