

**Meeting Minutes**  
**State College Borough Redevelopment Authority**  
**October 13, 2016**

The State College Borough Redevelopment Authority (RDA) met on Thursday, October 13, 2016 in the State College Municipal Building, 243 South Allen Street in Room 241. Chairman Lenker called the meeting to order at 12:00 p.m.

**Members Present**

Sally Lenker, Chairman; Donald Hahn, Vice-Chairman; Silvi Lawrence; and Colleen Ritter.

**Others Present**

Ed LeClear, Planning Director; Jenna Wargo, Planner; Sarah Smith, Staff Assistant; Roger Dunlap, Chief Financial Officer/Assistant Manager; Dwight Miller, Manager of Financial Services; Gary Miller, Ron Madrid, Susan Venegoni, Jay Hummer, and John Stitzinger.

**Approval of Minutes**

A motion was made by Ms. Ritter to approve the minutes of August 17, 2016 as corrected and seconded by Ms. Lawrence. The vote was unanimously in favor.

**Chair Report**

Chairman Lenker had nothing to report.

Ms. Lawrence briefly discussed her appreciation for the arboretum.

**Public Hour**

No citizens were present to discuss items not on the agenda.

**Financial Issues**

Review of 2016 Year-to-Date Financial Status and 2015 Year End Record

Mr. LeClear reviewed the Financial Status for the Redevelopment Authority. Mr. LeClear's presentation included:

- Revenue sources
  - .25% of the Real Estate Transfer Tax
    - 2015 (\$174,565)
    - 2016 (\$291,604 – Projected)
  - Kemmerer Road loan repayment
  - Debt incurred from the HIP Line-of-Credit (Not actually revenue)

- Mr. Dunlap explained that the budget amortizes the losses from the HIP houses.
  - Sales of Capital Assets (\$676, 795)
    - Projected Year End upon projected sale of 4th house (\$926,795)
- 2016 Community Development (HIP) Program Costs
  - Price write down on houses (\$160,917)
  - Real Estate Commissions (\$54,381)
  - Administrative cost (\$38,671)
  - Carrying/Repair/Service costs (\$14,564)
  - Interest on Debt (\$7,705)
  - Indirect cost (\$3,560)
  - Total 2016 Cost (\$272,093)
- 2016 Economic Development Program Costs
  - Kemmerer Road Loan Payment (\$36,000)
    - Covered by payments from Housing Transitions
  - Personnel/Operating Program/Advert (\$4,100)
  - Professional Services (\$70,220)
    - NDC contract for 2016 (\$37,500)
    - Possible due diligence costs up to \$24,000
  - Centre County Economic Development Partnership (\$34,959)
  - Total 2016 Economic Development Costs minus Kemmerer (\$109,279)

### Review of Proposed 2017 Redevelopment Authority Budget

Mr. LeClear's presentation included:

- 2017 Community Development (HIP) Program Costs
  - Projected seven acquisitions (\$285,000 per house)
  - Projected seven sales (\$255,00)
  - Projected Program costs
    - Price write-down x 7 (\$210,000)
    - 5.5% sales commissions x 7 (\$98,175)
    - Rehab and carrying cost estimates (\$43,750)
    - Staff administration costs (\$41,063)
    - Debt service (\$35,670)
    - Total Costs (\$425,658)
      - To put in perspective: The annual load for a police officer is \$100,000.
  - Indirect costs (\$4,297)
  - Difficult to defend before council because it is a high cost compared to the benefit.
- Kemmerer Road Loan Payment (\$36,000)
  - Covered by payments from Housing Transitions
- Personal/Operating/Program/Advert (\$5,300)
  - Previously were charging staff costs to HIP, but not Economic Development. Proposing to start charging these costs to the RDA budget.
- Professional Services (\$104,130)
  - NDC Contract (\$30,000)
  - Admin Staff costs (\$20,530)
  - Possible due diligence costs up to \$35,500 (unlikely this high)
- Centre County Economic Development Partnership (\$31,000)

- Total 2017 Economic Development Costs minus Kemmerer (\$140,430)
- Mr. LeClear explained that the numbers presented were the current numbers in the budget. He noted that the numbers could change as the budget was discussed and approved or modified by Borough Council.

Authority's' comments included:

- Ms. Lenker inquired if the RDA gives money to the Economic Development Partnership each year and Mr. LeClear responded that they did, but only on the Economic Development side of the RDA budget not the HIP side.
- Mr. Hahn inquired if the anticipated loss came from the previous year's history. Mr. LeClear explained that if the program transitioned to a ground lease then some of the costs would be reduced, but the end value would be approximately the same because it would also remove the land value from the property.
- Ms. Lenker inquired how the land value would be kept on the books. Ms. Ritter noted that it would be recognized as an asset on the financial statements as encumbered land.
- Mr. Hahn inquired if the program was already having a \$30,000 price loss then why would the RDA want to move to a lease agreement. He suggested simply adjusting the covenants to be more purchaser friendly. Mr. LeClear stated that would be a good policy discussion to have later. He noted that Borough Council was comfortable with the ground lease program, but the RDA would not have to proceed with that.
- Ms. Lenker noted that the RDA would be dealing with sophisticated buyers who might want to take either option.

