

REDEVELOPMENT AUTHORITY OF THE CITY OF LANCASTER

Board of Directors Meeting – August 16, 2016

The members of the Board of the Redevelopment Authority of the City of Lancaster met on August 16, 2016, at 5:15 p.m. in the Commission Room, City Hall Annex Building, 120 North Duke Street, Lancaster, Pennsylvania.

PRESENT: Jessica May, Miriam Soto, and Douglas Byler.

STAFF: Grace Nguyen Bond, Randy Patterson, Karen Bousquet, and Carolyn Faggart.

GUESTS: Joseph Martin, Nat Zook, Charles & Gloria Gallagher, Michelle Reiff, Mark Fitzgerald, Paul Lundeen, Art Morris, Paul Snyder, Joe Younger, Dave Garpstas, and Jeff Groff.

Vice Chairman May called the meeting to order and asked if anybody from the public is not on the agenda. Art Morris was in the audience and said he would like to speak. When Ms. May asked if it had to do with one of the agenda items, Mr. Morris said no, so she invited him to come to the table and address the Board.

Mr. Morris introduced himself and gave his address on West Chestnut Street in Lancaster. He had comments regarding the proposal for the West Lemon Street properties and wanted to make three points. When the Redevelopment Authority decided to acquire these three properties in 2013, Frank Mincarelli stated that relocation assistance could be needed since 33 and 35 had two units which he thought were occupied at that time. At the same meeting, Mr. Patterson said the properties were not blighted; all three had gone through an inspection process and they all met the minimum Property Maintenance Code. They met Code and that's all he could say about them. 31 West Lemon Street was vacant. When the Authority purchased 33 and 35 in 2014, the properties were occupied and met minimum code standards. Just two years later these properties were condemned because of numerous code violations which he outlined. Mr. Morris called for the Authority to take action to protect these properties from further damage by repairing any roof leaks and removing any sitting water and mold. These properties are in the Historical District and are contributing to the District. Since its certainly possible the Authority will not receive the necessary approvals to demolish the buildings, don't you feel you have an obligation and responsibility to preserve the integrity of these structures? His second point noted that the City Planning Commission on December 18, 2014 approved the final subdivision and land development plan for the Press Building project and, at the developer's request, waived the requirement for additional open space of 2,219 square feet based on the proposed 1,100 square feet of rooftop space and the 600 square-foot community room within the building plus the proximity to the Northwest Corridor Park located only 480 feet from the site with sidewalk connectivity throughout the area. Since the developers didn't believe additional open space was necessary (and the Planning Commission approved), it seems strange to him that the Authority would spend what he estimated would be \$450,000 to acquire three properties, relocate tenants,

demolish the buildings and build a 0.07 acre park. Mr. Morris's third item noted there is no unlimited funds in this community. He thought those funds could be used for more important redevelopment projects that would better meet the Redevelopment Area Plan goals. The Mayor has established a Poverty Commission to study poverty in Lancaster. Mr. Morris believed the Authority could do more good with these resources by putting them to work for social justice and better meet the goals of the Redevelopment Area Plan. He read the minutes of the June meeting where someone on this Authority asked if the Planning Commission is against parks in the city. This is not about that. This is about the fact that the developer of this project didn't feel that a park was necessary. Then why are we spending \$450,000 of public funds to create a park that the developer should have built, didn't want to build, and got approval not to build. He thanked the Board for listening to his comments.

Ms. May asked for any other public comments. Hearing none, she then asked for approval of the minutes of July 19, 2016. Mr. Byler made a motion to approve the minutes of the July 19 meeting. Ms. Soto seconded the motion. Ms. May called for the vote, and all were in favor.

Ms. May asked if everyone got the Treasurer's Report that was emailed to the Board today. She asked for any questions or corrections on the Treasurer's Report. Mr. Byler had no questions, therefore, he made a motion to accept the Treasurer's Report as presented. Ms. Soto seconded the motion. Ms. May called for a roll-call vote, and all were in favor.

Mr. May went on to the Staff Report. Ms. Faggart said we have Act 1 for one property, one rehab agreement and two offers to purchase properties. Mr. Byler then made a motion to take Act 1 on 543 South Christian Street. Ms. Soto seconded the motion. Ms. May called for the vote, and all were in favor.

Ms. May moved on to the Report from Younger Realty Group. Mr. Younger came forward with Mr. Garpstas who distributed an updated chart with the homes currently on the list of vacant and blighted RACL properties. Since the Board authorized a price reduction for 548 Beaver last month, they had a dozen showings for this property. He reviewed a few offers for this property with Ms. Bousquet. The thought process behind this proves that the reduction did work, and if the Board sees fit they can continue to do this moving forward. Mr. Garpstas said they just listed the property on Pershing Avenue but with the estimated budget from the condemnation report they received, there could be some financial issues with the budget but it might be something a nonprofit organization might be interested in so he contacted Habitat for Humanity to see if they would be interested in picking up this property. Mr. Younger said if you look at the rehab costs versus the market value of what it could potentially be worth, it's going to be a very difficult sale. Mr. Garpstas said since it's priced so low he thought it would be a great opportunity for a nonprofit that has the resources so he will contact more organizations. Ms. Soto asked what nonprofits he reached out to. Mr. Garpstas said Habitat but they could reach out to LHOP, SACA and other groups. Mr. Byler referred to the reduction on 548 Beaver Street that he recommended and the Board accepted at the last meeting, and asked if Mr. Garpstas felt confident with the price he provided to the Board. Mr. Garpstas thought the Board could have a good conversation with the person putting in the offer tonight. There is some additional damage

