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Burns & Scalo to build Downtown high-rise on Smithfield St.

Pittsburgh Business Times - by [Tim Schooley](#)

Jim Scalo wants to develop Pittsburgh's next high-rise tower on a Smithfield Street riverfront plot.

The plan, still in the early stages, was one of the major factors that led to **Burns & Scalo Real Estate Services Inc.**'s \$11.4 million acquisition of One Smithfield Street, a two-parcel real estate deal that closed at the end of the year.

As part of the deal, the company gained a 29,000-square-foot surface parking lot that fronts onto Fort Pitt Boulevard. It's on this site that Scalo hopes to build the new high-rise.

Scalo said he expects to begin a full marketing campaign within a month to recruit tenants for the building. He plans to consider a full range of office, residential or hospitality uses.

"This would be our first development high-rise in town," said Scalo, whose company's office portfolio is best known for office parks along the Parkway West. "It could really be a shot in the arm for Downtown."

Scalo said the empty lot features sight lines to Station Square as well as the Fort Pitt and Liberty Bridges, giving a tenant a marquee branding opportunity.

He is exploring several options for the building. The site could be appealing for a hotel, he said, while acknowledging there is probably no financing available for a hotel in the current market. Another option, he said, could be to develop it as an apartment building, a property type for which financing remains healthy.

Also a strong prospect, Scalo said, was the possibility of developing a building that could serve the office or student housing needs of neighboring **Point Park University** or the **Art Institute of Pittsburgh**, both of which have growing student populations Downtown.

Another possibility would be to consider mixed-use combinations, perhaps developing an office and hotel under one roof, comparable to 3 PNC Plaza, Downtown's largest new office tower that recently opened on Fifth Avenue.

Acknowledging he'll need to establish some key tenants and lease at least 50 percent of the project before it will be able to get financing, Scalo said he sees plenty of companies seeking new digs right now and a lack of large floor plates of Class A space Downtown. He believes companies will be interested in the chance to establish themselves in a highly visible address in a new building developed with plenty of green features and amenities, qualities he expects established buildings won't be able to compete with.

"There are a lot of companies out there in the market looking for a new home because the old buildings just don't work any longer," he said.

The rough sketch of the project, thus far, comes with only a few basic parameters.

The property's zoning calls for a height restriction of 160 feet, about 16 floors. While no cost analysis has been done, Scalo expects to invest \$150 per square foot to develop the new building. All planning would take approximately a year, and he hopes a development could be completed within about three years.

He is confident in the prospects of financing, despite a wobbly economy, due to the strength of his company.

"Because of our discipline before the crisis, we have no problem bringing debt and equity to the deal," he said.

He also sees it as an excellent time to begin to push development because interest rates and construction costs remain relatively low.

DOWNTOWN RUMBLINGS

When Burns & Scalo purchased the 135,000-square-foot building at One Smithfield, which is occupied by the county's health and human resource department, it agreed to lease it back to the county and to undertake some building improvements.

Bob Hurley, the deputy director of economic development for the county, said there were six or seven developers interested in the site, with the sale putting the property back on the tax rolls, perhaps to be joined by a new building which also could generate tax revenue for the city.

Hurley expects Burns & Scalo will feel no financial pressure to rush the project.

"He's not in a great hurry, necessarily, because he has a long-term tenant," said Hurley of the county's long-established presence.

On the office front Downtown, there are some buildings that have experienced some major vacancies, including the Union Trust building and the Henry Oliver building, which lost its anchor tenant K&L Gates to One Oliver Plaza. Just this week, CB **Richard Ellis Co.** announced it is beginning to market the 230,000-plus-square-foot West Penn Commons building on the North Side, which will be freed in 2011 from a long-term master lease.

But Jeremy Kronman, a vice president for CB Richard Ellis who is representing the Allegheny building, acknowledged other nearby buildings on First Side, such as 11 Stanwix and the former National City Center, are now almost fully occupied and have seen their rents increase by more than \$4 a square foot in the past year.

For Kronman, the question will be how the new building will compete on rental rates.

"There's only one or two signature buildings even available anymore," he said. "There's definitely a shrinking supply of blocks of class A space. He has to determine if he has the financing and the cost structure to go ahead and offer at rents he wants to achieve."

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