

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

Regularly Scheduled Meeting October 20, 2020 - 12:46 P.M.

The Board of the Redevelopment Authority of the City of Harrisburg held a Regularly Scheduled Meeting on October 20, 2020, in the lower level City Council Room, Rev. Dr. Martin Luther King, Jr. Government Center, 10 North Second Street, Harrisburg, Pennsylvania, at 12:46 p.m. by Stacia A. Zewe, Board Chair.

HRA BOARD MEMBERS PRESENT via Zoom, Web-based Video Conferencing and/or Telephone:

Stacia Zewe (Telephone)
Nichole Johnson
Crystal Brown

ABSENT:
Daniel Leppo

THE PUBLIC PRESENT via ZOOM were: Christopher Rice, attorney for 1037 Maclay Street, LLC, Denise Britton, Acting President for Shalom Properties, Jennifer Cruverkibi, CPA Principal of the HBG Office for MaherDuessel and Tiffanie Baldock, Sr. Deputy Solicitor with the City.

Also present were: Janell Weaser, Harrisburg Redevelopment Authority (HRA) Administrative Project Manager; Bryan Davis, HRA Executive Director, Matthew Krupp & Matt Long with Harrisburg Commercial Interiors & Associates, Inc., Gary Nalbandian & Kevin Baird of KevGar Holdco, LLC, and Lawrance Binda, with The Burg News.

MINUTES

The minutes of the Regular Meeting of September 15, 2020 were presented for approval. Ms. Brown moved to approve; seconded by Ms. Johnson. The motion passed unanimously.

TREASURER'S REPORT

The Treasurer's Reports for May, June and July 2020 were presented for approval, subject to audit. Ms. Johnson moved to approve; second by Ms. Brown. The motion passed unanimously. The Treasurers Reports for August and September 2020 were presented for review.

COMMUNICATIONS

Mr. Davis welcomed and introduced Jennifer Cruverkibi, Principle, from the Accounting Firm MaherDuessel.

Ms. Cruverkibi presented an overview of the Redevelopment Authority's year-end 2019 Audited Financial Statements.

Ms. Cruverkibi stated our responsibility is to express opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Ms. Cruverkibi informed that due to the COVID-19 Pandemic, they did the full audit remotely. They encountered no difficulties in working with Management in performing the audit. There were no disagreements with Management. No new accounting policies were adopted, and the application of existing policies had not changed during the year ended December 31, 2019. In some cases, management may decide to consult with other accountants to obtain a second opinion. There were no such consultations with other accountants.

Ms. Cruverkibi pointed out the financial highlights from comparing prior year to current year. The total Assets increased by 1.9 million, but the majority of that is due to the annual depreciation of Capital Assets. The total liability had a slight change; there was an increase due to the primary government, City payments that were made in accordance with the Guarantee Agreement. And then the Authority's debt had the offset of principle payments during the year. Ms. Cruverkibi said the deferred lease revenue had decreased by 7 million in accordance of the strait line amortization. The most significant change from prior year to current year was the Amtrak contribution

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to pay off the PIB Loan.

Ms. Cruverkibi announced there are some pending changes coming up with the Governmental Accounting Standards Board (GASB); the Authoritative guidance that the Authority must follow. There are three (3) additional standards coming up; one for year 2020, another in 2021 and the third for 2022 that will affect your disclosures. We will work with Management to help them as they come due. She reported that due to the COVID-19 Pandemic the GASB has granted an extension of the first new standard of disclosure that was to be added this year 2020.

Ms. Cruverkibi added the disclaimer: due to the pandemic they cannot say if there has been any impact from the COVID-19. It is uncertain and cannot be predicted.

Ms. Cruverkibi next went over the things noted in the Management Letter that was included with the final audit. She informed that due to the complexity of accounting and reporting requirements related to the lease receivable and deferred lease revenue, it is unlikely that the Authority would have the resources available to account for or prepare the required financial statement disclosures related to these transactions. As a result, complete and accurate financial statements were not presented by the Authority for the audit. We recommend that the Authority implement controls over accounting and financial reporting and adopt policies and procedures in order to properly record the lease receivable and deferred lease revenue transactions. Another policy of concern that needs addressing is the Authority's administrative policy with stamped and live signatures in reference to cash disbursement. We recommend that the Authority review its policy for the required signatures for cash disbursement and that supporting documentation for cash disbursements be provided to the Board member for review and approval prior to their signature being stamped on the check.