Mr. LeClear explained that in the past, the RDA has never voted on the budget and he inquired if the RDA wanted to vote on the budget or leave it as a staff function. Ms. Lenker and Ms. Lawrence stated it should remain a staff function. Mr. Hahn stated that he would like to show support in some way. Mr. Dunlap stated that the only function of Borough Council would be to approve the appropriation of the transfer taxes from the budget. He noted that this was a variable as the number of properties and the amount of transfer taxes all change. There was also some discussion regarding whether Council would allocate a fixed dollar amount or a percentage of the transfer taxes. Mr. Dunlap also noted that the RDA is accumulating debt and at some future date the debt would need to be paid back.

Ms. Lenker inquired over what period of time would the debt be amortized and Mr. Miller explained that a line of credit is not amortized, but that it comes to an end at a certain point and then would need to be paid off or turned into another type of loan. Mr. Dunlap noted that it was an interesting loan because the assets would already have been sold when the debt came due. Mr. Dunlap cautioned that the RDA needed to keep in mind that the debt will need to be paid off when it comes due and they need to have the money from the transfer tax appropriation would cover that cost at that time.

Mr. Hahn noted that all the RDA assets were liquid, but he inquired that once the assets are sold would that not be enough to pay off the debt. Mr. Miller responded that as of September, there was an asset that was \$307,000 and a loan of over \$578,000. Mr. Hahn inquired what happened to the money that was in the bank and Mr. Miller noted

that was available, but if that was used to pay down the loan then there would not be any money to pay any Economic Development activities.

Ms. Lawrence noted that the HIP was a great program, but was it worth the cost and could it be sustained?

Ms. Lawrence made a motion that the RDA Budget be presented to Borough Council with a note that the RDA had reviewed it and authorized Mr. LeClear to make the presentation. Mr. Hahn seconded the motion and the vote was unanimously in favor.

Mr. LeClear noted that he also wanted to discuss drafting a purchasing policy and a policy for rehabilitation for the properties. He will draft a policy and have it for the RDA to review at a future meeting.

Mr. Dunlap noted that there was an incident where the question came up where he was unsure if he could approve a project that was outside of the Borough and what the parameters would be for Borough staff to be able to approve something. Mr. Dunlap was also requesting that there be a written policy on purchasing, rehabbing, etc.

## **Community & Economic Development**

### Homestead Investment Program (HIP) Update

Mr. LeClear provided an update on HIP which included:

- Reviewed the Goals of the HIP Program
  - Maintain safe, stable and attractive neighborhoods through the expansion of housing initiatives by encouraging and fostering home ownership.
  - Develop additional housing, especially workforce housing, by expanding the supply of workforce housing either through expanding affordable home ownership programs or through increasing the supply of affordable rental housing for households where one or more of the members of the house are employed.
- Staff explored other options to meet the program mission at a cost of \$61,000 per house.
- If the “asset-based” initiative was considered too expensive, could the focus be placed on the geography of the property.
- Some student homes are not ideal for homeownership because of their location, their maintenance, or their size (too large).
- If using geography could use either
  - A Homebuyer oriented
    - Percentage down/closing cost assistance to buy on tipping block.
    - Larger down payment/closing cost to purchase a current student home and abandon the use.
    - Length of term/forgiveness standards to be determined.
    - Idea would be to give a loan to a buyer and holding the note. This would be a second mortgage on the property.
  - Current Student Home owner, or investor buying a Student Home
    - \$30,000 loan to purchase and/or rehabilitate the property in exchange for abandoning the Student Home use

- Length of term/forgiveness standards to be determined.
- Reviewed maps and noted that 557 parcels would have to be converted from rental back to owner to get the tipping blocks down to 25%. At \$61,000 per property that would be \$33,977,000.
- Mr. Dunlap noted in a budget environment where there are operating needs and capital needs, every department and agency needs to question if the program they are working on is an investment that is necessary in this type of environment.

