

REDEVELOPMENT AUTHORITY OF THE CITY OF LANCASTER

Board of Directors Meeting – July 21, 2015

The members of the Board of the Redevelopment Authority of the City of Lancaster met on June 16, 2015, at 5:15 p.m. in the Commission Room, City Hall Annex Building, 120 North Duke Street, Lancaster, Pennsylvania.

PRESENT: Randall Horst, Miriam Soto, and Chelsea DiBerardino.

STAFF: Frank Mincarelli, Randy Patterson, Karen Bousquet, and Carolyn Faggart.

GUESTS: Lawrence Keohane, Luis Torres, Richard Barnett, Todd Reinhart, Mahdy Eldeeb, Surguei Diaz, Luis Ortega, Michael Chance, Paula Saxinger, Randell Zook, Chris Leaman, and Joe Younger.

Chairman Horst called the meeting to order and asked if anybody from the public is not on the agenda. Hearing none, he asked for approval of the minutes of June 16, 2015. Ms. DiBerardino made a motion to approve the minutes of the June 16 meeting. Ms. Soto seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Horst asked if everyone got the Treasurer's Report since it was a little late being emailed to the board today. He asked for corrections or clarifications on the Treasurer's Report. There were none. Ms. DiBerardino then made a motion to accept the Treasurer's Report as presented. Ms. Soto seconded the motion. Mr. Horst called for a roll-call vote, and all were in favor.

Mr. Horst went on to the Staff Report. Ms. Faggart said we have Act 2 for one property; Act 1 for three properties; one extension request; and three offers to purchase. Ms. DiBerardino made a motion to take Act 2 on 433 East Strawberry Street, and Act 1 on 349 East Frederick Street, 20 Hager Street, and 453 South Queen Street. Ms. Soto seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Horst went on to the Request for Extension for 428 East Strawberry Street and Larry Keohane came forward. Mr. Keohane submitted a letter to Ms. Faggart outlining his request and Mr. Horst read the letter to the Board. It included a two to three month extension to secure the occupancy permit and his intention to occupy the property upon completion. Mr. Horst asked for the original completion date. Mr. Keohane said July of last year. Ms. Soto asked why it's taking so long. Mr. Keohane said there were some extenuating circumstances. He ran into a termite issue and then into asbestos. Inside the walls there was an indoor sprinkling system. All the walls and oak floors had to be removed on the first floor and redone. He and his wife also lost a child recently and out of that came a separation and divorce, which is why he is choosing to live at that property. Ms. Soto asked if that's enough time to complete the project. Mr. Keohane said

all the mechanicals are repaired, which was the biggest issue. The second floor, except the bath, is complete. The kitchen is about two weeks away from completion. All the flooring, cabinets and appliances have been purchased. The siding has been done. Ms. Soto asked if he's just waiting for installation. Mr. Keohane said other than the mechanicals, electrical and plumbing, all the work is being done by him. Ms. Soto asked if two to three months is enough time. Mr. Keohane believed it is for what remains to be done. He is prepared to come every month to give an update as to where he stands. He is also interested in purchasing the lot next to the property. Ms. Faggart said that's the vacant lot where the house was demoed. Mr. Horst noted it was on the list and said he would add it to this property. Mr. Keohane thought the deeds could be joined but the biggest issue on that street is parking. Ms. Faggart asked if he would wait until he finished this project before he does that. Mr. Keohane said no, he would return next month with a proposal. Ms. Soto then made a motion to extend the rehab on 428 East Strawberry Street to the October meeting. Ms. DiBerardino seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Horst moved on to the Offers to Purchase and started with 519-521 Locust Street. Luis Torres and Todd Reinhart came forward to discuss their proposal. Mr. Torres said he is the Executive Director of the Mix at Arbor Place, and he introduced Todd Reinhart, Board President. Ms. DiBerardino asked what they plan to do with the properties. Mr. Torres said they are located at 520 North Street. Behind their building on Locust Street there are two condemned properties on one parcel. They would like to purchase the property and convert it into a sport court. They would like to take a structural engineer into the building. From what they gathered from public records available there are some foundation issues so they would like to demo the buildings and use the land for a sport court. They are introducing all sorts of sports through their Police Athletic League (PAL) Program. Mr. Torres referred to the site plan and said they propose an outdoor classroom, a rain garden, convertible volleyball and tennis courts, and a small flag football field. Those dimensions also fit for an indoor soccer field as well, so it will be outdoors but it will be indoor soccer dimensions. The organization has a vested interest in the community and they want to reconnect with the families on Locust Street as well. There are other condemned properties on Locust Street but those two directly affect their programming right now. Children witness drug activity going on at the properties and staff is constantly calling the police. Mr. Torres said this request is out of the realm. Mr. Horst said we normally have people come here to purchase and rehab properties. Mr. Patterson said the Board's agreement to accept this would have to be contingent on the approval of the Historical Commission and City Council to allow them to demolish the property. At this point they don't have an intention to renovate them and they can't demolish them. The Board's approval would be conditional upon them receiving those two, and they have been before the Historical Commission for a conceptual meeting yesterday. Mr. Torres concurred. So they will be back before the Commission next month. His guess is that the Commission will make a recommendation at that point in time and it will go to City Council in August as well. Mr. Patterson said the Board could accept it conditional upon City Council approval of the demolition. Mr. Mincarelli asked if there are any zoning issues with this. Mr. Patterson said no but there will be storm water issues they will have to address, which they already know. Ms. Soto said she knows about Arbor Place and the children who benefit from their programs but what about the actual block. Mr. Torres said they talked to several neighbors and they believe it will have an access point for youth in the area. It will

