Advises everyone at the meeting that it is policy of the township to tape record all meetings.

Handing it over to Scott Shearer: suggests introduction of everyone it attendance because of new faces.

Handout has been circulated in advance, fresh copies available.

Following up on last meeting: Thought we would start with summary of proposed project and alternative projects. Shown on page one and after we get an overview of project scope we will dive more into the numbers.

Ed & Steve: RBG: local real estate firm located Wormlesyburg PA. They have a lot of experience in the commercial real estate world: in the almost 50 years they have never defaulted, meaning they have a perfect track record and they have only asked for public assistance once. They do not usually do that but they felt it was absolutely necessary for the project to be a success for the downtown Hershey community. Run through of their vison of the property if they can have school board approval.

Chocolate Ave on front, Linden Road & the Hershey Story here, Chipotle on the corner with Bank and this road is one way down to the bridge. Then entire block and post office building.

What we are proposing is the completion of the rear building. We foresee class A and high class B office space in that entire building and two multi use multi-level buildings on the street front. Pushing to the street to incorporate a nice downtown setting. We have incorporated two plazas – to allow for pedestrian egress from what we are really considering a public parking deck. Allows for safe pedestrian travel through the site. Previous plans had a right in / right out and we felt that created an unnecessary situation for pedestrians.

This building here will be mainly retail, this western building will be multi story with some high end, smaller loft style apartments on the 2nd and 3rd floors possibly 4th. Just to clarify these are probably going to be within 36-40 units, they are going to be fairly small due to design (retail). Really geared to the young professional working at the med center or other businesses in the area. That is a rough overview and if you look at page one from Scott – this is what we call High Density Scenario really maximizes the site and provides stimulates the downtown. Or scenario B is what you see there today, that property will mostly likely stay like it is today – vacant and we will wait for the right tenant that supports the very high cost of the property. Exclusivity, we are not just throwing whatever we can in there, we view that as our high class A office space and this being one or two tenants only not 20 different tenants. That is going to take some time, this just doesn’t happen, you don’t usually get someone to take 60,000 square feet in downtown Hershey. We believe in this site and the opportunity exists and it supports what we are trying to do upfront. We want to create exclusivity; this should be the premiere location in Hershey. This is our intent, this what we are trying to accomplish. And like I mentioned earlier, a private-public partnership to accomplish. When we were deciding what to do with this, we really took into consideration the entire block, really viewing this as one property. The internal flow with the shared parking deck all have parking agreements. We want people to congregate, we want this to be people coming to hang out, high end retail, and nice restaurants & coffee shops.

One question: How much parking will there be and will there be extra parking? The plan 80-90 additional spots for the downtown which amounts to 7,000 square foot restaurant. All shared parking – 70 / 80 more spots. Parking structure hold about 392 parking spaces. Can you isolate the cost of that structure? About high 3 million range. With this structure, it allows us to spend more money – about 7 million more. Without this structure we cannot spend that money. The 7 million is not necessarily parking. This 7 million is included in the 28 million shown on the document. This has to happen now, or it does not have a chance in happening.

Two things: time- because it would sit this way for another two years before it got out of the court systems and secondly is money – we spent more to get here to make everyone whole. We like to keep the community happy without taking a hit on one project. We are trying to balance parking and service at restaurants. We are not eating up all of the extra parking. Would like for Hershey to be the gathering place for maybe not this New Year’s Eve but the next one.

Timeline? We cannot get back the three years that it took to get to this point. They have worked hard to keep the potential clients. If they aren’t seeing a path to success they are going to take their business elsewhere. We have had several do this already, several we would have loved to have in our plaza. Some of these establishments would like outside seating – for that to happen we need to be open for spring of 2018 so they are able to maximize the warm weather season, meaning we need to be in the ground in less than a handful of months – not years. Start constructions this year. Have the buildings vertical and dried in by the winter. Turn them over after the New Year. Opening for the late spring time (2018).

Was there a hotel in the previous designs? Yes there might have been. There are names on plans but unfortunately that opportunity has since past.

For a planning perspective: One of the conversations we have had a lot is “why would we do a TIF?” and part of that is because you catalyze other development. To take a look – you give us 80 extra spaces in the court district which is on the path to be adopted in early 2017 which gives us an additional 2,400 square feet of additional office and retail space which amounts to $2 million dollars of assessed value, which is then taxable – tax based growth. That pays for professional services, emergency services, schools, and all though things.

