

## REDEVELOPMENT AUTHORITY OF THE CITY OF LANCASTER

### **Board of Directors Meeting – November 20, 2018**

The members of the Board of the Redevelopment Authority of the City of Lancaster met on November 20, 2018, at 5:15 p.m. in the Commission Room, City Hall Annex Building, 120 North Duke Street, Lancaster, Pennsylvania.

**PRESENT:** Randall Horst, Christian Levan and Jason Wynne.

**STAFF:** Frank Mincarelli, Randy Patterson, Marisol Torres and Carolyn Faggart.

**GUESTS:** Dave Garpstas, Jeff Groff, Tom Smithgall, Mario Naranjo, Luis Torres, Tim Fisher, Paul Furner, Jim Englert, Sheldon Weaver, Thirgam Alhussaini, Steve D'Ercole, Jose & Chase Ortiz, Nada Seidon, Christopher Beiler, James & Zachary Pelliccio, Stephen Boyd, Moshin Altufayli, Benjamin Saldana, Cara Fiano, Susan Blecher, Erin Dixon, and Tim Stuhldreher.

Chairperson Horst called the meeting to order and asked if anyone from the public is not on the agenda. Hearing none, he then asked for approval of the minutes of October 16, 2018. Mr. Wynne made a motion to approve the minutes of the October 16 meeting. Mr. Levan seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Horst noted that the Treasurer's Report was emailed to the Board then he asked for questions or corrections. After reviewing the Report, Mr. Levan made a motion to accept the Treasurer's Report as presented. Mr. Wynne 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 three extension requests, one rehab agreement, seven proposals to purchase two properties, and eight violation notices. Mr. Horst noted that we also have an update from Penn Square Partners which was omitted from the agenda.

Mr. Horst moved on to the Marriott Hotel Addition Update. Tom Smithgall came forward and said he had handouts at the October meeting. He had an update on Pay Application #17. The project is about 65 percent complete with an expected finish in mid-February to early March. Opening for the project is tentatively set for mid-April to May. The project is on budget and has a solid contingency to finish out the job. Work force is about 60 to 100 people per day, working on weekends to catch up on some schedule issues. In the next few weeks you should see the building being closed in. The biggest problem has been the delivery of glass. There have been some contractor performance issues on the dryvit material and stucco on the back of the building. Interior drywall and bathroom tile is complete on 80 percent of the building. Service elevator is due in mid-December with the passenger elevator the end of January. Framing has

started on the first floor restaurant. He asked for any questions from the Board but there were none. Mr. Horst thanked Mr. Smithgall for his update.

Mr. Horst moved on to the Acceptance of Southern Market Center Proposal and Randy Patterson came forward. He noted that the Authority issued the third RFP for Southern Market in March of 2018. We received four proposals and one was withdrawn. There was one from IBS Development (withdrawn), one from Steinman Communications, one from Lancaster Equity and one from a company called House of 81 Minds. There was a committee of six people, which was reduced to five, consisting of himself, Marisol Torres, Jason Wynne of the Redevelopment Authority, Crystal Weaver and Kyle Sollenberger from EDC. Charlotte Katzenmoyer participated in initial meetings and interviews. A list of general questions was developed to be asked during interviews held in September. The committee asked for additional information which took a while to get. A final meeting was held in November where the committee discussed the three proposals, the presentations that were given against the review criteria that were established in the RFP, and came to a unanimous decision to accept the offer presented by Lancaster Equity. Mr. Patterson said the Board received by email a copy of their power point presentation given during the interview process, which was a summary of their proposal and the mixed use that will be developed for this building. The purchase price from Lancaster Equity was \$300,000. The purchase price of the other two proposals was \$800,000. The City did tell Lancaster Equity that they would put a \$500,000 mortgage on the property so at the time of resale, the City will receive an additional \$500,000. We would agree to subordinate that for financing purposes which will be finalized in the developer agreement. Lancaster Equity will have private partners who will purchase the building and lease space to Lancaster Equity for the proposal they presented. It was a unanimous decision. All three proposals had their strengths and weaknesses. The House of 81 Minds had a strong proposal and the committee strongly encouraged them to continue to look for a location other than the Southern Market. For this evening, the request is for the Redevelopment Authority to authorize the negotiation of the developer agreement with Lancaster Equity and the private interested party to acquire and develop it. The Authority will have provisions that if the intended use of the building changes, we have the right of first refusal to reacquire the property at the acquisition price or approve the alternative use. Mayor Sorace had a resolution passed by City Council to transfer the property to the Redevelopment Authority which requires the Mayor to agree to the acquisition price, and she has agreed to that acquisition price with the condition of the \$500,000 mortgage. The request is to bring the developer agreement back to the Redevelopment Authority Board before execution. Mr. Wynne then made a motion to approve the Southern Market Center proposal by Lancaster Equity. Mr. Levan seconded the motion. For clarification, Mr. Horst said this is to negotiate the development agreement that will be brought back to the Board for approval once it is negotiated. He called for the vote, and all were in favor.

