



COMMITTEE of the WHOLE

CITY COUNCIL

SUMMARY
August 1, 2022
5:00 P.M.
Hybrid Meeting

COUNCIL MEMBERS PRESENT:

D. Reed, C. Daubert, M. Ventura, M. Goodman-Hinnershitz, J. Cepeda-Freytiz (in person)

OTHERS PRESENT:

L. Kelleher, M. Rodriguez, F. Lachat, J. Stoudt, J. Miravich, E. Stock, S. Keppen, F. Denbowski (in person), S. Smith, B. Murray, M. Lynch, BCTV (virtually)

The meeting was called to order at 5:07 pm by Ms. Cepeda-Freytiz. She announced the need for an executive session to consult with legal counsel at 5:09 pm. The following officials attended the executive session were the five (5) members of Council listed above, F. Lachat, L. Kelleher, M. Rodriguez, J. Miravich, and F. Denbowski. Mr. Butler joined the session at 5:30 pm.

The executive session concluded at 5:51 pm and the meeting was reopened to the public.

I. Reading Housing Authority re River Oaks Loan Forgiveness

Reading Housing Authority (RHA) Executive Director Stacy Keppen stated that while the RHA had many months to analyze the River Oak problem, they only provided a 10,000 foot view of the situation at the previous meeting. She stated that financial information beginning with the last external audit has been provided and shared with Council electronically. The financials moving forward assume that the notes and loan payments take place and the required capital improvements occur. The PHFA required capital reserve is \$1,000 per unit per building per year. There was no capital reserve when the River Oak building was acquired and due to the existing financial implications no reserve was developed between 2008 and 2022 which is why the RHA is seeking assistance from the City and the PHFA.

Ms. Keppen stated that the financials assume rent increases beginning in 2025 to 2027, with capital improvement debt service beginning in 2024. In 2025-26 an operating deficit of \$46,000 per year begins. In 2027 due to the rent increases the deficit is reduced to \$7,000 per year;

however, in 2030 debt service to the City begins and the deficit grows from \$25,000 to \$80,000 in 2038 totaling \$630,000. The PHFA note becomes payable in 2039 and the RHA will be unable to meet that obligation. Many approaches were explored and the RHA has found that there is no way to turn this obligation around. Without debt release now the RHA will be unable to seek financing for additional projects moving forward. She noted that the RHA understands the gravity of this request and the need to preserve the housing provided to those who rely on residing at River Oaks.

Ms. Goodman-Hinnershitz noted her understanding of the problem at hand. She questioned the impact on the City. Mr. Denbowski stated that as 2030 is beyond the City's 5 year planning, the City has not made any projections on how the forgiveness of this loan would impact the City or how the loss would impact loans for other projects.

Ms. Reed thanked Ms. Keppen for her succinct report. She agreed with the need to approve the forgiveness to benefit the RHA's ability to continue to provide quality affordable housing. Public money used for a public purpose. She agreed that in the past the City mismanaged loans to private entities, which left the City unable to collect on loan payments due to the City. However, this situation is different.

Mr. Denbowski stated that the administration agrees with the forgiveness of this loan as the forgiveness will enable the RHA to make capital improvements to the building and continue to provide safe, decent affordable housing to those who require it. The forgiveness will allow the RHA to make the required capital investment in the building and modify the agreement with the PHFA.

Mr. Daubert questioned why the City believed that someone inappropriate would purchase the building in 2008 when the owner announced his intent to walk away. Mr. Stock stated that the City administration came to the RHA asking them to purchase the property and therefore the RHA stepped up.

Mr. Daubert inquired about the percentage of market rate units in the River Oak building. Ms. Keppen stated explained mixed income properties. The projections were based on 1/3 of the units at the building becoming market rate.

Mr. Daubert questioned if the property will become self-sustaining. Ms. Keppen predicted that if the City trajectory remains consistent rents at the building may at some point in the future become more self-sustaining but will not yield a profit.

Ms. Reed noted the importance of this building and riverfront development.

Mr. Butler inquired about why the City thought the building would fall into the wrong hands. Ms. Reed provided examples over the past 40 years regarding speculators who purchase properties and hold them without making any investments. She noted the many vacant

buildings in the past and the present such as the former Reading Eagle building, the Madison and the Berkshire owned by one developer.

Mr. Butler inquired about the current RHA properties. Ms. Keppen stated that the RHA currently owns Sylvania, River Oak, Emma Lazarus and the Glenside and Oakbrook Developments for a total of approximately 2,000 units.

Mr. Butler inquired about the value of River Oak. Ms. Keppen stated that the property was last appraised in 2018 and the value was set at \$1.8M.

