



Commonwealth Financing Authority
Harrisburg PA, 17120

Board Meeting Minutes

October 21, 2014

The Commonwealth Financing Authority (CFA) board meeting was held on October 21, 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, on the second floor of the Keystone Building located at 400 North Street in Harrisburg, Pennsylvania.

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

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

Members of the public in attendance: Randy Albright, Lori Beamer, Mandy Book, Carolyn Boser Newhouse, Ron Boston, Jason Brehouse, Beth Brennan, Melissa Britcher, Kathy Bruder, Randall Culp, John Diehl, Bill Dunagan, Brian Eckert, Ryan Emerson, Mark Fennel, Matt Fine, Max Flessner, Josh Funk, Liz Gabor, Kaye Goodman, Danielle Guyer, Chelsea Guzowski, Seth Hagarty, Helen Hammerschmidt, Jessie Harden, Laurie Henry, Nicholas Horting, Rich Hudic, Ron Jumper, Matthew Karnell, Steve Kratz, Ann Long, Patty Mackavage, Greg Mahon, Charles Miller, Brian O'Neill, Sr., Sandi Orth, Crystal Quinton, Andrew Ritter, Sherwood Robbins, Lynne Ruby, Kevin Rowland, Phillip Sanchez, Peggy Schaeffer-Montgomery, John Sider, Caleb Sisak, Gary Smith, Chris Stets, Colleen Terry, Lisa Taglang, Janice Vollero and Ben Waxler.

Chairman Walker called the meeting to order at 10:33 A.M. after announcing there was a quorum of the Board.

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

On a motion by Mr. Little and seconded by Mr. Burke, the Board unanimously approved the September 9, 2014 Commonwealth Financing Authority Board meeting minutes.

On a motion by Mr. Burke and seconded by Mr. Moyer, the Board unanimously approved payment of CFA expenses in the amount of \$816,342.81.

Mr. Dunkelberger briefly outlined the proposed bond resolution. He explained it would be authorizing the issuance of revenue bonds of the Authority in order to provide funding for alternative energy development programs in the aggregate principal amount not to exceed 96 million dollars, and up to 124 million dollars in order to provide for the refunding of all or a portion of the Authority's outstanding revenue bonds Series A & B of 2005, A & B of 2006. Mr. Karp questioned whether there was currently a lead underwriter. Mr. Dunkelberger informed him it is PNC, with the two co-underwriters being RBC and Janney Montgomery Scott. Mr. Karp stated that he would like advance

notice of the fees when it became available. He also stated he would like to match costs from previous issues. On a motion by Mr. Verbanac and seconded by Mr. Little, the Board unanimously approved the Bond Resolution.

First Industries Loan Project Recommendations:

Upon motion by Mr. Burke and seconded by Mr. Tartline, the Board unanimously approved the following First Industries Loans:

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Amount</u>
Dietz & Watson, Inc.	Purchase of machinery and equipment	Philadelphia	\$5,000,000
Barrel O' Fun Snack Foods Co. East Inc.	Purchase of machinery and equipment	Erie	\$2,000,000
Knouse Foods Cooperative, Inc.	Purchase of machinery and equipment	Adams	\$5,000,000

Alternative and Clean Energy Program:

Alternative Energy Production Projects

Mr. Dunkelberger briefly outlined the nine requests, one by one.

Upon motion by Mr. Karp and seconded by Mr. Little, the Board unanimously approved a grant in the amount of \$564,301 to AR Joy Farms LLC for the AR Joy Farms Digester project located in Chester County.

Upon motion by Mr. Burke and seconded by Mr. Verbanac, the Board unanimously approved a grant in the amount of \$725,013 to Brubaker Farms LLC for the Anaerobic Digester project located in Lancaster County.

Upon motion by Mr. Burke and seconded by Mr. Verbanac, the Board unanimously approved a grant in the amount of \$546,382 to Drew Remley Farm for the Remley Farm project located in Tioga County.

Mr. Karp voiced his concerns regarding the two IKEA ACE projects, stating that he doesn't believe they make sense, economically. He added that he would veto them if the Board votes on them, as presented. Mr. Burke stated that the projects were within the guidelines and were worthwhile projects.

