**Amended minutes for the May 31st 2012 work session of The Village of Lancaster Community Development Corporation**

At 3:30 p.m. on the afternoon of May 31st 2012, President Jeffrey Stribing convened a work session of the VLCDC in the second floor board room of the Municipal Building at 5423 Broadway, Lancaster, New York. Also present were Vice President Craigg McRae, Treasurer John Mikoley, and Directors John Dennee, John Evoy, Dino Fudoli, Linda Mallia, and Edward Myszka. Also attending were Kenneth Swanekamp and Christopher Pawenski from Erie County DEP, consultants Mark Aquino and Stanley Keysa, and Roger Pigeon, who had prepared the appraisal of the LVP Complex property for the VLCDC. The purpose of the meeting was to give the directors the opportunity to learn of the standards used by Mr. Pigeon and to question him regarding the appraisal.

Jeff introduced Pigeon, who said he had been doing right-of-way appraisals for 33 years. He said this was a very complex appraisal. He used NYS DOT standards for eminent domain. On most projects, the State follows the rule that "if you touch it, you take it." Here, the supermarket lease meant part had to be retained. This project involves a special benefit to the remaining adjacent land, but that the indirect benefits were offset. The legal objective is to leave the property owner as whole as possible.

At 3:41 p.m., Mayor William Cansdale, Trustee Kenneth O'Brien and Phil Arnold joined the meeting.

Pigeon continued that work necessary to separate a portion of the building (including that containing Save-A-Lot market) would put that portion of the building in a better condition, providing a benefit to the owner. However, the cost to cure - that is, to separate and add a new face - is estimated to be very expensive. He estimated the net cost to be $892,200.

The direct value, which is always paid by a taking agency, is the value of the underlying land. The cost of the "cure" is a big component, and was taken from estimates provided by William Schutt. Typically, those funds would be paid to the owner to "reface".

Jeff interrupted Roger Pigeon to introduce Mayor Cansdale, Trustee O'Brien and Mr. Arnold. Mark Aquino reviewed the history of the bid for appraisal services.

Chris Pawenski asked Pigeon: "Do I understand that the appraisal does not include the demolition of the full property." Pigeon responded that it did not, but that such demolition would result in the Village owning the full property. He summarized the components as follows:

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| Direct costs (land) | $145,500 |
| Cost of improvements | 6,700 |
| Portion of building: | 12,000 |
| Cost to Cure | +892,200 |
| Total: | $1,056,400 |

Roger Pigeon confirmed that his estimate was highly dependent on Schutt's estimates, and reiterated that Schutt's number did not include the demolition cost.

Chris Pawenski asked: "What if there is a lease?" Roger explained that eminent domain appraisals go to simple title; "let the owner fight it out with the tenant." If federal funds are involved in a state transportation project, there are guidelines including relocation costs, including a value for any increase in rental cost to relocate for the balance of the term. He had not calculated what those costs might be, but they could be more than a hundred thousand.

Ken Swanekamp asked: "How do you handle the relationship between several related governmental agencies?" Roger replied that he had taken a disinterested third party view, that is, not looking at the entities involved. He ignored the effects, "put the blinders on", and asked "what is the worth today in an open market?" as if it were an arms-length transaction.

Pawenski then asked: "Does NYS DOT typically negotiate after that?" Roger replied that NYS DOT has to use the highest value. If it is over $1 million, they get a second appraisal and hire a third party to analyze the two reports. Further, the payments often go up in "friendly takings" where the managers allow an offset for the expediency of the project or to avoid the cost of prolonged litigation.

Stan Keysa asked if that meant three appraisers might be involved. Roger said yes, but there are few qualified appraisers in the state. He said there are only 4 qualified appraisers in the western region, 3 in Syracuse and none in Albany.

Chris asked is the VLCDC and Village could now negotiate. Roger said he knew of nothing that could stop that.

Stan Keysa observed that the mortgage holders and other creditors might challenge, and that there was still the provisions added by the Public Authorities Law requiring 90 day notification of the Governor, State Comptroller and both houses of the state legislature if the sale involved other than fair market value.

Linda Mallia asked whether another approach might be to go to creditors and asking them what the property might sell for in an open market. Consensus was that would provide another set of values.

At 4:30 p.m., Linda Mallia and Trustee O'Brien left the meeting.

Mayor Cansdale then asked if anyone saw a good reason for the Village to spend thousands more for a second appraisal. Those attending thought not.

Stan Keysa said the question is what price the Village is willing to support with bonding.

Jeff Stribing noted the earlier discussions with M&T Bank which suggested it might accept less than full unpaid principal to clear its mortgage lien. Chris raised a question whether the RDC could compromise a debt funded with federal funds. Stan noted discussions held last week with officers of the ECIDA in which they said now hold the RDC loan in their own account to quell HUD comments about lack of job creation.

Supervisor Fudoli (who also chairs the Town of Lancaster Industrial Development Agency) said VLCDC had paid (by way of interest) 75% of the original LIDA loan in 1999 and that he was confident that LIDA would consider a reduction in its share of the second mortgage if M&T accepted less and the RDC matched LIDA actions.

A prolonged discussion of options followed. John Evoy left the meeting at 4:36 p.m.

When asked by the Mayor if anyone was showing interest if future development, Jeff Stribing related discussions he had with various developers previously, with the most saying they would not come in until the building was demolished, they saw a road and utilities, and the mortgages were retired. As recently as last week, Jeff met with a developer from Ohio whom he had shown the concept plan funded by Dick Young prepared by Wm Schutt Associates which incorporated the façade drawings prepared by Stan Keysa. The developer was enthusiastic.

Stan noted the potential for three above-ground stories of retail on the first floor and offices or residential above, indicating there could be 60,000 sf on the north side of West Main Street and 90,000 sf on the south side, or the potential of $23 million or more in development value. Stan said that the economic potential had not been fully explained to the Village Board or the public. The village alone would see about 1% of that development value or $230,000 annually in taxes once the street was fully developed.

Craigg McRae said thirty-year bonds for $1.5 million in Village investment in today's bond environment would cost about $50,000 per year, or a payback in about 8 years. The key question is covering the gap until development occurs. Mayor Cansdale said he would review what capital borrowings will be retired in the near future. Craigg said he would work on preparing estimates of the economic potential.

Respectfully submitted,

Stanley J. Keysa, Assistant Secretary