

REDEVELOPMENT AUTHORITY OF THE CITY OF HARRISBURG

Regularly Scheduled Meeting December 20, 2022 - 12:30 P.M.

The Board of the Redevelopment Authority of the City of Harrisburg held a Regularly Scheduled Meeting on December 20, 2022, in Suite 405 Conference Room, of the Rev. Dr. Martin Luther King, Jr. Government Center, 10 North Second Street, Harrisburg, Pennsylvania, at 12:30 p.m. Chaired by Nichole Johnson.

HRA BOARD MEMBERS PRESENT and/or via TEAMS Web-based Video Conferencing

Nichole Johnson
Crystal Brown (via TEAMS)
Alexander Reber

ABSENT:

N/A

Also present: Janell Weaser, Harrisburg Redevelopment Authority (HRA) Administrative Project Manager; Bryan Davis, HRA Executive Director, and Catherine Rowe, HRA Solicitor.

PUBLIC PRESENT via TEAMS: Karl Singleton, City of Harrisburg Chief Equity & Compliance Officer and Ahmad Collins, Assistant to the Chief Equity & Compliance Officer.

MINUTES

The minutes of the Regular Meeting of October 18, 2022 was presented for approval. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously.

TREASURER'S REPORT

The Treasurer's Report for August 2022 was presented for approval; subject to Audit; Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously. The Treasurer's Report for September and October 2022 were presented for review.

COMMUNICATIONS

None

PUBLIC COMMENT

None

OLD BUSINESS

None

NEW BUSINESS

RESOLUTION NO. 23-2022 authorizing the release of year ended December 31, 2021, audited Financial Statements. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously.

Mr. Davis introduced Ms. Cruverkibi of Maher Duessel, auditing firm to the Board Members.

Ms. Cruverkibi greeted everyone. She reported that the authority was given an unmodified opinion which

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is the best opinion the Authority can receive. The Financial Statements were fairly presented in all material respects in accordance with the accounting principles generally accepted in the United States. If you compare the 2020 report to the 2021, the opinion appears different because we had changes to our auditing standards. There is additional wording regarding Management and Auditing responsibilities. It changed the format itself. The purpose was to make the opinion more user friendly. The opinion we gave is the same as the prior year.

Ms. Cruverkibi said comparing the prior year's Capital Assets, Debt, and Long-Term Liabilities to the current year, the total assets of all the funds decreased by approximately \$741,000 and this is due to the renewed Leases. The Lease receivables increased. That was offset by the Capital Asset decrease due to the annual depreciation that is taken. There were no additions to the Capital Assets in 2021.

Ms. Cruverkibi informed that the total liabilities increased by \$575,000 due to primary government increases during the year from the City of Harrisburg payment under the guaranteed agreement of the 1998 Bonds. And the debt decreased by \$698,000 due to the debt retirements offsetting the discretion of the Bonds. The deferred Lease revenue decreased by 6 million from the annual amortization of the deferred inflows related to the change in the lease receivables for Tower 3. But overall, for all the funds, all the full accrual bases the total net position which is your total equity increased by 4.7 million and those are broken down in the three categories that investment and capital assets restricted and unrestricted.

Ms. Cruverkibi said the General Fund balance increased by 5.6 million in 2021. The General Fund balances have improved. There was net income during the year, unlike the Transportation Fund which had a loss in 2021.

Ms. Cruverkibi pointed out that the Management Letter has the same comments as the prior years. Just the complexity of the accounting and reporting requirements surrounding those Lease Receivables and deferred Lease Revenue, those complicated calculations, and spreadsheets; it is unlikely that the Authority would have the resources available to account and prepare the Financial Statements that are required. So, we propose internal adjustments and preform the footnote disclosures in the report. And there is also a proposed Journal entry that was reviewed and approved by management on unearned revenue. There was a Grant received but not all of it was expended. We provided an adjustment to match the revenue with the expenses.