Upon motion by Mr. Burke and seconded by Mr. Little, a grant in the amount of \$824,922 to IKEA U.S. East, LLC #221 for the IKEA Conshohocken Biogas Fuel Cell project was rejected on a vote of 6 to 1, with Mr. Karp casting the dissenting vote, and the supermajority having not been met

Upon motion by Mr. Burke and seconded by Mr. Little, a grant in the amount of \$824,922 to IKEA U.S. East, LLC #215 for the IKEA South Philadelphia Biogas Fuel Cell project was rejected on a vote of 6 to 1, with Mr. Karp casting the dissenting vote, and the supermajority having not been met

Upon motion by Mr. Karp and seconded by Mr. Moyer, the Board unanimously approved a grant in the amount of \$780,000 to Knouse Foods Coop, Inc. for the Wastewater Treatment with Biogas Combined Heat and Power project located in Adams County.

Upon motion by Mr. Karp and seconded by Mr. Moyer, the Board unanimously approved a grant in the amount of \$2,000,000 to NBC Philadelphia Merchants, Inc. for the TJX Philadelphia Distribution Center Fuel Cell project located in Philadelphia County.

Upon motion by Mr. Burke and seconded by Mr. Karp, the Board unanimously approved a grant in the amount of \$625,082 to Oak Spring Farms for the Anaerobic Digester project located in Centre County.

Upon motion by Mr. Verbanac and seconded by Mr. Karp, the Board unanimously approved a loan in the amount of \$1,506,400 to The Tuthill Corporation for the Blue Mountain Combined Heat and Power project located in Carbon County.

CNG/LNG Projects

Upon motion by Mr. Little and seconded by Mr. Burke, the Board unanimously approved the following eight Alternative and Clean Energy CNG/LNG projects:

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Grant</u>
Clean Energy dba Clean Energy Inc.	Clean Energy South Philadelphia Public-Access CNG Station	Philadelphia	\$921,217
Constellation New Energy, Inc.	Commonwealth Energy Group CNG Station	Lackawanna	\$1,250,589
Integrays Transportation Fuels dba Trillium CNG	HIA Public Access CNG Fueling Station	Dauphin	\$712,063
Snyder Brothers, Inc.	Snyder Brothers Inc. CNG Fueling Station	Armstrong	\$308,172
Sunoco, Inc.	Sunoco CNG Refueling - Canonsburg	Washington	\$772,310
Sunoco, Inc.	Sunoco CNG Refueling - Chambersburg	Franklin	\$591,502
U.S. Venture, Inc.	Fairless Hills Public CNG Filing Station	Bucks	\$547,074
U.S. Venture, Inc.	Fredericksburg Pacific Pride Station	Lebanon	\$643,389

Mr. Moyer questioned if all of the projects will be publicly accessible. Mr. Dunkelberger confirmed. Mr. Verbanac disclosed that he has a previous relationship with Constellation Energy.

High Performance Building Projects

Upon motion by Mr. Verbanac and seconded by Mr. Little, the following one High Performance Building project and four Alternative and Clean Energy projects were approved:

HIGH PERFORMANCE BUILDING PROGRAM

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Grant</u>
Lucyna de Barbaro and Ayres Freitas	Squirrel Hill Passive House Duplex	Allegheny	\$69,676

ALTERNATIVE AND CLEAN ENERGY PROGRAM

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Grant</u>
Lehigh Area School District	HIPB Lehigh Area Middle School, LASD in Carbon Co.	Carbon	\$1,450,000
Lehigh Area School District	HPB Lehigh Area High School, LASD in Carbon Co.	Carbon	\$1,065,000
South Middleton School District	Iron Forge Elementary School Modernization Project	Cumberland	\$2,000,000
State College Area School District	State College Area High School Modernization Project	Centre	\$2,000,000

Act 13 Program Recommendations:

Mr. Dunkelberger explained the CFA received a total of 460 applications requesting \$82.4 million dollars. On a motion by Mr. Little and seconded by Mr. Verbanac, the following 106 projects were unanimously approved:

Abandoned Mine Drainage Abatement and Treatment Program

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Amount</u>
Tioga County Concerned Citizens Committee	Fall Brook Passive Treatment System	Tioga	\$450,000
Blackleggs Watershed Association, Inc.	Blackleggs Watershed O&M	Indiana	\$470,000
SAFER PA	SAFER PA AMD Project	Indiana	\$400,000
Susquehanna Mining Solutions	SMS AMD Treatment Facility Site Work and Baseline Assessment	Luzerne	\$492,821

Baseline Water Quality Data Program

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Amount</u>
Pike County Conservation District	2014 Pike County Groundwater Quality Baseline	Pike	\$188,000

