Minutes for the January 6th 2010 meeting of the Directors of
The Village of Lancaster Community Development Corporation

At 8:00 am on the morning of January 6th 2010, President Jeffrey Stribing convened a regular meeting of the Directors of the VLCDC in the first floor fire training room of the Municipal Building, 5423 Broadway, Lancaster, New York. Also present were Vice President Richard Young, Treasurer John Mikoley, Secretary Craigg McRae, and Directors Robert Giza and Matt Walter. Consultants Mark Aquino and Stanley Keysa also attended, as did banker John Evoy.

Jeff Stribing reported that he had sent a letter to owners of business in the CBD who had plans but no contractors with a list of "to do" points. He had also sent letters to several contractors to generate interest on their part, including Antonicelli, Jaron Hassett, F&D Construction and Ron at Quality Aluminum.

Jeff reported that the podiatrist has three bids (from other contractors) and that it will now go to the financial review committee. Mark Aquino said that the former Lindy's Café at the northeast corner of Central and Pleasant was going to be auctioned on January 13th and he was aware of at least one party interested in bidding. He said the party serviced computers and was interested in participating in the Main Street façade program.

Stan Keysa noted that Mark Aquino had recently been appointed to a vacant seat on the Lancaster Town Board and said that, in his opinion, there should be no conflict of interest, as there was no direct involvement of the Town in the work of the VLCDC (other than as tenant in the LVP Complex), but that Mark would need to abstain should there be any renewal of the lease for the Building Inspector's Office. Mark said he would be alert to any adverse comments, and would take appropriate steps should his new role appear to compromise the effectiveness of the VLCDC.

Jeff reported that he had sent out 127 invitations to local business owners to attend a session with Brendan Lovullo of the Erie County Office of Economic Development regarding loan opportunities for small businesses. This will be held in the Village Municipal Building on January 12th; light refreshments will be served.

Jeff said that he and Bob Giza had attended a meeting at the University of Buffalo regarding tiered tax incentive program. The idea is that if improvements of over $50,000 are made, the assessment would not go up for 5 years. He added that he understood from the Town Assessor David Marrano that if a façade assignment was signed, the façade improvements would not be taxed.

Stan Keysa noted that a New York Court of Appeals decision last year involving the Lackawanna Community Development Corporation raised the likelihood that a portion of the LVP Complex would now be taxable. He said that, in his discussions with Marrano, the Assessor would look only at the for-profit areas. Stan said that he recalled provision in the Save-A-Lot lease that provided Save-A-Lot would pay taxes if so assessed. Mark Aquino confirmed that and said it was in the other leases as well.

Jeff introduced guest speaker Rick Hauser of Perry, New York, whom he had met at the New York Planning Federation meeting. Rick is an architect with Insite Architecture LP and deeply involved in rehabilitating the Perry central business district. Jeff arranged to have Rick stay at Sassafrass B&B, where they met Ken Trippett, toured the Lancaster CBD, and then had supper at Eddie Ryan's.

Hauser presented a slide show and discussed his concept of "Main Street LLC" or "community entrepreneurship." He described this as a concept of spreading risk and investment. The group would take ownership of important buildings. He said risk is a state of mind, and should be viewed as an opportunity, not a problem. He quoted racing driver Mario Andretti as saying "if things are under control, then you're not going fast enough." The concept brings together a willingness to take chances, sweat equity, confidence, synergy, coalitions, scale and community enterprise.

Hauser said "you have one chance to do it right; leave no stone unturned." Done right, it turns citizens' skepticism into informed optimism and projected confidence. Synergy comes from building broad coalitions, involving your opponents and skeptics. "It's an art form. Once people take a stand in a public setting, you've lost them."

He quoted from Burnham "Make no small plans." Make big plans, well thought out. If there is a concern as to who will use a building, understand that community entrepreneurism will create demand. "Lead the market, rather than following it." He said a key prerogative of village living is involvement. "If you want something done, do it! You can do it." Traditionally, we have done this by giving of time, money and wisdom.