Ms. Cruverkibi relayed that the communications are all the same as previous years. There were no new policies that were adopted. No new existing policies that were changed from the previous year and no new transactions entered by the Authority that lacked authoritative guidance. There were no significant difficulties in working with management in performing and completing the audit. And there were no disagreements that we came across with management while performing our audit procedures. To our knowledge there was no consultation with other accountants that would arise to obtain a second level of opinion. And finally, we generally do discuss a variety of matters including an application of accounting principles auditing standards with management every year however those discussions are not contingent upon our retention as your auditors.

The Board Members and Mr. Davis thanked Ms. Cruverkibi for attending and giving them the high-level review.

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Mr. Reber inquired of how long the Authority's current engagement is with Maher Duessel. He wondered if it is time to solicit bids.

Mr. Davis confirmed that it is time to solicit bids. We put that out in March or April. There is usually a ninety-day turnaround.

Mr. Reber asked if it is a three-year contract with two, one-year riders potentially.

Mr. Davis replied that it is just a three-year contract.

Mr. Singleton asked if he could have a copy.

Mr. Davis promised to send it to him when the RFP is sent out.

RESOLUTION NO. 24-2022 authorizing the Authority to approve the General Operating Budget for fiscal year beginning January 1, 2023. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously.

Mr. Davis stated that the Authority's budget resembles the previous year. There are no additional unexpected expenses that we need to plan for in the next year.

Mr. Davis mentioned that he was talking with the city and the city's senior staff about sustainable revenue for the Authority. The city has included \$200,000 for operating costs in their next year's budget 2023. This will not pay all our costs, but they have pledged that their senior staff will work with us in identifying a plan that can create a sustainable revenue stream for the Redevelopment Authority. He does not know what that will look like. One example is generating revenue from Developer fees from projects. The last one the Authority had was the Susquehanna Harbor Safe Haven a few years ago. Mr. Davis said we literally put all the financing and construction together and then handed over the keys to the tenant. Another source of revenue is from the sale of assets. Our asset portfolio is smaller than what we are used to. We do not have the big clusters of land available for developers. What we do have is a handful of designated developers that we will see the revenue from the sale of those assets but only when they close on their financing. That should happen next year, but he cannot say exactly when those sales will happen. One project is a tax credit deal that got funded a few years ago but because of the hike in construction costs they've been delaying their construction start and closing on the real estate. They have all been pushing back. They are still trying to close on their financing.

Mr. Davis reported that the Authority has in midtown the Capitol Heights and Marketplace Land. Their first phase of construction was ready to turn earth, but a problem surfaced with a parcel assignment at the county which also involved their engineer firm. This must get cleared up before they can go to construction. They have future phases planed and are expected the start in the next year.

Mr. Davis informed that the Authority is at the end of its reserves. The city's \$200,000 will help launch us into the next year just like we did last year with the Land Bank. And fortunately, revenue came in from our activities that we made it through the year. Our expenses have increased some due to inflation. Plus, we have one employee whose spouse was covering the family insurance, but that spouse had a change in employment and our policy is to provide healthcare insurance for the family. We cover 80% for the

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employee and the employee pays a percentage for the spouse and/or children. This increased our personnel costs.

RESOLUTION NO. 25-2022 approving the Harrisburg Redevelopment Authority Board meeting dates, place, and time for the 12-month period beginning January 2023. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously.

RESOLUTION NO. 26-2022 authorizing the Authority to extend the "Potential Developer" status to May 31, 2023, for On Hill Development Company's project of affordable residential apartments located at 1605-1613 Market Street. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously.

Mr. Davis disclosed that this is a small cluster of land that the Authority owns. Jamien Harvey is in a partnership with Shaun O'Toole. They have asked for some more time about six months.

Mr. Reber queried if the Authority's general rule for extensions is six months.

Mr. Davis said there was a time that it was a year. He is not comfortable with that. They need to have something more put together within six months for us to keep holding on especially when more people are asking us what is available, and we only have left small pockets.

Ms. Rowe inquired of any update from them.

