

Budget Review Meeting
Monday, October 20, 2014
Penn Room

Attending: J. Waltman, F. Acosta, D. Reed, C. Daubert, D. Sterner, S. Marmarou, C. Snyder, L. Kelleher, C. Younger, D. Pottiger, C. Zale, D. Cituk, M. Bembenick, V. Spencer, A. Boscov, B. Lowenstein, A. Mukerji, L. Agudo, R. Natale, F. Lachat

Mr. Acosta and Mr. Waltman called the meeting to order at approximately 5:25 pm.

Penn Square Properties

Mr. Agudo introduced Mr. Boscov and provided background about the properties purchased by the administration in 2013.

Mr. Boscov stated that the Callowhill building is a nine (9) story building that will contain first floor commercial/retail with the upper floors used for incubator space and work/live housing for artists. He stated that 25 artist housing units are available in the Goggleworks area. He stated that he is open for additional ideas. He stated that he is working to get a bank interested in the former bank building; however, the banking industry no longer wants to operate in large bank buildings. Banks now prefer smaller spaces with drive-through abilities. He noted that the City would retain ownership of the buildings and receive the rents collected, after expenses.

Mr. Boscov stated that the smaller building next to the bank building may be salvageable but the property is in a state of serious disrepair. He expressed the belief that the building should not be used as a parking garage due to the available space. He noted that there is available parking in the existing parking garages.

Mr. Boscov stated that he is working to bring a four star Chinese restaurant into the available retail space in the 2nd and Washington garage. He described his outreach to the State and Federal governments for financing and grants for the Penn Square project and for the 2nd restaurant. He stated that Our City Reading is prepared to take this chance to assist the City in its redevelopment efforts. He expressed the belief that his project will be a compliment to the downtown, the Main Street vision and the existing projects such as Entertainment Square and the new luxury hotel. He stated that Bill Lowenstein assisted in the planning for the projects.

Mr. Boscov stated that although Council wants him to be open to working with other developers on this multi-building project, he will not work with a committee or others. He stated that he will rely solely on the mayor as his point person. He also stated that

he will follow his own vision for the properties and the area, as he has the ability to turn nothing into something. He stated that he plans to walk away, if Council disagrees.

Mr. Boscov stated that the second phase of Goggleworks is planned. He stated that he will place serious effort to finding tenants for the Penn Square property buildings with area agencies.

Mr. Boscov described the tax abatements associated with the Goggleworks Apartments. He explained that Historic Tax Abatements will be used for the Penn Square properties. He explained the Tax Code requirements for using Historic Tax Credits. He stated that the Tax Code requires a partnership that includes a limited partner and that limited partner must withdraw from the partnership in five (5) years.

Mr. Lowenstein explained that the BEDI funding currently assigned to the Ricktown project must only be used for economic development and that low income housing is not permitted in this program area.

Handouts explaining the tax credits, the highlights of the development agreement and the partnership were distributed.

Mr. Acosta expressed the belief that middle income units are more desirable for the downtown area. He noted that artists do not earn middle income salaries. Mr. Lowenstein replied that while artists do not earn middle income salaries, they do attract re-gentrification and those who earn higher income levels. He cited other cities where artist housing worked such as Hudson, NY.

Mr. Waltman stated that Council approved a resolution containing four (4) stipulations requiring a timeline, marketing, inclusion of other developers and no housing other than market rate housing. He questioned why those stipulations are not in the ordinance presented at the October 13th regular meeting.

Mr. Boscov stated that the Council stipulations were discussed. He stated that he will not work with other developers and that the HUD required use of the BEDI grant within 15 months is his timeline.

Ms. Snyder stated that the resolution was in response to the RFP and allowed the administration to negotiate the terms of the development agreement. The ordinance seeks approval of the negotiated development agreement.

Mr. Acosta and Mr. Waltman stated that Council was not made aware that the ordinance will approve the development agreement. They stated that the administration informed Council that Mr. Boscov walked away from the deal approved by Council resolution. They noted the accompanying articles in the Reading Eagle.

Mr. Acosta questioned the development plan for the Penn Square properties.

Mr. Lowenstein explained Mr. Boscov's vision for Entertainment Square and for the luxury hotel, which will match his vision for the 400 block of Penn Street.