become an actual passage way into their facility. All kinds of athletic activities will be provided but also stem activities outside in the classroom area. For security reasons they would have some kind of fencing but he wanted it to be welcoming to match the rest of the community. Arbor Place is outgrowing their building already and this allows them to serve more kids and families. Mr. Horst asked how close is the closest park. Mr. Patterson said it would be Martin Luther King across Duke Street. Mr. Torres said there's a tot lot at the corner of South Christian and North Streets but they are looking to introduce some competitive sports in that area. Mr. Patterson referred to the sketch plan and noted that these two properties are an end of row, then the Mix at Arbor Place building. It's not leaving a gap in the middle of a residential area. Ms. Soto moved on to the just compensation. The just comp is \$31,500 versus their offer of \$27,900. While it's not a big difference, this is what we paid out already. Mr. Torres said they became aware of that and, again, this is a new process to them. Through conversations with their Board, they decided on ten percent less and said this is something they can definitely address if it is an issue. Mr. Reinhart said while we have budgets to work with every year, this wasn't a planned budgetary expense because it became known at the eleventh hour. Mr. Horst asked what kind of budget they have for the demolition and constructing the fields. Mr. Torres said the actual field is green but it's a material called Sport Court. If they introduce tennis and soccer to those areas, the USTA and the Soccer Federation have grants they plan to apply for to construct the field for them, which will cut down on the cost. They also identified two potential supporters who will help them with the project as well. Ball park figure right now, which may be on the high end, could be \$120,000, but they are hoping for less. Mr. Horst said that helps put it in perspective. Ms. DiBerardino asked if the Historical Commission seemed receptive to this. Both Messrs. Torres and Reinhart said yes. Mr. Patterson said the Historical Commission's review is very narrow in terms of the building demolition. It's not about the end product, it's about the building itself being in the Heritage Conservation District, and could it be rehabbed versus demolished. What often happens is that the Commission may vote no as a recommendation to City Council. City Council can then look at the entire project and look at what The Mix is planning to do with that site, and make a decision. Mr. Torres said based on their meeting yesterday, it seems like they are in good standing with the Historical Commission. The Arbor Place building is only three and a half years old and sits on what used to be an abandoned burlap bag company. They own properties at 509 and 314 Chester Street and have families that they serve who reside there. Ms. Soto asked if there is any way they could come up with the just comp. Mr. Torres thought so. Mr. Reinhart said they would have to vote on it as a Board. Their bylaws state that they need full Board approval for real estate transactions. They were approaching it with what they thought was fair. They were not trying to slight anyone but look at the overall costs for the project. Ms. Soto then made a motion to sell 519-521 Locust Street to The Mix at Arbor Place for the just compensation of \$31,500, contingent on Board approval and approvals from the Historical Commission and City Council. Ms. DiBerardino seconded the motion. Mr. Horst called for the vote, and all were in favor. Mr. Mincarelli asked Mr. Torres to notify him when they receive the approvals so he can send the documents to them.

