

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

Regularly Scheduled Meeting January 21, 2014 - 12:30 P.M.

The Board of the Redevelopment Authority of the City of Harrisburg held a Regular Meeting on January 21, 2014, in Suite 405, Rev. Dr. Martin Luther King, Jr. Government Center, 10 North Second Street, Harrisburg, Pennsylvania, at 12:30 p.m. Chairman Dan Leppo presided.

PRESENT:

Dan Leppo
Harold Dunbar
Shaun O'Toole

ABSENT:

Michael Wilson

Also present were: Peggy Sheibley, Administrative Project Manager; Stuart Magdule, Esquire; Bryan Davis, Executive Director, James Roxbury, Roxbury News and Lewis Butts.

MINUTES

The minutes of the Regular Meeting of December 17, 2013 were presented for approval. Mr. O'Toole moved to approve; seconded by Mr. Dunbar. The motion passed unanimously.

TREASURER'S REPORT

The Treasurer's Reports for September, October and November, 2013 were presented for approval, subject to audit. Mr. O'Toole moved to approve; seconded by Mr. Dunbar. The motion passed unanimously. The Treasurer's Report for December, 2013 was presented for review.

COMMUNICATIONS

Mr. Davis shared with the Board Members that the long term testing of the waters at the former Domestic Linen site has been completed and the Act 2 final report has been submitted to DEP. With the Act 2 final clearance the real estate will be transferred over to HACC. It is being used as a parking lot for HACC's students.

Mr. Leppo noted that the Joshua Group project was featured as part of new coverage on local Martin Luther King, Jr. Day service project.

Mr. Leppo inquired if Mr. Peffley is still waiting for the zoning hearing board approval. Mr. Davis replied that they are still waiting for approval from zoning and approval of the replacement windows from HARB.

Mr. Leppo also noticed that the Marketplace Townhomes project is put on hold. Mr. Davis has not received any recent feedback from the developer but with the new administration in place and working with S&A Homes, something should be forthcoming. Either S&A Homes is waiting for pre-sales to happen or they are waiting for confirmation of how the cash flow is going to be used for infrastructure before they start major construction of the seven townhomes.

PUBLIC COMMENT

Mr. Roxbury asked for an explanation of the two resolutions. Mr. Leppo responded that a detailed explanation would occur during the discussion.

OLD BUSINESS

None

NEW BUSINESS

RESOLUTION NO. 1-2014, the Authority hereby authorizes a Sixth Supplemental Service Agreement and a Verizon Tower Cooperation Agreement between the Authority and Harristown Development Corporation. Mr. Magdule explained that the original agreement that was executed between the Redevelopment Authority and Harristown was called an Agreement to Convey, Lease, Service Agreement and Redevelopment Contract. This was the agreement for the Harristown Development project which included Strawberry Square and 333 Market Street. The Sixth Supplemental Service Agreement is to accomplish a couple things. The Harristown Project is leased to Harristown under a master lease; HDC then subleases to the State and Verizon. The subleases to the State go through 2025. The lease to HDC only goes to 2016 so there is a gap that needs to be corrected. This Sixth Supplemental Service Agreement before the Board will extend the ground leases to HDC for the State Office Tower 1 (SO1) in Strawberry Square, State Office Tower 2 (SO2) at 333 Market St. to match up to the State leases' termination dates.

Mr. Magdule continued that there were also various bonds that had been issued against the project over many years. One is the Verizon Tower Bond; 1998 Series A Bonds and 1998 Series B Bonds, which were paid solely out of the revenues that are brought in from the State leases for SO1 and SO2. This agreement also authorizes HRA to cooperate with HDC to see whether a refinancing of those bonds will make sense because the interest rate would have dropped and there would be savings to everyone involved.

Mr. Magdule added that when the Harristown Project was put together, the entire footprint of Strawberry Square was just one real estate parcel. The State has an option to buy its tower and Harristown has an option to buy the retail portion and there is the Verizon Tower is to be leased or sold separately. There was never anything put in place to create legally transferable parcels. Therefore, the decision was made to prepare a condominium conversion because there is only one set of building systems that runs all of Strawberry Square.

Mr. Magdule also explained that the Verizon Tower is subleased to Verizon till 2016. The Series A Bonds which are part of the overall Receiver's plan and that are guaranteed by the City, do not kick in for payment until 2016. To the extent that the State would lease the Verizon tower, then the State would probably issue Certificates of Participation which would then completely take out the City's guarantee of the Series A bonds. However, in the event that something does not happen in 2016 and we do not have enough tenants, then the simplest and easiest way to deal with that tower is to mothball it. Since Harristown takes care of everything, the Verizon Tower Cooperation Agreement would appoint Harristown as HRA's agent to basically mothball the building to cut down on expenses. This would give everybody the opportunity to either sell the building or find tenants to sufficiently pay the bond issue and the common area maintenance charges.

Mr. Magdule went on to say that HDC would handle the Verizon departure and they would be responsible for paying the insurance, utilities and repairs. We would work to minimize real estate taxes because one of the main aspects of the Harristown Project was to generate real estate taxes. The City was the

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underlying fee owner and now the Redevelopment Authority is the fee owner. Even though HRA is tax exempt, under all of the leases real estate taxes are paid. Harristown, if there are any costs associated with keeping the Verizon Tower open, would pay those costs but would receive a credit against any future purchase option. If they purchase the retail and common area then they would also receive a credit against that cost.

Mr. Dunbar moved to approve; seconded by Mr. O'Toole. The motion passed unanimously.

Mr. Butts asked if there was a cost to do the condominium conversion. Mr. Magdole answered, not to the Redevelopment Authority; if any costs, Harristown would pay them. It would be a standard cost similar to a subdivision.

RESOLUTION NO. 2-2014, authorizing the Executive Director to execute a commercial office lease with SMB Computer Solutions, LLC for Suite 301 at the Harrisburg Transportation Center. Mr. Davis added that this space was leased by December 31, 2013 so the tenant could take advantage of tax credits. Mr. O'Toole moved to approve the motion; seconded by Mr. Dunbar. The motion passed unanimously.

OTHER BUSINESS

None

ADJOURNMENT

The meeting adjourned at 12:47 pm.

Respectfully submitted,



Secretary/Assistant Secretary