to the property since the roof has been in disrepair. There was a significant amount of water coming in on the second floor; he thought it would make sense to reduce the price slightly. Mr. Byler thought the Board reduced it last month. Mr. Garpstas said it was reduced by \$12,000 two meetings ago. It was relisted with a new campaign with a new price and it did what it needed to do. He felt it would do the same thing for the other older properties on the list if the Board chooses to do so. Mr. Younger said it all went according to plan and we will see how the rest of the evening unfolds to see how it works out.

Ms. May went on to the Agreement for Rehab and asked Joseph Martin to come forward for 152-156 Juniata Avenue. Mr. Martin was here last month and returned with a more detailed plan. Ms. Bousquet thought the Board had the necessary documentation tonight to sign the Agreement for Rehab with Mr. Martin. She said we have the letter we need from Planning and Zoning about the lot add-on. The last time Mr. Martin was here his proposal didn't quite meet the specifications so we've asked him to fill that out a little more, which you have before you. Ms. Bousquet pointed out that the master plumber he listed on the proposal is now retired. Mr. Martin said he still has his license. She said he may still have his license but she understood he is retired so Mr. Martin will need to choose another plumber. He agreed to this. Ms. May looked over his proposal and Mr. Martin said it couldn't be any more detailed. Ms. Bousquet said what is missing on the layout of the work, he is pretty detailed on the construction materials but he didn't have a dollar amount associated with it. Mr. Martin said he has a lot of materials in storage that have been sitting there for the last four years. She asked if the items listed on his proposal form is what he still needs to purchase. Mr. Martin said he has all those materials. She asked what he still needs and he said the lumber. Ms. May said so what Mr. Martin is saying is that he has about \$6,371 worth of materials yet to purchase. He concurred. She asked about the labor. Mr. Martin said he will be doing the labor. Mr. Byler said and this is what he does. Mr. Martin said yes, he's been doing this for the past forty years. Ms. Soto asked if his financials are sufficient to get this project completed. Mr. Martin said yes. Ms. Faggart said he didn't have his financial statement with him so she copied the one he provided for a project in January. A discussion ensued on the need to provide current financials even though Mr. Martin is not buying this property from the Authority. Ms. Soto then made a motion to accept the Rehab Agreement for Mr. Martin for 156 Juniata Avenue under the condition that he submits the proper paperwork and information showing he has sufficient funds to close the deal. Mr. Byler seconded the motion. Ms. May had a question for Ms. Faggart and said we have the agreement for 152-156 so that it can be joined and said that's not sold right now and it's contingent upon completion. Ms. Faggart presented the Agreement for the Sale of Real Estate from Mr. Mincarelli's office for signatures tonight. Ms. Bond said she has the Agreement for Rehabilitation but the contingency that was just moved on is not in the Agreement and may need to be added. After this is signed, then we can do the Agreement of Sale. Ms. May said but the sale is not complete until the rehab is complete. Ms. Bond concurred. So the date that needs to go there is a year from today Ms. May said because she thought this should be done all at once. The Board agreed. This is to sell 152 so all this can be done today, the buildings on two lots, one of which he doesn't own. Ms. Bond said we have two separate agreements. One agreement the Board would need to clarify when the permits need to be obtained. We need a date for that, then a date for completion. Ms. May asked for a realistic date to get all the permits. A discussion then took place between Ms. Bousquet and Mr. Martin and the time needed to acquire permits. The dates agreed on were

September 17, 2016 to pick up permits with a completion date of August 17, 2017. Mr. Byler asked about the motions and Ms. Bond said they should be separate. Ms. May said so the first motion stands. (Ms. Bond concurred.) She called for the vote, and all were in favor for the Rehab Agreement. Ms. Soto then made a motion to accept the Agreement for the Sale of 152 Juniata Avenue to Mr. Martin contingent on his completion of 156 Juniata as stated in the Agreement. Mr. Byler seconded the motion. Ms. May called for the vote, and all were in favor. Copies of both agreements were signed and distributed. Mr. Martin thanked the Board.

