

New towers to rise on 30th St.

August 31, 2007

**By Suzette Parmley
Inquirer Staff Writer**

The University of Pennsylvania and Brandywine Realty Trust will announce plans today for a dramatic residential, commercial and hotel project on 30th Street.

The 14-acre Cira Centre South project, which includes a 40- to 50-story office tower on Walnut Street and a 25- to 30-story residential tower on Chestnut Street, will be developed by a partnership of the university and Brandywine, which is based in Radnor.

Penn president Amy Gutmann said in an interview yesterday that the project would help unite University City with Center City and provide a gleaming "Gateway to the University."

The partners said the towers were designed by Pelli Clarke Pelli, the architectural firm that created the prismatic Cira Centre, completed last year just north of 30th Street Station.

Cira Centre South will also include the previously announced conversion of the 862,000-square-foot U.S. Postal Service building at 30th and Market Streets into offices for 5,000 employees of the IRS.

The post office conversion and construction of a 2,400-space parking garage will be the \$365 million first phase of the project, to be completed by 2010. The office and residential towers will follow, to be completed by 2012 at a cost of about \$400 million. The university has agreed to lease 100,000 square feet of the office tower's 400,000 to 500,000 square feet.

Assembling the 14-acre parcel has taken years. Penn and the Postal Service began talks about five years ago. Keating Development Co. was an agent for the Postal Service in the negotiations in 2001, which began about the same time Brandywine was undertaking the development of Cira Centre.

The university completed its purchase of the land last month, university and Brandywine officials said yesterday.

"Penn has wanted this land for two decades, and the stars finally aligned and we were prepared," said Gutmann. "We had the opportunity, and we brought great partners into it."

Gutmann said the development would be the first step of the university's master plan - called Penn Connects - to create athletic fields and open space, offices, and other amenities for its burgeoning student and faculty population.

"It provides a much-needed connector between our campus and Center City, and improves the urban infrastructure of the university and creates a vital new center of commerce for the whole region," she said. "It's converting a surface parking lot and eyesores into a mixed-use, greener, 24/7 neighborhood that unites and enlivens both sides of the Schuylkill."

The deal will let Brandywine, owner of a \$5.5 billion portfolio of properties with more than 40 million square feet of office space nationally, fulfill its goal of expanding the scope of the original 32-story Cira Centre. This is the first time the firm has partnered with a major university.

The company has five other development projects under way, at Princeton; Plymouth Meeting; Oakland, Calif.; Austin, Texas; and Fairfax County, Va.

"It represents the culmination of many years of work of trying to create a commercial mixed-use facility within University City," said Jerry Sweeney, president and chief executive officer of Brandywine. "It validates the investment thesis for Cira Centre and provides a tremendous economic engine for West Philadelphia and University City."

Brandywine entered into a 90-year ground lease with Penn for the development site.

The company plans to demolish the post office annex to build the towers and the parking garage. Half of the 2,400 spaces in the planned garage will be dedicated to the IRS, which signed a 20-year lease this week for space in the main post office building starting in 2010. The IRS will use the new site as its Philadelphia regional headquarters.

Sweeney said in an interview yesterday at his Cira Centre office that he had wanted to develop a similar building since it opened. He said Brandywine had been actively looking for other development opportunities in University City since 2001.

He said the overall development site, similar to Cira Centre, sits on a Keystone Opportunity Improvement Zone, which provides for an abatement on city and state taxes for 15 years. The program was originally created to give companies incentives to relocate their firms to distressed or depressed areas.

"With the general tax benefits of the KOIZ, there is a market for a property like this within the general vicinity of Center City," said Kevin Gillen, vice president of economic-consulting firm Econsult and a Wharton School economist who tracks housing and public-policy issues.

Sweeney said the residential tower planned for Chestnut and 30th Streets would offer about 225 rental units, with some ground-level retail. He said no price had been set for the rental units.

The target market would be employees in the area and students from Penn and Drexel Universities, he said, "who view that area as a desirable place to live and work."

"All the market conditions are favorable as far as increasing the residential component in this part of this city," Sweeney said. "There are 135,000 people within walking distance of the Cira Centre. There are tremendous demographics at play that certainly support a demand for increased residential, commercial or retail."

Gillen said the housing-market fundamentals today were far more supportive of rental units than they were 15 years ago, during the last housing downturn.

"The Center City residential market remains robust," he said. "Even though the housing market is slacking, the rental market has not. In fact, there are a number of condo owners who have considered converting their units to rentals."

Sweeney said the office tower would also house a 225-room hotel and 50 condominium units on the top floors.

Brandywine is financing the first phase of the project. Demolition of the parking garage and renovation of the post office will commence in a few weeks, he said.

Sweeney said that he was looking for financial partners to build the towers and that their construction was subject to "market and financial conditions." He said they were anticipated to be completed by 2012. He also said that, with Penn committing to a long-term lease in the building, he was confident Brandywine would proceed "with the contemplated development we have outlined."

A Penn spokesman said the space the administrators would vacate when they moved to the new Cira Centre would be converted into teaching and research use.

Landlocked and unable to move farther west without disrupting residential neighborhoods, Penn had to acquire the land, said Craig Carnaroli, the university's executive vice president.

"There was no other option," he said. "We've been eyeing that land since the early '80s."

Contact staff writer Suzette Parmley at 215-854-2594 or sparmley@phillynews.com.