Flood Mitigation Program

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Amount</u>
Lackawanna County Commissioners	Jermyn Borough Rush Brook Creek Flood Control Project 2.0	Lackawanna	\$385,000
TKMG Associates LP	Flood Basin and Flood Wall Improvements	Philadelphia	\$500,000
City of Jeannette	City of Jeannette and Penn Borough Flood Protection Project	Westmoreland	\$325,000
City of Wilkes-Barre	Solomon Creek Flood Mitigation	Luzerne	\$200,000
Coudersport Borough	Levee Funding	Potter	\$376,000
Canonsburg Borough	McBurney Road Flood Mitigation	Washington	\$115,231
Canonsburg Borough	Water Alley Canonsburg Borough	Washington	\$65,807
Canonsburg Borough	Chartiers Creek Flood Protection Project	Washington	\$55,998
Skytop Lodge Corporation	Rehabilitation of Skytop Lake Dam	Monroe	\$400,000
Jefferson County Conservation District	Sykesville Borough Flood Control Project Rehabilitation	Jefferson	\$488,750
Pittston City	South Main Street Storm Improvements	Luzerne	\$235,993
Lackawanna County Commissioners	Jermyn Borough Rush Brook Creek Flood Control Project 2.0	Lackawanna	\$385,000
TKMG Associates LP	Flood Basin and Flood Wall Improvements	Philadelphia	\$500,000
City of Jeannette	City of Jeannette and Penn Borough Flood Protection Project	Westmoreland	\$325,000

Greenways, Trails and Recreation Program

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Amount</u>
Cumberland Valley Rails to Trails Council, Inc.	Cumberland Valley Rail Trail - Carlisle Extension, Phase 1	Cumberland	\$150,000
Washington County Commissioners	Mon Valley River Access Improvements	Washington	\$247,000
West Creek Recreational Trail Association, Inc.	West Creek Recreational Trail Development - Phase II	Elk	\$150,000
Zoological Society of Philadelphia ("Philadelphia Zoo")	African Plains Trail Stormwater Management Project	Philadelphia	\$250,000
Central Cambria Education Foundation	Regional Inclusive Playground Development Project	Cambria	\$245,762
Millcreek Township Recreation & Parks	Veteran's Park Shelter Phase 2	Erie	\$100,000
Northumberland County Anthracite Outdoor	Anthracite Outdoor Adventure Area Whalback Observation Deck	Northumberland	\$150,000

Adventure Area Authority			
Bowman's Hill Wildflower Preserve Association, Inc.	Bowman's Hill Wildflower Preserve Native Plant Nursery	Bucks	\$75,000
Manor Township	Safe Harbor Trestle Bridge Rehabilitation Project	Lancaster	\$94,000
Mount Oliver Borough	Ormsby Park Improvements	Allegheny	\$70,000
Philadelphia Museum of Art	Path Restoration - Mount Pleasant Estate in Fairmount Park	Philadelphia	\$65,089
Pittsburgh Parks Conservancy	Frick Environmental Center	Allegheny	\$250,000
Allegheny Valley Land Trust	Climax Tunnel Improvements - Phase 3	Clarion	\$150,000
Redevelopment Authority of the County of Fayette	2014 Snowden Square Park Project	Fayette	\$175,000
Williamsport Area School District Education Foundation	Williamsport Area School District Stadium Project	Lycoming	\$242,837
Castle Shannon Borough	Castle Shannon Business District Walking Trail	Allegheny	\$28,560
City of New Kensington	Memorial Park Renovations	Westmoreland	\$250,000
Delaware River City Corporation	K & T Trail	Philadelphia	\$150,000
Hawk Mountain Sanctuary Assn	Accessible Trails at Hawk Mountain Sanctuary	Berks	\$188,000
Queen Village Neighbors Association	Queen Village Gateway Greening Project	Philadelphia	\$50,000
Bedford County Commissioners	Bedford County Natural Heritage Inventory Update	Bedford	\$20,000
Delaware & Lehigh National Heritage Corridor, Inc.	D&L Trail - Lehigh Valley Trail Connectivity Project	Northampton	\$217,375
Kutztown Borough	Kutztown Park Playground Improvements	Berks	\$150,000
Monessen City	9th Street Park and City Park Walking Track Improvements	Westmoreland	\$100,000
Borough of Northumberland	Liberty Hollow Run Trail	Northumberland	\$94,000
Cambria County	Cambria County Duman Lake Park Update	Cambria	\$56,440
Coal Township	Coal Township Recreation Center	Northumberland	\$188,000
Natural Lands Trust, Inc.	Friends Hospital Conservation Easement	Philadelphia	\$150,000
Edgmont Township	Edgmont Township Park	Delaware	\$215,838
Jefferson Township	Jefferson Twp. Lackawanna County Trail Construction Project	Lackawanna	\$76,863
Chalfant Borough	Improvements to Chalfant Municipal Park	Allegheny	\$50,000
East Goshen Township	Paoli Pike Trail	Chester	\$52,500
North Versailles Township	West Wilmerding Park	Allegheny	\$100,000
Rostraver Township	DiVirgilio Sports Complex	Westmoreland	\$201,450
Solebury Township	Solebury Route 202 Gateway Trail	Bucks	\$110,000
South Hanover Township	Park Improvements Project	Dauphin	\$150,000
Township of Upper St. Clair	Morton Complex/Community Gardens Connection - Phase I	Allegheny	\$200,000
Urban Redevelopment Authority Of Pittsburgh	Larimer East Liberty Choice Neighborhood Parks	Allegheny	\$150,000
Blairsville Borough	Blairsville Area Veteran's Memorial Park	Indiana	\$214,383
City of Bradford	Community Parks Trail - Hanley Park Trail & Fitness Area	McKean	\$75,000
Limerick Township	Limerick Trail Segment 11B	Montgomery	\$250,000
Loyalhanna Watershed Association, Inc.	The Watershed Farm Greenway & Trail	Westmoreland	\$89,760
City of Philadelphia	Mantua Greenway	Philadelphia	\$100,000
Mahanoy City Borough	Mahanoy City Borough - North Main Street Playground	Schuylkill	\$120,604
Natural Lands Trust, Inc.	Darby Creek Greenway Addition	Delaware	\$224,000
WSHS Courtyard Fund	West Scranton High School Courtyard Beautification	Lackawanna	\$24,650
Allegheny County Parks Department	Harrison Hills Expansion	Allegheny	\$200,000
Hanover Township	Hanover Township Parks	Luzerne	\$75,000
Mount Pleasant Township	Norvelt Recreation Area-Playground	Westmoreland	\$47,500
Natural Lands Trust, Inc.	Condict French Creek State Park Addition	Berks	\$150,000
BOTTLE WORKS Ethnic Arts Center	Greenways Project	Cambria	\$100,000
McKean Township	McKean Community Park Trails Expansion Project	Erie	\$93,634
Borough of Aspinwall	Sprinkle Park Revitalization	Allegheny	\$74,000
Borough of Steelton	Park Improvements	Dauphin	\$49,349
Forest Hills Borough	Main Park Renovations	Allegheny	\$150,000
Providence Township	Enola Low Grade Trail - Surveying	Lancaster	\$94,000
Riverlife	Mon Wharf Switchback	Allegheny	\$250,000
Chadds Ford Township	Township Trail Connections (Walkable Chadds Ford Village)	Delaware	\$110,000

