**Lehigh County Industrial Development Authority**

**TIF Committee – Hamilton Crossings**

**Meeting Minutes – February 27, 2013**

1. Meeting began at 2:00pm at the Lower Macungie Township Offices.
2. John Kingsley welcomed everyone. Timothy Harrison, representing the Developer, offered to provide a full review of the draft TIF Plan as prepared by Delta Development, Joe Hogan and PFM or, if the Committee members felt comfortable, to just proceed to address questions or concerns related to the draft Plan. The consensus of the members was to proceed directly with questions and comments:

The ensuing discussion centered around three primary questions. A summary of the questions raised and the responses are provided below:

**The TIF Plan states that without the assistance of Tax Increment Financing, the Developer cannot move forward with the project. Vic Mazziotti asked how the need for tax increment financing (TIF) could be verified and, specifically, how the Developer arrived at the required amount of the TIF specified in the Plan.**

Ken Bacher stated that showing quantitatively how the TIF is justified is important to him so that he could ensure his constituents that the use of TIF is warranted. He also wanted to make sure that there is an appropriate level of negotiation in developing a equitable partnership in the project between the Developer and the taxing bodies.

This question led to an exhaustive discussion on the inordinate costs the Developer must incur to address the remediation of the mine wash on the site and to construct the related public infrastructure required by the Township and PennDOT, much of which is intended to remedy long standing issues.

Joe Hogan stated that in comparison to other similar projects, the infrastructure improvements and remediation with Hamilton Crossings are excessive and would drive most developers away from considering the project. The Developer reinforced that the public improvements and the increased assessed value of the property will substantially benefit all of the taxing bodies.

Jeremy Fogel stated that the Developer's pro-forma financial analysis for the project will elaborate on the need for the TIF in the context of the Developer’s calculation of return on equity. He cautioned that this information is highly proprietary and can be very subjective in interpretation, but that it could be made available with the understanding that the information be held in strict confidence. The Committee agreed that this information should be made available at the next meeting, but that any documents provided by the Developer that detail this information would be collected at the end of the meeting to avoid distribution of the proprietary information.

Ken Bacher also asked that the Developer break out the infrastructure costs and identify the portion of these costs that relate to improvements that are not necessitated by the project itself, but are more specific to addressing longstanding issues.

Ken Bacher expressed concern that Committee members might not possess the requisite skillsets to fully evaluate the Developer’s pro-forma.

Vic Mazziotti asked whether the Developer would still need the TIF if the infrastructure and remediation costs were reduced by the proposed amount of the TIF. Jeremy Fogel said that the Developer would not need the TIF if that were the case, but that the Developer believed its cost estimates, which were developed through numerous meetings with architects and engineers, were well vetted. Furthermore, the Developer fully expects that if the estimates are proven to be inaccurate, the actual costs of the project will in all likelihood exceed the estimated costs based on the Developer’s experiences with other projects. Later in the meeting, the Developer confirmed that the costs associated with the Costco and Target were included in the Developer’s estimates and would need to be netted out when considering the total project costs incurred by the Developer. The Developer indicated that a condominium structure will be employed with Target and Costco owning their sites.

**Ken Bacher asked if the costs actually come in lower than the estimate could changes be made to the amount of the TIF or could a claw-back provision be invoked allowing for the sharing of the benefit of the lower actual cost?**

Joe Hogan and the Developer indicated that bids outlining the construction costs will be finalized to the extent possible and available at the time of issuance of the bonds and that the allocation of sources will be taken into account, thereby potentially reducing the projected amount of the TIF just prior to closing on the financing. Also, excess proceeds, if any, such as from the future imposition of a real estate property tax by the Township, could be used to pay down the outstanding bonds (provided they are not subject to a prepayment clause).

Finally, the underwriter will likely dictate how and if this could be done. The underwriter will need to see and review bids and contingencies and these will drive the sizing of the issuance (amount of financing).

**Vic Mazziotti asked what would happen if the TIF Committee does not come to a unanimous agreement on the TIF Plan.**

The TIF Act provides that LCIDA is to prepare the TIF Plan with input from the Committee members and that one individual’s position will not decide whether the Plan will be presented to the taxing bodies. It was also reaffirmed that the TIF Plan will be presented at several public meetings including at least one with each of the taxing bodies. Jeremy Fogel stated, however, on behalf of the Developer, that the Developer would like, to the extent possible, all of the Committee members to be advocates for the project and, as such, would like to try to address any concerns they have before finalizing the TIF Plan.

Ken Bacher encouraged the Developer to identify any vehicles for credit enhancement to lower the effective interest rate of the bonds. This could potentially reduce the amount each taxing body would need to contribute. Joe Hogan and PFM reaffirmed that if savings are achieved, excess contributed increment could be used to pre-pay the bonds or could be rebated to the taxing bodies.

On the topic of assessment appeals – which will not be possible below a floor sufficient to cover TIF related debt service - the developer agreed and understood that Target and Costco would need to submit to this requirement as well.

1. The next meeting of the Hamilton Crossings TIF Committee was tentatively scheduled for March 7, 2013 at 11:45PM.The agenda will include a review of the second draft of the TIF Plan and review of the Developer’s project pro-forma.

1. Meeting Adjourned at approximately 2:20PM.

Respectfully Submitted,

John Kingsley