



Commonwealth Financing Authority
Harrisburg PA, 17120

Board Meeting Minutes

May 27, 2014

The Commonwealth Financing Authority (CFA) board meeting was held on May 27, 2014. 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 #1 at the Commonwealth Keystone Building located at 400 North Street, 2nd floor in Harrisburg, Pennsylvania

In addition to Chairman Walker, the following Board members were present: The Honorable Glenn E. Moyer, Peter Tartline, designee of The Honorable Charles Zogby, Marc Little, John Verbanac and Austin Burke. Michael Karp participated via teleconference.

CFA staff in attendance: Scott Dunkelberger, Executive Director and Christopher Houston, Chief Counsel.

Members of the public in attendance were: Randy Albright, Mandy Book, Carolyn Boser Newhouse, Jason Brehouse, Kathy Bruder, Sheri Collins, Mike Cortez, Kristin Crawford, Brian Eckert, Josh Funk, Danielle Guyer, Helen Hammerschmidt, Laurie Henry, Rich Hudic, Ron Jumper, Matthew Karnell, Steve Kratz, Greg Mahon, Michael O'Rourke, Doug Petillo, Nancy Rowe, Kevin Rowland, Lynne Ruby, Peggy Schaeffer-Montgomery, John Sider, Chris Stets and Lisa Taglang.

Chairman Walker called the meeting to order at 10:38 A.M. He acknowledged the presence of a quorum of the board.

On a motion by Mr. Moyer and seconded by Mr. Verbanac, the Board unanimously approved the January 28, 2014 and the March 20, 2014 board meeting minutes.

On a motion by Mr. Burke and seconded by Mr. Verbanac, the Board unanimously approved payment of CFA expenses in the amount of \$314,019.10.

Mr. Dunkelberger presented the following for the Board's consideration:

Venture Capital Due Diligence Request:

Mr. Dunkelberger outlined the request and answered questions from Board members.

Upon motion by Mr. Verbanac and seconded by Mr. Little, the Board unanimously approved a request to begin due diligence on Leading Edge Ventures I, LP, located in Bethlehem, PA.

Building PA Strategy Modification:

Mr. Dunkelberger gave a brief background on the Altoona Blair County Development Corporation (ABCD Corporation) and outlined the request to allow ABCD Corporation to cultivate redevelopment projects and offer the Building PA program to projects in third class cities in Western PA that currently do not have access to the program.

Upon motion by Mr. Verbanac and seconded by Mr. Burke, the Board unanimously approved an amendment to ABCD Corporation's Building PA Fund Manager strategy to allow them to serve urban core communities in any third class city in Western PA.

Alternative and Clean Energy Program:**Alternative Energy Production Project**

Mr. Dunkelberger outlined the Downs Racing, L.P. combined heat and power project request for a grant in the amount of \$950,000 and asked for questions from the Board. Mr. Karp stated that he could not support the project as is, believed the grant amount recommended by staff for the project was too high and suggested the project be evaluated differently. Mr. Karp proposed using the \$1,000,000 in equity with the remaining financing being a loan from the CFA at 5%, which he believes would still permit Downs Racing, L.P. to achieve a 10% return on equity. Mr. Karp requested staff approach the applicant and suggest his alternative proposal and suggested the project be tabled until a later meeting.

Mr. Tartline questioned whether the project could move forward if the Board approved a loan rather than a grant. Mr. Dunkelberger explained the recent changes to the guidelines and stated the project fit within the parameters for a grant. Mr. Dunkelberger suggested that the Board consider this project and other projects in the pipeline, and look to change the guidelines going forward, if desired. Mr. Moyer asked how many projects were currently in the pipeline for upcoming meetings (there are four pending ACE applications for CHP projects).

Charles Miller, general manager of UGI Performance Solutions and project consultant to the ACE applicant, provided a brief background on the Downs Racing, L.P. project, the Mohegan Sun Gaming Authority, and their decision to undertake this project versus invest in projects in other states. Mr. Karp and Mr. Miller discussed alternative financing options, although Mr. Miller stated he was not familiar with tribal laws and if the suggestions made would be feasible.

Mr. Burke stated the Board had recently discussed and approved new guidelines, and they should follow those guidelines accordingly. He also noted that he did not want to risk the project and jobs being moved to another state. Mr. Verbanac also stated that the guidelines were approved together, as a board, but he felt there needed to be a meaningful conversation with the applicant and that he feels tabling the issue would be best.