Mr. Acosta made it clear that he is not attacking Mr. Boscov personally or Mr. Boscov's vision. He noted that the three (3) areas are disconnected. He questioned what will be done to create a pedestrian friendly environment that connects 2nd and Washington with the 400 block of Penn Street and the hotel and arena. He questioned how the BEDI money approved for Ricktown will be moved to the Penn Square properties.

Mr. Lowenstein stated that when the ordinance is approved, they will apply to the Federal government to move the money to the Penn Square project, along with making application to the Secretary of Commerce for funding to have a 2nd restaurant in the 2nd and Washington garage.

Mr. Boscov stated that in the first phase of the project the buildings will be rehabbed. He stated that not all artists are poor. He noted that artists attract visitors and visitors draw restaurants and retail. He listed cities that have used this application successfully.

Mr. Spencer described the visit to the Strawberry Square area of Harrisburg last week. This area was developed by Harristown Development in the mid 1980's post-flood Agnes. He stated that the project developed over approximately 10 years, as do many projects. He noted the need to make a time commitment to this site. He expressed the belief that the features in Reading are similar to those in Harrisburg.

Mr. Boscov noted the need to cure the mold issues within the smaller building that had roof issues. He again expressed his desire for a bank to move into the former bank building, although banks are no longer interested in locating within large facilities.

Mr. Sterner suggested moving forward as there are no other developers that expressed interest, other than Shuman Development Group.

Mr. Boscov stated that the majority of the funding for the project will be coming from investors affiliated with Our City Reading and his family. He stated that while he is

open to hearing people's opinions, he must have the ability to make decisions to improve the City. He stated again that he will walk away if Council disagrees with his vision.

Ms. Reed expressed the belief that Council should have some role in the decision making for this project as Council approved the purchase of the properties. She noted the need for Council to make sure that the fiscal decisions made are sound.

Mr. Daubert expressed concern with the stability of the buildings, noting that the City cannot afford to lose these historic buildings. He expressed the belief that artists will bring a good vibe to the downtown.

Mr. Acosta stated that currently there are too many disjointed visions for the downtown. He listed the many conflicting organizations and agencies with different visions and plans that contradict each other.

Mr. Lowenstein stated that in the first phase the \$2.5M BEDI grant will be used for rehab and for commercial/retail space on the first floors and live/work housing on the upper floors. The second phase will begin after funding is obtained.

Mr. Waltman expressed his frustration with the downtown. He also observed that the downtown struggles both before 5 pm and after 5 pm. He stated that the downtown has good bones but lack of good vision and planning create struggles. He stated that while he respects the effort put into this plan he questions the vision of the plan.

Mr. Boscov stated that without this plan nothing will improve in the downtown. He stated that the second restaurant is planned for the 2nd and Washington garage before the luxury hotel is completed. He noted the high end investments for the hotel project made by various community members. He expressed his belief in the plan for the 400 block of Penn Street. He stated that if Council disagrees with his plan he will simply walk away.

Mr. Agudo described the development of the Lancaster downtown over a lengthy period of time. He noted that Mr. Boscov has always repaid the Section 108 loans. He noted the success of the Goggleworks and the Goggleworks Apartments. He expressed the belief that Reading needs its next anchor project. He stated that the proposed plan for the Penn Square properties has two phases.

Mr. Acosta agreed with the need for the redevelopment of Penn Street and the need to replace the inappropriate businesses along Penn Street. He again noted the

disconnection between Mr. Boscov's existing projects located at 2nd and Washington and the 700 block of Penn Street. He stated that a pedestrian friendly environment is needed to connect these areas. He suggested avoiding a plan that will create another white elephant.

Mr. Lowenstein suggested acquiring other parcels on Penn Street for redevelopment purposes.

Ms. Snyder stated that in Harrisburg, the City identified the geographical area for redevelopment and then accepted what came along to go into that space.

Mr. Boscov, Mr. Lowenstein and Mr. Mukerji left the meeting.

Property Maintenance Division (PMD) Budget

Mr. Acosta stated that Mr. Agudo was asked to address the issues listed on the agenda.

Mr. Agudo distributed a packet on PMD revenues and expenses over a five year period. He explained the figures contained in the handouts.