Ms. May moved on to the Offers to Purchase and started with 548 Beaver Street. Nat Zook came forward and Ms. Soto asked him to tell the Board about himself. Mr. Zook said he is a contractor who does renovations. Ms. Soto asked if he's done anything with the City before. He said yes on 44 North Market Street about five or six years ago which was condemned. Ms. Soto said the Board likes to see pictures of the end product. Mr. Zook didn't have photos of that one but he had before and after photos of a project he did in Myerstown. Ms. Soto asked if this property will go to a homeowner. Mr. Zook said yes. Ms. May wanted Mr. Zook to know that Redevelopment Authority properties have a permanent deed restriction that they be homeowner occupied. He concurred. Ms. Soto noted his offering price was less than what was requested and she asked him why. Mr. Zook said the water damage and condition of the property, including the furnace and mechanicals. Ms. Soto asked if he realized the Board authorized a reduction of the sale price last month. Ms. Zook said yes, and it's also the area and the houses sold there which average around \$50,000. Mr. Byler asked if Mr. Zook could increase his offer since the Authority already paid out the just comp on this property. Mr. Zook cited the condition of the property and his costs to cover the rehab and said it would be tight. Ms. Faggart said the Authority paid out \$27,000 on this property. Ms. Soto asked if he could go up \$2,000 more. Mr. Zook said he could do \$14,000. Ms. Soto asked how many showings were on this property. Mr. Garpstas said over a dozen showings with two offers. Ms. Soto then made a motion to sell 548 Beaver Street to Nat Zook for \$14,000. Mr. Byler seconded the motion. Ms. May called for the vote, and all were in favor.

Ms. May went on to 437 Church Street and Charles and Gloria Gallagher came forward with their contractor Steve Reed, and realtor, Michelle Reiff. Mr. Byler asked if they purchased properties through the Authority before. Mr. Gallagher said he has through an investor. Mr. Byler confirmed that this property will be sold when work is completed. Mr. Gallagher said that's the plan although they thought about renting it to their son-in-law until it could be sold. Ms. May reminded them of the deed restriction. Ms. Soto noted their offer was below the just compensation and asked if they could offer more for the property. Ms. May said the Authority only took this property in January. Mr. Gallagher said there's a lot of work to be done. Mr. Reed mentioned the structural problems and said he allowed more funds to repair the bulging walls as per the engineer's report. He had a conversation with the engineer about the solutions and he was discussing tie plates on the outside to prevent the wall from moving any further. It's on the gable end which means it may not be load-bearing. Only load-bearing it may be, would be floor joists for the second floor. He put a \$20,000 number in there in case he had to tear the whole wall down. If he wouldn't need the whole \$20,000 for the repair he would put the extra dollars toward making the interior nicer. Ms. Soto couldn't agree with the amount offered. Mr. Byler said since this property has only been on the market since January, it has a resale value of

almost \$130,000, to let it go for \$8,000, he didn't think it would be the prudent thing to do. Ms. May said the only other thing she could think of would be the profit sharing if they wanted to look at that. Mr. Gallagher offered \$9,000. Ms. May explained the profit sharing option to the Gallaghers saying the way it was done before is that anything above a certain price would be split 50-50 net sale proceeds. Mr. Byler asked what they planned to list the property for. Mr. Gallagher said it depends on what all has to be done. They want to do a very nice rehab and asked Ms. Reiff what she thought. She replied around the \$120,000 range. Ms. Soto said we are talking about \$3,000. Mr. Reed said the problem is the wall and the engineer is not willing to give them an accurate diagnosis until the demolition phase of construction. Ms. Gallagher was not willing to go the profit sharing route. Ms. Soto asked if they would be willing to offer \$10,500. Ms. Gallagher said that would be a no; Ms. Soto said then this could be a no. This is money that went out the door; the Authority is not making a profit, we are taking a loss. Mr. Gallagher then agreed to \$10,500. Ms. Soto then made a motion to sell 437 Church Street to Charles and Gloria Gallagher for \$10,500. Mr. Byler seconded the motion. Ms. May called for the vote, and all were in favor.

Ms. May moved on to the Hotel Expansion Project. Mark Fitzgerald and Paul Lundeen came forward. Mr. Lundeen of Rhoades & Sinon introduced himself and said he is bond counsel for the Authority and he's worked with Frank Mincarelli before. Mark Fitzgerald, from High Associates Limited and Penn Square Partners, is the present tenant of the Lancaster Marriott Hotel. Mr. Lundeen appeared before this Authority in 2005 and worked with the Authority and Mr. Mincarelli on the original Hotel and Convention Center Project on the Hotel side. As that unfolded over the course of several years, the Authority financed the Hotel project. The Authority owns the Hotel as part of one unit of the condominium. The Convention Center side is owned by the Lancaster County Convention Center Authority. This Authority owns the Hotel but leases it to Penn Square Partners who operates the Hotel facility. They pay the Authority lease rental payments that pays off the debt incurred through various grants where several types of financing was involved. Penn Square Partners has come back and would like to build a new Hotel Tower next to the present Hotel at 14-16 East King Street as an expansion of the Lancaster Marriott Hotel. The proposal will once again involve the Authority as the owner of the new facility that will become part of the condominium unit that the Authority owns in conjunction with the common space, also owned in part by the Convention Center Authority, and Penn Square Partners will lease it. Mr. Mincarelli has been involved in negotiations with Mark Fitzgerald and others over the last several months on various agreements. Mr. Lundeen was brought in about two months ago when they started talking about the financing. After various discussions, it was determined that they should go through the same process, the same procedures that were used back in 2005 with respect to the original project. That being under the Redevelopment Authority Law, this would be taken as a Redevelopment Project in accordance with the Redevelopment Area Plan that the Planning Commission developed. You, as an Authority, would have to come up with the Redevelopment Proposal that would have to be submitted to the Planning Commission for their review which they would pass it on to City Council with their recommendations and comments; then City Council would hold a public hearing and would then have to act to approve or disapprove the Redevelopment Proposal. And that brings us to where we are today.