Upon motion by Mr. Verbanac and seconded by Mr. Karp, the Board unanimously voted to table the following project until a later meeting date:

Applicant

Downs Racing, L.P.

Project

Mohegan Sun at Pocono Downs CHP Project

CNG/LNG Projects

Upon motion by Mr. Little and seconded by Mr. Moyer, the Board unanimously approved the following Alternative and Clean Energy projects:

<u>Applicant</u>	<u>Project</u>	<u>Grant</u>
Ariel Holdings LP	American Natural Harmar CNG Project	\$720,000
Hypatia Holdings LP	American Natural Wexford CNG Project	\$600,000

Biofuel Project

Upon motion by Mr. Verbanac and seconded by Mr. Little, the Board unanimously approved the following Alternative and Clean Energy project:

<u>Applicant</u>	<u>Project</u>	<u>Grant</u>
Biomaxx, Inc.	Biomaxx Process Optimization & Product Expansion Project	\$90,000

High Performance Building Project

Upon motion by Mr. Moyer and seconded by Mr. Tartline the Board unanimously approved the following Alternative and Clean Energy project:

<u>Applicant</u>	<u>Project</u>	<u>Grant</u>
Lehigh Area School District	HPB Lehigh Primary/Elementary Center	\$2,000,000

First Industries Loan Guarantee Request:

On a motion by Mr. Burke and seconded by Mr. Little, the Board unanimously approved a First Industries Tourism Loan Guarantee to Centric Bank in the amount of \$1,006,800 for the construction of a Holiday Inn Express located in Fairview Township, York County.

Tax Increment Financing Guarantee Project:

On a motion by Mr. Verbanac and seconded by Mr. Moyer, the Board unanimously approved a Tax Increment Financing Guarantee to the Redevelopment Authority of the County of York, not to exceed \$4,000,000, for the West Manchester Mall redevelopment project located in West Manchester Township, York PA.

Ratifications of Loans, Guarantees, Enrollments and Special Requests:

Upon motion by Mr. Verbanac and seconded by Mr. Moyer, one special request was ratified and two new special requests were approved (information attached):

RATIFICATION

Applicant

Ashley Borough

Program

LSA Luzerne County

NEW SPECIAL REQUEST

Applicant

Philadelphia Authority for Industrial Development
Bangor Borough

Program

Business in Our Sites
LSA Monroe County

Request to Charge-off Defaulted Loans:

Upon motion by Mr. Burke and seconded by Mr. Little, the Board unanimously approved to charge-off the following five loans:

<u>Borrower</u>	<u>Program</u>	<u>Principal Balance</u>
Kimmie's Kreations and Johnny's Java, LLC	SBF FI - Tourism	\$56,983.94
Tree Cycle, LLC	MELF FI - Agriculture	\$361,404.02
Harvest Fresh Farms, Inc.	MELF FI - Agriculture	\$59,384.33
David A. Eberly Farm	MELF FI - Agriculture	\$50,642.55
Coliseum Real Estate Group, Inc.	MELF FI - Tourism	\$451,458.80

There being no further business to come before the Board, the meeting was adjourned at 11:40 A.M.

DATE: March 11, 2014
SUBJECT: Special Request – CFA Board
TO: Scott Dunkelberger
Executive Director, Commonwealth Financing Authority
FROM: Mandy Book
LSA Program Manager

SPECIAL REQUEST – BOARD ACTION REQUIRED

**Ashley Borough
New Municipal Building Project
(Luzerne County)**

Approved: 03/20/2013
\$400,000 (Grant)

Requested Change: On March 20, 2013, the CFA Board approved a \$400,000 Local Share Account – Luzerne County Grant for Ashley Borough. Funds were approved to construct a new municipal building to replace the 100 year old, partially condemned facility currently in use. The proposed building was expected to house offices and storage for all municipal departments, including the police department, and include training space and a community meeting/conference room. The location for the new facility was planned to be on the lot adjacent to the current building on Main Street. Note: the approved funding was less than half of the requested \$801,829 required to complete the project.

Since approval, several issues with the projected building site arose including concerns that the sight distance on the road would be inadequate creating a potentially dangerous condition. Recently, the borough received an offer to purchase an existing building on West Cemetery Road, across from the street from the existing building. This property consists of several acres of land, a large parking lot, and a building with enough space to house most, if not all, municipal services. This building is a better option than the new construction due to both safety concerns and expediency.