Borough of West Chester	Barclay Property	Chester	\$100,000
Lower Swatara Township	Shope Gardens and Old Reliance Park Improvements	Dauphin	\$190,000
The Merrill W. Linn Land & Waterways Conservancy	McGinnis Land Acquisition	Union	\$220,700
Bedford Joint Municipal Authority	Bedford Heritage Trail	Bedford	\$170,000
Doylestown Township	Heritage Trail	Bucks	\$182,042
Radnor Township	Clem Macrone Park Master Planning Project	Delaware	\$224,000
Upper Dublin Township	Rapp Run Bridge Replacement	Montgomery	\$200,000
Westmoreland County	Twin Lakes Park Expansion - Phase III	Westmoreland	\$200,000
Derry Township	Loyalhanna Trail Segments 5-6 Trail Plan	Westmoreland	\$107,100
Lock Haven University of Pennsylvania	Clearfield Recreational Trails Project	Clearfield	\$23,495
City of Harrisburg	Playground Renovation Project	Dauphin	\$175,000

Orphan or Abandoned Well Plugging Program

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Amount</u>
Western Pennsylvania Conservancy	Toms Run Well Closure	Allegheny	\$140,000

Sewage Facilities Program

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Amount</u>
Londonderry Township	Londonderry Township Act 537 Plan Reimbursement	Dauphin	\$40,000
Windber Area Authority	Windber Area Authority Act 537 Plan Special Study	Cambria	\$8,985
Borough of Freeland Municipal Authority	Joint Official Sewage Facilities Plan Update Revision	Luzerne	\$28,445
Moscow Sewer Authority	Church Street Sanitary Sewer Extension	Lackawanna	\$24,000
City of Reading	Final Act 537 Special Study	Berks	\$68,685
Strasburg Township	Strasburg Township Act 537 Plan Reimbursement	Lancaster	\$14,000
East Goshen Municipal Authority	Reservoir Road Pump Station Act 537 Plan	Chester	\$37,162

