

**YORK COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
Tuesday April 5, 2022**

The meeting of the York County Industrial Development Authority was held on Tuesday April 5, 2022 at 8:15 a.m., in person and on Zoom, access was also available to the public by toll-free number, pursuant to notice.

The following Authority members were in attendance, representing a quorum:

Doug Becker
David Brinton
Alex Chiaruttini
Gene Draganosky

Kerryn Fulton
Dr. Gunter-Smith
Oliver Hoar

Jack Kay
Chuck Noll
Patti Stirk - ZOOM
Coni Wolf

In attendance: Ron Hershner, Esq., Stock and Leader; James Parker – Director of Sales of YTH; Bill Oyster – Audit Member of the firm SEK, CPAs & Advisors and the following members of the York County Economic Alliance staff: Kevin Schreiber, President & CEO; Silas Chamberlin, Vice President Economics and Community Development; Nancy Barry, Vice President, Operations; Katie Mahoney via Zoom, Vice President, Marketing and Communications; Kim Hogeman, Director, Strategic Development via Zoom, and Alva Smith, Administrative Assistant

CALL TO ORDER

Chairman Jack Kay called the meeting officially to order at 8:15 a.m., verified each Authority member could hear and be heard by all others and noted that a quorum was present.

PUBLIC COMMENT

No Comments from the public

Chairman Kay introduced James Parker, director of Sales at the YTH. He also congratulated Dr. Gunther-Smith on winning this year's Athena Award.

CONSENT AGENDA ITEMS

Chairman Kay reviewed the consent agenda items: YCIDA Board Meeting Minutes for February 21, 2022 and YCIDA Financial Statements for the months ending February 28, 2022. On a motion by Mr. Brinton and properly seconded by Mr. Noll, a vote was conducted, the Board approved the consent agenda unanimously as presented.

2021 AUDIT

Chairman Kay introduced Bill Oyster, Audit Member of the firm SEK, CPAs & Advisors. Mr. Oyster reviewed the 2021 Audit. On a motion by Mr. Becker, properly seconded by Ms. Fulton, a vote was conducted, the Board approved the audit unanimously as presented.

STANDING COMMITTEE REPORTS

Development Committee

Gene Draganosky gave an update of the YTH. The YTH is at 72% completion. Bids for indoor/outdoor signage package were opened on 3/17 and are being reviewed. The YTH remains on track for full opening in Fall 2022 in spite of material and shipping delays.

Marketing Committee

Katie Mahoney gave an update on the YTH. Working towards solidifying opening of the YTH and events. Looking for sponsorships for events. Jobs for the YTH have been posted on YCEA Pathway's Portal and YTH social media outlets. We are working on a Marketing Campaign, mailing and in person event. In the process of shifting marketing to James Parker and Michael Blume.

Nominating Committee

Chairman Kay explained we want to broaden the YCIDA and bring in another person who works in the field of healthcare. He spoke about Mario Ellis, Sr. VP at WellSpan. Proposed that we recommend Mario Ellis to the County Commissioners for approval. On a motion by Ms. Fulton, properly seconded by Ms. Wolf, a vote was conducted, the Board approved the motion unanimously.

ACTION ITEMS

Chairman Kay gave a description of the four proposed resolutions and provided the following explanation:

The resolutions presented for action all relate to the Yorktowne Hotel, and I want to provide some background and context to all of this. At our last meeting, we expressed optimism that we were very close to being able to cross the finish line in the tax credit transaction with JP Morgan to be able to receive the investment of about \$8.3 million that would be part of our capital stack. And as we got close, we thought we were literally days from scheduling the actual closing. There's always a lawyer somewhere, somehow that manages to come up with a "gotcha!" And I would say we have spent, since our last meeting, trying to put out fires and figuring out ways to overcome not necessarily purposeful obstacles that are thrown our way. But the reality is we have got an unbelievably complex deal that is a function of our being a quasi-government entity, we are a grant recipient, we have to operate under certain requirements under PA law because we are an authority, we are a public entity, that sort of thing, this is a RACP funded project so you have that layer and then you have IRS regulations, stipulations, requirements, and the fact that our buyer is a bank and that bank is subject to their own set of regulations and requirements. So, you start putting all these layers on and many times they're in conflict with each other, and they require creative solutions.

A couple of items have surfaced. Let's start with York College. You may recall that originally, York College made a very generous commitment that they would make a \$500,000 investment into the project. As we got down to the final points, it was determined that a not-for-profit cannot be an investor. So, we tried to figure out how we could overcome this, we looked at different options. We looked at different investment alternatives, and came to the conclusion that there isn't an opportunity to be an investor. But they could be a lender. We want to structure it in a way that had the least impact on cash flow and still provided an opportunity for the college to support this project. So, we put together an outline, presented the case to Dr. Gunther Smith, and the chief financial officer of the college, and we're very thankful that they came back and were willing to structure a note.

The term of the note runs for a period beyond the tax credit five-year period. The Note will bear interest which accrues until maturity. The Resolution before you is for the purpose of approving that loan and Note.