Ms. Cepeda-Freytiz stated that she recently toured this well-kept building and found that it is a great environment. She questioned if the RHA is able to repay any portion of this debt, noting that Council recently negotiated a similar agreement with a private developer. She noted the need to keep policies consistent. She inquired about the number of other loans that are unresolved.

Mr. Denbowski noted that the City stopped making loans years ago due to its inability to manage and collect on these loans. He noted that many loans issued to private businesses had mixed messages leaving those businesses with the belief that the loans were really grants and did not need to be repaid. He stated that he will inquire about the number of remaining loans, noting that these loans often place the City in a 2nd or 3rd lien position which makes them difficult to collect.

Ms. Cepeda-Freytiz questioned if this request has a deadline. Ms. Keppen stated that there is no deadline but the PHFA cannot decide on their next step until there is a decision from the City. She noted that the RHA cannot invest in other projects until this issue is resolved.

Ms. Goodman-Hinnershitz agreed that consistent policy is required but she noted the need to differentiate between for profit and non-profit agencies.

Ms. Reed noted her support for the RHA's position as it will benefit City residents.

II. Public Safety Reports

- Police

Mr. Denbowski stated that the Police Chief is attending a conference and there will be no report.

Ms. Reed questioned why the Deputy Chief is not at the meeting in place of the Chief to provide a report on the three (3) shootings that occurred over the past two (2) days. She expressed the belief that the public is owed some response to these incidents, noting that she happened upon the release from the Police Department on Facebook and the Police website. She questioned why there was not a press release on this issue. She stated that lack of

reporting makes the public believe that there is no response to these situations. Lack of public information allows inference and assumptions by the public and the media.

Ms. Goodman-Hinnershitz agreed, noting the need for the administration to inform City Council when incidents like this occur so Council is prepared to respond to questions from constituents. She stated that neighborhoods are traumatized by these events and the City is responsible to restore their sense of security.

Mr. Denbowski stated that the Police Department is addressing these individual situations which are unrelated to each other.

Deputy Chief Ruiz arrived and stated that the three (3) incidents are under investigation and information is being gathered on each incident. He confirmed that the three (3) incidents are unrelated. He stated that Captain Pentheny is Acting Chief and is handling the investigations while he plans the National Night Out event. He stated that there are no safety issues for the public.

Ms. Goodman-Hinnershitz thanked the Police Department for their work at the 11th & Cotton area to clean-up the problems.

Ms. Cepeda-Freytiz stated that tomorrow night is National Night Out in the 400-500 blocks of Penn Street. She noted the need for the administration to send a representative when department directors need to miss a meeting when a report is expected.

- Fire

Chief J. Stoudt highlighted the report distributed electronically. He noted that the 9th & Marion fire station project is expected to conclude in mid-December. He stated that there were 1550 EMS calls and 582 Fire calls.

III. Administrative Report

- Finance

Mr. Denbowski stated that the Finance Director has a personal day today. Ms. Kelleher confirmed that he is not connected virtually.

Mr. Denbowski stated that in the future an executive summary of the finance report will accompany the financial information.

- HR

Mr. Denbowski stated that the department has been working to fill vacant positions. He noted that the Public Works Director and HR Director positions are being handled by Keystone Municipal Solutions and referrals are on hold until the new managing director begins. Keystone is currently working on amending the job descriptions and evaluating the starting

salaries based on the salaries offered in five (5) other municipalities. He noted that prior applicants for these positions withdrew after learning the amount of the salary.

Mr. Denbowski stated that the acting WWTP manager accepted the position, causing the WWTP to be fully staffed. He stated that the City is seeking a Planning Manager. He stated that there are some Downtown Ambassadors on staff and that some recent hirings leaves Property Maintenance fully staffed; he stated that this Division has 31 employees.

Ms. Ventura inquired about the number of Zoning positions. Mr. Denbowski stated that there is one (1) Zoning Administrator and two (2) Inspectors.

Ms. Cepeda-Freytiz noted the need for the administration to add various retention incentives such as educational reimbursement, moving expenses and other incentives for City employees who are City residents. She also noted the need to conduct exit interviews as that can help provide guidance on why the City has so much turnover. She suggested that the administration speak with the local colleges about training and education discounts for City employees.

IV. Other

Mr. Butler inquired about the vote on the ARPA recommendations. Ms. Cepeda-Freytiz stated that the ordinances will be introduced on August 8th and the two week layover period delays any votes until August 22nd.

Ms. Kelleher suggested dedicating time at the August 8th COW to begin working through which of these recommendations need to be considered separately.

Ms. Goodman-Hinnershitz stressed the need for the contract language to be perfected prior to the vote and the need for the inclusion of all reporting requirements in the contracts.

The meeting adjourned at approximately 6:45 pm.

*Respectfully Submitted by
Linda A. Kelleher, CMC, City Clerk*