Mr. Host went on to the Report from Younger Realty Group. Dave Garpstas came forward and handed out his monthly report. He didn't have any issues other than to ask the Board to consider reducing the price of 423 East Strawberry Street. It's been on the list for a while and has had little activity in the past few months. With the condition of the property and layout of the rooms, he wasn't sure if that would help. Mr. Mincarelli asked if Impact Missions would be interested in this property. Ms. Faggart said Matt Beakes was here last month and said he would consider this property after they completed renovations on South Christian Street.

Mr. Horst went on to the Request for Extensions and started with 547 Howard Avenue. Mario Naranjo was here for this property and said he had a final inspection today. There were a few minor items to complete. Ms. Faggart asked if he had all his certifications completed. Mr. Naranjo said yes those were submitted already. Mr. Horst said his extension expired in September and asked how long he needs to finish the project. Mr. Naranjo said a month. Mr. Wynne made a motion to grant an extension for 547 Howard Avenue until next month. Mr. Levan seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Horst went on to 519-521 Locust Street. Luis Torres was joined by Tim Fisher, a volunteer with Arbor Place, who is heading the expansion committee and brings many years as a builder. The last time he was here the big challenge was raising funds for the project. Mr. Torres said that instead of trying to package the entire project, it was better to break it up into attainable mini projects. He is now ready to launch Phase 1, which is the demo and excavation of the buildings at 519-521 Locust Street. He brought along conceptual drawings and is finalizing the excavation date for the end of this month or the beginning of December. The first few pages show the Phase 1, followed by the tennis court and possible Phase 2. Ultimately, they will let the kids decide what goes in that space. Mr. Wynne asked about the time frame for this extension. Mr. Fisher said they will probably start after Thanksgiving. They have a minor hold up with UGI (as the Board has heard from contractors before) and can't estimate a time frame for them. They submitted a traffic plan to the City and had to revise that plan as well. For the demolition phase of the buildings and reseeded the area, Mr. Fisher hoped to have this completed by the end of this year. The site will be secured with a brick and metal fence. In discussing a time for the next extension, Ms. Faggart said the Board has given Arbor Place six-month extensions to report on progress made. After further discussion, Mr. Levan made a motion to grant a six-month extension for Arbor Place. Mr. Wynne seconded the motion. Mr. Horst called for the vote, and all were in favor.

The last extension was for 345 East Ross Street but Galen Huyard wasn't here so no extension was granted.