Ashley Borough is requesting approval to change the scope of work to acquisition costs associated with the building and acreage on West Cemetery Road. Note: the borough has submitted an application for 2013 LSA Luzerne County funding to make up the difference in purchase price and complete necessary renovations to the new building.

Recommendation: Approval.

DATE: April 18, 2014
SUBJECT: Special Request – CFA Board
TO: Scott Dunkelberger
Executive Director, Commonwealth Financing Authority
FROM: Brian Eckert
Director, Site Development

SPECIAL REQUESTS – BOARD ACTION REQUIRED

Philadelphia Authority for Industrial Development
Philadelphia County

Approved: May 25, 2005
\$18,308,000 (Loan)

Requested Change:

On May 25, 2005, the CFA Board approved an \$18,308,000 BOS loan to the Philadelphia Authority for Industrial Development (PAID) for the development of the 82-acre portion of the Philadelphia Naval Yard known as the Town Center in Philadelphia. BOS funds were used for site work, construction and installation of roadways, including new sidewalks, water and sewer improvements, and underground utilities. The loan has been fully disbursed and is secured by a mortgage creating a first priority mortgage lien on the 82 acres consisting of buildings / parcels: 7F, 7G, 7H, 7Y, 7Z, 83, 104/608/640, 624, 489, 661, 11th/Kitty Hawk/Town Center, 12th & 13th Streets/Kitty Hawk.

Currently, the principal balance of the loan is \$16,211,464. In March of 2013, the CFA Board approved an interest only period commencing April 1, 2013 through March 31, 2014 and as long as the CFA receives 90% net proceeds from all sales and leases within the Town Center.

In 2013, The Navy Yard had its greatest economic development impact since inception of the project with 22 firms locating to the site with over 1,000 additional jobs. While significant economic activities are occurring, the lack of the Navy's approval to allow residential development and the recessionary economy has delayed

by several years PAID's ability to realize the anticipated sales activity allowing for the full loan repayment. PAID is requesting the CFA to approve the following modifications:

1. Borrower shall make an interest only payment on May 1, 2014.
2. Beginning June 1, 2014, borrower shall make level monthly principal and interest payments based on a 20-year amortization schedule at 2% interest, with a balloon payment of the remaining principal due on October 1, 2026.
3. Borrower shall pay 100% of the net proceeds from all sales or leases within the Naval Yard/Town Center to the CFA. Proceeds shall be applied as outlined in the original Note.
4. Borrower shall continue to provide quarterly reports outlining the activity at the Naval Yard/Town Center.

Current Loan Terms: Current balance: \$16,117,637.29
 Rate: 2%
 Term: 20 years
 Remaining term: 12 years, 6 months (150 months)
 Maturity date: October 1, 2026
 Current monthly principal and interest: \$121,747.14

Proposed Loan Terms: Interest only payment May 1, 2014: \$26,862.73
 Proposed monthly principal and interest: \$81,536.44
 (20 year amortization/ balloon payment at maturity)
 Balloon payment at maturity (October 1, 2026): \$6,927,299.95

Sales/Lease Date: The following chart exhibits that the sales activity occurred to date fully supports the valuations included in determining the original BOS loan collateral basis.

BOS Sales Revenue for Buildings

Property	Parcel	Building Size (sf)	Owner	Sale Price	\$/sf
Building 489	7G	31,779	Vincera	\$801,000	25.21
Building 661	7Y	35,269	Penn State	\$720,000	20.41

BOS Sales Revenue for Land

Property	Parcel	Parcel Size (acres)	Owner	Sale Price	\$/acre
Land at 12th and Kitty Hawk	7R	0.90708	Penn State	\$480,000	\$529,170.53

Collateral: First priority mortgage lien on 82 acres of land.

Collateral Value: \$17,330,000

Staff Recommendation: Approval of the following terms

1. Borrower shall make an interest only payment on May 1, 2014.
2. Beginning June 1, 2014, borrower shall make level monthly principal and interest payments based on a 20-year amortization schedule at 2% interest, with a balloon payment of the remaining principal due on October 1, 2026.
3. Borrower shall pay 100% of the net proceeds from all sales or leases within the Naval Yard/Town Center to the CFA. Proceeds shall be applied as outlined in the original Note.
4. Borrower shall continue to provide quarterly reports outlining the activity at the Naval Yard/Town Center.



