

# REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

## Regularly Scheduled Meeting September 25, 2018 - 12:35 P.M.

The Board of the Redevelopment Authority of the City of Harrisburg held a Regularly Scheduled Meeting on September 25, 2018, in Suite 405, Rev. Dr. Martin Luther King, Jr. Government Center, 10 North Second Street, Harrisburg, Pennsylvania, at 12:35 p.m. Chair Daniel Leppo presided.

**PRESENT:** Dan Leppo  
Stacia Zewe  
Nichole Johnson

**ABSENT:** Crystal Brown  
Michael Wilson

Also present were: Janell Weaser, Administrative Project Manager; Robin Napiltonia, Controller; Bryan Davis, Executive Director; Stuart Magdule, Authority Solicitor; Tiffany Baldock, Senior Deputy Solicitor for the HBG City; Tracy Rash, from Maher Duessel Certified Public Accountants; and Ted Hanson from Midtown.

### **MINUTES**

The minutes of the Regular Meeting of August 21, 2018 were presented for approval. Ms. Johnson moved to approve; seconded by Ms. Zewe. The motion passed unanimously.

### **TREASURER'S REPORT**

The Audited Treasurer's Report for Year-end 2017 was presented for approval. Ms. Rash from Maher Duessel was present and gave the Board Members a summary of the audited report.

Per Ms. Rash she must give an Opinion on the Authority's Financial Statements, just as she would for a for-profit company. There were no difficulties in preparing the audit. The financial statements are materially correct. No new accounting policies were adopted during the year 2017. She stated that the long term liabilities had decreased; expenses were down; there was an increase in depreciation expenses; charges for services were up; deferred lease revenue went down; grants were down; the CSM funds had no differences from the prior year; both income and expenses were down with the transportation funds; the general fund increased and its expenditures had decreased.

Ms. Rash reported there was one misstatement of the entity's financial statement. She explained back in August of 2013 there was a five year Lease Agreement with the Pennsylvania National Fire Museum for a lot/track of land. They paid a sum of money that was toward the purchase of the property. All payments should have been reported as deposits held for the Museum and not as revenue. The Fire Museum money should have been listed as a liability, not an income entry. She also mentioned the Verizon Bonds had paid off leaving a negative fund balance because the Authority had to defer all revenue that was received in advance from the Commonwealth as a liability. This money cannot be recognized until it is earned over the term of the lease.

Mr. Magdule also said that he wants to make things clear for the Authority Board: The reason the income and liabilities are recorded is simply because government accounting rules require such. Ms. Rash agreed with him.

Mr. Magdule said that he makes this comment every year, that every bond ever issued are all conduit financing. Meaning that revenue from the project is the only source of funding to repay the bonds and that there is no recourse to the Authority. The HRA does not have any taxing authority; it has no ability to pay bonds aside from revenue generated by each project. For example: the repayment of bonds related to the Verizon Tower bonds is limited to the lease revenue. The HRA Leases the facility to Harrisstown. Harrisstown subleases to the Commonwealth. All revenue from the lease payments are deposited directly into a Trustee account to repay the bonds.

Ms. Rash continued her summary saying there is a new government standard coming up at the end of this year. The rule states your auditor cannot maintain any fiscal schedules on your behalf otherwise they would not be considered as independent. She stated it is very important that the Authority record these transactions accurately. If the auditors need to propose too many entries we will not be considered independent. And the auditors would be unable to provide the required independent opinion of the Authority's financial records.

Mr. Davis acknowledged the Fire Museum booking error and reported that it has been corrected. We recently closed on the sale of the land to them, and those deposits can now be considered income for this year 2018.

Ms. Johnson inquired who is responsible for Journal entries.

Mr. Davis replied Ms. Napiltonia and I are equally responsible. He explained they would call the auditors and ask them questions.

Ms. Rash added they could still call them but they cannot be substantial entries. She suggests possibly hiring another firm for substantial auditing questions.

Ms. Napiltonia pointed out that all the more complicated bond transaction details are in the Trustee Statements. The Trustee Statements relay all the information we need on how to record the activity.

Mr. Davis recommended to the members that we may need to look to another accounting firm to advise us on recording future complex transactions. It would be a professional services contract, including one with expertise in understanding government entities. We will have to come back to this, perhaps solicit some proposals to see what that expense may be in the coming New Year.

Ms. Rash ended her report summary in saying this year was held up with a loan issue. They are currently working on two grant audits. One is completed. The other is with Midtown. They need proof of match that happened seven (7) years ago.

The Treasurer's Report for August 2018 was presented for review.