Ms. Cruverkibi said their third best practice recommendation is that the Authority develop a Cyber Security Policy and have staff attend a Cyber Attack Training as they are seeing more attacks happening.

Ms. Zewe inquired of Mr. Davis if he has addressed the issue about signatures and stamps.

Mr. Davis replied yes and in addition to that on our Agenda today we have a revision to our practice for check signing. He stated the stamps have become less of a control then they had been in the past. Another revision that is being added to the policy will allow the Redevelopment Authority to send to the Treasurer monthly reports of the check register for their review and approval as well as raising the ceiling for the need of live signatures on checks because they have a couple of large payments to Amtrak and the Insurance Company that are more than \$10,000. Mr. Davis went on to say that he preferred to eliminate the use of signature stamp entirely.

Mr. Davis mentioned the two reports that were added in the Board Packets. One is from the Development Team at MarketPlace. He welcomed and introduced Christopher Rice to the Board Members.

Mr. Rice announced that tomorrow we are having a public meeting from 4 – 6:00 pm in a tent located on N. 4th Street. This was advertised in the news and they reached out to various groups including City Council Members. They are hoping for a large group to attend including more people from the neighborhood. Mr. Rice said they have some enlarged maps and concept drawings for presenting their new plans such as the two locations they choose to start developing on. They hope to get some good input from the community prior to their meeting with the planning commission scheduled for November 4th and then the Zoning Hearing Board thereafter.

Mr. Rice added that they are willing to meet anyone even after the Public Meeting and can make themselves available to anyone who could not attend the meeting.

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Both Ms. Johnson and Ms. Brown said they are planning to attend the Public Meeting.

Mr. Davis said that late last Friday afternoon it was brought to his attention about three (3) parcels in the Seven Bridges/ 1037 Maclay St., LLC drawings, Block H are missing from the Redevelopment Contract, Exhibit C Property List. Mr. Davis said he had believed they were included along with other parcels the Authority had acquired since 1991 when the original land development plan was made and by the time S&A Homes came into the picture in 2005. He immediately investigated as to why they were not included. Mr. Davis informed that they are listed on the original Exhibit attachment to the original 2005, S&A Homes Redevelopment Contract. And on their March 2019 proposal they are listed and highlighted on the maps. Whoever typed up the Parcel List missed adding these three (3) Parcels. So, we added to today's Agenda, Resolution No. 19-2020 to correct that technical error and include them to the Exhibit C Property List of our Redevelopment Contract we have with that Development Team.

Next Mr. Davis mention to the Board Members the reports from the second Development Team who gave updates on the projects at 28-38 N. Cameron Street and Capital Heights.

PUBLIC COMMENT:

Mr. Krupp inquired further about the omission of the three (3) Parcels on Marion Street. He wanted to know who was the responsible party that made the error and if they were included in the original proposal, why the Board needs to take formal action now. Or if they were not included, why doesn't the Developer have to go through the same development process that everybody else must go through; the Potential Developer status and then Developer Status, negotiating a contract, etc.

Mr. Davis replied that those parcels were identified in their original proposal from March 2019. Whoever typed up that Exhibit to the Redevelopment Contract, which the Authority signed and memorialized missed those three parcels. They were fully approved and intended to be included in that Redevelopment Contract. The action we are taking today is to correct that technical error and to approve the revision of Exhibit C; containing the complete list of all approved parcels to the existing Redevelopment Contract.

OLD BUSINESS

None

NEW BUSINESS

RESOLUTION NO. 13-2020, authorizing the release of year ended December 31, 2019 Audited Financial Statements. Ms. Brown moved to approve; seconded by Ms. Johnson. The motion passed unanimously.

RESOLUTION NO. 14-2020, authorizing the Authority to approve Shalom Properties as the "*Designated Developer*" for three (3) Parcels, 11, 13 & 15 N. 15th Street for the project of Multi-family Housing. Ms. Johnson moved to approve; seconded by Ms. Brown. The motion passed unanimously.