Mr. Horst then moved on to the Rehab Agreement for 321 North Concord Street. Paul Furner, Jim Englert and Sheldon Weaver came forward. Mr. Furner said he and Mr. Englert want to transfer this property to Sheldon Weaver. Mr. Furner wasn't sure what the Board needed from them. Mr. Mincarelli said this situation arose once before when the property had been sold to a party with a Redevelopment Contract who were unable to complete the project. They came to the Authority for approval and this is essentially the same scenario. Therefore, he prepared an Assignment and Assumption Agreement that takes the contract that Messrs. Furner and Englert entered into and assigns it to Mr. Weaver. He picks it up and completes the project although he has his own proposal for the rehab. In view of that assignment Mr. Weaver completes it under a new deadline of October 31, 2019. Some of the conditions spelled out in the Assignment and Assumption Agreement would require you to pay for the legal fees involved in the Agreement and Resolution. Mr. Mincarelli thought closing was scheduled for tomorrow but Mr. Weaver would need to get an insurance policy naming the Redevelopment Authority as the additional insured before closing could take place. Mr. Weaver said the title company brought up an issue

with unpaid taxes which needs to be resolved before closing can occur. The City shows those taxes paid but the County did not. Mr. Mincarelli was aware of this and spoke to the closing agent. Two other changes were made before Mr. Mincarelli said the Authority needs to adopt a resolution authorizing and approving an Assignment and Assumption of the Redevelopment rights and obligations for the property at 321 North Concord Street. He then asked for a motion to adopt Resolution 18-11-36. Mr. Wynne so moved, and Mr. Levan seconded the motion. Mr. Horst called for the vote, and all were in favor. The Agreement was then signed by all parties.

Mr. Horst went on to the Proposals to Purchase and noted there are two properties today. He started with 418 Lafayette Street which had two proposals. Jose and Chase Ortiz came forward while the other party waited outside. Mr. Levan asked Mr. Ortiz if they wanted to increase their offer. He said yes, they would go up to \$13,000. Mr. Wynne asked about their estimated construction time of three months. Mr. Ortiz said he was good with that time. He spoke to two City inspectors about the illegal addition at the rear of the house and said their costs for this part of the rehab were unknown. Mr. Chase said he's been rehabbing properties for fifteen years; his son is now working with him as a subcontractor. Mr. Horst asked if he's bought a Redevelopment Authority property before. He said no. With no further questions, the Ortizes stepped outside so the other party could come in.

Thirgam Alhussaini came forward with his realtor Steve D'Ercole. Mr. Wynne asked if Mr. Alhussaini wanted to increase his offer. Mr. D'Ercole said they would add \$1,000 which brings them up to \$20,240. He asked about an escalation clause for purchasing properties but the Authority has never done this. After discussion on owner-occupied offers and those proposing to do more work than the highest bidder, there were no further questions.

Mr. Horst brought in Jose and Chase Ortiz for a decision from the Board. Mr. Levan then made a motion to accept the offer to sell 418 Lafayette Street from the DAR Remodeling group for their offering price of \$20,240. Mr. Wynne seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Horst moved on to 527 North Plum Street and noted there were five proposals for this property but one dropped out. Benjamin Saldana was first with his proposal. Mr. Wynne saw that Mr. Saldana planned to occupy the property upon completion of rehab. He concurred. Mr. Horst said he had to abstain from voting on this proposal since he has known Mr. Saldana for a long time. Mr. Wynne asked about his financials since his total valuation is close to the limit. Mr. Saldana said the majority of the work is sweat equity with his brother and several contractor friends helping out. Mr. Wynne then asked if he would like to increase his bid. Mr. Saldana said he could go up to \$50,000. Mr. Levan noted his financials include an annuity and asked about borrowing since some annuities have limitations on borrowing. Mr. Saldana said he could borrow up to 100 percent. After further discussion on the construction and time line, the Board had no further questions, so Mr. Saldana stepped outside.

James and Zachery Pelliccio were next with their proposal and said Dona Tucker couldn't be here tonight. Mr. Wynne asked about increasing their offer. Mr. Pelliccio said they could increase it to \$80,000. Mr. Wynne noted their six-month construction time. Mr. Pelliccio

thought it could be done sooner but with the foundation issues they weren't sure if that would be a month or longer. They would have an engineer look at the property and they budgeted an extra \$10,000 to correct the problem. Mr. Wynne recommended they take a full year for the project in view of the structural issues, and they agreed. Messrs. Levan and Wynne were impressed with their proposed construction estimate. With no further questions, the Pelliccios left the room.

