



CITY COUNCIL

Strategic Planning Committee

Monday, July 7, 2014
Meeting Report

Attending: C. Daubert (Co Chair), M. Goodman-Hinnershitz, D. Sterner, D. Reed, F. Acosta, S. Marmarou

Others Attending: L. Kelleher, C. Snyder, C. Zale, A. Shuman, C. Younger, R. Johnson, J. Varghese, L. Agudo, V. Spencer

The meeting was called to order by Mr. Daubert at approximately 5:20 pm.

1. Penn Square Properties

Mr. Agudo highlighted the process used to evaluate the two proposals submitted for the Penn Square Properties. He explained that the internal review committee objected to two components in the Shuman Development proposal as follows:

1. The proposal requires the transfer of the properties to Shuman Development for either \$1 or \$0. He noted the need to balance the transfer amount against the \$2.5M the City spent to acquire the buildings and the \$500K spent to date on maintenance to support the existing tenants.
2. The unknown capacity of future funding for façade improvements, demolition, etc.

Mr. Agudo explained that the Our City Reading (OCR) proposal allows the City to retain 95% ownership in the properties so the City will have control of various development components such as occupancy, etc. He stated that the City will generate revenue through the occupancy of the properties over the next five years, when the partnership with OCR is scheduled to sunset.

Mr. Agudo explained that the expansion of the Ricktown boundary to the 400 block of Penn Street will enable OCR to use approximately \$2.5M in BEDI and Section 108 loans (first mortgage position) for the redevelopment project.

Mr. Agudo suggested that Council approve the resolution authorizing the mayor to negotiate the remaining terms of the deal with OCR which will be ultimately approved by Council.

Ms. Reed inquired if the proposed use still includes residential living space in the upper floors of the building. After Mr. Agudo responded affirmatively, Ms. Reed stated that she will not support a residential reuse that is not market rate.

Mr. Agudo explained that under HUD regulations, the City or borrower would be required to offer low income housing, live work housing or economic development.

Mr. Acosta stated that when the plans for the Goggleworks apartments were unveiled the units were to be market rate apartments; however, after the project received an infusion of Section 108 and BEDI money, market rate switched to a mix of market rate and Section 8 subsidized housing. He stated that he wants to avoid this same situation at 5th and Penn Streets.

Mr. Acosta also expressed concern with the City's ability to own and manage additional properties, as the City struggles to maintain what it currently has.

Mr. Spencer stated that the goal has been to buy these properties at 5th and Penn and get developers for an economic development project; however, only two (2) developers submitted proposals. He stated that the Ricktown area lies between Washington and Buttonwood Streets and between North 4th Street and Schuylkill Avenue. He agreed that some of the Goggleworks is subsidized housing through Section 8.

Mr. Acosta again expressed concern about centering any type of low income housing at the center point of the downtown.

Ms. Snyder stated that the review committee was not enamored with artist housing at this location and that the committee prefers work-live housing for professionals who work in the downtown. She stated that at 95% ownership the City will have a lot of control over all aspects of the project proposed by OCR. She stated that at this point Council is being asked to approve a resolution that allows the mayor to negotiate a development agreement that will return for Council approval. She agreed that the City should not be in the property management business but the City can hire a person to manage the property. She expressed the belief that this is the best process to restart retail in the downtown.

Ms. Goodman-Hinnershitz expressed the belief that the City should have undertaken a planning process for vision for the downtown before the RFPs were prepared and sent out. She also expressed her belief that the current proposal under consideration isn't necessarily the best plan for 5th and Penn. She stated that both of the proposals have their individual strengths and weaknesses. She expressed concern with the City's continued ownership of these properties as the City struggles to manage its current real estate holdings.

Mr. Varghese expressed the belief that the OCR proposal fits with the Main Street vision, as it eliminates vacant buildings and creates foot traffic.

Ms. Goodman-Hinnershitz requested the criteria and weighting used for the evaluation process for the proposals.

Mr. Agudo read the criteria and weighting schedule from the RFP. He described the Main Street Five Year Plan, which in part requires the creation of foot traffic after 5 pm.

Mr. Spencer relayed what he gleaned from his conversation with Lancaster Mayor Gray about Lancaster's downtown genesis, aided by the hospitals and secondary educational facilities located in Lancaster.

Mr. Sterner noted that at this point the administration is asking Council to authorize them with the ability to negotiate further with OCR. Although he stated that he likes the Shuman proposal better, approval of the resolution will at least allow the administration to negotiate with OCR.

Ms. Reed expressed the belief that Shuman Development has a much stronger track record in commercial development and she described the successful projects that have been completed. She asked Council to consider the empty spaces at the Goggleworks 2 and empty retail spaces at the 2nd and Washington garage.

Ms. Goodman-Hinnershitz expressed the belief that Reading is becoming home to some professionals during the work week, as they rent space here for the work week then return home for weekends.

Mr. Sterner inquired if OCR and Shuman Development could work together on these properties.

Mr. Agudo expressed the belief that Council can approve or deny the administration's recommendation and that a denial would create the need for the project to be rebid.

Mr. Acosta inquired if the Managing Director could add language to the resolution that would require market rate housing in the upper floors and require the administration to find a compromise with the two developers. Ms. Snyder agreed to add the requested language.

2. Liberty Fire Museum

Ms. Snyder stated that the building currently needs a sprinkler system and elevator. She stated that the building is owned by the City and leased to the Museum group. She suggested working with the group to develop a plan to ensure they can sustain their organization and goals, in the same manner as the Pagoda Foundation.

The group discussed the different requirements for buildings registered as federally recognized historic structures and museums.

Mr. Daubert stated that he does not believe the Museum Board tracks the number of visitors to the site or does much social media marketing or marketing in general.

3. General Fund Cash Balance

Mr. Zale stated that two memorandums were issued last week regarding the cash value in the General Fund reserve. No member of Council present had any questions. He explained the need to retain 2-3 months worth of expenditure payments in the reserve, or approximately 16% of the total budget.

4. Recycling Litigation

Mr. Acosta announced the need to enter executive session to obtain an update on the recycling litigation, as per the Sunshine Act 708 a 4 at 6:20 pm. The following were in the session:

Mr. Acosta, Ms. Goodman-Hinnershitz, Mr. Daubert, Ms. Reed, Mr. Sterner, Mr. Marmarou, Ms. Kelleher, Ms. Snyder, Mr. Younger, Mr. Zale, Mr. Denbowski, Mr. Johnson, Mr. Cituk, Mr. Spencer, Mr. Denbowski and Mr. Murin.

The executive session and the Strategic Planning Committee Meeting concluded at approximately 7 pm.

Respectfully Submitted by Linda A. Kelleher CMC, City Clerk

Follow Up Topics

Finance Committee

- *Act 111 Review – in progress*
- *RAWA Audit Review – assigned to Auditor*
- *Recovery Plan Amendment - July*

Standards of Living

- *BPRC Acquisition & Demolition – completed*
- *Capital Improvements re streets and street lights*

Strategic Planning or COW

- *CDC Manager - completed*
- *Library Tax – scheduled for July 28 COW*
- *Firefighters Museum – in progress*
- *Pagoda Foundation – MOU drafted – under review*
- *Main Street initiative*
- *UGI Gas Meters*
- *Egelman's Park*