

  
**Commonwealth Financing Authority**  
Harrisburg PA, 17120

**Board Meeting Minutes**

**March 10, 2015**

The Commonwealth Financing Authority (*CFA*) board meeting was held on March 10, 2015. Proper notice was given pursuant to the terms of the Act of July 3, 1986 (the "Sunshine Act"). The meeting was held in Executive Conference Room 500, on the fifth floor of the Finance Building located at 613 North Street in Harrisburg, Pennsylvania.

In addition to Chairman Davin, the following Board members were present: the Honorable Randy Albright, Paul Wentzel for the Honorable Robin L. Wiessmann, Marc Little, John Verbanac and Austin Burke. Michael Karp participated via teleconference. Secretary Robin L. Wiessmann and Lisa Taglang joined via teleconference to observe the meeting.

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

Members of the public in attendance: Mandy Book, Yesenia Bane, Jason Brehouse, Stephen Bruder, Will Danowski, Maxine Dennis, Bill Dunagan, Brian Eckert, Ryan Emerson, Josh Funk, Rachel Govelovich, Danielle Guyer, Chelsea Guzowski, Eric Hagarty, Laurie Henry, Rich Hudic, Ron Jumper, Lyndsay Kensinger, Ann Long, Greg Mahon, Guy Orens, Sandi Orth, Tony Payton, Lynne Ruby, Peggy Schaeffer-Montgomery, Leslie Smallwood-Lewis, Chris Stets, Michael Shorr and Jeff Vermeulen.

Chairman Davin called the meeting to order at 10:38 A.M. after acknowledging a quorum of the Board.

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

On a motion by Mr. Burke and seconded by Mr. Verbanac, the Board unanimously approved the December 22, 2014 Commonwealth Financing Authority Special Board meeting minutes, and the January 14, 2015 Commonwealth Financing Authority 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 \$959,156.05.

**Proposed Montgomery County Local Share Account Guideline Changes:**

Mr. Dunkelberger briefly outlined the proposed changes to the Montgomery County guidelines. He stated that the program would open as of April 1, 2015 with applications being accepted until June 30, 2015. He added these projects would be tentatively considered at the November 2015 CFA Board meeting. There were no questions or comments from the board.

Upon motion by Mr. Verbanac and seconded by Mr. Little, the Board unanimously approved the proposed Montgomery County Local Share Account Guideline changes.

### **Proposed Business in Our Sites Guideline Changes:**

Mr. Dunkelberger explained there were now enough Business in Our Sites (BOS) loan repayments to open the program for applications. He added the Board proposed some changes to the Business in Our Sites program guidelines and that he would like to have a policy discussion regarding those changes.

He briefly outlined the proposed changes to the guidelines, related to the interest rates and cash equity requirements when the CFA is listed as a subordinate lender. He explained that the interest rate would stay the same at 2% and 3% when the CFA is in a first lien position, but would increase to 8% or 9%, based on the unemployment rate in the site location, if the CFA is in a subordinate position. He added that 8% or 9% would still be below market rate for mezzanine financing. Mr. Dunkelberger also explained if the CFA is in a subordinate lien position, there would be a 10% cash equity requirement.

Chairman Davin explained that in his previous capacity with Allegheny County, they have utilized BOS often, and it was a critical program for the area and they were able to prepare sites for development. Mr. Verbanac thanked staff and the Board for their hard work on developing guidelines that addressed his concerns with previous loans and grants.

Mr. Little explained that his concern with the guidelines is that there is no mention of minority owned business participation. He stated he would like to see the guidelines include minority and women owned business language. He added that he could provide some proposed language changes for the Board's consideration at a later date.

Mr. Burke asked how many of the current BOS projects list the CFA in subordinate position. Mr. Dunkelberger explained there was not time to pull that exact information together prior to the Board meeting but stated that a vast minority of loans list the CFA in a subordinate position. He provided a list of 13 projects that have private developer, and stated that those are typically the projects where the CFA is not in a first position lien. Mr. Burke questioned how many BOS loans currently existed. Mr. Dunkelberger answered that there are 77 in total.

Mr. Burke questioned how the proposed 10% equity participation would affect non-profit developers. Mr. Dunkelberger explained that he doesn't think there are any BOS loans to an economic development group where the CFA isn't in a first position. Mr. Dunkelberger added that the subordinate position loans are usually commercial projects with leases in place, and are bankable deals. Mr. Burke questioned if the 10% equity requirement would apply to non-profit developers. Chairman Davin confirmed that it would be applicable if the CFA was in a subordinate position.

Mr. Karp questioned that out of the 77 loans made, how many have gone into default. Mr. Dunkelberger answered that there were not any that have defaulted. Mr. Karp questioned how many loans have we stretched out original loans terms to avoid the developer going into default. Mr. Dunkelberger explained that the original deal on some of the loans was that the applicant doesn't make a payment until they sell their first lot, or approve their first lease or after 5 years, whichever comes the soonest. He also explained that on some of the industrial park loans, the economic development organizations are making pre-payments on each lot that they sell, and the accrued interest. He said there is a good amount of the portfolio that isn't amortizing loans, but are making payments as they sell off

the collateral. Mr. Dunkelberger also added that the majority of the projects are for-sale projects, not for-lease projects.