Moshin Altufayli was next with his proposal. Mr. Wynne asked if he could increase his offer. Mr. Altufayli said he could go up to \$68,500. Mr. Wynne noted his seven-month construction date and asked if he wanted to take the whole twelve months. Mr. Altufayli said yes. Mr. Mincarelli asked if his construction cost number was \$4,500. (The writing was not very clear.) Mr. Altufayli said yes. Mr. Mincarelli said so that came to a total of \$73,000. After some discussion, it was determined that the amount should be \$45,000, which would make the total costs around \$113,500. Mr. Wynne noted there was only one revenue stream from Wells Fargo which brought the total cost over that amount. Mr. Altufayli said he has additional funds. Mr. Wynne asked if he could provide the source of funds if he is awarded the property. Mr. Altufayli said he's working on that now. With no further questions from the Board, Mr. Altufayli stepped outside.

Christopher Beiler from the Chris & Claude Company came in to present his proposal. Mr. Levan went to the multiple offer question and Mr. Beiler said he could increase his bid to \$56,100. Mr. Beiler said he has done a number of projects in the city and he brought photos for the Board. Mr. Wynne noted he has multiple revenue streams for this project. Mr. Beiler said he has a number of investors. Mr. Levan then noted his completion date and suggested he take a year for the rehab. Mr. Beiler agreed. After a short discussion on the procedure and time line, the Board had no further questions. Mr. Beiler stepped outside so the Board could discuss the proposals.

After several minutes Mr. Horst invited all participants back to the room for a decision from the Board. Mr. Wynne then made a motion to sell 527 North Plum Street to the Dona Tucker, James and Zachary Pelliccio group for their offer of \$80,000. Mr. Levan seconded the motion. Mr. Horst called for the vote which was 2-0-1 with him abstaining.

Mr. Horst moved on to the Violation Notices and noted there were nine of them. Mr. Mincarelli said these were the unresolved ones. He handed out an updated status report and said we are down to ten unresolved notices. We granted two temporary waivers last month. He told the remaining property owners they didn't need to attend this meeting to make presentations, but that he would attend on their behalf. The status column shows what the owners are asking for. For instance, the owner of 474 Atlantic Avenue stated the property is listed for sale and he was looking for a temporary waiver until April 30, 2019 to get the property sold. The owner of 216 Howard Avenue is looking for two months, and some need more time since their leases were recently signed. He didn't think the Authority wanted to have the owners break their leases since there will be liability. The ones that don't have temporary waivers for the deed restrictions are 435 Chambers Street and 742 East Fulton Street. Jonathan Leventry had his attorney send Mr. Mincarelli an installment sale agreement where Mr. Leventry will be selling the property to the tenant. If that's an acceptable solution, he can notify the owners. The Board agreed. The only