Developer uses all spaces – with this we will have 80 extra which can catalyze growth. I’m curious, were sitting in a big building, could we use these extra parking spaces? This is all part of the shared parking (Devon/Houlihan’s garage or the spaces next to the fire station). It would be only attractive if the parking were in a Hershey property. We have tenants who dislike walking up the hill to parking or over 6-7 blocks to shared parking could equate to that. There is many parking that is private. Maybe convince the Hershey Company to add that to shared parking. And potentially their people can park by the fire station. The shared parking grows in the new ordinance. There is an updated ordinance that is more likely to yield more than the proposed 80 additional spaces by recalculating the surplus parking. This allows us to evaluate for bus parking, bike parking, and compact car parking spaces – efficiencies begin to grow which that catalyzes other developments.

We looked at the parking and how that impacted the downtown and the most prominent redeveloped building is going to be the press building. And that press building would not have occurred without the structured parking. The surface parking would not have allowed it and it created a multiplier of more than 5 times the tax base for one building. These are two of the most popular restaurants in the area. The structured parking is a mechanism that helps grow the downtown environment and wouldn’t have happened without it. We spent a lot of time untangling the debt structure of it because had we realized then that we should have done it as a TIF it would have been much easier. I only look at real estate tax – I do not look at any of the ancillary taxes. I do not know the number of employees at Houlihans or Devon’s: it has to be a couple hundred – which makes the percentage of people there pretty high. 30-35% ancillary tax for scenario A. There are some significant tax perks that enhance both the township and school districts. We are all going for how do we increase revenue? I believe we have refined our expenses and our efficiencies are where they are. How do we grow our taxes? This is how we do it in a condensed area. When we look at a project like Project A is a dynamic, exciting project that spurs more growth.

The current parking structure at Houlihans, how was it financed? Hotel Tax. The township guaranteed it and there was a grant for about 2 million dollars.

Was there ever a market analysis conducted regarding feasibility of paid parking downtown in terms of the current parking deck and this parking? With the federal funds, we are prohibited from doing that. Federally funds prohibited it with the original funds. We look at parking, and we want to encourage it and meters deter it. You cannot compete with free parking. You wouldn’t be allowed to use the parking agreement as it’s written. We did an assessment of the parking garage several months ago – and part of that we brought in the head of the Lancaster parking authority who has a consulting business and got his input on charging for parking downtown and it was not something he recommended. He did say that if you get in a situation where too many people are parking on the street, we might want to look into charging for the street so people aren’t parking there for extended periods of time. But it is something we could explore. We just don’t feel it is our place right now to start charging for parking.

Questions for the garage from the solicitor’s standpoint:

1) What on the (tape goes blank)? The original plan, the footprint went to here: we have decided to excavate all the way to the building. We have decided to redesign it to daylight the lower level of the building, to add some value. If you look in the trade publication, 20,000 per parking space.

Remember we are not asking for all of the money from the public, we are paying for about half of it ourselves.

How can this turn into incremental revenue for taxation? One of the things in our model, when we spend the money we do not get the same amount in return, we actually get a lower return. From a pure investment perspective, if we were looking at our return on money: this is not the best option but it is the best development scenario. We will spend more money, knowing we won’t make that money back.

What you are talking about is having enough parking for the market requirements for an office buildings and restaurants/retail spaces? Yes, there is a difference between what the ordinance requires and what the tenants require. Imagine grand opening season, we want to make sure there is a practical number of spaces not just us meeting the bare minimum. All 392 spaces are open to the public – by daylighting the lower level, it is our hope to have those people parking underneath so others drive past and see all the open parking. Same with the employees – leaving all the other spaces available for the customers.

Every meeting we have with the engineers and architects, something changes as we fine tune it and then all the calculations ripple through and change.

Here is the reality, if I’m going to come to a play with my wife: I’m going to park right here, go to eat right here, I’m going to walk to the play, enjoy my time at the play, I’m going to walk back, and I’m going to enjoy a cocktail if my wife lets me, and we will walk back to the car and drive home.

We wanted it obvious how you get in. We have eliminated the right in / right out that was suggested from the previous developer. We have two great access points, we don’t need that. It enables additional on street parking. There will be a break to pass through the building and another small plaza in that area.

Have you exhausted all options for a TIF? When we first met, we talked about other options at the state level and with that comes applications periods. Several programs looked like they might be applicable for us: Business in our Sights was one that was explored but nothing was great that we felt we would be successful. We are continuing to see what’s out there, new programs are out there but there isn’t a guarantee that something comes through.

Timelines, we were in discussion in June before we closed on the property, just so we could know they were working on it. Fast forward a couple months to about September/early October they came back and said look, we aren’t able to do what you want us to do without a public/private partnership. It wasn’t until late November until we decided.

