

Pennsylvania Economic Development Financing Authority

October 28, 2013

A meeting of the Pennsylvania Economic Financing Authority (PEDFA) was held on October 28, 2013 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 #4, Commonwealth Keystone Building, 400 North Street, Harrisburg, Pennsylvania at 11:00 a.m.

The following Board Members were present: Stephen M. Drizos, for the Honorable C. Alan Walker; the Honorable George Greig; and Richard Harper.

The following Board Members were present via telephone: the Honorable Glenn Moyer; George Komelasky; Robert Kane; Franklin Schoeneman; Nicholas Haden; Fred Rinaldi; Thomas Petrone; Ronald Brown; and Timothy Johnson.

The following DCED staff members were present: Christopher Houston, Esq., Office of Chief Counsel; 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. Brown and seconded by Mr. Greig that the Board approve the Minutes of October 16, 2013. The motion carried.

ADDITIONAL DISCUSSION – PARKING TRANSACTION

Mr. Drizos stated, "The reason for this meeting today is we wanted to continue the discussion of the parking transaction. As we know there has been a change with the asset manager. The Receiver's office, legal counsel and staff at PEDFA had some interviews and discussions with a number of firms. We sent out to you a firm that we are pretty comfortable with and we have asked them to come in today to discuss their credentials. Before we start I would like to say that one of the issues as far as the Board is concerned that I want to briefly go over is some of the risks involved with the transaction.

There is obviously the market risk and what we will be able to generate for the revenues. We have no control over that. The other risk involved is the real estate debt risk, contract type risk and the compliance with the IRS Tax Code. These are issues that we as staff, as well as the Receiver's office and counsel have been working on diligently for some time. We can say we are making some headway in meeting these challenges.

I would like Steve Goldfield and Ramiro to speak at this time."

Mr. Goldfield stated, “Ramiro is the face and the leader of the Harrisburg First team. He and his firm put together the Standard Parking operation component and the asset management component. They are the underwriters on the transaction, in terms of the structure of the bonds and getting to where we are today. We view Harrisburg First as a team. The transaction is structured in such a way that we have dealt with people that are on the finance side, the property management side and the day to day operation side. As everybody knows we have lost one of our team members as of a few weeks ago. When I was here a couple of weeks ago we said that we would be able to find a replacement and that we would do interviews and try to find the best fit for the team. We thought when we accomplished that we would bring them back and that is what we did.

As soon as the word got out that AEW was gone from the transaction there was an onslaught of inquiries of very capable national firms that said they could do it and do it every day. We went through a process of narrowing down those that reached out to us and we began the telephone interview process and we received CDs from the participants. We narrowed it down to four firms that we were interested in and we circulated them to Steve, the City and amongst our entire team. Trimont was chosen to bring to you today as a unanimous selection of everyone. Dave Black was on many interview calls as well. The participants in the transaction have all had good things to say about Trimont. This is from people in the Office of General Counsel, who prior to their joining the state had worked with them in the private sector, and creditors who have seen them in other structures where they were minding the assets. There was unanimity in terms of them being a firm that does a good job in these types of situations. They are also more adept at coming in at this stage. They have experience coming in late in the game to trying to come up to speed quickly.”

Mr. Albarran stated, “Losing a team member was not something we wanted but from the telephone calls and the quality of the firms that we talked to I feel very comfortable as one of the principle members of the Harrisburg First team in including Trimont and their special advisor as team members here. They are very capable and have managed billions of dollars in their portfolios in an area they know very well, which is privatized military housing. We echo all the other remarks that have been said about Trimont in a very positive way.

I will introduce John Gass from Trimont and Rick West who was formerly with Central Parking and now is a special advisor to Trimont.”