Mr. Davis refreshed the Board Members on Shalom Properties having obtained Designated Developer Status and acquiring Authority's lots behind the old Unitarian Church located at 15th and Market Streets. Shalom Properties had remodeled that building. The Capital Area Head Start moved in and play areas were constructed on those rear lots for the children. Shalom is ready for their next phase of development which brings us to Resolution No. 14-2020.

Mr. Davis welcomed and introduced Ms. Britton from Shalom Properties.

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Ms. Britton announced that they are in the next phases of their Campus Plan. This is a new build where we will transition the Emergency Shelter Services into the new building. She explained how they needed to be ADA compliant and that their current building was not suitable. This new building will become more available to the needs in the community. Another component is adding Transitional Housing Units for Women and Children. There is a need for more affordable housing with continued access to wrap around services and support that they need for establishing long term stability and independence. The three (3) adjoining lots are right behind the property that we acquired and now houses the Capital Area Head Start and adjacent to the playgrounds. Everything is still in post proximity to where we are currently located with our Emergency Shelter.

Mr. Davis mentions the drawing and sketches that are included with the Resolution. They give a sense of layout for the plans they propose.

Ms. Zewe inquired if Shalom has worked with the contractor, Centurion before.

Ms. Britton replied yes, they have been our ongoing partner with the renovation piece at the new-build for Capital Area Head Start. They did customized renovations that turned out amazing.

Ms. Johnson inquired if the Capital Area Head Start has restarted their services with the children because of the COVID shutdown.

Ms. Britton said they open next week.

RESOLUTION NO. 15-2020, authorizing the Authority to approve KevGar Holdco, LLC as the "*Potential Developer*" for twenty-five (25) Parcels, in the Midtown area for the project of a Mixed-Use Parking Garage. Ms. Brown moved to approve; seconded by Ms. Johnson. The motion passed unanimously.

Mr. Davis welcomed and introduced Mr. Nalbandian & Mr. Baird of KevGar Holdco, LLC to the Board.

Mr. Baird explained that he and his partner Mr. Nalbandian propose to build a parking facility which will house 450 parking spaces and commercial offices consisting of ground floor retail along Riley Street between N. Fulton and N. 5th Streets. There will be an office tower which will have five (5) commercial office spaces directly above the retail totaling 75,000 sq ft and 456 parking spaces.

Mr. Baird said he originally came to the area to develop multi-family housing, but after talking to the Mayor; he stated the need for parking in the community since the new Federal Court House is projected to open in February 2022. To date there is no public parking solution for this area.

Mr. Baird stated the construction on this site is extremely expensive. A multi-level parking garage creates its own challenges with engineering and costs. We need to put commercial offices in the building to make the economics of this project work.

Ms. Zewe inquired if Prk-Mor, Inc. will have any kind of control or participation in this garage.

Mr. Baird replied no, it is completely separate. He spent a great deal of time working through the Asset Transfer Agreement that Harrisburg entered into a couple of years ago. He explained that there is a non-compete clause in the Asset Management Agreement with Trimont. Essentially what it does is prohibit any private developers from competing parking capacity that would benefit public use. The good news is after 3-4 months of discussion Trimont has agreed to a workable solution for us. They are going to waive the non-compete clause for this

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project and allow us to build the parking facility. We are still working on the zoning approval and the economics for all the financing to be place.

Ms. Zewe asked if residents will be able to utilize the parking.

Mr. Baird stated that it will be open to the public. We are going with monthly contracts. The Federal Court House has a requirement for Jury pools and needs sixty (60) spaces. They put out an RFP a couple of weeks ago. We responded and hope to get that. The other 400 spaces would be open to the public.

RESOLUTION NO. 16-2020, authorizing the Authority to approve a Professional Service Agreement with Mullin & Lonergan Associates, Inc. for financial feasibility and analysis for the redevelopment of the Residences at Governor's Square. Ms. Johnson moved to approve; second by Ms. Brown. The motion passed unanimously.

Mr. Davis informed that this Resolution is to authorize a professional services agreement for a consultant on the property Residences at Governors Square, the old Maclay Street Apartments.

