

**MINUTES
HAZLETON CITY COUNCIL
WORK SESSION
TUESDAY, FEBRUARY 25, 2020**

Council met for a work session on Tuesday, February 25, 2020 in Council Chambers. The work session began at 7:55 p.m.

In attendance were City Council President James Perry, Vice-President Anthony Colombo, Allison Barletta, Lauren Sacco and Jack Mundie. City Officials present were Mayor Jeff Cusat, Atty. Sean Logsdon, and Fire Chief Donald Leshko.

Perry said representatives from Blue Creek and Hillwood Investment Properties are going to speak regarding Real Estate Tax Analysis and LERTA Proposal for Hazleton Logistics Park- Phase 1.

Atty. Conrad Falvello said the subject matter, of this proposal, is 100 acres completely within the City of Hazleton, on the southside. He stated it is bounded by Route 309 and the beltway. He said the access is from Route 309. He said it is completely on the east side of Route 309. He said the property has been dormant for years. He said Mayor Cusat was "kind enough" to meet with them. He said the project is in the permit process. He said the zoning and development plan has already been approved by the city's zoning and planning people. He said the landscape of this type of manufacturing and/or warehousing, the commercial market "for this", has changed from what it was ten years ago. He said this property had been in LERTA back in 2008. Atty. Falvello said the LERTA ordinance was for ten years; it ran out. He said in that ten years, nothing "went up there". He said back then, the way manufacturers would "come in", they would say, "we are looking at five sites and will come to the City and get a LERTA." If they do not get a LERTA, then they would go to a different City for the LERTA. He said the market is different now. Atty. Falvello stated commerce moves a lot faster these days. He said companies like Hillwood are the developer and they "team up" with Blue Creek and Blue Rock, the construction arm. Then they put up a building, with all the pieces, and bring someone "to it". He said someone looking to move into that building will not wait 1-1/2- 2 years to get "up and running". They want a site that is already "prepped" and close to turn-key as possible. He said this is the selling point. He said the LERTA is part of the whole package that will be presented. He stated Mr. Alderman will be presenting a different proposal that was presented ten years ago and even a different LERTA that was presented in the county. He said this is much more attractive to taxing bodies- Hazleton, county and school district.

Michael Alderman, Hillwood Investment Properties, said as a developer, their role is to prepare properties to be successful when companies "go looking" for new facilities. He said in Pennsylvania, the process to "take a site" through the design and approval process, and to work with different municipal, county and state agencies, takes two years. He said this project started ten years ago. Alderman said the approval process started about 1 1/2 year ago and are still working through PENN DOT. He said it is now time to think about building, what will be build and who they will be competing against in the area. Alderman stated in NE PA there are sites with tax incentives already. He said this attracts a company to a large site.

He said this site is about 93 acres. He said there will be built of between 800,000 square feet and 1,400,000 square feet of a building that can be used for manufacturing, distribution or a "mix" of these things. He said there is no tenant identified yet. He said it is impossible to attract a large company until the approval process is completed. He said there may not be permits on the land. He said it is important to find developers who are willing to invest the time and money to get these permits to find a site that has all the approvals needed and construction can start immediately. He said it is his hope, within the next six months, to get all approvals, to a "shovel-ready" state. Alderman said the next thing is to build buildings speculatively. He said it takes about one year to construct a building; these are large buildings. He said

American industry moves quickly. He said companies do not plan more than one year in advance. Alderman said they do not have the luxury of waiting. He said that is why buildings are built speculatively. He said the companies pay a "bit" of a premium because they need the buildings a little faster.

Alderman distributed a handout to each city council member and administration. He said there are competing sites in Luzerne County and adjoining counties that have a tax incentive on them. He said like their site working through the planning and approval stages. He stated some are under construction and some are completed buildings. He said there are 23 buildings and in the size range of attracting the same types of companies. Alderman said a company looking to rent space in NE PA, these sites with these incentives will play a factor.

He reviewed the current tax millage rates for 2020 for the county and the City of Hazleton. He said in order for the possible economic value of what will be, someday, be built on the property, it is of value to look of similar buildings in Luzerne County. Alderman stated some of them will be of different sizes and characteristics. He said the report reviews 15 similar properties in Luzerne County and determines their assessed value by square foot. Alderman said the range of assessed values "averages out" at about \$33.44 per building square foot. He said this is how to look at comparable buildings. He said there is currently nine parcels that make up the property that will be developed. He said there are no improvements on them. Alderman said the current assessed value is \$1,170,000. He said using the 2020 millage, for the City, the City would get over \$7,200 for the "way" the property "sits today". He said this assessment shows their company may develop a 1,200,000 square foot building or they may build something "as small" as 800,000 square feet with expansion. He said some companies like to start at one size, and then expand when their company grows as they add employees or machinery. Alderman said the "best guess" today is 1,200,000 square feet. He said the Hazleton City Planning council approves a 1,400,000 square foot building. Alderman said the assessed value of this 1,200,000 square foot building would be \$40,124,000.