PHILADELPHIA'S ECONOMIC DEVELOPMENT CORPORATION SINCE 1958

Via email (breckert@pa.gov)

April 16, 2014

Brian Eckert
Director, Site Development
Commonwealth Financing Authority
400 North Street, 4th Floor
Harrisburg, PA 17120

**Subject: Business in Our Sites Loan (L777040019) for \$18,308,000
Town Center, The Navy Yard, Philadelphia, PA**

Dear Mr. Eckert:

Brian:

I wanted to follow up on our conversation of Monday and various correspondence over the last several months regarding PIDC's efforts to propose an affordable loan restructuring. We are confident that The Navy Yard can sustain the terms of this proposal, and reach the mutually desired outcome of paying the principal in full as speedily as possible. We request consideration by the CFA board as follows.

1. Principal payment from sale or lease of BIOS collateral: PAID will increase principal payments to 100% of any building/parcel sale or rental proceeds that occur from property within the BIOS collateral zone. Presently the commitment is at 90% and the original loan terms provided for 75%.
2. Amortization: PAID will commence regular monthly payments of principal and interest commencing on June 1, 2014 based on a 20-year amortization schedule at 2% interest, with a balloon payment of remaining principal due upon maturity of the loan on October 1, 2026. This shall further confirm our agreement based on our conversations that the principal component of the full amortization payment made on April 1, 2014 will be credited toward the outstanding loan balance to determine the net principal balance as of June 1, 2014 and the CFA will charge interest-only for the May 1, 2014 payment due.

Given the reduced level of payments that this accommodation will provide, PAID will have the extra time required to achieve several improvements to the overall Navy Yard financial operation while also completing negotiations with the US Navy that we anticipate will result in removal of the residential restriction from the overall land deed. Removal of the residential restriction will allow PIDC to market several of the larger buildings for their "highest and best use" as residential conversions, which will also provide significant benefit to the overall commercial activities with "the town center" of The Navy Yard.



THE NAVY YARD

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The following chart exhibits that the sales activity that has occurred to date fully support the valuations included in determining the original BIOS loan collateral basis.

BIOS Sales Revenue for Buildings					
Property	Parcel	Building Size (sf)	Owner	Sale Price	\$/sf
Building 489	7G	31,779	Vincera	\$ 801,000	\$ 25.21
Building 661	7Y	35,269	Penn State	\$ 720,000	\$ 20.41
BIOS Sales Revenue for Land					
Property	Parcel	Parcel Size (acres)	Owner	Sale Price	\$/acre
Land at 12th and Kitty Hawk	7R	0.90708	Penn State	\$ 480,000	\$ 529,170.53

In closing, we appreciate the CFA's consideration and hope that the board and staff share our position that this loan modification will provide a way to balance a plan for sustaining the repayment of principal with the continuing financial challenges of the project.

If I can be of any further assistance, please do not hesitate to contact me.

Sincerely,



Williams J. Agate, Jr.

Senior Vice President, Navy Yard Management and Development

cc: John Grady, President
Sam Rhoads, Executive Vice President

DATE: April 29, 2014
SUBJECT: Special Request – CFA Board
TO: Scott Dunkelberger
Executive Director, Commonwealth Financing Authority
FROM: Mandy Book
LSA Program Manager

SPECIAL REQUEST – BOARD ACTION REQUIRED

**Bangor Borough
Brushy Meadow Creek Flood Repair Project
(Northampton County)**

Approved: 01/29/2013
\$100,000 (Grant)

Requested Change: On January 29, 2013, the CFA Board approved a \$100,000 Local Share Account – Monroe County Grant for Bangor Borough. Funds were approved to complete the Brushy Meadow Creek Flood Repair project in conjunction with a 2011 LSA Grant of \$100,000. The project is complete. A total of \$115,573 was reimbursed against these two grants leaving a remaining balance of \$84,427.

Bangor Borough is requesting approval to reallocate the remaining funds to another area of the borough affected by flooding that occurred in July 2013. During the flood event, sections of a culvert dating more than 100 years old collapsed. The collapse created sinkholes and damage to the rear yards of residential properties along Messinger Street. Repairs will help stabilize the area and address the safety issues that remain. This is the top priority in a series of necessary repairs in the Messinger Street area. Funds will be used to cover the engineering, infrastructure, and construction costs to complete the culvert and sinkhole repairs.

Recommendation: Approval.