Mr. Karp questioned how many loans there are that have experienced a slower than originally projected sale of lots. Mr. Dunkelberger explained that we need to keep in mind that we are just coming out of the worst recession since The Great Depression, and there probably are some developers out there that have not sold as many lots as what was expected, but he isn't able to answer an exact number to that question. Chairman Davin added that in Allegheny County, the recession caused slower than anticipated activity, but he thinks that within the past year, economic development has started to pick up. Mr. Karp stated that he has concerns with the strength of some of the non-profit developers that come in for funding and they should rely on private developers who have more experience and funds to back the projects.

Mr. Burke stated that it has taken decades in Scranton to attract private developers by improving the area using private funds and unproven programs. Mr. Karp gave the suggestion that the Department solicit applications from proven private developers and that the CFA is not properly exploring the strength of local authorities to do applicable projects with the help from private developers. Mr. Karp included that the change of administration would be a great time to market the programs, in a way that hasn't been done before. Chairman Davin said he feels Mr. Karp is correct and there has been a proposed increase in business marketing by Governor Wolf. Mr. Dunkelberger explained the marketing process when the CFA votes to open a program.

Chairman Davin announced that a vote on these proposed changes would be tabled until a later meeting. Mr. Albright proposed holding a teleconference meeting within 14 days in order to vote on the proposed Business in Our Sites guideline changes. Mr. Dunkelberger requested that Mr. Little send him language he would like to see included pertaining to minority and women owned business participation.

#### **Proposed Building PA Guideline Changes:**

Mr. Dunkelberger briefly outlined the proposed changes to the Building PA program guidelines, related to equity and the requirement of personal guarantees. Mr. Burke questioned how much cash equity would be required on a \$10 million project located on a \$1 million piece of land. Mr. Dunkelberger explained that it would depend on the amount of the Building PA loan. Mr. Verbanac stated his concerns with the Building PA program and what prompted his desire for the proposed changes. Mr. Karp echoed Mr. Verbanac's concerns about developers not including enough of their own money as collateral. Chairman Davin suggested that the Building PA guideline discussion continue during the special Board meeting call planned to take place within 14 days.

#### **Building PA Fund Manager Strategy Approval/Allocation:**

Upon motion by Mr. Burke and seconded by Mr. Verbanac, the Board unanimously approved an investment in the amount of \$6,000,000 to the Pennsylvania Reinvestment Fund, LLC to serve as a catalyst for Building PA program, serving Wyoming and Lehigh Valley areas.

#### **First Industries Fund Guarantee Project Recommendation:**

Mr. Dunkelberger briefly outlined the request. Mr. Karp questioned whether there are ongoing

fees collected from borrowers with similar guarantees. Mr. Dunkelberger stated that there is a 1% upfront, commitment fee but no other fees currently. Mr. Karp stated that this may be something to consider in the future.

Upon motion by Mr. Verbanac and seconded by Mr. Little, the Board unanimously approved a First Industries Tourism Loan Guarantee in the amount of \$1,858,380 to The Reinvestment Fund on behalf of Trailside Lodging, LP for the construction of a new hotel located in Connellsville City, Fayette County.

**Alternative and Clean Energy Program:**

**High Performance Building Projects**

Mr. Dunkelberger briefly outlined the projects. Upon motion by Mr. Burke and seconded by Mr. Verbanac, the Board unanimously approved the following three High Performance Building projects:

<u>Applicant</u>	<u>Project</u>	<u>County</u>	<u>Grant</u>
Council Rock School District	Council Rock - Newtown	Bucks	\$2,000,000
Council Rock School District	Council Rock - Holland	Bucks	\$2,000,000
Manheim Central School District	HPB Doe Run Elementary School	Lancaster	\$2,000,000

**Special Requests**

Mr. Dunkelberger announced there were members of the public representing the 701 W. Lehigh Partners, LP Business in Our Sites special request that would like to address the Board and public. He stated there would be a block vote on special requests 1, 2 and 4. He added the special request relating to 701 W. Lehigh Partners would be voted on separately following the comments from the company representatives. He outlined the three special requests.

Upon motion by Mr. Burke and seconded by Mr. Little, the Board unanimously approved the following three special requests with details attached:

<u>Applicant</u>	<u>Type</u>	<u>Reason</u>
Borough of Harveys Lake	Luzerne County LSA	Change of Scope
Natural Lands Trust	Greenways, Trails and Recreation	Request to Alter Grantee
Eastern PA Development Fund, LLC	Building PA	Fund Commitment Extension

Mr. Dunkelberger briefly outlined the remaining special request to be considered by the Board. Chairman Davin invited the company representatives to the front of the room to address the Board. Leslie Smallwood-Lewis and Guy Orens introduced themselves and thanked the Board for their time and consideration. They gave an overview on the project, its progress and the reasoning of the request. Chairman Davin questioned if the company has an allocation of Low Income Housing Tax Credits currently. Mr. Orens confirmed that they have only applied for them, but they haven't yet been awarded. Chairman Davin also questioned what value of the land was currently appraised at. Mr. Orens stated it was \$350,000. Mr. Verbanac questioned the likelihood of the project moving forward without approval of Low Income Housing Tax Credits. Ms. Smallwood-Lewis said they would then reapply for a 4% allocation and apply for funds through the City of Philadelphia. Secretary Davin questioned the repayment terms on the Business in Our Sites loan. Ms. Smallwood-Lewis answered that it is 2%, 20 years amortized. She added that the first payment began in February of 2013.

