

Pennsylvania Economic Development Financing Authority

November 17, 2010

A meeting of the Pennsylvania Economic Development Financing Authority (PEDFA) was held on November 17, 2010 after proper notice was given pursuant to the terms of the Act of July 3, 1986 (The "Sunshine Act"). The meeting was held in PUC Hearing Room #5, Commonwealth Keystone Building, 400 North Street, Harrisburg, Pennsylvania at 11:00 a.m.

The following Board Members were present: Stephen Drizos, for the Honorable Austin J. Burke; Cathy Washburn; and Kevin Pyle, for the Honorable Steven Kaplan.

The following Board Members were present by telephone: Jared Grissinger, for the Honorable Russell Redding; George Komelasky; Allan Dabrow; Helen Billak; Herb Vederman; Mark Schneider; Fred Rinaldi; Timothy Johnson; and William Brucker.

The following DCED staff were present; Carol Longwell, Esq., Office of Chief Counsel; Craig Petrasic, Center for Private Financing; Brian Deamer, Center for Private Financing; and Melanie Clark, Center for Private Financing.

Mr. Drizos called the meeting to order at 11:00 a.m.

It was moved by Mr. Brucker and seconded by Mr. Pyle that the Board approve the Minutes of October 20, 2010. The motion carried.

PEDFA COMPOSITE BOND POOL PROJECTS

Mr. Petrasic stated, "The first project is the Hawley Silk Mill, LLC, which is sponsored by the Wayne Economic Development Corporation. It is located in Hawley Borough, Wayne County.

The Hawley Silk Mill, LLC was organized in 2009 in order to acquire, develop and lease the Hawley Silk Mill property. The Hawley Silk Mill, built in 1881, is the only building of its kind in the world. It was built as a throwing mill to manufacture silk thread cocoons, and is constructed entirely of native Pennsylvania Bluestone.

The Board in March 2010 approved a \$5,000,000 taxable bond for the Hawley Silk Mill project, which consists of renovating the property in order to create a workforce development and education facility. The Wayne County Commissioners have since designated the area a Recovery Zone, and this bond will be a tax-exempt Recovery Zone Facilities Bond. These funds will be used for the renovations specific to the second floor fit-out including all HVAC systems, electric and plumbing for the second floor offices. Other uses of the funds will include architectural services, mechanical, electrical and plumbing engineering costs, management fees and related legal expenses, as well as other miscellaneous costs.

If approved by the Board we would recommend a PEDFA Tax-exempt Recovery Zone Facilities Bond Issue in an amount not to exceed \$1,000,000.

Troy Bystrom of the Hawley Silk Mill and Mary Beth Wood of the EDC are on the phone if you have any questions."

Ms. Wood stated, "We appreciate being able to participate in this meeting. As we did the second application we did it looking at the progress from the first investment. We have seen

tremendous success. The cocoon is open and offers a coffee house environment for the students of this building. It is allowing Lackawanna College to do their expansion into the third floor of the building. We have seen enrollment grow by 30% in one year. We are offering a bachelor degree program in Wayne County. This is very important to Wayne County. This next application is to expand businesses into that floor.”

Mr. Bystrom stated, “Thank you for the \$5,000,000 to do this process. The additional million dollars is to finish the second floor and provide site work. The second floor has 6,000 square feet under construction, which will be completed by September 1 and 3,000 square feet of that footage is already leased.”

Mr. Dabrow asked, “Is this facility only for Lackawanna County?”

Mr. Bystrom stated, “No.”

Mr. Pyle asked, “The \$5,000,000 is taxable and this \$1,000,000 is non-taxable?”

Mr. Drizos stated, “It is done under the Recovery Zone portion.”

It was moved by Mr. Schneider and seconded by Mr. Dabrow that the Board approve PEDFA Tax-exempt Recovery Zone Facilities Bond Issue in an amount not to exceed \$1,000,000. The motion was carried.

Mr. Petrasic stated, “The second project under consideration as part of the pool is Seven Shes Realty, LLC. The occupant is Imageone Industries, Incorporated. The sponsor is the Bucks County Economic Development Corporation.