Watershed Restoration and Protection Program

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Amount</u>
Nine Mile Run Watershed Association	Nine Mile Run Rosedale Runoff Reduction Project	Allegheny	\$150,000
Bethlehem City	Monocacy Creek Restoration Project	Northampton	\$100,000
Adams County Conservation District	Adams County Stream Assessments	Adams	\$25,000
Friends of the Wissahickon	Valley Green Stabilization & Sediment Reduction	Philadelphia	\$150,000
Lycoming County Conservation District	Grafius Run Watershed Project	Lycoming	\$53,010
Chester County Conservation District	Construct BMPs on Mushroom Farms in New Garden Twp	Chester	\$60,622
Upper Chichester Township	Jennifer Way Basin Conversion and Streambank Stabilization	Delaware	\$106,000
Western Pennsylvania Conservancy	Impaired Wolf Creek Restoration Project	Mercer	\$39,673
Washington County Council On Economic Development	Starpointe Wetland and Stream Mitigation Plan	Washington	\$293,250
Borough of Delaware Water Gap	Lake Lenape Rehabilitation	Monroe	\$15,000
Mehoopany Creek Watershed Association Inc.	South Branch Mehoopany Creek - Streambank Stabilization	Wyoming	\$77,000
Clearfield County Economic Development Corporation	CCEDC Clearfield Riverfront Redevelopment Project - Phase I	Clearfield	\$150,000
Shenango Township	Shenango Township - Hogback Run Stream Bank Restoration	Mercer	\$114,757

Special Requests

Upon motion by Mr. Verbanac and seconded by Mr. Little, the Board unanimously approved a special request to amend the project scope on Exeter Borough's Luzerne County Local Share Account project (details attached).

Upon motion by Mr. Burke and seconded by Mr. Little, the Board unanimously approved a special request to amend the project scope on the City of Hazleton's Luzerne County Local Share Account project (details attached).

Upon motion by Mr. Little and seconded by Mr. Burke, the Board unanimously approved a special request to modify the loan guaranty on Chestnut Street Hotel, Inc. dba The Hotel Lancaster's First Industries Fund Tourism Guarantee (details attached).

Mr. Dunkelberger briefly explained the special request from Malvern Hill Associates, LP for the Uptown Worthington Business in Our Sites project. He explained that the staff is recommending approval with 4 recommendations; 1) release a lien on 177, 000 sq. feet known as the Towne Center, 2) first mortgage on 339, 000 sq. feet for the remainder of the Towne Center retail land, 3) first mortgage on 158, 000 sq. feet adjacent to Towne Center on the parcel known as M2, and 4) a lien on surface parking located in the sub-condo units. Upon motion by Mr. Verbanac and seconded by Mr. Burke, the board unanimously approved the special request.

Building PA Project Recommendation

Mr. Dunkelberger briefly outlined the \$10,000,000 loan request from the Chester County Economic Development Council for the Uptown Worthington Building PA project. He explained the request is for Phase 3 development of 106 acres located at the former Worthington Steel Site.

Upon motion by Mr. Little and seconded by Mr. Burke, a loan request in the amount of \$10,000,000 to the Worthington Associates Building PA project was rejected on a vote of 5 to 2, with Mr. Karp and Mr. Verbanac casting the dissenting votes, and the supermajority having not been met.

Mr. Brian O'Neill requested to address the Board. Mr. O'Neill introduced himself and gave an in-depth background on the site and the project, along with his personal background in site development. He explained that the project, if completed, will employ over 9,000 people. He added that they currently have 500 full-time construction employees; if approved for the loan requested, an additional 1,000 construction jobs would be created in Pennsylvania. He went on to explain that the loan has been underwritten by DCED staff, by Chester County Economic Development Council staff, and by JP Morgan. He stated that he was asked to have his spouse guarantee the loan, as well. He respectfully requested that the 2 dissenting Board members reconsider the loan, and remove the request for a spousal guaranty.

Chairman asked if any members of the Board would be willing to make a motion to reconsider. Mr. Burke motioned. Mr. Little seconded the motion. Mr. Verbanac requested a discussion regarding the project and Mr. O'Neill's remarks.