Mr. Lundeen brought a copy of the Redevelopment Proposal with him which was put together over the last several weeks and which he left with the Authority's secretary. The first several pages talk about the proposal of the Hotel Tower to add another 110 rooms in a twelve-story facility with a rooftop. Mr. Lundeen had a rendering of what that will look like prepared by the architects. The bulk of the Redevelopment Proposal is the various contracts, the leases, the amendment to the condominium documents, the construction development agreement. Most of these agreements are simply amendments to what the Authority did back in 2005 for the original Hotel Project. There is a Joint Development Agreement where the Authority with Penn Square Partners and High Associates jointly go into this project as the redeveloper. That's the way we styled this in the past. Because of your ownership interest, this is not the typical project that you may be involved with in other properties where you may have a developer come in and you basically turn everything over to them, because you will continue to be involved with the ownership and you are a contracting party along with Penn Square Partners and High Associates. This Redevelopment Proposal was put together over the last several days, printed out on Mr. Lundeen's printer and brought here today because it's such a long document. They are here today to ask the Authority to adopt two resolutions. One resolution would be to approve this Proposal as the Redevelopment Proposal of the Redevelopment Authority of the City of Lancaster for the redevelopment of 14, 16 and 18 East King Street for the second Hotel Tower and ask that that be forwarded to the Planning Commission for their action and then on to City Council for approval. In that, again, are the various forms and agreements that will be negotiated that will form part of the Redevelopment Contracts. Once City Council gives its approval to that, the Authority will proceed to sign the various agreements for the project. The second resolution Mr. Lundeen had was for the financing and he said the total cost of this project is approximately \$29M. The second resolution will be the Authority's willingness to issue bonds of up to \$36M to finance the cost of this project. There will be two series of bonds – a Series A, which will primarily be supported by revenues from the City Revitalization and Improvement Zone Authority (CRIZ), and the second series of bonds will be like the bonds outstanding now from 2005, which are Hotel Lease Revenue Bonds that will be primarily supported by the lease rental payments that Penn Square Partners, as the operator of the Hotel, will pay to the Authority that the Authority will assign over to the Bond Trustee. With that background, Mr. Lundeen asked Mark Fitzgerald to address the Board with any questions or presentation he wanted to make on the physical aspects of the project or plans for the project.

Mr. Fitzgerald said the only thing he had to add was that the documents are being contemplated in a Letter of Intent that was negotiated between Penn Square Partners, the Redevelopment Authority and the Convention Center Authority back in February of 2016. The documents before the Board are a reflection of the understandings in those Letters of Intent. There was a series of conditions that needed to be addressed that goes back to the projects before we got to this point. We have narrowed those conditions and we are now ready to proceed with the project. Mr. Lundeen asked for questions from the Board. Mr. Byler stated that the total project is \$29M and asked if that was correct. Mr. Fitzgerald said it's approximately \$30M for the new Hotel Tower and approximately \$3.5M for renovations in the existing tower, so the total amount of work needed on the facility would be approximately \$33.5M. Mr. Byler said that's about \$34M but we are financing \$36M. Mr. Fitzgerald said you are not actually financing \$36M; you are authorizing debt to be supported in an amount up to \$36M, so we will only issue