### **COMMUNICATIONS**

Mr. Davis received a letter from PennDOT pledging their funds for improvements to the Train Station's Pennsylvania/Observation room and all the Roof Systems for its removal, repairs and replacements. The Authority will be a conduit for the financing. As of today, it appears we hold the contract however; PennDOT has another scenario where they may contract it themselves. The work is not out for bid yet. Amtrak is still reviewing it. We are -awaiting Amtrak's approval.

Mr. Magdule recommended the Authority also obtain from Amtrak their written approval for our -files.

Mr. Davis shared with the Board letters from Tri-County Community Action (TCCA). One letter is about the TCCA seeking funds from the Wells Fargo Regional Foundation Neighborhood Planning Grant; that could complement the Authority's EPA Area-Wide Planning. TCCA requested the support of the HRA to partner with them if funding is approved. In TCCA's second letter, they are proposing to clean up some of the Authority's vacant lots on South 15<sup>th</sup> and Evergreen Streets, and then install a fence and plant some slow grow or "no mow" grass.

Mr. Davis brought up another pressing issue of Red Privet having left and that loss of revenue. He did follow-up with Bill Gladstone (Authority's Realtor) who has developed a couple scenarios to aggressively market the space that is available. We happen to have some potential tenants making inquiries, and touring the spaces. One in particular would need all of our currently available space of about 13,000 square feet. However their existing lease is not up until 2020.

Ms. Zewe asked if anyone has ever rented the Observation Room such as weddings.

Mr. Davis confirmed saying last year there were about eight bookings. Some were conferences. He recalled one being the Tri-County Regional Planning. Mr. Davis continued saying the PennDOT upgrades to that space will change things. It is all but a gut renovation. The plans provided by Angela Watson at PennDOT, calls for replacement of the floor, ceiling, lights and roof. He added that the plans call for replacement of the current air handler with three new heat pumps and baseboard heat. The heat pumps will be separate from the major system that supplies the whole building.

Ms. Zewe asked if the HRA will get to approve or have any say on the designs.

Mr. Davis replied we may, but so far PennDOT has designed everything without our input.

Mr. Davis updated the members saying all the earth-moving and environmental clean-up plans and specifications for the Authority's land – slated for sale to Hamilton Health Center (HHC) have been completed and put out for contractor bids - primarily to remove soils and capping of the site. He informed that will be all the ISRP Funding. The HHC has contracted with Wholsen Construction as their Contractor Manager. They will oversee the Construction however; they are not contractor of the HRA. The HRA either needs to have a contract with Wilson to oversee the work that we are letting - or have that embodied in our agreement with Hamilton Health. Mr. Davis hopes to have that agreement and all related documents, completed and ready for the Board's approval at the next October meeting in order to meet HHC desired schedule. Mr. Davis added that John Logan (COO for HHC) engaged Capital Region Economic Development Corporation (CREDC) to be the IRSP grant administrator. This puts another entity at the table to monitor compliance.

Mr. Davis went on to say recently there were some changes in the ISRP grant guidelines. One is that the ISRP funds have changed to a complete reimbursement grant. Now you must pay the vendor first and then submit the canceled check along with

all the paperwork before the state will reimburse you. Since the Authority has insufficient -funds for this, and because we are only a conduit for the HHC, this too needs to be added in the agreement or a separate agreement due before the next meeting.

Ms. Zewe asked if we ever worked with CREDC on projects like this in the past.

Mr. Davis replied with HHC, CREDC is providing the administrative support; a professional service like a consultant. Normally, as the grant recipient, the Authority would be the administrator. However, at the time we were so busy, that we were agreeable to HHC contracting with CREDC for this work.

On another subject Mr. Davis reported that the HRA was encouraged by PA DCED to submit an application for certain funds that could pay for both the acquisition of two parcels on South 10<sup>th</sup> Street and for the repair of the Paxton Creek wall. The maximum for the grant is \$500,000. DEP and DCED have not determined who is responsible for the wall. There is some question with Capital Region Water absorbing some of the City's responsibility because it is a channelized storm water collection created by the city in 1910.

Mr. Davis pointed out the appraised value of the two parcels is \$400,000 without taking into account the wall collapse. He was unsure how that exactly affects the value of the properties. The City Engineer estimated the wall repair cost at \$600,000. The Authority submitted all this to the Commonwealth for consideration. Perhaps DCED and DEP will contribute some funds. At least this keeps things rolling at the Commonwealth level for trying to identify funding sources. To be clear, we do not own these properties, however we are assisting the City in identifying funds to repair the wall collapse, which is one of the Resolutions presented today to confirm our submission of the application to the Commonwealth for those funds.