Mr. Verbanac stated that he shares Mr. O'Neill's views on the worth of the property. He explained that since 2006, when the Commonwealth invested over \$21.8 million in the form of grants and loans, the project has matured and developed. He added that the Uptown Worthington property is

one of the valuable properties in the region. He said he was pleased to support the motion to release collateral on the BOS project, but feels that when the Board is releasing collateral, it should be replaced with something, when your balance on loans is 100% outstanding and not payable in full until 2027. Mr. Verbanac stated his concerns regarding the Commonwealth's protection, should the developer lose the ability to repay. He stated that because the CFA does not have a first position on the proposed Building PA loan, there is no protection for the CFA. Mr. Verbanac explained, that as Mr. O'Neill continues to develop the property, the Board will be asked to release collateral again and again. He also stated that the developer would be back again, at a later date, for an additional \$10,000,000 in order to complete the final phase of construction, which brings the total Commonwealth investment, in the form of grants and loans, to almost \$44 million dollars. He explained that what the Commonwealth will have at that point would be virtually zero collateral on the Building PA loan. Mr. Verbanac stated that there are countless loans that have provided personal guarantees and it's not an unusual request from the CFA Board. He went on to add that he currently has an \$82,000,000 credit facility with West Bank of First National Bank of Pittsburgh and First Commonwealth Bank of Pennsylvania for the development of Southpointe. He added that his wife was required to sign a personal guarantee. He stated that he feels it's not an unreasonable request. He maintained that he cannot support the project without that guaranty.

Mr. O'Neill responded to Mr. Verbanac's comments. He disagreed that the CFA would not have any collateral to back the Building PA loan. He stated that the Business in Our Sites loan would be paid in full upon completion of Phase 3. He stated that there is a \$7.5 million cash escrow account to back the guarantee on this transaction. He added that his wife will not sign a personal guarantee on this loan, or any loan. He stated that Mr. Verbanac was correct regarding the number invested by the state, but added that the amount of private investment was 12 times that amount. He feels that bringing in private investment of that capacity is exactly the point of the program.

Mr. Verbanac questioned whether Mr. O'Neill would be willing to enter into a stipulation that the interest in that property revert to the CFA. Mr. O'Neill did not agree, but did offer a 4-year term on the Building PA loan. Mr. Verbanac stated that wouldn't be a sufficient guarantee at that point. Mr. Karp stated his concerns with the project, and also requested a personal guarantee.

Mr. O'Neill attempted to clear up some confusion regarding the terms and collateral of the proposed loan package. He again explained that there is a \$7.5 million cash escrow account to back the loan, and a fully negotiated note from JP Morgan with which the state is pari-passu. He also stated two of his companies are guaranteeing completion; and if completion wasn't possible, JP Morgan would have to step in to complete the project.

Mr. Gary Smith, President and CEO of the Chester County Economic Development Council requested to address the Board. He gave a background on the project and its importance to the region. He explained that following the Board meeting, Governor Corbett would be announcing a major \$80 million corporate investment happening a mile away from the project being deliberated. He added that the program was designed to be the extra boost to help projects of this nature. He thanked the Board for the discussion and consideration of the project.

Mr. Burke questioned the exact loan package that is being recommended for approval by staff. Mr. Dunkelberger explained the request for a \$10,000,000 Building PA loan for construction financing, at an interest rate of 5%, with interest payments only for 3 years, and a term of 3 years. He explained collateral during construction would be a shared first lien on the 8.1 acre site known as the Theater District with JP Morgan. At permanent financing, Building PA loan would convert to second lien upon the issuance of a COO on all five buildings with an interest rate of 5%, and a term of 25 year amortization with 10 year balloon. The collateral at permanent would be a second mortgage lien on the

8.1 acre site known as the Theater District subordinate only to a first mortgage lien with JP Morgan Chase. Mr. Burke question whether staff thought proposed collateral was sufficient with loan to value. Mr. Dunkelberger confirmed staff recommended approval with the conditions outlined. He further explained that this loan was previously approved by the Board, but not able to close, due to economic conditions at the time and the senior lender's withdrawal from the deal. He stated the current terms presented are the same terms previously approved by the Board.

Chairman Walker stated there was a motion to reconsider the loan by Mr. Burke, and a second by Mr. Little. He called for a vote. Mr. Verbanac and Mr. Karp voted no on the motion to reconsider the proposed Building PA loan.

There being no further business to come before the Board, upon motion by Mr. Little and seconded by Mr. Burke, the meeting was adjourned at 11:40 A.M.

DATE: September 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

**Exeter Borough
Storm Water Improvements
(Luzerne County)**

Approved: 03/20/13
\$579,265 (Grant)

Requested Change: On March 20, 2013, the CFA Board approved a \$579,265 Local Share Account – Luzerne County Grant for Exeter Borough. Funding is to reduce flooding along Hicks Creek by replacing two inoperable 14” pumps and the deteriorating piping and appurtenant structures. This project has been bid and the cost has come in lower than anticipated by approximately \$74,000.