the bond in an amount equal to cover the total cost of the project. There are three components of financing that will be put in place. The CRIZ Bonds, which Penn Square Partners has received authorization from the CRIZ Authority for approximately \$5.7M based on the eligible project costs. In addition, there will be two series of bonds, one will be to secure funding for the renovation of the existing facility (\$3.5M) and to release shelf equity that has been created in the existing Tower to be used as equity for construction of the new Tower (about \$6.0M). All that together is the total amount of debt to be secured. The base lease payment to the Redevelopment Authority will go up by a corresponding amount to cover the additional debt service. Ms. Soto said the Letter of Intent that was done back in 2015 or 2016 is needed to meet some caveats to move forward with this project. Mr. Fitzgerald said that's correct. Ms. Soto asked if he could speak more on that. Mr. Fitzgerald said yes. Mr. Byler asked about the CRIZ Bonds and asked if that's in addition to the other bonds. Mr. Fitzgerald said that's part of the total \$36M, a component of the total. Mr. Lundeen said \$36M of the bonds will be paid off with a combination of the CRIZ funds and the Lease Rental Payments that Penn Square Partners will pay from the Hotel revenue. Mr. Byler noted that the Authority currently receives Lease Rental Payments and asked if there is a provision that when certain financial levels are met that the Authority would get an increased amount. Mr. Fitzgerald concurred and said the base rent will go up by an amount equal to amortizing costs of the new construction. The second payment is a Minimum Participation Payment equal to \$150,000. The third payment, the Participation Rent Payment, would kick in in the event that Penn Square Partners would receive a cumulative twelve percent return on their equity. Mr. Fitzgerald said they have not hit that figure yet. The fact that Penn Square Partners is moving forward with the construction of the new Tower increases the amount of the participation rent that the Authority will be projected to receive. Not moving forward because of the cost overruns associated with the project, the amount of equity was significantly higher than what we originally contemplated when we structured the transaction, we've not been in a position where we've been able to hit that twelve percent threshold. The fact that Penn Square Partners is financing the new construction and renovation through these additional bond proceeds actually helps the Authority to receive additional rent payments. So by moving forward with the project and financing it in the way we've contemplated, and the fact that we've been successful in securing the CRIZ grant, basically State funds coming back from the State based on the increment to the local Authority, helps pay down that debt and puts the Redevelopment Authority in a much better position to receive that participation tent. Mr. Fitzgerald said while they are increasing the size of the Hotel by approximately thirty percent, they negotiated with the Redevelopment Authority an increase in the Minimum Participation Rent, they've re-structured that so they will be paying the greater of \$350,000 growing at three percent per year, or thirty percent of the excess cash flow over a twelve percent return. Ms. Soto said, assuming at full capacity and rental at the Marriott.... Mr. Fitzgerald said if you are asking him the question is the Hotel operating at a level where we believe that additional rooms are warranted (Ms. Soto said yes), he said they are operating at that level. More importantly, one of the reasons to move forward with this project was to further the vision and the mission they had when they started this project, which was to attract more visitors to Lancaster County and to Lancaster City. Since they opened their doors in 2009, both the publicly-owned Convention Center Authority and the privately-owned Hotel have been able to do that. What they hear from the Convention Center Authority and the consultants they have retained is that one of the biggest obstacles to attracting more business is the lack of convention-quality rooms within walking distance to the Convention

Center. Mr. Fitzgerald said a study was done that suggested there could be an additional 500 rooms created to really attract that level business. They believe adding 110 rooms in the new Tower will help the Convention Center Authority increase the number of prospective Level 1 and Level 2 events that they can attract to this facility. Those are the events that really bring in a multiple number of people for multiple nights and have a very positive impact of bringing people into the city but also providing that overflow capacity to the hotels in the county to drive up their occupancy rate. Mr. Fitzgerald thought this addressed one of the two remaining issues. The other one is parking.

The study said this facility has exceeded everyone's expectations in terms of the following: to bring people in, help create jobs within the city, help create businesses (100 new businesses have opened in the city since the Hotel/Convention Center opened their doors). Mr. Byler asked about the parking. Mr. Fitzgerald said one of the conditions was to secure a commitment from Marriott for the expansion and they have entered into an agreement with Marriott to amend their franchise agreement. In order to do that they needed to have additional parking spaces. They have negotiated with the Parking Authority to secure an additional 100 spaces at the Penn Square Garage. Discussion then took place on the overflow capacity of the garage and how spaces are sold. Mr. Patterson said the parking issue is a larger issue in the core of the downtown and is associated not only with this project but with several other projects. Discussions on other parking facilities are being generated. There is currently capacity at the Prince Street Garage that can accommodate the loss of those 100 spaces, so we are getting close to that point where all the garages are not just oversold but are at capacity. The conversations are ongoing but there is capacity at the Prince Street Garage to handle any overflow. Mr. Fitzgerald said that's a good problem to have because it speaks to the vitality and the growth of the city. Mr. Byler asked who currently owns the three buildings. Mr. Fitzgerald said King Street Properties is a partnership that was established to buy those properties (from 2009 to 2015). Mr. Byler asked about the acquisition costs noted in the material from Mr. Lundeen. Mr. Fitzgerald said this process will reimburse King Street Properties for the actual out of pocket costs to acquire the properties. This is the same structure they used when Penn Square Partners acquired the Watt & Shand building and ultimately transferred that building from Penn Square Partners to the Redevelopment Authority. Mr. Byler asked if there is any up-front money coming from Penn Square Partners. Mr. Fitzgerald said they are picking up shelf equity from the existing property and investing it in the project. He asked if they are taking more equity. Mr. Fitzgerald said no because they have the ability to buy the property back at the end of the lease term. Not only is there a participation rent payment, there is also a participation payment on the sale. So at the time the property transfers, if they were to exercise their option to acquire, there is also a participation on the value they created above another threshold return. The way this original structure was put in place is really a win-win for the private sector, the public sector being the Redevelopment Authority, as well as the public sector being the Convention Center Authority. Mr. Byler asked why was 110 picked; if they need 500, why not 200. Mr. Fitzgerald said there are other projects going forward – the renovations for the Hotel Lancaster, which he thought was 221 rooms but he didn't know how many have been renovated to date. With the modification to the CRIZ legislation, Mr. Meeder will now have the opportunity to continue with the revitalization of that project, which will be very helpful to the city and to the Convention Center Authority. There is also the Surveyor Hotel that's been proposed, so the combination of those three