Business in our Sights was the most applicable program and that’s a grant/loan combo. They would only pay for a portion of the improvements. They weren’t looking great from a competitiveness. We are still looking at new programs as they come up that we could use them to supplement the TIF. We are presented with an opportunity here, this project has sat for so long and here we have an chance to improve the community.

We started out discussing a timeline and negotiating with the school board, which I found interesting because I thought we were doing this as a TIF committee. If we are just looking at the school district and everyone else has already made up their mind, I think that we need to understand that because we all thought that the TIF committee has not made a decision. We had some good work being done, because we stopped the education process. We had a meeting in December, and January, and now we are looking to make a decision come March. I believe we are behind the 8-ball and if we are the ones being looked at to make this go forward because all other entities are in agreeance that this is a different discussion. What I am hearing now is that my school board needs to make a decision in March, we are behind in providing the understanding for them to be comfortable to make it. Township supervisors deal with economic development a lot and they possess resources and knowledge to move forward. The school board does not so it is going to take a lot more time for us to approve it, I wanted to put that on the table that this time line is going to be a huge part of the issue as well as the district’s ability to issue and levy real estate taxes. This needs to be a real part of this conversation and its bad timing because the legislature is looking to take away the school district’s ability to levy the taxes. Copies of the emails are available. There is mechanisms that we can put into the TIF documents that will take care of that because we can’t be in a situation where a revenue source defund to serve as debt can end.

If you add the provisions after 20 years and we can’t levy real estate taxes isn’t the point that we get that added after 20 year? It might work for the 20 years, but you’re selling it so we get it one day.

I’ve contacted PFM, not Scott, but our representative but he didn’t have any knowledge that there were mechanisms. We are talking about the school district’s ability to levy taxes and what we are looking at into the future to ensure that after these gentlemen are no longer required to pay real estate taxes that they are somehow still funded.

There are other taxes other than the real estate ones. The three of “us” need to decide. Big red flags the timeline is difficult, the new legislation is difficult (what happens in 20 years when we can’t levy real estate taxes), and apartments- if kids come – we have to educate them.

Only other TIF they have done is Dubois, about 20+ years ago before his time at RBG. Very rural area, much different than Hershey.

Square footage we are talking about here to build a typical retail establishment is 15 acres in surface parking and that would probably still involve underground storm water. This a public improvement on private land; all we are asking for is a small increment of this cost to be shared for us to spend more money. This will be a huge benefit to the community, economic development spurs economic development. This is what the downtown needs. Competition is a good thing. If someone takes a risk and they do a block, and then someone buys the next one and then we are redoing everything around it.

Numbers: Starting on page 2, updated with numbers from county for real estate and employment. Top half is scenario A and bottom is scenario B and the first couple points are what we’ve heard as the description. Estimated construction budget $28 million: next page shows that as $15.5 million assessed value. In the box shows the structures, numbers of square footage, and number of employees (some from Ed & Steve and others from generated models).

Does anyone know that if taxes are collected if they remain in Derry Township or if sent to the state will be redistributed? Because I am hearing new things about the property tax. We need to circle back and have a long conversation with our representatives from PFM and if they are able to tell me the same things I am hearing now; then I am comfortable to move forward. I didn’t hear that in previous conversations. What does PFM recommend to the school district?

The conversation about having one of these living spaces occupied by a family with a child or two – this is an argument towards option 2 where the school district can maintain some of the money about 25,000 – 30,000. This won’t help out with 30 new kids but what is the realistic possible of new 30? It may only be 2 or 3 students. The school district can be compensated for the potential risk of having new students. Option 2 a lot more school district lean this way. We want the working professional for lofts. One bed room apartments. There are only certain things in our control.

Option B: TIF for $2 million. Our out of pocket is the same as yours.

Can you talk about if we go with option b what that building will look like? We do not have a picture of if here today. What is going to go into it? We are hoping it would be one or two office. We are anticipating high paying jobs. The median income of Derry Township is $96,000. We are being very conservative with these numbers.

Why should we as the school board should we use the max participation when we get the same results with both the max and minimum, what am I missing? You could pay it off earlier. What do we want to do? That would be more free money to pay off the loan earlier. You would probably pay if off in 15. You’re accruing that $75k.

If you take that coverage ratio and just for illustrative purposes where we increase real estate taxes 3%. We just want to use a scenarios that defines the changes.

What does the township want? We are willing to fight the fight and support but there is a point in time where we have to take a step back and fish or cut bait. What does the community want? This is an evolution, the community wants good, mixed use development of the downtown. The first plan: one story – hated (meeting one). We look at the downtown as our economic development opportunity. The decisions we make here affect your top line. We have a downtown; ready for growth. What they are putting together is tenants who are living in downtown Hershey which will make additional developments possible. We need to get everyone on the school board comfortable with exactly what they are saying yes to. So in 15 years: we will have an answer as to why we are paying out that money.