Mr. Davis explained to the Board Members that back in the 1990s the Maclay Street Apartments foreclosed on two mortgages with HUD. HUD was going to put it out for auction, but the Mayor had concerns. At that time this area was an important part of town but very rundown. The Redevelopment Authority agreed to take ownership and Title to the properties in order to reposition it. We negotiated a deal with HUD to deliver some recovery funds for the foreclosures called Upfront Grant monies. In the early 2000s the Authority issued a Request for Proposals, attaching the grant monies. Landex Corporation in Maryland was the successful Proposal and Developer. They received Tax Credit approval for 222 rentals. We received additional funds from the City in order to approve the streetscape and also increased the upfront grant money to about 12 million dollars for the renovations and new construction of the project. Because of the structure of the Tax Credit financing that Upfront Grant money was structured as a loan to the partnership back in 2005. At this current time this property's Tax Credits are done and the Investor and Managing General Partner wish to get out of the deal and are willing to transfer Title to the Redevelopment Authority in partnership with the Harrisburg Housing Authority (HHA) for \$1, and with only the Upfront Grant loan remaining, which Authority holds.

Mr. Davis informed that they had conversations with Senghor Manns at the HHA. He has taken it to his Board, and they are in support of a partnership between the two Authorities to reposition the Residents at Governor's Square; not Towns of Governor's Square which are townhomes.

Mr. Davis stated he has experience with the financing of these types of deals but still needs someone to help analyzing financial feasibility and various financing options to preserve and rehabilitate the existing development. And perhaps construct sixty (60) additional rental units.

Ms. Johnson inquired if we do not agree will they be able to get out if there is no extended use agreement.

Mr. Davis said yes, so long as the Authority's loan is satisfied. Some of the 12 million went to the Townhomes but the majority was used for the 222 Rental Units. He believed around 9.8 million was used on the rental units.

Ms. Johnson asked if the tax credits are done will this affect the tenants. She wanted to know if they will still have affordable rents.

Mr. Davis informed that they are still under the affordability compliance period. They still have to maintain the properties as affordable housing for thirty (30) years. And that is a caveat of our HUD deal. He said this looks like a nice deal for the HHA and HRA to work together.

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Mr. Davis pointed out that he has worked with Mullin & Lonergan Associates, Inc. (M&L) in the past. They were consultants with the Susquehanna Harbor Safe Haven Project.

RESOLUTION NO. 17-2020, authorizing the Authority to approve the Sale of two (2) Lots, 2210 & 2212 Atlas Street to D&F Realty Holdings LP for the use as a rear yard to the Developer's single-family houses located at 2209 & 2213 N. 4th Street. Ms. Brown moved to approve; second by Ms. Johnson. The motion passed unanimously.

RESOLUTION NO. 18-2020, granting the Authority an update in accounting procedure concerning the authorization of administrative check signing. Ms. Johnson moved to approve; second by Ms. Brown. The motion passed unanimously.

Mr. Davis pointed out that this is the Resolution he mentioned earlier in association with the 2019 Financial Audit. He explained that it has three (3) components. The first, eliminating the use of signature stamps. This revised policy raises the threshold from \$10,000 to \$15,000 for the need of two live signatures which will lessen the demand for requesting signatures. Mr. Davis mentioned that the Authority has a few expenses that exceed \$15,000. And the third piece is a new function for the Board Treasurer. It is an internal control where the Authority will send each month a check disbursement report that the Treasurer can look through and approve or point out anything unacceptable.

Mr. Davis said with us being a small organization it should not be burdensome for the Treasurer.

OTHER BUSINESS

RESOLUTION NO. 19-2020, authorizing the Authority to approve three (3) additional vacant lots, 1329, 1331 & 1333 Marion Street to "Exhibit C Property List" of the Authority's June 2019 Redevelopment Contract with 1037 Maclay Street, LLC at MarketPlace Townhomes. Ms. Brown moved to approve; second by Ms. Johnson. The motion passed unanimously.

ADJOURNMENT

The meeting adjourned at 1:28 pm.

Respectfully submitted,



Secretary/Assistant Secretary