

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 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 1364.710 feet to a point in the westerly right-of-way line of 11th Street (55.78' wide); thence,
2. Leaving said centerline of Market Street and extending along the westerly right-of-way line of 11th 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 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.

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 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 8th Street; thence,
4. Extending along the said right-of-way line of 8th 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

Certified Copy

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

CONTENTS

EXECUTIVE SUMMARY

Part I Proposed Improvements

Part II Economic Analysis

(A) Fiscal Effect on the Municipal Tax Base

(B) Feasibility Study

Part III Project Costs

Part IV Method and Timing of Financing

Part V Site Maps

Part VI Related Code Changes

Part VII Non-Project Costs

Part VIII Relocation

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, 8th Street on the east, Market Street on the south, and 11th 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, 8th Street on the east, Market Street on the south, and 11th Street on the west. The TIF District includes buildings individually known as 801-831 Market Street unit 1EH (including concourse, street and 2nd 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 8th Street and 11th 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.

Tax Benefit Analysis TIF

4/15/2016

City of Philadelphia

Actual revenues will vary according to market conditions

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

TIF Basis:

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	3.9970%	
Percent Resident	65% 35%		65% resident for operations; 35% resident for construction
Business Income & Receipts Tax	2015 Landlord BIRT based on Developer projections; Tenant BIRT = BIRT Tax on 1/3 of Gross revenues only		
Gross Rate	0.1415% City		Of gross Receipts (assumes half of sales can be captured under BIRT)
Net Profits Rate	6.450% City		Of taxable net income 65,981.26

Source of Tax Revenue:

Calendar Year	City										TOTAL
	Real Estate	Sales	Landlord BIRT	Tenant BIRT	Wage	Access Pmt	Real Estate	U&O	Liquor	TOTAL	
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	677,025	984,997	21,514	49,405	3,527,742	(2,130,818)	830,475	649,130	-	4,609,471	
Opening = 2017	2,076,210	3,956,496	67,860	192,103	5,207,052	(2,194,742)	2,646,790	3,966,476	762,106	15,979,350	
2016	2,128,115	4,065,408	69,902	196,906	4,565,668	(2,261,584)	2,610,490	3,449,663	781,159	15,596,885	
Stabilized = 2019	2,181,318	4,360,539	72,005	211,121	4,300,845	(2,328,402)	2,675,721	3,807,908	983,245	16,464,601	
2020	2,235,851	4,679,731	73,805	216,399	4,408,366	(2,398,254)	2,742,614	3,903,366	1,016,076	16,879,945	
2021	2,291,747	4,976,724	75,650	221,909	4,518,575	(2,470,202)	2,811,180	4,001,190	1,043,528	17,290,202	
2022	2,349,041	4,916,642	77,542	227,355	4,631,539	(2,544,308)	2,881,459	4,101,470	1,069,617	17,710,356	
2023	2,407,767	5,039,558	79,480	233,038	4,747,328	(2,620,637)	2,953,496	4,204,257	1,096,957	18,140,643	
2024	2,467,961	5,185,547	81,467	238,884	4,866,011	(2,699,256)	3,027,333	4,309,613	1,123,766	18,561,306	
2025	2,529,660	5,294,686	83,504	244,636	4,987,661	(2,780,234)	3,103,016	4,417,603	1,151,860	19,032,593	
2026	2,592,902	5,427,029	85,591	250,957	5,112,353	(2,863,641)	3,180,592	4,528,293	1,180,556	19,494,756	
2027	2,657,724	5,562,728	87,731	257,231	5,240,161	(2,949,550)	3,260,107	4,641,751	1,210,173	19,968,057	
2028	2,724,167	5,701,797	89,924	263,662	5,371,165	(3,038,036)	3,341,609	4,758,044	1,240,427	20,452,761	
2029	2,792,272	5,844,342	92,172	270,263	5,505,445	(3,128,178)	3,425,149	4,877,246	1,271,438	20,949,139	
2030	2,862,078	5,990,451	94,477	277,009	5,643,081	(3,223,053)	3,510,778	4,999,427	1,303,224	21,457,472	
2031	2,933,690	6,140,212	96,889	283,935	5,784,158	(3,319,744)	3,596,548	5,124,662	1,335,804	21,978,044	
2032	3,006,971	6,293,717	99,260	291,033	5,928,762	(3,419,337)	3,688,511	5,253,029	1,369,200	22,511,146	
2033	3,082,145	6,451,060	101,741	298,309	6,076,991	(3,521,917)	3,780,724	5,384,605	1,403,430	23,057,078	
2034	3,159,199	6,612,337	104,295	305,767	6,228,905	(3,627,572)	3,875,242	5,519,470	1,438,515	23,616,145	
2035	3,238,179	6,777,645	106,892	313,411	6,384,628	(3,736,402)	3,972,123	5,657,706	1,474,678	24,188,661	
20-yr TIF Total	50,333,965	104,241,972	1,661,641	4,843,403	103,036,423	(87,255,868)	61,815,927	86,954,099	22,267,059	377,958,620	

Use of Tax Revenue:

