



# CITY COUNCIL

## Strategic Planning Committee

**Monday, August 4, 2014**  
**Meeting Report**

**Attending:** J. Waltman & C. Daubert (Co Chairs), M. Goodman-Hinnershitz, D. Sterner, D. Reed, S. Marmarou

**Others Attending:** L. Kelleher, C. Snyder, D. Kersley, C. Younger, R. Johnson, J. Kromer, V. Spencer, F. Denbowski

The meeting was called to order by Mr. Waltman at approximately 5:07 pm.

### **1. Recycling Update**

Mr. Younger reported that all court actions regarding the latest recycling lawsuit were deferred until September by Judge Fudeman.

Mr. Johnson and Mr. Denbowski left the meeting.

### **2. Water Lease Amendment**

Mr. Waltman explained that the new articles in the Eagle claiming that Council approved a five (5) year lease deal with RAWA are incorrect. Council approved an amendment to the original 99 year lease agreement that originated in 1994. The confusion about the "five (5) years" may stem from the fact that the CPI increases do not begin for a five (5) year period.

Ms. Snyder explained that she was told that the meter surcharge attached to water bills will be eliminated and replaced by a rate increase to counter balance the revenue loss.

Mr. Waltman explained that the \$8M lease payment, justified by the valuation, is a base payment that can be adjusted moving forward. He explained that during meetings, RAWA was asked what lease payment they could make without a rate increase and the RAWA Solicitor agreed to an initial \$8M payment. Mr. Waltman explained that this rate can be adjusted moving forward, as the valuation allows for a lease payment up to \$34M.

Mr. Marmarou noted the need for RAWA customers to be educated about changes in the water rates.

Mr. Spencer distributed a memo with a list of questions as follows:

1. On what grounds did Council have the authority to negotiate an agreement and exclude the administration
2. On what grounds did Council have to use outside legal counsel during the negotiations, as a conflict with the administration did not exist
3. How did Stevens and Lee obtain the valuation prepared by Municipal & Financial Services, which was not provided to them by the administration

In response to question number one (1) Mr. Waltman explained that the language in the Charter does not prohibit Council from negotiating contracts or agreements. He explained that before the mayor walked away from the process, Council had repeatedly asked RAWA to prepare a two (2) year deal that would have allowed the RFP of the system to occur. Mr. Waltman also explained that under the Municipalities Authorities Act the governing body is authorized to create and dissolve authorities. As Council enacted an ordinance to dissolve RAWA, Council could also meet with them to discuss resolving the matter, which could include a lease amendment.

Mr. Spencer questioned if he should execute a lease agreement that is improperly negotiated by Council.

Mr. Spencer questioned the grounds by which Council retained outside legal counsel to assist with the negotiation process, as a conflict did not exist. He stated that Mr. Miravich was available to assist.

Mr. Waltman stated that Mr. Miravich told Council he could not assist Council as a conflict existed between the positions of the mayor and Council and he stated that as the administration pays his retainer, he is unable to aide Council. He stated that Council then asked the Solicitor to assist Council with the issue but the Solicitor stated that he also could not assist Council with this issue due to the conflict between the positions of the mayor and Council. The Solicitor then authorized Council to retain the services of Stevens and Lee.

Mr. Spencer again asked Mr. Waltman to define the conflict. Mr. Waltman stated that he already answered the question. He noted the need for the mayor to move on, as the issue is now resolved and concluded. Mr. Sterner and Ms. Goodman-Hinnershitz agreed that continuing to make inquires about the matter is pointless.

Mr. Spencer questioned how the copy of the valuation was obtained. Mr. Waltman stated that Council used its own channels to obtain the valuation. He noted that how the document was obtained is irrelevant as it is a public document prepared for the City.

Mr. Spencer questioned why an \$8M lease payment was agreed to as the valuation permits a lease payment up to \$34M. Mr. Waltman explained again that Council wanted to avoid a high annual payment that would require an increase in the water rates.

Mr. Spencer continued to repeat the same questions and ignore the responses provided. Mr. Waltman again told him that the matter is concluded and that Council will only revisit the water issue if the administration finds during the budget process, now or in the future that additional revenue is needed from RAWA.