Mr. Horst moved on to the Offers to Purchase 439 South Queen Street and noted there are two proposals for this property. He explained the process when there are two parties for a property. He then asked Serguei Diaz to come forward while Mahdy Eldeeb waited outside. Mr. Diaz came forward with Luis Ortega who said he is with Younger Realty Group, representing the

buyer. He has some difficulty speaking English so Mr. Ortega will help out. Ms. DiBerardino asked what his plans were for 439 South Queen Street. Mr. Diaz said he will start with the electrical, plumbing and roof, then continue with the ceilings, walls, two bathrooms, and two kitchens. He is planning to complete the work in six months. Ms. Soto asked if he's done other properties in the past. Mr. Diaz said not around here. She asked what his experience was in rehab. Mr. Diaz said in his country around twenty years in the construction business. Ms. Soto asked where his country is. Mr. Diaz said Cuba. Ms. DiBerardino asked if this is one unit. Mr. Ortega said two. Ms. Soto noted there was a garage in the back. Ms. Faggart said what's left of it; there's no roof. Mr. Ortega said it needs to be rebuilt or demoed. Mr. Horst asked what he was proposing for the heat. Mr. Diaz said baseboard. Mr. Horst said so he will keep the baseboard heat. Ms. DiBerardino said whenever we have multiple offers, we ask if his purchase of \$27,500 is the maximum he would go. Mr. Diaz said he could increase it to \$31,000. Ms. Soto said on the last multi-unit property, the City looked up background information on the proposed purchaser. She then asked if we have worked with this company before and asked Mr. Diaz if he's doing any of the work himself. Mr. Diaz said he will do some but he trusts Rades Construction. He had a good reference. Mr. Ortega wanted to add that the people he's getting the reference from own a tax business on South Prince Street, which he sold them to. He also sold them several investment properties. He believed they bought a property from the Redevelopment Authority with Community First Funds. They do a very good job and are great landlords. Mr. Diaz is an associate of theirs. Mr. Horst asked for any other questions. Hearing none, he asked Messrs. Diaz and Ortega to step outside so Mr. Eldeeb can come in.

Mr. Eldeeb came forward for his proposal. Ms. Soto asked if he will be doing most of the work himself. Mr. Eldeeb said yes. Ms. Soto asked what he's doing for heating. Mr. Eldeeb said propane. Ms. Soto asked if Ms. DiBerardino had any questions. She said not about the actual rehab. Mr. Horst noted that he had demo garage with a question mark. Mr. Eldeeb said he will decide if he will rebuild because the garage had a lot of trash and he could not see inside. If it's not worth it, he will demo. She asked how far away this property is from where he lives now. Mr. Eldeeb said about five minutes walking. Ms. Soto then said we have two offers and asked if he could increase his offer. The other gentleman was asked the same question. Mr. Eldeeb said yes, he will offer \$4,500 more. Ms. DiBerardino said that would make it \$32,000. Mr. Eldeeb then showed some pictures of 453 West King Street, which he sold last month for \$139,000 and he brought the settlement sheet along. Ms. Soto asked for pictures of Beaver Street. Mr. Eldeeb had some on his phone and said he received a temporary CO so he could move his family into the property. Ms. Soto said she did a walk through after this property was completed. Mr. Eldeeb said it's completely different, everything is brand new. The Board was very impressed. Ms. Soto asked Ms. Faggart if she saw this property. She said she saw Beaver Street with Bob Snyder. He completely turned the inside around. Ms. DiBerardino asked if this is the one he lives in now; he said yes. He said he sold the King Street property in less than two weeks. Mr. Horst asked if the Board was ready to make a motion on this property, noting that we have two solid offers. They said yes so he went outside to get Messrs. Diaz and Ortega. Ms. Faggart reminded the Board about the additional just comp for this property. Mr. Mincarelli said this is where the bank asked that the just comp be increased and we had to negotiate a higher just comp than what was originally proposed. Ms. Soto then made a motion to approve the sale of 439 South Queen Street to Mahdy Eldeeb for \$32,000. Ms. DiBerardino seconded the motion.

Mr. Horst called for the vote, and all were in favor. Ms. Soto encouraged Mr. Diaz to look at the list and come back with a proposal since we have a lot of properties available. We had two solid offers that were equally strong, and it came down to the just comp.

Mr. Horst moved on to the Report on 101 North Queen Street RFP. Mr. Patterson said this is a report on the 101 North Queen Street RFP that was issued. He had a statement that he will read for the public. The owners, lenders and parties in the foreclosure litigation surrounding and regarding the Bulova Building have agreed to resolve their disputes by transfer of the property to the primary lender which will then market the property for sale. Therefore, the Redevelopment Authority would discontinue its current efforts to take the property by eminent domain to allow the bank to obtain title and sell the property free and clear. So he returned the proposals he received to the submitters, along with the \$200 checks. He said we will keep our fingers crossed that closing will be scheduled soon and they will put it on the market. Those who did submit will be contacting the bank anyway. We will put our project on hold. We were notified at 3:00 p.m. this afternoon. The Board was glad to hear this good news.