On September 9, 2014, the CFA Board approved a \$200,000 Local Share Account – Luzerne County Grant for the borough to complete Phase II improvements to the storm water system. These improvements include the replacement of the Hicks Creek pumping station’s roof and doors, installation of a new earthen berm to reduce backwater, and a new storm sewer connection to reduce surface water at the Lehigh and Anthracite Streets intersection. The applicant requested funding of \$255,875 to complete the project.

Exeter Borough is requesting that the scope of work for the first grant be expanded to include the approved scope of work in the recently approved Phase II project. This will allow all Phase I and Phase II storm water improvements to be completed in full.

Recommendation: Approval.

DATE: October 6, 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

**City of Hazleton
Parking Garage Project
(Luzerne County)**

Approved: 09/15/2010
\$2,300,000 (Grant)*
*originally \$4,800,000 over 4 years

Requested Change: On September 15, 2010, the CFA Board approved a \$4.8 million Local Share Account – Luzerne County Grant to the City of Hazleton to be funded as follows: \$1,050,000 in FY 2009 and \$1,250,000 in FY 2010, 2011, and 2012. Funding was for the construction, engineering, and administrative costs associated with the construction of two parking decks, the first two of a planned four-deck garage, above the Church Street Station Intermodal Transit Center. The first two decks were expected to result in 92 parking spaces. In February 2012, the CFA approved a scope of work change to include acquisition, site preparation, engineering, and construction costs to construct an automated parking structure on a vacated parcel of land on the northeast corner of Broad and Laurel Streets, located approximately one block from the Intermodal Center. The robotic/mechanical parking garage (RMPG) was expected to contain a commercial first level with 150 parking spaces above and be completed by March 2014. Due to limited 2011 funding as a result of the Small Business Flood Loan set up in Luzerne County, the CFA requested and the City agreed to defer the anticipated 2011 funding resulting in a contract amendment stating funding approved of \$1,050,000 in FY 2009 and \$1,250,000 in FY 2010 and anticipated funding pending availability of funds and satisfactory performance on project milestones of \$1,250,000 in both FY 2012 and FY 2013. The CFA did not approve the anticipated \$1,250,000 in FY 2012 funds at the March 2013 board meeting. In July 2013, the CFA approved a change in the scope of work to include renovations to the Mine Street Parking Garage and allow the city to purchase the land at Broad and Laurel Streets designated for the Robotic/Mechanical Parking Garage. The CFA did not approve additional funds at the September 2014 board meeting leaving the final approved funding amount for this project at \$2,300,000.

The city has completed the acquisition of land at the corner of Broad and Laurel Streets and the design work for a mechanical garage for that site. The mechanical garage portion of this project will not move forward due to the lack of anticipated funds from FY 12 and 13.

The city is requesting that approximately \$50,000 of the approved available funding be used to make improvements to the Broad and Laurel Street site where the mechanical garage was expected to be located. These improvements include paving for at-grade parking, landscaping, sidewalks, and other site related work as budgeting permits to make use of the now city-owned lot. Additionally, the city is requesting to use the remaining available funds to supplement the previously approved improvements to the Mine Street Garage that came in slightly higher than anticipated.

Recommendation: Approval

DATE: September 24, 2014
SUBJECT: Special Request – CFA Board
TO: Scott Dunkelberger
Executive Director
FROM: Craig Petrasic
Assistant Director, Center for Private Financing

SPECIAL REQUEST – BOARD ACTION REQUIRED

**Chestnut Street Hotel, Inc. dba
The Hotel Lancaster
First Industries Fund Tourism Loan Guarantee**

Approved: 9/9/2014
Approved Amount: \$2,500,000

Requested Change:

On September 9, 2014 the CFA Board approved a \$2,500,000 First Industries Fund Tourism Loan Guarantee of two loans totaling \$6,056,000 (50% of a \$3,785,000 first mortgage loan with a 10-year term, and max of \$607,500 for a \$2,271,000 12-month SBA 504 bridge loan) to be made by the Community First Fund (“CFF”) to Chestnut Street Hotel, Inc. dba The Hotel Lancaster (“Chestnut Street”), to finance the acquisition and renovation of an existing full service hotel and conference center, as well as a 40,000 square feet attached building. The project has now been approved by the Lancaster CRIZ Authority with debt service commitment of \$4,293,176 over 10 years. Thus was not anticipated in CFF’s earlier commitment earlier this summer.