problem one is 742 East Fulton Street where the owner would like a total release of the deed restriction, created in May of 2007 as a fifteen-year restriction. (In 2010 the Board changed the term of the deed restrictions from fifteen years to permanent which was done at the insistence of HUD.) The same attorney wrote there were certain circumstances that would warrant a total release, including that the property has been on the market for so many months and hasn't sold. The Authority established certain criteria to be met before a waiver could be granted. After further discussion on the deed restrictions, Mr. Wynne asked Mr. Horst how long had the deed restriction run when the Board waived it in the past. He was referring to some that only had three or four years left. Mr. Horst said when the Board allowed the waiver it would have been at step 2, after the contractor acquired the CO, had the property on the market for six months with no sale, reduced the price again and it still didn't sell. The Authority has never waived the deed restriction after a property was sold. Mr. Mincarelli agreed and said part of the criteria requires characterization of the block. Was the block predominantly rental properties or owner occupied properties. If it is predominantly owner occupied properties, then rentals would not be permitted. Mr. Horst thought when you get to step 3, the title company didn't do their research. Mr. Mincarelli said the deed restriction is on the public record so it exists; it's the owner or title company's fault if it isn't picked up. He thought the owner should meet the policy. After further discussion, the Board thought they should uphold the time on the deed restrictions. Mr. Levan asked how long the lease had to run, then the Board could grant a temporary waiver until the expiration of the lease. Mr. Mincarelli said it could be a year at the most. Mr. Horst noted the last paragraph in the letter where the property was owner occupied for more than eight years. Mr. Levan then made a motion to grant an extension until the end of the lease term for 742 East Fulton Street and enter into a Temporary Forbearance Agreement with Palak Mehta and make it applicable to each of these cases consistent with their existing leases. Mr. Wynne seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Horst went on to the RFP for 640 South Franklin Street. Marisol Torres said this is the former Shell property at 640 South Franklin Street, and includes 617, 639 to 643 Stevens Avenue. She referred to a photo and pinpointed the location of the parcels. The parcels were assessed at \$110,000 and the vision for the area is for mixed-use properties with some residential and possibly a community center. What the community does not want is a bar, a waste center or uses that would attract noise. To answer a question from Mr. Wynne, Ms. Torres said a meeting was held this year, which was attended by Matt Johnson and Mayor Sorace. Ms. Torres asked for the Board's approval to put this project out for bid. She wasn't sure if there would be a committee as was done with the Southern Market RFP since it's a small project. The proposals will probably be due in January. Mr. Horst asked who currently owns the property. Ms. Torres said the Redevelopment Authority. He asked if it's listed with Younger. Ms. Torres said it is not since it's a commercial property. Mr. Wynne then made a motion to issue an RFP for 640 South Franklin Street, 617, 639 to 643 Stevens Avenue. Mr. Levan seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Horst moved on to the Update on Residential/Commercial Properties. Ms. Torres said the Lancaster Parking Authority has requested to purchase and install two AED devices for placement in the North Queen Street Garage. The quote is \$3,359.95. These devices are used in the other garages. According to Susan Bleacher, by 2019 all of her staff will be certified for

CPR and AED use. Currently, 47 employees are certified. Mr. Levan then made a motion to authorize the purchase and installation of the AED devices in the North Queen Street Garage. Mr. Wynne seconded the motion. Mr. Horst called for the vote, and all were in favor.

Ms. Torres then presented a conceptual plan for the Lemon Street Park from RGS. She noted the location of the Park, the Lancaster Press Building and the sidewalk just completed along Lemon Street. The contractor will return in the spring to complete the Market Street side. She said the park will have some elements that ties it back to the Press Building. The next step is to have the design specifications completed by RGS so she would have an RFP for the December meeting. According to Public Works, once the stormwater work is done, Ms. Torres hoped to have a start date in May for construction of the park.

Mr. Horst moved on to the Solicitor's Report and Proposed Actions. Mr. Mincarelli requested a motion to issue a Temporary Forbearance Agreement to the property owners with temporary waivers. Mr. Levan said he made a motion to authorize the extension of the Temporary Forbearance Agreements, not to exceed the term of the lease, and Mr. Wynne seconded the motion. Mr. Mincarelli thought that was only for one property. Mr. Wynne said Mr. Levan's language from the Violation Notices previously discussed included all of the properties in that motion. Mr. Mincarelli then handed out his monthly status report and noted a very short list. The back of the list noted one more sale at the Lancaster Press Building. There were also two properties in litigation. The other report was the status of the Redevelopment Contracts and those under Rehab Agreements. Mr. Horst asked if anything has been done with the vacant lot on Beaver Street that was sold to Lancaster Equity in May. Ms. Faggart said they were going to make a park on the lot. Mr. Horst said nothing has been done yet. Mr. Levan said the lot has been cleaned up and there is an outline of the project. Mr. Wynne asked if CAP is still doing the project. Ms. Torres said yes; they are working on funding for the project.