Mr. Gass stated, “I am Director of Trimont Real Estate Advisors. In the information that was forwarded to you we have a general description of our company. We have experience since 1998 and have multiple offices throughout the United States. I will point out key connections that we have with this transaction, which is the experience that my firm has had with military housing projects. They are very similar in structure to the ground lease and the division of operator responsibilities down to us, the asset manager to the property manager. This is something that we have done since 2004. We have repeat business through a number of

participants and have received a great deal of accolades from the military on these transactions. We have worked with a number of bond holders on these transactions. There is a fair amount of outstanding capital on these deals, around \$5.5 million dollars' worth of bonds. We administer construction disbursements on these transactions, approximately \$7 billion to date. We administer monthly total funds to the indenture trustee who worked with the parties in the transactions to make sure that the contract parties, such as the property manager, all do good work for the scope that has been decided. This is what we do day to day. Coming into this transaction and looking at the scope that we have here I was relatively comfortable even though we are coming in at a late date, because generally the scope that is identified for us in this transaction is what we do day to day.

One thing we have added to our team, especially now because of the parking component where we do have limited experience, is to add Rick West.”

Mr. West stated, “The Harrisburg Parking System is something I have gotten familiar with in the last couple of years and have participated on one of the teams that originally proposed this structure around 18 months ago.

You have a one page biography on my background. You will see that I am a long time parking industry veteran. The progression has been through several companies that I founded and several companies that I was involved with buying. One of the things that I'm very experienced in is the day to day operation of Standard Parking. And also managing that process and focusing on the transition. Whether I have been involved in buying a company or taking over large municipal projects or stadium projects or airports, one of the key points is getting off on the right foot. That is important financially, but also in gaining the trust and credibility of all the stakeholders. In coming into any community whether parking like Harrisburg where the parking is servicing the merchants, residents, business, hotels or visitors it is very important that this is servicing everybody and besides delivering great service that is also going to bring us financial results as well.”

Mr. Drizos asked, “The interface with Standard Parking that we are all familiar with, could you comment on that and how you see that?”

Mr. Gass stated, “We have had discussions with Standard and are looking at the responsibilities they have under their contract. We will be receiving reports that will be provided from them on a monthly basis to the extent that we need to be involved in decisions. We are going to set up certain e-mail groups that are going to handle requests from different parties that are urgent. We will have quarterly reports that will be issued and we will start a process that we'll develop of the annual budgets and the business plans. We will be preparing the annual capital plan and all of those will be presented to the committee group that is being established to review. At this point there is a fairly standard approach for this that we use in all of our transactions. We use whatever is needed to make the management effective. While we say the

standard is monthly we are not going to limit our activity to that, if there is additional attention that is needed. I work in 25 states so we are used to working throughout the United States. We will have an individual point of contact here that will be doing most of the review. Rick is going to be an essential part of our start up plan in working with Standard and making sure they are involved.”

Mr. West stated, “Yes, I am familiar with Standard’s entire organization not only in this part of the country but elsewhere. They are structured with very good specialists. I know the man who is in charge of their municipal group. Harrisburg falls under the Philadelphia region, which is headed up by Chris Sherman, who I know very well. John Kemp, who is his general manager in Baltimore, will be the point person to support the local team that is based here. I have had a good working relationship with them. It is key to me that Standard is a great company, but it is key to keep them focused on the strategic and business plan. The big thing is setting in place the transition plan, which is the first step. The second step is that there are a lot of initiatives that need to be accomplished the first few years. Also, to have something laid out with accountability in making sure that we are moving through.”

Mr. Petrone asked, “I understand that the plan will be the same that we have been working on during this time and nothing is expected to change?”

Mr. Drizos stated, “Yes, in general that is correct. There is always tweaking.”

Mr. Greig stated, “We have the agreement with the labor. Are they okay with the change?”

Mr. Goldfield stated, “They have not been involved in who the asset manager is because they are going to be employees of Standard and that has not changed. We have been working with them throughout this period. As you recall they voted 33-0 to approve the transition plan they had. Standard has been in town two days a week for the last three weeks interviewing management people to see who wants to come over and who wants a buyout. More than half of the people are taking the buyout. The number of people who are left that are looking at jobs are less than what Standard wants to start with. They will probably be hiring. Everyone seems to be pretty comfortable with taking a job or the buyout.”