Mr. Agudo stated that in 2011 PMD budgeted revenues at \$1.3M, in 2013 PMD budgeted revenues at \$1.2M and in 2015 budgeted revenues at \$1.1M. He stated that PMD plans to eliminate three unfilled positions – 2 Property Maintenance Aides and 1 Property Maintenance Inspector.

Mr. Acosta questioned the impact these reductions will have on the expenses and revenues for the division.

Mr. Agudo stated that \$300K in QoL revenue was budgeted for 2014. He stated that the reduction of Property Maintenance Aides will require Inspectors to perform QoL sweeps in neighborhoods as scheduled inspections are completed.

Mr. Waltman noted that overall PMD is budgeting approximately \$1M less revenue. He questioned the effect and effectiveness of the division.

Mr. Agudo explained that when revenues were budgeted, the projections were not based on actual collections. He stated that delinquent accounts between 2007 and 2012 were sent to a collection agency and delinquent collections were projected at 50% of that due; however only 15% of the 2007-2011 delinquent accounts was actually collected and 12% of the 2012 and 2013 delinquent accounts was actually collected. He stated that a

total of \$4.3M of delinquencies were turned over to the collection agency but only \$489K was collected and remitted.

Mr. Waltman stated that inspection revenue is reduced by approximately \$1M in the 2015 budget. He questioned the shortfall and the staff adjustments.

Mr. Acosta inquired if the delinquencies are related to the high cost of the fees. Mr. Agudo noted that many of the PMD fees were adjusted to be more reasonable. For example housing permit fees of \$100 were applied to each individual rental unit at a property but now the permit fee of \$100 is charged to the individual property, not each unit. In the past additional inspection fees were charged for all re-inspection; however, now two re-inspections can occur before an additional fee is assessed.

Ms. Kelleher suggested that people do not pay the fees they owe because they believe the City will take no action to collect the delinquent fee.

Mr. Agudo described the annual housing permit process. He stated that the housing permits are mailed out every January and rental property owners are provided with 3-4 months to pay for the permit before an additional \$350 delinquent fee is applied.

Mr. Waltman noted that a net difference remains and he questioned the need to correct the operational issues resulting in the revenue reductions.

Mr. Waltman questioned if the reduction in QoL revenue for 2015 is the result of less tickets issued or the reduction of staff. He questioned the effectiveness of PMD overall as there are many blocks in the City that do not appear to be positively affected. He stated that while the loss in revenue is a concern, the larger concern is the overall effectiveness of the PMD efforts.

Mr. Cituk explained that the budget reductions in 2015 reflect the amount expected to be collected.

Mr. Waltman several times questioned the number of Property Maintenance Aides. Mr. Agudo stated that PMD had 23 Property Maintenance Inspectors and four Aides were added.

Mr. Spencer stated that while PFM believes that PMD costs cover PMD expenses, the actual collection of PMD revenue does not cover the cost of the services.

Mr. Acosta noted the importance of a sound property maintenance program and the positive impact it can have on a community.

Mr. Agudo suggested having PMD work within their means and improve the collection of delinquent fees.

Ms. Snyder explained that the positions eliminated in the 2015 budget are positions that are currently unfilled or positions that will be unfilled by the end of the year.

Mr. Agudo referred to his handout showing the following PMD revenue breakdown:

Budget Year	Actual Revenue
2011	\$1.7M
2012	\$2.5M
2013	\$2.9M
2014	\$3.1M

Mr. Acosta inquired about the lack of Certificate of Transfer fees. Mr. Natale explained that there is no fee associated with the Certificate of Transfer. The applicable fee is associated with the Health and Safety Inspection that is required when a property transfers to a new owner.

Mr. Acosta inquired about the lack of revenue in the Certificate of Transfer line item. Mr. Agudo stated that the lack of revenue reflects a typographical error that will be corrected.

Budget Review Agenda

Ms. Snyder stated that Chief Heim is unavailable next week and she inquired about switching the review of Trash and Recycling scheduled for tomorrow evening. All present agreed with the change.

The meeting adjourned at approximately 7:20 pm.

Respectfully submitted by Linda A. Kelleher CMC, City Clerk