Hauser recommended John Abrams' <u>The Company we Keep: Reinventing Small Business for People, Community and Place</u> (2005) and threw out the following ideas: "The commitment of genius is to bringing new ideas, investment and problem-solving to a local community." "Downtowns decline. There is a gap between the scale of buildings and the motives of the owners." "Who has the capacity or interest in making long-term investment?" "You need to create business models to bridge the gap."

He then proceeded to summarize why he likes "Main Street LLC" as a model:

- if fills a need
- it puts money where home is
- it inspires people to invest in the community
- it creates community cheerleaders
- it creates a pro-active network of committed residents for the next opportunity
- it creates a compelling narrative
- it creates success on the ground that neutralizes lingering cynicism
- it creates momentum for others
- it spreads risk

He listed four "pain causers"

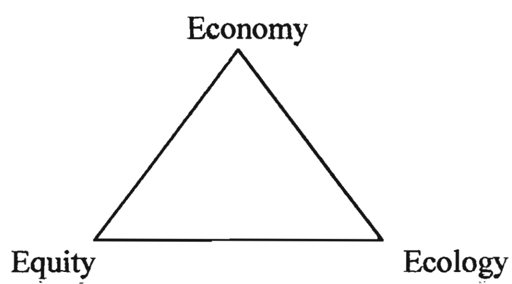
i. Supply / demand
ii Short term / long term
iii Scale
iv Chicken & egg

He said there may be empty space in a CBD, but it may not be affordable. He then walked through examples in Perry, NY.

Hauser said critical skills needed in MS LLC management included:

- an architect
- a developer
- financial expertise
- a persuader.

He recommended understanding the interdependence of the "sustainable triangle" from William McDonough's Cradle to Cradle/ Remaking the Way We Make Things. (North Point Press, 2002.):



He said they found in Perry that most people don't want to be involved in the day to day operations. From the start, investors are told they can't sell their shares for five years. Their largest investor put is 25% of the capital; the smallest 2%. On their first project, involving a structure of about 18,000sf, cost came out at less than $50/sf. About 50% of the money came from investors equity, about 25% from ----, about 12% from an IDA loan, about 8% from additional borrowing, and about 5% from an old UDAGG loan reflow.

Hauser said there was not a lot of retail in Perry, that the village is within easy driving 15 minute distance of major stores in Geneseo and Warsaw; that they had to build up a business community and that then the retail follows demand. Investment consisted of about 55% cash and 45% in-kind services. Investors don't make much for the first couple of years, but they do get the benefit of federal and state tax credits for rehabilitation of an historic property, based on their respective percentage of ownership. If the building was pre-1935 and had no residential, it was automatic. A new tax rule allows credits if the property includes residential units.

Rents are flexible, depending on the desirability of the tenant. As manager, he looks for 100% occupancy. He averages about $8/sf on the high end, but many rents are lower. Some are back-loaded. Some buildings owners took part of their payment as an in-kind investment. On the first project, 24 investors from Perry contributed a range of $2500 to $25,000. Rick and his partner were the largest due to the amount of in-kind effort contributed. Some investors took retirement funds to invest.

None of the businesses compete directly. They worked with an IDA and used a sale and lease back arrangement. Taxes are covered by a PILOT locked in for 5 years.

Discussion followed on use of a non-profit versus a for-profit development entity. Hauser said each had value, but that seeking investment was easier than seeking donations.

Stan Keysa asked about use of the upper levels of the properties and Hauser said that they were able to install a 12' lift on a two-story building for about $30,000, whereas a three-story building needed an elevator at about $140,000.

He said average returns are now about 7% this year. However, no one wants a profit, as they can use the tax credit this year to offset other income. In the future, they'll use the profit to buy another building. He said that, if done right, there can be a 40% tax credit on rehabilitation, which can be carried forward 7 years. Before closing, he invited correspondence at his website: www.insitearch.com or his phone: 585-237-2614.

The session ended at 9:25 am.

Respectfully submitted,

Craigg McRae

Craigg McRae, Secretary