projects will go a long way in supporting the mission and vision of the Convention Center Authority to attract those Level 1 and Level 2 events to the city. Mr. Byler asked why we are doing two separate bonds. Mr. Lundeen said it's required by the CRIZ legislation because its acquisition versus new construction, and the CRIZ legislation they are going to have to structure the one issue to make sure all the bonds are paid for out of the CRIZ money and qualify under the CRIZ legislation for that purpose. Mr. Fitzgerald said the CRIZ grant is equal to the debt service on that isolated bond, so by isolating it, we have the ability to document the eligible costs, and that the revenues based on the increment that's created only goes to pay for the debt service on those bonds. Mr. Byler said with the change in the CRIZ law he asked if there's no doubt that the funds will be available. Mr. Fitzgerald said their CRIZ grant is subordinated by two loans from the CRIZ, one to SACA for the Conestoga Plaza project and the other for FF&E renovations for the Convention Center.

Ms. Bousquet said we have been approached by the public in the past about the tax issue. Mr. Patterson said the CRIZ Authority's plans are conditional on an agreement being reached between the Redevelopment Authority and the City on payments in lieu of taxes. We currently get \$200,000 in minimum rental payments, \$100,000 of which goes to the City and \$100,000 of which goes to the Marketing Consortium. In principle we agreed that Penn Square Partners will increase the minimum rent, the number which Mr. Fitzgerald referred to earlier, which would be in addition to the \$200,000. The agreement that we will expect to have with the Authority is that 100 percent of that comes to the City as a pilot payment moving forward, and also to discuss in that agreement, to Mr. Fitzgerald's point, if it increases and the Authority starts getting 30 percent of the excess above twelve percent, that portion would come to the City as well as a pilot payment. Understanding that the City receives no taxes on the existing Hotel, this will also be a tax-exempt property, so that's why a PILOT agreement or a payment in lieu of property taxes is paid by the Redevelopment Authority to the City. The parties reached that agreement in principle recently and he will get something to the Authority for the next Board meeting seeking their agreement of what was reached in principle. We think it's reasonable; it gets us to almost 100 percent of what the tax ratable would be on the new Tower in a very short period of time. Discussions then took place on the tax ratable for the new Tower and the length of time remaining for the payment to the City for services. Mr. Morris had a question and asked Mr. Patterson for the ratable on the Tower. Mr. Patterson said he uses the Authority's TIF as an indicator of a possible rate for construction costs. Penn Square Partners has prepared an income approach assessment to what that tax ratable would be and we will use that as the number, so he thought we are somewhere in the neighborhood of \$400,000 for all taxing bodies. The percentage of construction costs were a little bit higher than that. Mr. Morris said \$400,000 ratable taxes. Mr. Fitzgerald said total annual taxes on the new Tower. Mr. Morris said basically a third of 31. \$10M at 45 mills basically you get \$450,000, so you rate in basically a third. It's a \$30M project, and the ratable they use is \$10M and that would create \$400 and some thousand for all taxing bodies. It would create for the City quite a bit less than that. He then asked if the Board will pass the resolutions tonight. Ms. May said yes. The Board was asked to do this so it could go to the City Planning Commission. Mr. Patterson said the Redevelopment Plan, the Resolution, and the Resolution on the Bonds; everything is contingent on everything else. The CRIZ financing was conditioned on several things taking place: moving forward with this financing, this condition, along with the CRIZ Authority's financing taking place. And Ms. May said this