CFF is requesting the following modifications to the guaranty:

1. CFF has now decided not to proceed with the 12 month SBA 504 loan, and to instead combine the two loans into one permanent loan totaling \$6,056,000 with a term of 36 months. The payments will be interest only until July 1, 2015 then amortizing over a 20 year term with a 36 month balloon from the date of closing. The collateral will now consist of the following:
 1. Title insured first mortgage covering real property situate at 26 East Chestnut Street, City of Lancaster, Lancaster County, Pennsylvania. (known as The Hotel Lancaster)

2. First security interest in all business personal property including but not limited to all accounts receivable, inventory, furniture & fixtures, and equipment now owned and hereafter acquired and includes the controlled escrow accounts for debt service reserve, operating reserves, and FF&E reserve
3. Collateral Assignment of Lease between Square Development, L.P. and Chestnut Street Hotel, Inc.
4. Subordination of any and all Developer's Fees per agreed upon terms
5. Consent and Collateral Assignment of Agreement with Inns of Distinction
6. Unlimited Personal Guaranty of John T. Meeder, Samuel N. Wilsker, Lori L. Herr, John N. Thomas
7. Anne K. Meeder has offered her spousal waiver of any future interest in the projects to Community First Fund which is acceptable.
8. Corporate Guaranty of Square Development Management, LLC
9. CRIZ proceeds pledged to debt service

The amount of the guaranty will remain the same, but it will now constitute an approximately 41% guaranty of the combined \$6,056,000 loan. Because there will no longer be an SBA 504 Bridge loan, the guaranty would not be reduced by \$607,500.00 after 12 months, as originally anticipated.

Collateral Value: \$12,300,000 as-built
(Beginning)

Staff Recommendation: Approval

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

SPECIAL REQUEST – BOARD ACTION REQUIRED

Malvern Hill Associates, LP
Uptown Worthington
(Chester County)

Approved: 01/25/06
\$5,000,000 (Loan)

Requested Change:

On January 25, 2006, the CFA Board approved a \$5,000,000 BOS loan to Malvern Hill Associates, L.P. and Malvern Hill Associates II, L.P. (Borrowers) for utilities and environmental clean-up for the development of a "mixed-use" town center located at the former Worthington Steel Mill, East Whiteland Township, Chester County. All funds have been disbursed and the borrower is current on all interest payments. Current balance on the BOS loan is \$5,000,000.

O'Neill Properties Group ("OPG") is in the process of closing on the financing for the next phase of the Uptown Worthington development known as the Theatre District. The Theater District will include 177,000 sq. ft. mixed-use development to be anchored by an 85,000 sq. ft. Cobb Movie Theater and CineBistro restaurant. The construction will be financed with a combination of debt and equity. \$63M will be provided by JPMorgan Chase Bank, N.A. (\$50M), an anticipated \$10M Building PA loan (application submitted), and \$3M additional equity provided by Lubert Adler, a partner in the development.

The \$5M BOS loan is currently secured by a first mortgage on 2 condominium units totaling 328,500 sq. ft. (condominium units B and R-8) known as the Town Center. At the time of the latest modification to the BOS loan, the Town Center was approved for 328,500 rentable sq. ft. Development plans are now approved 510,916 rentable sq. ft. (378,916 sq. ft. retail, 132,000 sq. ft. hotel). Given the increase in density, and subsequently the value, OPG requests the CFA to release its lien on 177,000 sq. ft. within the Town

Center in order to facilitate the construction financing of the Theatre District. The 177,000 sq. ft. will be used to secure the JPMorgan Chase loan and the Building PA loan. The BOS loan will be secured by new collateral, a first mortgage lien on 333,916 sq. ft. of the remainder of the Town Center and additional collateral of a first mortgage lien on parcel M-2 (158,273 sq. ft.). This request is related to a Building PA application being considered by the CFA Board.

Proposed Collateral:

First mortgage lien on 333,916 sq. ft. of the remainder of the Town Center Retail land until full repayment of the debt.

Borrowers will grant the CFA a lien on the surface parking areas located within the sub-condo units representing the collateral. Once construction of those buildings within the CFA collateral and the associated parking spaces are complete, the buildings will be released from the sub-condo unit and the associated parking will be converted to general common elements to be used by all tenants.

Collateral Value:

\$30,300,000

Staff Recommendation:

Approval of the following:

- 1.) Release of CFA lien on 177,000 sq. ft. within the area know as the Town Center.
- 2.) First mortgage lien on 333,916 sq. ft. of the remainder of the Town Center Retail land valued at \$30,300,000 until full repayment of the debt.
- 3.) First mortgage lien on 158,273 sq. ft. adjacent to the Town Center known as parcel M-2.
- 4.) A lien on the surface parking areas located within the sub-condo units representing the collateral. Once construction of those buildings within the CFA collateral and the associated parking spaces are complete, the buildings will be released from the sub-condo unit and the associated parking will be converted to general common elements to be used by all tenants.