Mr. Grieg stated, “When we met last there were conversations about the asset transfer by the Parking Authority.”

Mr. Goldfield stated, “This week the City has on its agenda a second reading of an ordinance that would authorize the transfer of the real property under the garages from the city to the Harrisburg Parking Authority, which positions us for the asset transfer agreement to PEDFA. PEDFA needs to review all of the asset transfer agreement. We got version 10 and we will be spending time this week finalizing it. My hope is that we will finalize it this week. We intend to

come back in the near future to ask Steve to hold a meeting with PEDFA with the bond resolution and authorization of the asset transfer agreement.

Mr. Greig asked, “The asset manager with Standard is going to be the same as it was?”

Mr. Goldfield stated, “There are two components that we’ve split up. A lot of public projects don’t have this. These are layers of protection that we thought would make sense. Standard parking will be in charge of the day to day operations and the employees. The asset manager is part of this team approach. They are going to be responsible for the buildings, maintenance, capital improvement plans, insurance, protecting from liability. Steve had pointed out there are risks associated with property ownership. That is what I wanted John to elaborate on. What do you do to protect PEDFA in this situation from the risks that are associated with property ownership?”

Mr. Gass stated, “In the scope that we see right now, there is nothing as far as the nature of the building blocks that would we see missing from this. Certainly Ramiro is going to have oversight of the operator, which is critical to you and the city to make sure that the operations are being handled in an appropriate way. Also, to make sure the property manager is on budget. We will have reviews to make sure that all issues are over and under. We will also have an insurance program to cover the liabilities associated with the garages. It will be important for us to develop with you an understanding which information you want communicated other than the standard reporting. We are willing to do whatever is necessary to make sure that you have the information that you want and is appropriate at periodic intervals, so that you understand the issues.”

Mr. Goldfield stated, “At 1:00 the three of us, Dave Black and a group of people from PEDFA and DGS are going to get together to further discuss exactly what CREDC would like from the asset manager and what the asset manager is going to get from Standard. Standard has the ability to let you look into some of their system. If we want we could get Rick access to when he wants it, and not just on a monthly basis, on whatever data is being generated for operations. We are going to talk about that and whether we want to do that and how that is going to be reported up to CREDC. The PEDFA staff are going to talk to CREDC on what they want.”

Mr. Gass stated, “I was on a conference call with AEW this morning and they are very willing to cooperate and provide us any information that we think is useful. We are going to schedule a trip to Boston to look at their data information. They are going to provide us with whatever is needed. It was reassuring to have AEW providing information.”

Mr. Drizos stated, “We have had conversations with AEW and to their credit they have offered any help they can give to us.”

Mr. Harper stated, "I would like to go back to the insurance and the liability. Do we have any sort of protection for PEDFA with respect to an individual being attacked or robbed within one of our facilities?"

Mr. West stated, "Underneath the parking operators is really three things. First, general liability and that is covered through personal. Second, there are garage keepers or GKL liability. That is protection of the vehicles. Then that is backed up by a very large umbrella policy on top of that. While that insurance exists it is a modest risk environment. All the parking garages are self-park. The second thing is if there has not been a history of security issues then the ordinary prudent person standard is what applies to how we manage the garages day to day. These are all things that we would monitor at the asset level and the operator is monitoring very carefully. The deductibles are kept pretty low. We have not established what that deductible level is yet."

Mr. Harper asked, "Is there anything that we need to be doing to the facilities to secure them? I'm thinking in terms of the River Street Garage, which has had some incidents there. Are there things that we need to do? Is there a budget to do them? Having insurance is one thing, but I would prefer to avoid the risk."

Mr. West stated, "I'm not that familiar with the River Garage from a security history standpoint. I will get familiar with it, but being familiar with all the security of all the garages is something that is on our list."

Mr. Harper stated, "As we look at how other garage systems offer ancillary products and services such as people coming in to change their oil and wash their car and that sort of thing. Is that something that is within the plan? Is there consideration of this or is this something that is not done in public parking?"