Authority's' comments included:

- Ms. Lenker inquired why the RDA could not be the primary lender on the property. There was some discussion regarding this suggestion. Mr. LeClear noted that the Borough was usually in the second and possibly the third position when working on projects like this.
- Ms. Lawrence inquired about the other options that were originally discussed when HIP was brought up such as a tax rebate or a forgiveness.
- Mr. Hahn noted that banks do a lot of work when it comes to mortgages including the monthly bills, litigation, bankruptcy, etc. He was not comfortable with the suggestion of becoming a second mortgage holder and getting into a situation where the RDA might not get back a portion of the funds. Mr. Hahn also noted that he had been critical of the second mortgage of the Fraser Center. Mr. Miller noted that the RDA was giving up \$61,000 per house with the current way that HIP was run. Mr. LeClear noted that with the mortgage idea there would be a chance at getting the money back while with the current way there would be some sort of loss.
- Ms. Lenker noted that she was encouraged that the HIP was getting recognized.
- Ms. Lawrence inquired about the suggestion of focusing on geography and suggested some type of tax forgiveness program. Mr. LeClear noted that there were some difficulties with a tax forgiveness program.
- Mr. Hahn suggested only focusing on certain zoning districts rather than all of them. Mr. LeClear responded that staff could narrow the focus to R1 and R2.
- Mr. Hahn brought up a previous discussion of eliminating student housing. He suggested modifying the covenants so that rentals are allowed, but the student rentals are not. There was some discussion on this point.
- Ms. Lawrence suggested that Mr. LeClear report to Council that there were several ideas presented to the RDA and that staff and RDA would like to investigate those ideas further. She requested that Mr. LeClear figure some dollar amounts to the ideas and see which would be the most viable.
- There was some discussion regarding whether the inclusionary housing could be used for Community Land Trust.
- Ms. Ritter inquired what the acceptable losses would be. Mr. LeClear stated that he would try to re-run the numbers and see what the data would show.
- Mr. Hahn noted that if Borough Council got the impression from the residents that the amount of loss was worth it then the program might get left to run as is.
- Mr. Hahn inquired about possible repayment of a second mortgage. Mr. LeClear stated that those details would have to be worked out. He stated some Borough programs are forgiven over time and some are paid back so staff and the RDA would have to make those determinations. There was also a suggestion of forgiveness over a period of time on a sliding scale. Ms. Lenker noted that this

program would be looking at a different economic level as many of these buyers should be able to repay the loans.

- Ms. Lenker noted that the sense she got was that people did not like the parameters of the program.
- Mr. Hahn stated there were difficult to quantify intangibles with this program including higher property values and the increases in transfer taxes.

Public comments included:

- Ms. Venegoni inquired about money from the inclusionary housing being applied to the HIP. Mr. LeClear noted that could use money from that fund towards HIP houses. This program could use several affordable housing programs towards buying houses in this program. The inclusionary housing fund was assigned to the HIP and it had around \$600,000.
- Ms. Venegoni inquired what would happen to the inclusionary housing money if HIP would cease. Mr. LeClear stated he would go to Borough Council to discuss that if that should occur.
- Mr. Stitzinger expressed appreciation for Mr. Hahn's suggestion of keeping the covenant against student homes, but allowing for other types of rentals.
- Ms. Venegoni stated that there would not be enough personnel to enforce the covenant of 'not student rentals'. She also noted that she thought the goal was to increase homeowners not just to decrease rentals. Mr. LeClear noted that the deed restriction would allow the Borough to enforce the covenant and would also allow a neighbor within a certain distance to enforce the covenant.
- Mr. Madrid noted that he did not see any reference to students in the objectives. He also noted that the program was set up to lose money which would be one more program that residents are required to pay for. He inquired where the program stood in a cost benefit evaluation. He also noted that when there is a second mortgage, there is some of the costs coming in every month as well as there being the potential to recover some or all the expense. Ms. Lawrence stated there was one benefit of putting tax payers into houses rather than tenants. Mr. Madrid noted that it would take many years to pay back the loss. Mr. LeClear noted that of the three houses that had already been purchased, only one was adding EIT. The other two houses were purchased to keep them from becoming student homes. He also stated that there were very few student homes that go on the market and the ones that do need rehab.
- Ms. Venegoni noted that the EIT income was not the only benefit to the program, but there is also the net gain of the decrease for the need for municipal services. Mr. LeClear stated that there were no data on that benefit.
- Ms. Venegoni inquired if there was any money in the program to sell the benefits of homeownership in the Borough. Mr. LeClear stated there was some money in the budget for advertising.

Mr. LeClear stated that he would get through the budget discussion and then he and his staff would start to redo the analysis and fill out the numbers.

Ms. Lawrence inquired about the Art Alliance as she had heard they had received a monetary gift and whether they would be able to pay for their space. Mr. LeClear stated that he had some dialogue with them, but there was always a problem with the commercial space uses in the buildings.

## **Adjournment**

With no further business to discuss, Ms. Ritter made a motion to adjourn the meeting at 1:39 p.m. and Mr. Hahn seconded the motion.

The Redevelopment Authority then convened to an Executive Session.

Respectfully submitted by,  
Sarah E. Smith, Staff Assistant