### **1. Penn Square Properties**

Mr. Waltman stated that at the last regular meeting, he requested the tabling of the resolution for the Penn Square properties to allow review of the analysis prepared by PFM. He stated that the analysis does not favor either of the two proposals submitted.

Mr. Waltman inquired if the BEDI and Section 108 money can be used elsewhere. Ms. Snyder stated that she is unsure given the requirement for the \$3M to be spent by September 2015. She noted that Mr. Boscov recently got HUD approval to use the money on Penn Street. The money was originally designated to the Ricktown area.

Mr. Waltman expressed concern with the number of vacant buildings in the downtown and the lack of vision for recreating the downtown. He stated that the administration keeps citing the unused HUD funding as the biggest reason to naming Our City Reading as the developer. He expressed the belief that the City should not use federal funding in the downtown before a proper vision for the downtown is adopted. He expressed the belief that the administration continues to execute plans for the downtown in an uncoordinated and scattered fashion.

Mr. Daubert noted that Council's approval of the resolution would allow the administration to negotiate an agreement with the developer and that agreement requires Council approval. However, Mr. Waltman countered that if Council adopts the resolution naming the developer, Council will have virtually no control over the outcome of the agreement.

Ms. Snyder stated that the City paid \$2.5M for the Penn Square buildings and now the City must stabilize the buildings to avoid losing the existing tenants. She stated that using the \$3M in federal money to stabilize the buildings will allow additional tenants to move into the vacant spaces. She stated that next Monday Council needs to either vote the resolution up or down. If the vote is negative the administration needs to go back to square one and send out a new RFP. She explained that the original RFP was not "cookie cutter" and that it invited new ideas.

Ms. Snyder explained that the original resolution was edited to include language Council requested such as requiring market rate housing, if housing is used in the upper floors of the buildings and language requiring the administration to include other developers in the negotiation of the agreement.

Ms. Snyder asked Mr. Kromer to weigh in on the discussion. Mr. Kromer suggested that Council approve the resolution and allow the use of the \$3M to stabilize the buildings and seek retailers to occupy the ground floor spaces without naming a developer.

Ms. Goodman-Hinnershitz expressed that both proposals have shortcomings; however, she noted that Our City Reading has owned the Elks Building/Trexler Mansion at 5<sup>th</sup> and Franklin for many years and it remains in deteriorated condition. She suggested inserting completion timelines in the resolution and agreement that would prevent the same situation at 5<sup>th</sup> and Penn.

Ms. Reed agreed noting the empty retail spaces on the first floor of the new parking garage at 2<sup>nd</sup> and Washington Streets. She suggested requiring the submission of a marketing plan for the properties. Ms. Snyder stated that a preliminary marketing plan can be requested.

Mr. Waltman questioned spending \$3M in federal tax dollars before completing a development plan and vision for the downtown. He expressed the belief that the resolution contains too many “what ifs” and he agreed that adding timelines may be helpful.

Mr. Spatz from the Reading Eagle noted that the Eagle analysis of the vacant downtown buildings considered only the first floor spaces.

Mr. Waltman left the meeting at this time.

Ms. Goodman-Hinnershitz noted that this issue is faulted by disconnection as the administration continues to describe a plan that Council has not seen.

Mr. Sterner agreed that timelines are needed.

Mr. Spencer expressed the belief that other developers are interested in the downtown but they want to see how the City handles this initial issue. He suggested adding a reversion clause.

Mr. Daubert questioned the cost of waiting. Mr. Spencer stated that the temporary facades are at risk, which is why the fencing was installed and the stability of the roof is unknown; however, he noted that the roofing did withhold the large amount of snowfall during the past winter.

Ms. Snyder stated that she will add the reversion clause, marketing plan requirement and timelines.

Ms. Goodman-Hinnershitz noted the need to make the right decisions for the downtown and the need for synergy in good redevelopment projects.

The Strategic Planning Committee Meeting concluded at approximately 6:10 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 – completed*
- *Firefighters Museum – in progress*
- *Pagoda Foundation – MOU approved, awaiting mayor's signature*
- *Main Street initiative*
- *UGI Gas Meters*
- *Egelman's Park – scheduled for 8-25 COW*