Mr. Mincarelli had one last item, which was the property at 505 South Prince Street where the owners filed bankruptcy which prevents the Authority from filing any condemnation action. Since one year has elapsed, we have to rescind the Acts 1 and 2 and this process has to start over again with the Property Reinvestment Board. To clean our books, he had a resolution that rescinds Acts 1 and 2 taken back in November and December of 2017. Mr. Wynne then made a motion to approve Resolution 18-11-37 to rescind Acts 1 and 2 for 505 South Prince Street. Mr. Levan seconded the motion. Mr. Horst called for the vote, and all were in favor.

Mr. Horst went on to Other Business. Erin Dixon came forward to talk about 423 East Strawberry Street. She was here last month and spoke to the realtor who said there was still no interest in that property. Trash and debris is still at the property and she asked what would be the next step this Authority would take since there's no interest in rehabbing the property. Mr. Horst said that Impact Missions expressed interest last month but they are currently working on two properties on South Christian Street. Mr. Garpstas didn't think reducing the price would help since there's not much activity. Ms. Dixon knows the mission of the Authority is to sell properties that will become owner occupied but she knows a business owner who may want to use the property for their low income employees. She didn't know if the Board gave a variance for special situations or what the precedence has been in the past. Ms. Faggart said that would be

renting rooms. Ms. Dixon thought it would be more for an employee who couldn't afford market rents. The Board suggested she talk to Mr. Garpstas. Mr. Wynne said if this isn't something that is viable, the Board would talk to Mr. Beakes of Impact Missions. Ms. Dixon asked about demolition of the property and was told that was not an option. Mr. Levan said Mr. Beakes expressed interest in rehabbing that property if it's not sold before he completes the Christian Street project.

Ms. Dixon then brought up the property at 445 East Strawberry Street. Ms. Torres said the bids are due back this Friday. Ms. Dixon said this is the second round. Ms. Torres concurred and said there is one contractor who expressed interest. Ms. Dixon said she met with Ms. Torres and would send a letter to her for the next meeting because there are major issues with this property and the owner, Bethel Harambee Historical Services. She heard Ms. Torres go over the history of this property, the money put into it, and it's still vacant. After meetings with the pastor, talking about major issues with the property, the loitering, vagrancy, homeless people who are allowed to congregate there, the drug and alcohol situation, they are not willing to stop it. Ms. Dixon lives on that block with her children. She has been to City Council, the Police, and she is now at this Board. She is working with the Mayor's office. She is all for the property being rehabbed but the current owners have shown they are not community partners. She is a member of that church and she lives in that community; none of the other church members live there. She met with Ms. Torres who had a copy of the Redevelopment Contract with Bethel Harambee who was given until September of 2007 to complete the rehab or the property could be taken back. It's been eleven years since they bought the property. She felt we need a responsible owner who has the economic ability to create a business there. Ms. Dixon felt the Authority needs to take back that property and sell it to a responsible owner. She spoke to a City Councilwoman who had three or four business owners who want to put a business in that property. There is one business in Churchtown. With the current RFP the property will remain in the church's ownership. This property and the other one on Strawberry Street have continued to devalue the whole area. This property and another one the church owns has been tax delinquent for the past several years. They don't have the economic ability to be a viable business in the neighborhood. After further discussion on the lack of funding from Bethel, Ms. Torres said the Authority agreed to step in to do the renovations which would be our responsibility to pay for until the CO is acquired, but Bethel Harambee remains the owner. The Board felt that Rev. Bailey should attend the next Board meeting to discuss this property; Ms. Torres said she will contact him. The building inspectors went through the property and provided a report to Ms. Torres. Because of the time the building remained vacant, the roof needs to be completely replaced, there are rotted joists, and an engineer would need to determine the structural integrity of the building. Mr. Mincarelli thought a full Board should consider the options for this property since a decision on the RFP needs to be made within thirty days.

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

Respectfully submitted,

Carolyn Faggart

RACLMinutes