Mr. Davis shared that the cost to construct has been a challenge for them.

Ms. Johnson discovered a discrepancy with the address listed on the Agenda and on the Resolution.

Mr. Davis said the Resolution has the correct address of 1605-1613 Market Street. The Agenda has the misprint.

Mr. Singleton wondered if it is two individuals or are the two representing companies that is embedded in the motion.

Mr. Davis replied, the name of the company that submitted the package is On Hill Development Company, and they are the two principles of that company.

RESOLUTION NO. 27-2022 authorizing the Authority to extend the "Potential Developer" status to November 30, 2023, for Tri-County HDC's project of affordable housing located at 2151, 2155-2161 N. 4th Street. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously.

Mr. Davis conveyed that Gary Lenker with Tri-County HDC has been aggressive with this project. He has submitted grant applications and has an engineer working on the land development plan. We are very comfortable recommending a one-year extension for this project.

RESOLUTION NO. 28-2022 authorizing the Authority to extend the "Potential Developer" status to June 30, 2023, for RB Development LLC's project of affordable housing located at 1175 Baily Street. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously

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Mr. Davis reported that they received some funding from the county and have a great deal of engineering work done. They have invested quite a bit into the geo survey of that block to help inform their land development plan. This project is relying on receiving tax credits. They were not awarded this last time they applied. They can reapply next year come June. I thought we would be comfortable giving them a six-month extension and see if they apply for the tax credits again.

Mr. Reber asked who RB Development LLC is.

Mr. Davis said their local representative is Ryan Sanders.

Ms. Johnson asked if all these Potential Developers gave a formal request.

Mr. Davis stated that they did.

RESOLUTION NO. 29-2022 authorizing the Authority to extend the "Potential Developer" status to June 30, 2023, for Vice Capital LC's project titled Savoy of mixed-use commercial, retail, and housing located at 1540 N. 6th Street. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously.

Mr. Davis communicated that 1540 N. 6th Street is a small part of their large footprint. This is the only part that we own. They have made progress in developing their concept plans. I am not sure they made much progress on the land development plan or the engineering for the job. They have requested an extension for more time.

RESOLUTION NO. 30-2022 authorizing the Authority to approve YMCA Harrisburg Cornerstone Initiative, LLC the status of "Potential Developer" of four (4) parcels located at 2728-2734 Jefferson Street for the project of affordable housing. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously.

Mr. Davis explained that this is Jamien Harvey of the YMCA Uptown, and this is their development company's name that took title to the Woodbine Street properties. They would like to duplicate that project and build more housing on Jefferson Street. We have held these lots for a long time. Attached is his preliminary plans and a letter from Geoffrey Knight, the city's Planning Director. I am very comfortable in recommending this organization receive Potential Developer status for those parcels.

RESOLUTION NO. 31-2022 authorizing the Authority to approve contracts with Wagman Construction, Inc., and G.R. Sponaule & Sons, Inc. for the Pennsylvania Department of Transportation's funded renovations and improvements to the Harrisburg Transportation Center in the amount of \$5,629,717.00 and authorize the Executive Director to execute the contracts for the performance of the planned renovations and improvements. Ms. Brown moved to approve; second by Mr. Reber. The motion passed unanimously.

Mr. Davis said this Resolution makes this subject to all the plans and specifications in the bid documents and the bid amounts therefore would be the contract amounts that are listed at the bottom of the resolution. The last page is the letter from PennDOT's consultant giving us PennDOT's recommendation to award these contracts to these companies for work that PennDOT will pay in its entirety. This is for the

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improvements to the window room called the Pennsylvania Room or the Observation Room as well as replacement of the roof system and sky lights.

Mr. Singleton asked if this is for the Transportation Center. And in PennDOT's recommendation of those contracts was the M/D/WBEs embedded.

Mr. Reber noticed the bid documents has written Disadvantage Business Enterprise (DBE) Certification and it says in the comments contractor certifies they will meet contract of 6.91%.

Mr. Singleton asked if that states minimum or maximum.