Mr. Patterson said he needed to add an item to the agenda. We received a Subordination Agreement for Lancaster Press Building. Ed Drogaris is here. The Subordination Agreement has been reviewed by Messrs. Mincarelli and Patterson. This will enable him to obtain the balance of the construction financing, and to do so, the bank is requiring the subordination of our \$900,000 loan and a continuation of that loan. So, there is some negotiation to continue with this Subordination Agreement. We would not agree to a continuing subordination at the discretion of the bank. Our loan needs to be paid off when construction is done. We don't want to extend beyond the construction financing piece, so it shouldn't be a subordination under the permanent financing. So his recommendation is to add the Subordination Agreement. It's a fairly simple Subordination Agreement, subordinating our \$900,000 loan to the bank's loan. Then, after adding that to the agenda, he would recommend approval, subject to Mr. Mincarelli's final negotiation of a few minor issues that need to be addressed, one of them being the conclusion of the subordination. Ms. Soto asked if he needed a motion to put it on the agenda. Mr. Patterson said yes, and asked if that worked for Mr. Drogaris. Mr. Drogaris said the subordination would be to the first construction mortgage. That was anticipated and actually included in the discussions early on. Mr. Patterson indicated that the Authority would not subordinate to any money that Mr. Drogaris put in, which he is not asking the Authority to do. He has put in several hundred thousand dollars since the inception for everything to keep going. Now we are talking about subordinating to the first mortgage. The first mortgage would be out, then three more sales would take out the Redevelopment Authority mortgage. All of that will happen very quickly once the project is complete in the spring. Mr. Horst asked if Messrs. Patterson and Drogaris are saying the same thing. Mr. Patterson said they are but the way the Agreement is written today, there is some language in here, and there are several words that are missing in terms of collateral and security. Mr. Drogaris said he's fine with the attorneys and Mr. Patterson working out the details, but he's ready to put the other financing in place next week. Mr. Patterson said he just received this request on Monday. Mr. Drogaris said he only got the answer from them on Friday. Mr. Patterson said it is critical to his timing. Ms. Soto asked if they need to make a motion today. Mr. Patterson said approve the subordinating, subject to Mr. Mincarelli's working it out, Ms. DiBerardino said, and Mr. Patterson's review. He said yes. Mr. Mincarelli had one

other thing, saying we may need to amend or modify the Note because the Note comes due before October 16th of this year. It was eighteen months after the closing. Mr. Drogaris said they discussed getting a figure since their first sales are scheduled for April. Mr. Mincarelli said include in the motion an amendment of the Note. Ms. DiBerardino then made a motion that the Authority add the Subordination Agreement for the Lancaster Press Building to the agenda. Ms. Soto seconded the motion. Mr. Horst called for the vote, and all were in favor.

Subordination Agreement for Lancaster Press Building. Ms. DiBerardino then made a motion to agree to move forward with a new Subordination Agreement for the Lancaster Press Building, subject to Messrs. Mincarelli and Patterson's review and also restating the Note and terms of the Loan Documents. Mr. Horst said we are going to extend the term for a year. Ms. Soto seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Patterson said there are other items on the Residential/Commercial Properties. The Board received a copy of the financial statements for the Queen Street Garage. We will now get them on a monthly basis so we can approve those in the Board packets. Mr. Patterson said the garage at least is not costing us much -- \$18,000 over six months. Ms. Soto asked for the amount we funded it for. Mr. Patterson said in terms of? Ms. Soto said income. Mr. Patterson said we really didn't have one set because the debt service isn't contingent on the income. The debt service is being paid by the TIF. So it's a little bit unusual that we didn't have to do a cash flow for the debt service. He said we've done an analysis of the TIF to date and it will be fine in terms of the bond, based on the projects and the Lancaster Press Building coming on line.

Mr. Patterson mentioned the Beaver Street property with the Community Gardens. They have decided not to do a garden there. Charlie Crystle notified him this week that he has another interested party that would like to do a garden there but it would need transfer of ownership. We have a clause in our Agreement with Community Gardens that if they don't proceed with the garden, it reverts back to the Authority. So we would have to invoke that clause, take title back, then he would ask the new group to come in to present their plan. There just wasn't enough interest on the block to go forward with the gardens. The group that is looking at it now is not dependent on the residents of the block being interested in the garden. Mr. Patterson asked Mr. Mincarelli if we need any formal action. He said we need a motion to exercise our reversionary right. One thing we should fully take up is the \$90 worth of real estate taxes outstanding. Mr. Patterson said Mr. Crystle is supposed to pay those. There are fines for certain property maintenance issues. Mr. Patterson said he will have Community Gardens cover those. Mr. Mincarelli then said we need a motion authorizing the exercising of our reversionary interest in the real estate to be acquired. Ms. DiBerardino so moved, and Ms. Soto seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Patterson's third item is that he hasn't heard from Matt Beakes other than a recent email to both Rev. Bailey and himself. He is still interested in moving forward to work with Bethel Harambee to fix that project. He will give Mr. Beakes a little more time since they are finishing a project on New Holland Avenue with LHOP. We don't have options there because we really don't want the property back. Knowing that Mr. Beakes is still interested in assisting them he asked for patience from the Board. We haven't received any more complaints but still