This is located in Bensalem Township, Bucks County. Imageone Industries, Incorporated was started by Jim Mikula in 2007 and is a manufacturer of corporate identity signage. The company manufactures signs for national companies throughout the United States. Seven Shes Realty, LLC was organized as a real estate holding company which will lease the project building to Imageone Industries, Incorporated.

The project consists of the acquisition of land and building, as well as renovations to the existing structure to accommodate the expansion of the company. The company is currently renting two separate buildings. The new building on Dunksferry Road will be approximately 50,000 square feet when complete and will give the company more parking and room to grow. Having the company under one roof will make the operation more efficient and profitable.

If approved we would recommend a PEDFA Tax-exempt Bond Issue in an amount not to exceed \$850,000.

Jim Pawlikowski of the Bucks County Economic Development Company and James Mikula and Robert Olender representing Seven Shes Realty project are here to discuss the project.”

Mr. Pawlikowski stated, “We are very proud to be sponsoring this manufacturing deal. The majority of the financing for the project is coming from PIDA.”

Mr. Mikula stated, “We are a growing company. We have 60 employees and I anticipate once we move into the new facility with us growing within the next few months we will have close to 80 employees. We have outgrown the facility that we are in.”

It was moved by Mr. Pyle and seconded by Mr. Dabrow that the Board approve PEDFA Tax-exempt Bond Issue in an amount not to exceed \$850,000. The motion carried.

It was moved by Mr. Pyle and seconded by Mr. Dabrow that the Board approve the December Pool Resolution. The motion carried.

THE HOME AND COMMUNITY BASED SERVICES LOAN PROGRAM

Mr. Drizos stated, "I can't underestimate the amount of work that has gone into this program. It involves three to four different agencies and this is for the Home and Community Based Services Loan Program, which PEDFA is acting with under a Memorandum of Understanding with the Department of Aging. This has been in the works for four years. It also involves the Pennsylvania Housing Finance Agency. The interesting thing about this project is the good that it does for senior citizens. Also, it is a very good economic development tool as the jobs that are derived are very good paying jobs. It accomplishes a great deal."

Mr. Petrasic stated, "As Steve said the program of The Home and Community Based Services Loan Program is a collaboration between the Pennsylvania Office of Long-Term Living and PEDFA. It is intended to provide access to capital for various alternatives to nursing homes since such programs are not typically financed as readily by regular commercial lenders.

Many seniors express a preference to remain in their own homes as long as possible rather than occupying nursing homes. To this point, however, the Commonwealth has focused most of its resources on nursing home beds. Compounding this problem is the traditional hesitancy of commercial lenders to invest in Home and Community Based Services projects. The Program seeks to address both of these problems by providing capital to finance these initiatives, while also providing the management, marketing and governance resources and training necessary to ensure that these ventures succeed in the ultimate goal: ensuring that our seniors receive the best possible care in an economically sustainable fashion.

The Program can be used in support of projects approved by Office of Long-Term Living and PEDFA, which help the Commonwealth achieve its goal of rebalancing long-term living resources. Projects may include: adult day care services; home health/waiver providers; assisted living; LIFE programs; nursing homes that are downsizing; or other non-institutional providers that demonstrate likelihood in helping the Commonwealth achieve its rebalancing goals. All project applications must be approved by the Secretary of Aging as well as by the PEDFA Board prior to funding.

Virgil Hughes and Beth Grieco are here from the Office of Long-Term Living of the Department of Aging if you have any questions."

Mr. Dabrow asked, "Is the purpose of this program to allow people to stay home and get the same type of treatment that they would otherwise have to get in an institution?"

Mr. Drizos stated, "That is exactly what it is."

Mr. Hughes stated, "My background is I spent about 15 years running the provider organizations and six or seven years with merchant banking and investment firms. We put this program together and I appreciate the hard work the PEDFA staff has done over the past four years to get this running.