Mr. Davis then shared with the Board of a possible new developer, Tarik Casteel and his team (TLC Construction & Renovations). He explained they did the successful HUB project on North 5<sup>th</sup> Street for Veteran. TLC is interested in about 27 lots of land in Central Allison Hill, bounded by Market, Walnut, N. 15<sup>th</sup>, and N. 16<sup>th</sup> Streets. The Authority has been assembling those vacant lots for some time. They are submitting an application to PHFA for Low Income Housing Tax Credits which is due November 16<sup>th</sup>.

Mr. Davis informed the members the land was acquired using City CDBG funds. The City asked HRA if they would give them the lots for one dollar. We agreed, but added as long as they cover Authority costs. So, there will be no proceeds from the sale. However, if there were, in this instance, it would go to the City as CDBG "Program Income".

Ms. Zewe inquired if Tarik Casteel is a for-profit business.

Mr. Davis replied they are a for-profit. He recalled they had a partner, Juanita Edrington-Grant that may have been a non-profit partner on the HUB project.

Mr. Magdule joined in saying non-profits do pay real estate tax. He explains there is a series of tests that have to be gone through before they get any exemptions. However, our deed will require that the property remain taxable in perpetuity, or, if deeded exempt from real estate taxes, it must make Payments In Lieu of Taxes (PILOT).

Mr. Davis mentioned that Tax Credit deals form a Limited Partnership - a single purpose entity which is not tax exempt. This deal would be the same.

### **PUBLIC COMMENT**

Mr. Davis welcomed Ted Hanson.

Mr. Hanson stated that several of his neighbors asked that he attend today's meeting to discuss the Authority's properties located at 429, 439 and 442 Herr Street. He said the Authority owns those three vacant lots beside the huge parking lot where Bethel AME church once stood prior to a fire that destroyed the building in the 1990's. Since then, Bethel's and the Authority's lots were converted into surface parking, with a 'chained' entrance on the Authority's land. He said that the Church has stopped maintaining their properties, and that someone removed the chain that prevented unauthorized parking.

Mr. Hanson informed the members that there is illegal parking and dumping, late night groups of people partying; standing water causing insect infestation; and overgrowth of trees including vast amounts of poison ivy. He is requesting the HRA re-chain/block off the area again and to clean up the property.

Mr. Hanson brought to the Board's attention additional properties within the same area that are blighted including some with city notices of pending condemnation; unfit for human habitation. He said that Annette Antoun is ninety-one years old, and that she owes back taxes and now wishes to sell three of her properties. Mr. Hanson requested the Authority use eminent domain to

take title of these blighted properties.

Mr. Magdule stated the Authority cannot just acquire blighted properties. It has to go through a process. First it has to go through the City's Vacant Property Reinvestment Board for them to certify/declare it blighted and then for the either the City of another interested party would need to provide funds to acquire.

Mr. Davis stated he was not aware that the chain had been removed. He will make sure it is replaced and will have the area cleared. Mr. Davis said he will look into the rest. Plus he did not know Ms. Antoun was selling her properties and thanked Mr. Hanson for bringing all this to our attention. Mr. Davis continued saying he knows of a few people who are interested in those properties.

**OLD BUSINESS**

None

**NEW BUSINESS**

Mr. Davis prefaced resolution 10-2018 explaining the minor changes to prior resolution 19-2014.

**RESOLUTION NO. 9-2018**, Authorizing the Authority to submit an application to PA DCED for Keystone Community Grant funding in part of in full for the Project: Paxton Creek embankment wall collapse at 29 – 65 S. 10<sup>th</sup> Street. Ms. Johnson motioned to approve; second by Ms. Zewe. The motion passed unanimously.

**RESOLUTION NO. 10-2018**, Authorizing the Authority to grant modifications to the original planned Improvements from Resolution 19-2014 with the Hamilton Health Center Community Services, Inc (“Developer”) as the *Designated Developer* of 47 S. 14<sup>th</sup> Street. Ms. Zewe motioned to approve; second by Ms. Johnson. The motion passed unanimously.

**RESOLUTION NO. 11-2018**, Authorizing the Authority to accept and the release of the Audited Financial Statements for the year ended December 31, 2017.

Ms. Zewe moved to approve; seconded by Ms. Johnson. The motion passed unanimously.

**OTHER BUSINESS**

None

**ADJOURNMENT**

The meeting adjourned at 1:50 pm.

Respectfully submitted,

  
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Secretary/Assistant Secretary