isn't the first time the contents have been discussed here. Mr. Byler thought the Board had a Letter of Understanding back in February. Mr. Morris understood the Letter of Intent but asked if the Board is adopting tonight the \$350,000 pilot payment. The Board said no. Mr. Morris said that's not part of the Agreements that are included in here at this point. Mr. Fitzgerald said the Amendment to the Lease that addresses the modification to the base rent, the minimum rent, in accordance with the pilot payment is not being approved tonight. It's how the Redevelopment Authority will utilize that money to share with the City or any other taxing authority. That's not their issue; that's not why they are here to approve these at the subsequent negotiation between the Redevelopment Authority and the City in other parts. Mr. Lundeen said that's in the draft of the Amendment to the Lease; that's part of that plan. Ms. May said if you read the Resolution that's presented, there's a Schedule A on one of them. That Resolution covers the second Tower Development Agreement, the third Amendment to the Lease Agreement which includes the monies that would come to the Redevelopment Authority, the Transfer and Reimbursement Agreement, the Amended Declaration of Condominium, Right of First Refusal, and the Amended and Restated Memorandum of Lease, that's on one of them. Mr. Lundeen said that's correct; those are the agreements for this Resolution which is approving indirectly in the sense in that it would form the Redevelopment Contract that's part of that big packet proposal that's going on to the Planning Commission and the City so that by adopting this Resolution you are in effect giving your approval to that proposal, including those agreements that are embedded in the proposal, with the intent that with City Council's approval, you will be signing those agreements. Ms. May said the other resolution is authorizing the Bond up to \$36M. To answer Mr. Morris's question, Mr. Byler said yes, we are approving \$350,000 but we are not deciding how to use it. Mr. Morris said he personally thinks this is a massive decision that you've agreed to do. There is an agreement to take it off the tax rolls for whatever length of time it is (20 years or whatever length of time) without any real opportunity for the public without knowing this to come and discuss what they think about this \$350,000 payment because he thought the project is great, great to get the tower, great that Penn Square Partners is doing this. The public is constantly having to deal with having no taxes paid, to constantly fund some projects and we forgive payments. We appreciate the fact that an offer has been made at a certain amount but there has been no public discussion of what that is, no disclosure. There is no one here for the meeting tonight. Mr. Patterson stated that the Board is approving the Redevelopment Proposal. That will go to the Planning Commission for review and discussion, City Council for review and discussion, and to a public hearing for review and discussion, so that's really part of the Redevelopment process. So there's ample opportunity for review and discussion on this project. Mr. Morris said as long as you don't say in public meetings that that \$350,000 is not up for discussion, he understands. Mr. Byler said the Board put a cushion in here, say \$33M for renovations and we're doing a bond for \$36M, what happens if change orders take the project over \$36M? Under the terms of the document, Mr. Fitzgerald said, Penn Square Partners would be required to increase equity to cover that cost. Mr. Byler asked, and that equity is there, including what you are talking about. Mr. Fitzgerald said yes, and that would be once the project goes forward. The agreement right now, bringing the final project costs in at the lower number, providing some cushion so they don't need to return to the Board, with the extent at \$33.5M and, subsequent to that, the costs go up, we either increase the amount of the Bond or provide additional equity contributions as we have done in the past. (Up to the full amount of \$36M or contribute equity to cover the difference.) Ms. Soto said for clarification, that \$350,000 that was

discussed earlier, is that a concern if the Board approves the project today. Mr. Fitzgerald said that number has been increased from what was executed under the binding agreements which specifies a flat \$200,000, so to address these questions that have been raised, we've worked with the City Redevelopment Authority to try to modify the program to a number that met the concerns of everyone.

Mr. Lundeen assumed that the Board received electronic copies of the resolution. He made several grammatical or punctuation corrections and handed out corrected copies of the resolution. He said this is the first resolution to approve the Redevelopment Proposal. For the benefit of those in attendance, Mr. Lundeen said this resolution is citing the background of this project, the fact that there is a Redevelopment Proposal that has been prepared before the Authority, the various agreements referred to before that formed the Redevelopment Contract. The action the Authority is taking by this starts on the second page, that you approve and adopt that Redevelopment Proposal, including the Contract that's embedded within it, in the form that's presented to the meeting. The Chairman of this Authority will forward a copy of that to the Lancaster City Planning Commission with a formal request that the Planning Commission approve that Proposal, and forward it on to the City Council. Discussions with the Planning Commission will be taken up at their meeting on September 7th. He has been in contact with Paula Jackson with the Planning Commission, so she has been involved and she is aware of that as well. Mr. Lundeen then summarized the ten paragraphs that comprise the authorizations. The six agreements that form part of the Redevelopment Contract are listed on Schedule A. We have already spoke to those. As you can see, most of those are amendments to the original agreements back in 2005, the difference being the Second Tower Development Agreement which is a little different. Back then, there was a requirement that there be individual subcontracting done. This time High Associates will act as the general contractor under that Development Agreement. The last time they were acting as the construction manager. Mr. Fitzgerald said that should be High Construction, not High Associates. The differential there is, in the last project there was a Joint Development Agreement between the Convention Center Authority and Penn Square Partners which required the multiple part contract. Mr. Lundeen continued saying one of the agreements is for the transfer of real estate between the East King Street Properties and the Redevelopment Authority. He then asked for further questions or discussions on the resolution. If none, then he would put this before the Authority for their consideration. Mr. Byler asked for a number for this resolution. Ms. Faggart said the last number from today was 16-8-44, so this would be Resolution 16-8-45. Ms. Soto then made a motion to accept Resolution 16-8-45. Mr. Byler seconded the motion. Ms. May called for the vote, and all were in favor.