The particular projects that we are looking at are called LIFE programs, Living Independence for the Elderly. It is a combination of a provider and an insurance company. What we have is an Adult Day Health Center. The insurance comes in when instead of reimbursing this on a daily basis the way Adult Daycare is reimbursed, what the state does is provide one capitated rate to take care of all a person's needs. You have transportation services involved and sending people out to the homes to support them if necessary. It is the provider's responsibility to manage all of that with one capitated rate. It is a savings to the state versus a nursing home. It is a substantial amount that the providers can manage that level of care and make a reasonable margin service on the debt. This program works both from a state standpoint and from an operator's standpoint."

Mr. Pyle stated, "The purpose of this is to make them eligible. Are we being asked to approve a certain number dollar amount of the bond?"

Mr. Drizos stated, "No. With the monetary contribution came out of the Department of Aging and it is in our account right now. We have \$8 million dollars. The first transaction will be talking about after this. It is going to be in the amount of \$6 million dollars. Our staff and the long-term living staff will be taking a look at the transactions from number points of view. Long-term living is not set up to handle the monetary side. We will be working with our trustee, the Bank of New York, which is where the money is right now. It is anticipated that other contributions will be made and it is further anticipated that in time we will be able to sell off the loans and we hope to continue to have a revolving loan fund. This is a wonderful program. I am more excited about this program than anything else that I have been involved with. The interesting thing about the program is that it saves money and gives people a better quality of life."

Mr. Petrasic stated, "The first resolution we are looking at is to strictly approve the program."

Mr. Hughes stated, "The Rendell Administration set a target of 50/50. It is largely for Medicaid recipients."

It was moved by Mr. Dabrow and seconded by Ms. Washburn that the Board approve the Home and Community Based Services Loan Program. The motion carried.

SENIOR LIFE PROJECTS

Mr. Petrasic stated, "The first of the two projects under consideration as part of this new program, the first is the Washington Property Associates, LLC Senior Life Washington, Incorporated doing business as SeniorLife Washington, Uniontown Properties Associates, LLC and SeniorLife Washington, Incorporated, doing business as SeniorLife Uniontown. The sites are located in North Franklin Township, Washington County and the second is in the City of Uniontown, Fayette County.

The goals of SeniorLife Washington and SeniorLife Uniontown are to enhance the ability of seniors to live safely in the community as long as possible by coordinating comprehensive healthcare and supportive services for their participants. The Borrowers will provide medical care with a full range of health care services, 24 hours a day, 7 days a week. SeniorLife Washington and SeniorLife Uniontown will utilize the Interdisciplinary Team approach to conduct comprehensive assessments and evaluation of participant needs. The Borrowers will furnish these services in the LIFE Center, the home, and inpatient facilities and in any other setting the participant may require. The parent, Grane Healthcare Company, is a management services company that provides consultation, advice, and administrative support to independent providers of long-term care.

The project itself consists of financing land and building acquisition, construction, working capital, equipment and other project costs. The loan to Washington Properties Associates, LLC will be for \$3,526,272.”

The second project is York Properties Associates, LLC and SeniorLife York, doing business as SeniorLife York. The site is located in Springettsbury Township, York County.

The goal of SeniorLife York is to enhance the ability of seniors to live safely in the community as long as possible by coordinating comprehensive healthcare and supportive services for their participants. SeniorLife York will provide medical care with a full range of health care services, 24 hours a day, 7 days a week. SeniorLife York will utilize the Interdisciplinary Team approach to conduct comprehensive assessments and evaluation of participant needs. SeniorLife York will furnish these services in the LIFE Center, the home, and inpatient facilities and in any other setting the participant may require. The parent, Grane Healthcare Company is a management services company that provides consultation, advice, and administrative support to independent providers of long-term care.

The amount of this loan is \$2,473,728.”

Mr. Drizos stated, “The Obama Administration has been looking at the program to maybe implement this as a national model.”

It was moved by Mr. Dabrow and seconded by Mr. Pyle that the Board approve the SeniorLife Projects. The motion carried.

ADJOURNMENT

The meeting adjourned at 11:45.