have a few property maintenance issues that we need to address with Bethel Harambee. Ms. Soto said we've been patient so far so we can wait a little bit longer. Mr. Horst said this has been an issue since he's been on the Board. Mr. Patterson said 2007 is when we entered into an agreement with Bethel Harambee.

Mr. Patterson said that the State amended the Third Class City Code last year, and in so doing, they restated the restrictions on a municipality's ability to sell assets. Southern Market is an asset, Old City Hall and Masonic Building, and the west building on West King Street are City assets, both of which the City at some point in time will want to sell. In order for us to sell under a negotiated agreement, we have to use the services of a municipal authority. We can now only sell by public auction or by sealed competitive bid. In both cases, that doesn't present us with a real opportunity to control the intended use. The way we've been handling this for other properties like the KOZ is to negotiate the deal and then use an authority to move the transaction. We may come back to the Redevelopment Authority for two transactions, one in particular being the Masonic Building and the West Building. The City will retain the Old City Hall Building, where LOOP now has the Visitor's Center, but we have no reason to retain the other buildings, which the City got back for a reverter clause with the Heritage Museum. Mr. Patterson wanted to let the Board know that he may come to the Authority to ask them to serve in that role. For the SPCA Building the City actually used the Lancaster Municipal Authority as a means to make that transaction. Ms. DiBerardino and Ms. Soto asked if the Authority can charge a fee for this. Mr. Patterson said no, and it won't cost the Authority anything either.

Mr. Horst moved on to the Solicitor's Report. Mr. Mincarelli said at last month's meeting the Board approved the rehab agreement with PNC Bank for the property at 748 South Queen Street. At that time the paperwork they submitted was incomplete. Mr. Patterson indicated that he wanted to see construction milestones; there was no start date or completion date, so he sent the paperwork back to PNC Bank. They filled in all the blanks and we now have all the missing info. Ms. Faggart brought with her the rehab agreements to be signed and he asked the Board to sign the documents so they can be distributed.

Mr. Mincarelli had two housekeeping items, both rehab projects where we adopted resolutions to take the properties, but now we don't so we need to take those resolutions off the books. The first one is for 451 South Queen Street. A Certificate of Completion was submitted and the rehab agreement is now terminated so we have to resolve to rescind Acts 1 and 2 there, and the second one is for 646 East King Street, the same situation. The Certificate of Completion was issued and the property does not need to be condemned. Ms. Faggart said the numbers are 15-7-41 and 15-7-42. Ms. DiBerardino then made a motion to rescind the Acts 1 and 2 for 451 South Queen Street and 646 East King Street. Ms. Soto seconded the motion. Mr. Horst called for the vote, and all were in favor.

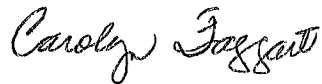
Mr. Mincarelli then handed out his monthly reports on the status of properties in RACL inventory. Six takings occurred since the last meeting and Mr. Horst signed paperwork for one tonight, so there will be seven new properties in the pipeline for eventual listing for sale. The second one is the status of properties under rehab agreements or under redevelopment contracts. Mr. Horst said we can move 748 South Queen Street to the list of rehab agreements. He then

referred to the first two properties on the rehab agreement sheet, saying that the New Street property is waiting for a commercial tenant on the first floor. Mr. Patterson said for 823 South Prince Street, the building is basically done; he still has the retaining wall issues to deal with and clean up the lot. Ms. Soto asked about the problem; Mr. Patterson said he's not communicating with the City. He doesn't have the CO so he can't open his business. Ms. Soto asked if we can send him another letter of default. Mr. Patterson noted that his extension expired on June 16th. Mr. Mincarelli asked if Ms. Soto wanted a default letter issued; she said yes. Mr. Patterson said the business owners in the neighborhood are the ones who are complaining. Mr. Horst then mentioned North Mary Street with outstanding liens and fines. Mr. Patterson said that was just listed for Sheriff Sale. We were ready to lift the condemnation but he wouldn't pay the outstanding liens and fines.

Mr. Horst asked for any other business. There was none.

Having no further business to be brought before the Board, Mr. Horst adjourned the meeting.

Respectfully submitted,



Carolyn Faggart