Mr. Reber replied it says that is the minimum they will meet.

Mr. Reber asked Mr. Singleton what target he and the city generally considers in terms of a minimum percentage that they are trying to reach.

Mr. Singleton said initially before I was with the city, I was looking at a minimum of 25-30%. There is some preliminary discussion around the disparity study that is coming back so that is looking at 10-15% minimum but the important piece is to make sure we are not laying heavy hands on accepting good faith efforts as opposed to really having something in the specs. From my perspective it should be a minimum of 20% and that needs to be avidly articulated to all the bidder primes and subs that 20% is the floor and not the ceiling. 20% is a starting point. I believe 20% is passive compared to being institutional historical intentional omission of minority businesses by the City and other entities here that we should have a minimum start of 20%. That is just me. Now from a City perspective I believe there is some comfort level of that 10-15% and then growing from there.

Mr. Singleton expressed that there is a difference when you look at DBE as it pertains to disadvantage verses diverse. When you look at diverse everyone short of strait white male without military experience qualify to being in that pool. The pool does not change as far as the resources but those are access to those resources change which dilutes the whole methodology behind, the reason why we have disadvantage business enterprises verses diverse in business enterprises. It is not that you cannot have both, but you need to know there is a distinction between the two.

Ms. Brown noted that the Contractor G.R. Sponaugle & Sons has written they will certify that they will meet Contract goal of 1.99% and wondered if this was acceptable verses the other contractor Wagnens of 6.91%.

Mr. Davis explained that for Transportation jobs when it comes to construction there is a different formula for determining DBE, WBE, and MBE participation. The Feds now use DBE for participation, but it is a different formula calculation for the electrical work and another for the mechanical work at the federal level. Before we can start any construction PennDOT has to demonstrate to the federal funders our calculation of the trade based on these statistics for the geographic area. PennDOT must follow the Federal Formula for determining DBE participation.

Mr. Davis stated the Redevelopment Authority administers and prepares the bid documents. We must use their prescribed formula that they publish to calculate the DBE participation on each type of construction

or each trade and then gather our local statistical information on what is available in our geographic radius. Then go back to them and say these are the statistics we used to calculate and show what came back to us for our DBE participation for each of those trades. Mr. Davis said you will see a better MBE and WBE on general construction then for plumbing or electrical. It is not impossible to do better. But this is the case here. It is just a formula that is passed by FTA that we are required to use. If we have something that is funded with non-federal funds, then we could decide with the city on what our minimum participation goal is. There are times that we miss the goal, but they demonstrated that they used best efforts like Mr. Singleton mentioned earlier that allows the city and the Redevelopment Authority to say we can accept this Contractor for this work.

Mr. Davis added that sometimes they call them "Prime Contracts". That is the federal known terminology for these kind of construction activities.

Mr. Singleton commented, all the FTA formulas are composed to arrive at the minimum participation. What I have been doing and will continue to do is to let an entity that is in charge of public money know that Federal Formulas or not that is the bare minimum, and we should be advocating for something in the medium that does not mean that is the numbers you accept all the time. From my perspective the Federal guidelines are giving us the minimum not necessarily the maximum and so it is incumbent upon Board Members like yourselves to make the determination of if we have the availability or not that you want to increase your utilization numbers of minority business contractors based on availability. So, if they are not available in our area but you still want to increase your numbers, that is where relationship building comes in with entities etc., to say we have a relationship with said business out of say Baltimore, D.C. or Philadelphia. They are the partner to help build the position with other local individuals who have the base line skill sets for example in plumbing or electrical engineering, etc., and whether the Feds bring back that formula that shows you the 1.99% as your minimum we can say that is true we followed the guidelines to get the minimum however because we have the availability and we have a goal of increasing our utilization of minority businesses we are going to raise that to 5% and that you have the population to do that

OTHER BUSINESS

None

ADJOURNMENT

The meeting adjourned at 1:21 pm.

Respectfully submitted

 3/8/23
Secretary/Assistant Secretary