

## **Brandywine Realty's University City gateway plans moving forward (Philadelphia Business Journal – August 31, 2007)**

Brandywine Realty Trust is moving forward with a long-anticipated, mixed-used development on land next to 30th Street Station in West Philadelphia that will include a companion to its Cira Centre building and expansive office space for the Internal Revenue Service.

The project Brandywine plans in conjunction with the University of Pennsylvania will entirely recast that part of Philadelphia and firmly establish a gateway to University City, as well as link Philadelphia's financial and educational hubs, something planners and city officials have long desired.

The development would sit on several parcels that are part of a Keystone Opportunity Improvement Zone, a state designation made to attract development to downtrodden areas. The controversial zones allow tenants breaks on state and local taxes. In this case, at least three proposed tenants, Penn, the U.S. Postal Service and the IRS, are already tax-exempt. However, taxable firms are expected to try and lease space. Brandywine's nearby Cira Centre lured companies from Center City and the suburbs that now receive local and state tax breaks.

The development would encompass 30th Street between Market and Walnut streets, including the main post office building at 30th and Market. Brandywine (NYSE:BDN) bought it for \$28 million and will completely renovate the five-story, 862,000-square-foot structure. The IRS has signed a 20-year lease on the entire building and will have 5,000 people working out of the site beginning in the fall of 2010. The U.S. Postal Service will continue to occupy on a short term 220,000 square feet.

Brandywine estimated the redevelopment, including acquisition costs, will run \$265 million. The Radnor, Pa., real estate investment trust can tap tax credits to help offset some costs.

Brandywine will also build a new mixed-use building on Penn land currently used as the U.S. Post Office Truck Terminal Annex. Brandywine said it arranged a 90-year ground lease on the block-sized property and will raze the annex to construct the new building called Cira Centre South.

That complex will have 400,000 to 500,000 square feet of office space, of which Penn will lease 100,000 square feet. The remainder of the office space will be offered to tenants, who will receive KOIZ tax breaks. Cira South will also have a 733,000-square-foot, 2,400-space parking garage. The parking facility is expected to be completed by mid-2010. Brandywine would eventually like to incorporate a hotel, retail and residential space on the site.

The university kept 14 acres that are currently parking lots used by the post office. Penn will begin this fall to move forward with a project called: "Penn Connects – A Vision For the Future," which will include open space, athletic fields and academic, cultural, commercial and residential buildings.

The IRS is consolidating operations from Northeast Philadelphia and other sites. The post office has built a modern distribution center near Philadelphia International Airport.