TIF	City	City Pension	School	Total
1,744,326	568,876	1,597,928	3,901,031	
-	1,999,648	529,192	4,023,191	
2,637,367	492,498	1,479,605	4,609,471	
4,518,441	1,978,248	5,136,470	15,979,350	
4,870,729	3,636,966	2,027,704	15,596,885	
5,253,228	3,304,325	2,275,420	16,464,601	
5,446,177	3,341,994	2,339,865	16,879,945	
5,636,391	3,380,266	2,398,362	17,290,202	
5,831,360	3,419,114	2,458,321	17,710,356	
6,031,203	3,458,573	2,519,779	18,140,643	
6,236,042	3,496,637	2,582,774	18,561,306	
6,446,001	3,539,310	2,647,343	19,032,593	
6,661,210	3,580,595	2,713,526	19,494,756	
6,881,800	3,622,494	2,781,365	19,968,057	
7,107,904	3,665,012	2,850,939	20,452,761	
7,339,660	3,708,150	2,922,171	20,949,139	
7,577,211	3,751,910	2,995,225	21,457,472	
7,820,700	3,795,296	3,070,106	21,978,044	
8,070,276	3,841,308	3,146,659	22,511,146	
8,328,092	3,886,946	3,225,530	23,057,078	
8,588,303	3,933,213	3,306,168	23,616,145	
8,857,070	3,980,109	3,388,623	24,188,661	
127,499,796	72,326,767	52,120,996	377,958,620	

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	532,064,003	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	145,982,045
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
20-yr TIF Total	\$ 8,373,872,562	\$ 10,268,698,559	\$ 5,212,098,586	\$ 222,670,592	\$ 1,169,491,756	\$ 588,321,299	\$ 86,275,000	\$ 2,649,710,286

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

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

HI180

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

HI160

RANSTEAD

HUTCHINSON

OUTBERT

DEGRAY

LUDLOW

HI100

ARCH

FILBERT

DEGRAY

LUDLOW

OUTBERT

HI100

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

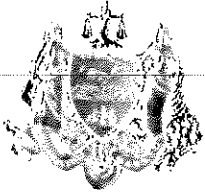
The Project Plan does not call for displacement of any lawfully possessed individuals, families and business through condemnation as a result of the Project. Accordingly, there are no relocation costs associated with the Project.

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

**City of Philadelphia
Economic Opportunity Plan**

Gallery Redevelopment Project

Table of Contents

I. Introduction and Definitions3

II. Project Scope.....3

III. Goals.....4

IV. Equity Ownership.....5

V. Diversity Practices.....6

VI. Responsiveness.....7

VII. Compliance and Monitoring of Best and Good Faith Efforts.....8

VIII. Remedies and Penalties for Non-Compliance.....8

IX. Post-Construction Opportunities.....9

I. Introduction and Definitions

The City of Philadelphia strongly encourages the use of certified Minority ("MBE"), Women ("WBE"), Disabled ("DSBE") and Disadvantaged¹ ("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 agency² 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.

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

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

² A list of "OEO approved certifying agencies" can be found at www.phila.gov/oEO

- New gateway façade and landmark identification at 10th & 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:

Contracts	Minority Owned	Female Owned	DsBEs	Total
Professional Services	15-20%	10-15%	BGFE	25-35%
Construction	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:

Local Residents
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 levels³:

- 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
Sole Proprietorship			
Partnership			
Corporation	*	*	*

* 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
Sole Proprietorship			
Partnership			
Corporation	*	*	*

* 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.⁴

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

⁴ 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
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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/DSBI⁴ 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

⁴ 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.

⁵ 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 8th and 11th 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 Work-, Inc., a non-profit corporation with a place of business at One Penn Center at Suburban Station 1617 JFK Boulevard, 13th 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,- 12th 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 17th 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

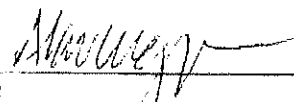
By: _____
Name: Thomas J. Leanse
Title: Senior Executive Vice President, Chief Legal Officer & Secretary

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Approved as to Form:
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Per: _____
Chief Deputy City Solicitor

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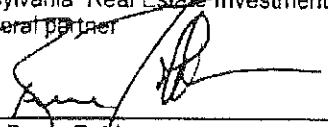
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- By: Pennsylvania Real Estate Investment Trust, its general partner

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

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

By: 
Name: 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**

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 Keystone Philadelphia Properties, LP, a Pennsylvania limited partnership (the "**Beneficiary**").

Background

A. The Beneficiary is redeveloping the properties located on the north side of Market Street between 8th and 11th 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, 13th 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, - 12th 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 - 17th 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.

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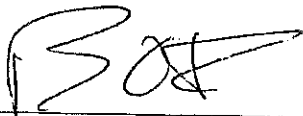
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Shelly R. Smith, City Solicitor

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

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

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

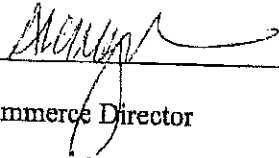
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Title: Senior Executive Vice President, Chief Legal Officer & Secretary

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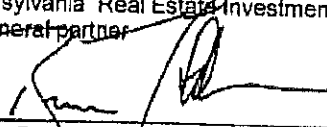
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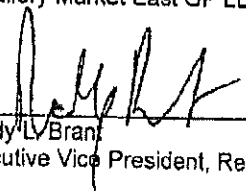
By: 
Name: Randy L. Brand
Title: Executive Vice President, Real Estate

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- 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 _____.

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City of Philadelphia

BILL NO. 150380 continued

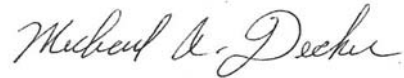
Certified Copy

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