Mr. Lundeen made some changes to the next resolution when he proofread it this morning. This is the resolution by which the Authority will authorize the sale and issuance of Bonds up to \$36M for the second Hotel Tower Project. That number would be the maximum amount of financing. The Whereas on the first few pages recites the background of this project. It's going to be an expansion of the existing Hotel unit, their existing leases, their condominium documents, existing lease rental payments being paid by Penn Square Partners with the existing 2005 Bonds for the existing Tower. In the middle of the third page, he moved the word "maximum" around, "...combined maximum aggregate principal amount of \$36,000,000..." will be issued in the two series, as was discussed before, under a Supplemental Indenture, which he had

a copy of which he could leave for the minutes. He has been reviewing this as Bond Counsel, working with the bond lawyer at Ballard Spahr who is representing Penn Square Partners, who has been drafting this. Mr. Lundeen has been going through it and Mr. Mincarelli has been reviewing it as well, but that is the substantial form of that agreement. It is the supplement for the existing documentation for the 2005 Bond Issue and sets up the structure of this financing. We recite at the bottom of page 3 that there be an Amended and Restated Declaration of Condominium. As Mr. Fitzgerald indicated before, some interior renovations will be done in the existing Hotel/Convention Center area to repurpose some of the space to provide access to the new Tower and some jiggling of the spaces between the Convention Center space and the Hotel space. That has to do with the Condominium documents and which part of the common space Penn Square Partners pays for in terms of operating costs and which part the Convention Center pays for in terms of their operating costs. Mr. Byler asked if that has already been negotiated. Mr. Fitzgerald said it has been negotiated and approved by the Convention Center. Mr. Byler said so it will still be a two-condominium unit. Mr. Fitzgerald said yes, but the sides of the Hotel condominium unit are now increasing based on the new square footage for the Tower which then shifts how there is now an allocation of the common element. Mr. Lundeen said the fourth page is going to recite the fact that the Authority is making an application to the CRIZ Authority for financial assistance under the CRIZ Program and that you are intending there will be an agreement between the CRIZ Authority and this Authority, referring to it as a subsidy agreement that is yet to be created, but that is the agreement by which the CRIZ Authority would make payments or grants over to this Authority that you would then apply toward the Series A Bonds. The operative provisions of the resolution begins on page five, and Mr. Lundeen summarized those eighteen items. He said the changes have to do mostly with paragraph 15. What he asked the Board to ratify and approve in the last two lines would be the Existing Declaration, the Joint Development Agreement, which was signed with the Convention Center Authority back in 2005, the Existing Lease, the Existing Indenture and the outstanding 2005 Bonds. Once again, all the documents are already in place, so you are ratifying and confirming all the actions heretofore consistent with your actions here tonight, including the execution of those original documents back in 2005. If there are questions on the resolution or any further questions on the documentation, Mr. Lundeen would be happy to answer them. Mr. Byler asked, worst case scenario, if something happened where the Hotel is empty, the conventions stop, how do the Bonds get paid. Mr. Fitzgerald said the Authority is the issuer of the Bonds and they are non-recourse Bonds. The Authority turns the keys over and they are done. Mr. Lundeen said the Authority has no general obligation. Your obligation to pay the lender comes strictly out of the lease rental payments, the revenues and the mortgage on the property. Mr. Byler then made a motion to accept Resolution 16-8-46, and Ms. Soto seconded the motion. Ms. May called for the vote, and all were in favor. All resolutions were then signed and distributed. (Mr. Lundeen had four copies. He would need one or two copies and said one should go to the Planning Commission with the Proposal.)

Ms. May moved on to the Update on Residential/Commercial Properties. Ms. Bousquet referred to the Treasurer's Report and noted that the Authority received the fire escrow funds for 12 Coral Street, which left us about \$14,000 short. This is about the same value of the land, which is what the property will be listed for.

The other order of business for Ms. Bousquet was the Queen Street Garage. She said she will bring the Garage numbers for the next Board meeting. She knew Mr. Patterson was in the habit of bringing them to every meeting but she was hoping to have this information for every other meeting or on an as-needed basis. If the Board had questions on this project she would be happy to have an answer for them.

Solicitor's Report and Proposed Actions. Ms. Bond said that Mr. Mincarelli left an Operation and Maintenance Agreement for the Stormwater Management Facility. This Agreement will assign Penn Square Partners, as the tenant of the property, the ability to operate and manage the stormwater facilities. Ms. May asked if this will be during construction or after. Ms. Bousquet said during and after, so they will incorporate this into the project and on-going maintenance of that facility afterwards to Penn Square Partners. Ms. Bond said this agreement is not with Penn Square Partners, rather it is with the City so the Mayor will need to sign off on this. Ms. May said this is an agreement with the City so that we can assign it. She said yes. Ms. May said we can assign it to the lessee at triple net rate. Ms. Bond concurred. Ms. May asked for the resolution number. Ms. Bond said this is not a resolution; this is an actual agreement. Mr. Byler then made a motion to approve the Operation and Maintenance Agreement. Ms. Soto seconded the motion. Ms. May called for the vote, and all were in favor.

Ms. Bond then handed out the monthly solicitor's report on the blighted properties. Ms. May asked if the property at 165 East King Street was going for judicial sale. Ms. Bond didn't think so but would check with Mr. Mincarelli. Mr. Byler asked about 317 South Marshall Street. Ms. Faggart said that was the one with Matt Beakes and his dad. She thought that was almost done. Ms. Bond understood the same thing but she would follow up with Mr. Mincarelli on that. She had no other items for the Board.

Having no further business to be brought before the Board, Ms. May adjourned the meeting.

Respectfully submitted,

Carolyn Faggart