Another requirement of the investor and the underwriter is an operating reserve. As I mentioned at the last meeting, there have been four or five sets of eyes on this, between appraisers, financial analysts, auditors, and so forth. The pro forma that has been put together has been scrubbed and combed and reviewed, and I think everyone has concluded it's reasonable. Nevertheless, it is a requirement that there be an operating reserve. We are still negotiating the final terms of the amount of that operating reserve. The exact form of the operating reserve is also still in negotiation. What was originally proposed was that the IDA actually take whatever that amount ends up being and put it into a dedicated account that would act as that reserve account. Obviously, we aren't thrilled about that, it means that we might have to cash in some investments to put it into a more liquid account, so we proposed that instead of doing that it could take the form of a letter of credit or a line of credit backed by our assets versus cashing in our assets. But we don't know exactly what that is going to be because of another item I am going to describe, we may have better leverage in negotiating this favorably...that is another item we need to take as a condition of the closing.

Then there is the Yorktowne Bridge Loan Resolution. We have to have a Bridge Loan that covers the periods from closing until all of the cash comes in through the historic tax credit investment, and you recall there are various tranches for that, about 25% on closing, 50% on opening when the property is put into service, then the last 25% when the final audit is complete. So we have to have that covered. This accomplishes Resolution that.

And then the very last piece was probably the most challenging to try to address. Kim and Nancy have described various uses and sources of cash that are going into the project, some of which are committed, such as the state grants, but the timing of receiving those reimbursement grant funds has been very frustrating. As of today, we don't know exactly when those reimbursement funds are coming in...one of the reasons we have a line of credit with Member's 1st FCU is to cover interim requirements until these grant funds actually come in. We are working to move the grant process through the bureaucracy, but that's slow.

As we mentioned before, we have two or three major fundraising initiatives underway: Corporate Naming Rights (in process), a personal drive (for personal contribution), and corporate giving. So, we're out doing a number of things over the next couple of months to try to bring in that additional capital, that will come in at varying times. There's also additional costs that we incurred as a result of delay, extended general conditions, we had to extend our builders' risk policy, all the reasons why things cost more are part of this. When you add all these things up, it comes to approximately \$8.2 Million. And while we have a plan for how each one is going to be addressed, our investor requires that the sources and uses be in balance. All kinds of ideas were researched. I want to thank Oliver and Doug and Gene, for giving this some very serious thought, giving us some ideas. We chased down a bunch of alternatives, including going back to Members 1st, who, by the way, has probably been about as flexible and generous a lender as we could have hoped for, and in meeting with them, I came away with an impression

that this would be a challenge for them to come in and figure out a way to justify an additional facility. So, they gave us some thoughts and suggestions as well.

Ultimately, it came down to which entity or individual might be in a position to help address this. And after many discussions, we approached the Powder Mill Foundation. We put together a case for support, Nancy put together a financial analysis, and what it shows is, for this \$8.2 million, while that might be the cumulative sum of all of these line items, at any given point over the next year, we are not drawing \$8.2 million. That amount varies by month. As some of these funding sources come in, the amount required in any given month, that requirement goes down. So, in some months, there's no requirement. The amount jumps back and forth. So, we presented the case to Powder Mill demonstrating this need to have this in financial balance, and again to their credit, they generously approved us, and that's the last resolution before you this morning.

Powder Mill has their funds invested, so rather than liquidate an investment, they thought it best to go to a local bank, borrow the money based on their balance sheet, and then pass through whatever that interest rate would be to us. So, we are going to get the advantage of Powder Mill's credit-worthiness, their passing through whatever that interest rate will be. Nancy's projections went out about a year. I asked Powder Mill to extend it another year beyond that date, so it's a 24-month window, just to give us an extra margin if some of the contributions come in a little later where we have to make up some additional funding, we have that done. Powder Mill Foundation approved that approach. If you approve the Resolution, we will follow up with our Underwriter, Foss, who is working with JP Morgan, and we will get this documented appropriately so that we can get to a closing.

YORKTOWNE OPERATIONS RESERVE - ACTION

Resolution - Distributed electronically in the meeting packets. Mr. Brinton made the motion, properly seconded by Mr. Hoar, a vote was conducted and the Resolution was unanimously approved by the Authority.

YORKTOWNE YCP PROMISSORY NOTE

Resolution - Distributed electronically in the meeting packets. Mr. Hoar made the motion, properly seconded by Ms. Wolf, a vote was conducted, Dr. Gunther Smith abstained, and the Resolution was approved by the Authority

YORKTOWN BRIDGE LOAN RESOLUTION

Resolution - Distributed electronically in the meeting packets. Mr. Noll made the motion, properly seconded by Mr. Becker, a vote was conducted and the Resolution was approved by the Authority.

POWDER MILL LINE OF CREDIT RESOLUTION

Resolution - Distributed electronically in the meeting packets. Mr. Brinton made the motion, properly seconded by Mr. Becker, a vote was conducted and the Resolution was approved by the Authority.

53-57 E MARKET USE AGREEMENT

Resource York as part of Give Local asked to paint a window for the campaign, for 1 day. Dr. Gunther Smith approved with the condition that no college other than YCP is featured on the window display. Dr. Gunther Smith made the motion, properly seconded by Ms. Fulton, a vote was conducted and approved by the Authority.

GOOD OF THE ORDER

Chairman Kay asked Board members to stay after the meeting to sign letters for the Capital Campaign.

ADJOURNMENT

There being no further business to come before the Authority, Mr. Kay adjourned the meeting at 9:18 a.m.

Respectfully Submitted,

Patti Stirk,
Secretary

Prepared by:
Alva Smith; Administrative Assistant, YCEA