Mr. Verbanac stated that he feels that the CFA has a responsibility to understand all of details before he can approve the release of such a large piece of collateral. He added that there has been value added to the property by the developer but he is hesitant to release the last remaining first mortgage position remaining within the property. Mr. Verbanac stated he would like the inter-creditor agreement reviewed by chief counsel prior to taking a vote.

Chairman Davin stated that the special request from 701 W. Lehigh Partners, LP would be tabled until a later date, following a review of the inter-creditor agreement by DCED's legal counsel.

There being no further business to come before the Board, upon motion by Mr. Verbanac and seconded by Mr. Karp, the meeting was adjourned at 11:49 A.M.

**DATE:** February 17, 2015  
**SUBJECT:** Special Request – CFA Board  
**TO:** Scott Dunkelberger  
Executive Director, Commonwealth Financing Authority  
**FROM:** Mandy Book  
LSA Program Manager

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**SPECIAL REQUEST – BOARD ACTION REQUIRED**

<b>Borough of Harveys Lake</b>	<b>Approved:</b> 03/13/2012
<b>Police Building Renovation and Relocation Project</b>	\$78,220 (Grant)
<b>(Luzerne County)</b>	

**Requested Change:** On March 13, 2012, the CFA Board approved a \$78,220 Local Share Account – Luzerne County Grant for the Borough of Harveys Lake. Funds were approved to renovate an unused recreation center on Little League Road into a police station. The project was expected to result in the police department moving from their current unsecured building along Route 415 into the renovated building on Little League Road and, as a result, the borough offices would be relocated from the Sewer Authority building to the existing police station. On August 20, 2013, the CFA Board approved a modification to the scope of work to renovation of the current police station with no movement of the borough offices.

The borough is requesting an additional change in the scope of work from updating the current building to purchasing and constructing a new modular building on borough property. Borough Council, after review with the borough engineers, contractors, and residents, has determined that the cost of updating the current building to proper safety standards for officers and residents will be better served in purchasing the new modular building. A geotechnical engineering study has been completed and determined that the project is feasible for construction at the proposed location. Council has committed to financing the balance of the new project cost through the borough's general fund.

**Recommendation:** Approval.

**DATE:** February 19, 2015  
**SUBJECT:** Special Request -- CFA Board Meeting March 10, 2015  
**TO:** Scott Dunkelberger  
Executive Director  
**FROM:** Brian Eckert  
Director, Site Development Division

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**SPECIAL REQUESTS -- BOARD ACTION REQUIRED**

**Natural Lands Trust  
Darby Creek Greenway Addition  
(Delaware County)**

Approved: 10/21/2014  
Approved Amount: \$224,000

**Requested Change:**

On October 21, 2014, the CFA Board approved a \$224,000 Greenways, Trails and Recreation Program grant to Natural Lands Trust, Inc. for the acquisition of land in Darby Borough, Delaware County. The goal of this project is to permanently protect the 35-acre Little Flower Manor for use as a trailhead for a trail along the Darby Creek and potentially parkland in a very dense and underserved part the county.

Natural Lands Trust and Delaware County have partnered for the preservation of this land and they are requesting that the CFA allow the grantee to be changed from Natural Lands Trust, Inc. to Delaware County. It has always been the intent to transfer the land to Delaware County once the land had been acquired. By changing the grantee to the county it will provide a cleaner chain of title and allow the county to acquire the property directly. The county is an eligible applicant under the Greenways, Trails and Recreation program.

**Staff Recommendation:** Approval

**DATE:** February 19, 2015  
**SUBJECT:** Special Request – CFA Board  
**TO:** Scott Dunkelberger  
Executive Director  
**FROM:** Brian Eckert  
Director, Site Development Division

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**SPECIAL REQUEST – BOARD ACTION REQUIRED**

**Eastern PA Development Fund, LLC**

Approved: 4/13/2009  
Approved Amount: \$6,000,000

**Requested Change:** On April 13, 2009, the CFA Board approved a Building PA allocation to the Eastern PA Development Fund, LLC (EPADF) for urban in-fill, revitalization, and adaptive reuse projects to assist multi-use projects within the Lehigh Valley and Scranton/Wilkes-Barre area and other third-class cities in Eastern Pennsylvania.

Eastern PA Development Fund, LLC is currently working on a project that they intend to be submitted under BPA program. However, additional time is needed to work out the feasibility and financial structure with the developer and tenants. Therefore, EPADF is requesting an extension for the submission of their first project to December 31, 2015.

**Staff Recommendation:** Approval of an extension to submit their initial Building PA project until December 31, 2015.