Mr. West stated, "It is done, but we found when we have done services like that usually only a few percent of the people use it. Honestly, usually we are just trying to make sure that we break even. It usually is done through a contract with an outside provider who is going to come in and do that."

Mr. Drizos stated, "We have had some issues with that. However, from a tax standpoint on private use, I doubt you will be able to get your car washed."

Mr. Harper stated, "I was thinking like charging systems and things like that."

Mr. West stated, "The charging systems are completely different. That is part of the future. The good news is that generally we are able to get grant money to be able to pay for putting those in."

Mr. Harper asked, "Are you talking about automation to the garages or are you talking about the street parking?"

Mr. Goldfield stated, "Both. If we close in December, the garages are expected by 2014 to become fully automated where you get a card on the way in and you pay with your credit card on the way out. Rick has the ability to talk about systems transition and what works. With the on street, we have a complete replacement built in and funded to do all the meters. It will become all electronic. Every 10 years we have built into the budget replacement costs."

Mr. West stated, "All of the multi-space meters of this generation will have the capability for that."

Mr. Greig stated, "We have two lots, 10th Street and City Island, we have talked about that and we didn't know if they were included in this. Do we know yet?"

Mr. Goldfield stated, "Yes. The Verizon Building is going to be vacated in 2016 by Verizon. The Commonwealth is interested, which looks like a very significant move for the Commonwealth in moving people into that building and filling it. There will be cars. The problem that they have always confronted when they move people from outside of the central business district inside the central business district is that they have free parking in a big lot outside the city and they have to start paying for parking and it gets expensive. What we are offering is that the management people who get garages will come into the garages and that will be expensive, but everybody else is going to either be at 10th Street or City Island Parking Garage. Tenth Street is going to come over as a place where some of these lower cost cars will park and this will make it acceptable to the Commonwealth. They will park there and the overflow will be in the garage on City Island. Right now City Island is one big parcel. We have met with all the merchants who do not want somebody standing their charging \$10.00 for a car to come onto the island if they want to play mini golf et cetera. What we need is the garage on the very south side and a little bit of lot around that. When Carol looks at the next draft of the asset transfer agreement is that 10th Street will come over like all the other garages. City Island is not going to come over right away, because they don't need it until 2016. That will be 18 months from now."

Mr. Greig asked, "We have 4,500 parking spaces involved with the Commonwealth. Is that going to affect that any?"

Mr. Goldfield stated, "That is inclusive. We will cut it off at some of the smaller agencies around 50 or 60 cars. The final number is not set. The cars that I'm talking about now are built into that."

Mr. Moyer stated, "I look forward to meeting Rick West in person. I'm very pleased with his comments and his involvement. I think this is a good team involved here. When will we see the next updated bond documents?"

Mr. Drizos stated, "It is a work in progress. We should have it soon. We will have it in plenty of time before there is any commitment that has to be made by PEDFA. Staff will not present this transaction to the board until we feel that it is ready to be presented to the Board."

Mr. Goldfield stated, "You indicated there are some risks. Avoiding the risks is the main reason you don't have numbers yet. Your bond counsel on the PEDFA Board should be comforted by the fact that Steve and Carol determined to get another national tax expert. I think Dilworth has great expertise in the federal tax area. I was one of the people that recommended them for this transaction, because this is a federally tax laden issue. It is not your typical tax exempt general obligation bond. The last thing we are waiting for to be able to deliver back is the structure and the new numbers. The term sheet is for the tax due diligence by your tax counsel to be completed. They have been rigorous in their review and we have been on the phone regularly. We are not going to go forward until they are very comfortable. Then the structure will be sent and we will bring new documents to the staff and they will be able to share it with the Board."

Mr. Drizos stated, "Since there are no further comments or questions, thank you gentlemen."

ADJOURMENT

It was moved by Mr. Petrone and seconded by Mr. Greig that the Board adjourn.