The lumber yard site with regard to the Rite Aid parking lot that has a drive through that is hardly ever used. If this project gets off the ground there will be people watching to begin another, there already are people watching to start additional projects.

There is not any guarantee – there is always a risk. We have mitigated all of our risks. As a school district, legally we are allowed to do this, but we don’t invest in anything with levels of risk. We need all the members to get on board with risk.

Where do you see the risks? This is for the school board.

There are three entities: But when we get in front of the supervisors and commissioners the first question we are going to be asked is if the school board is on board. If the school board isn’t on board with the TIF it does not usually make sense to proceed, so we thought it made the most sense to go in front of the school board first.

What are the other entities doing? If they have voted or not voted or done anything? My sense is that there is support from the township and the commissioners. The formal project plan is not ready to be prepared or recommended before the other bodies say they are interested. We need all three bodies to be interested to have a project plan, which is what everyone will rely on.

It may be helpful to have an initial informal meeting in front of the commissioners and board so they can indicate if they support it or not. This gives them two opportunities to hear what is going to happen that does not eat up their own meeting times.

There is not a meeting that we are able to fit this in, with all of the questions. This will need to be a separate meeting or a TIF committee meeting.

Maximum density with mixed use: correct. That is this plan, it will not happen without the TIF. The tax problem is much greater with plans B or C versus a plan that goes into effect that is documented.

One of the big risks is that the TIF isn’t structured correctly and that one provision that something will be over looked. We have put together a team that is really good. I do not question at all that we are all well protected to avoid as much risk as possible.

The payments due at different times then when money is available. No one is required to make tax payments in August. We want to make sure that as the school district holding the biggest portion that we wouldn’t be forced to redirect funds, unintentionally.

Why does Derry Township need a TIF, because if you look back to see what a TIF is supposed to do it is just a little different than where you’ve done them in the past? Quick answer: Hershey can’t support structured parking. The TIF statute is very loose and deals with planning deficiencies and structure deficiencies. This is a small market. We have pushed the tenets to the limit of what they can pay in rent. The more we spend the less the return.

The Houlihans in Hershey is the highest grossing one in the chain.

Retail complications with the outlets so close? Looking at higher end retail and no one from the outlets are looking to relocate.

Many years ago people looked into developing this same area, but they were not able to figure out the structured parking aspect of it.

There is a bleed of money that is leaving the community because they are going elsewhere to spend their dollars. We would rather keep it here.

If members would like to see it, can they come to your presentation? Planning to clean up the scenarios and sight plans.

My thoughts are we “agree” to move forward and we do not sign or make any legal commitments until everything is done. So that we don’t get an immediate no.

(talking over each other)

Having the information for this income, and the population of the school district. They may not have the ability to be there while everyone is there reading it.

Scenario A: if there are really surplus, what does it come out to?

This was a great working document for this group this morning. We should include the floor plans with elevations.

Can we make two scenarios? One with 89% participation and one that says not. Then we can define what defines 89 and 100%. Option three and option two. It needs to be simple. Do we want to take off the table completely of paying it off early? Right now we are only showing participation or not.

Participation can be different for all three entities.

The understanding needs to be that nothing is going to happen. It is going to remain there – untouched. The property is going to sit completely dormant for 20 years. It has already sat –

They couldn’t get enough parking and the numbers didn’t work. I’ve lived in Derry Township for 42 years and never realized that that place has been empty for 20 of them.

it is easier to not do these projects. You have to make it attractive to people.

What is the timeline? Yesterday.

Make sure certain parts are fact. Can I go back to the school board and say that this money will do this? We are not increasing the amount of people who live here, we are increasing the amount of space they can work in.

Any data in surrounding properties? What happened to the tax values? Is it quantifiable? It would be helpful to see. A nice property increases the value around it. We have no had one since 2003. What was the value before Houlihans and Devon before and after?

If we get rid of plan one, and we move to option two we are still coming out ahead with zero risk to us.

There is no better investment than one that I am not going to lose my principal with and I have a chance to have a big pay out at the end.

Increase property values, increased property values.

We need to make sure we are prepared for the meeting or we are going to get no’s.

Both have revised information very early next week? And if we can do it before that it would be better. Mike we need you to get us the information to get all board members on board.

We can modify the layouts – we are happy to change them. I would keep things basic upfront – we need to understand it and put everything else in appendix.