He said the City had a LERTA resolution, adopted in 2008, and expired in November, 2018. He said the old LERTA resolution would grant a 100% tax exemption on the improvement value of the property and would continue to get the same revenue for the land. Alderman said a LERTA/KOZ schedule has an exemption schedule with 100% abatement for ten years and then end at ten years. He said the current Luzerne County LERTA resolution has a 100% exemption over seven years and then declines, in years, eight, nine and ten. He said he would like the City of Hazleton, to consider, the past LERTA resolution but a slightly better one for Hazleton. He said this would get a little more revenue to the City faster. Alderman wants to have a competitive site that competes against the 23 sites and attracts a company quickly. He said it does not have to be as "aggressive" as the old resolution. He said the City would see over \$1,000,000 over the next ten years. Alderman said he is suggesting a special provision. He said if he was able to attract a manufacturer and they tend to have a higher capital investment, in the building, and higher investment in the building, if 10% of the floor area is used for manufacturing, the exemption during the first five years would be 100%. Alderman said the idea is the City would see higher paying and more jobs. He said the abatement would be an "enticement" for a manufacturer to come to the City.

Mundie asked if the taxes are City taxes or "all three". Alderman said they are just the City taxes. Mundie asked if there are school and county taxes. Alderman said these are separate taxes. Mundie asked if there would be a problem if city council, would approve this, and then the county or school district would give him a "hard time." Alderman said he is starting with city council' s approval. He said the municipalities of Pennsylvania have to be the original granting entity. Mundie asked if the City would pass the exemption if the other entities would "fall in line". Alderman said that has "been the case" in his experiences. Mundie asked if the first one is successful if he plans for other buildings. Alderman said he has an approved plan, for the first phase, for 93 acres. He said they are in the "planning stage" for a second phase for about 50 acres. He said it is not designed, and not as far along as the 93 acres. He said he would like to start construction this year and get permits.

Perry asked if a potential client would like a bigger building built if this would be built already for them. Alderman said the tenant activity gets "very serious" when the walls "go up". He said Mayor Cusat has been to about six meetings and his company has chased a half-dozen companies with proposals. Alderman said none of these prospects have worked out. He said he is looking forward to getting through the PENN DOT process as not to explain the permits. Alderman stated if they start with a building between 800,000-1,000,000 square feet and the company would want a 1,400,000 square foot building, the company would be happy to start with the 800,000 building. Then, Blue Creek would adapt the construction and deliver the expansion. He said it takes a while to fill up a building of that size. Alderman said it is good to have an expansion area. He said, then, the company would know they can grow. He stated not all sites have this option. Alderman said this is a selling feature.

Mundie asked how many buildings they have. Alderman said Hillwood has developed 186 million square feet of industrial buildings. He said they are a 30-year-old company, started in Texas, in the late 1980's. He said they have offices in seven states. Mundie asked the reason they are looking at Hazleton; for their population or highways. Alderman said most industry is a proxy to people. He said if you "draw a 100-mile circle" around Hazleton there are 30 million people in the area. He said it is a cost-effective place to operate, i.e.- employment taxes, workers compensation insurance, transportation costs and tolls are cheaper in Pennsylvania compared to neighboring states. Mundie asked if the buildings are more manufacturing or warehousing. Alderman said his company has leased two buildings, in Pennsylvania, in 2019. One was to Schindler Elevator, in York, PA, along Interstate 83. He stated this is a 400,000 square foot space and was turned into a research/ development and quality control testing facility for elevators. The second is DMI that distributes print cartridges to Xerox and Canon, in Carlisle, PA.

Alderman said they build concrete buildings. Mundie asked why they do not build metal buildings. Alderman stated concrete is more durable, gets a better insurance rating and better safety characteristics. He said it costs more but tenants prefer the concrete wall buildings. He said freezer buildings are built with a metal insulation panel.

Perry said Alderman stated the workforce would be a lot less in Hazleton than in Allentown. Alderman stated one company he lost was Dr. Pepper/Snapple. He said they told Hillwood they did labor studies between the Hazleton location and the competing location on the west side of Allentown, upper Macungie Township, the old Kraft plant. He said they stated the annual labor savings, to be in Hazleton, was \$2,500,000 per year compared to upper Macungie Township. Alderman said Macungie Township already "had up" a 700,000 square foot building and the walls "were up." Alderman said their rent was significantly cheaper. He said they did not want to take the risk of how long it would take PENN DOT and state DEP in finishing the permits. Alderman said they were "safety thinkers." Mundie stated Coca-Cola was looking to build a plant in the Humboldt Industrial Park in West Hazleton with the purchase of land. He said this would be a "nice one" for the City of Hazleton. Alderman said this area is big for food manufacturing and beverage.

Perry asked if all the calculations are based on the millage rate increase of 2% per year. Alderman said yes. He said he knows millages do not tend to go in "nice" little steps. Perry asked if Alderman can call him with a no millage increase report. Alderman said he would be happy to give him a new calculation. Perry said these rates are kind of inflated assuming a 20% increase from year one to year ten. Alderman said at 10 years at 2% would be slightly more than a 20% increase because of compounding. He stated the difference from year one to year two is about \$630.00. He said when the exemption goes down the difference gets bigger. Perry said year five would be paying \$33,800 without the exemption. Alderman agreed. Perry said the tax, at that time, of \$338,000 is more than zero. Alderman said the site would not be competitive without the LERTA.

Mundie asked if Allentown offered a LERTA to Dr. Pepper. Alderman said no. He said it is in Parkland School District, upper Macungie Township in Lehigh County. Mundie asked if many of the cities and counties are moving towards the LERTA structure and away from KOZ. Alderman said yes. He stated

KOZ was a very blunt weapon which had no tax for ten years. Mundie said Hazleton used this to fill the Markle Building, currently off KOZ, but worked for this building. Alderman said he is a resident of the City of Allentown. He said there is a tax-incentive district, in Allentown, called the NIZ (Neighborhood Improvement Zone). He said this was a piece of legislation written for a very isolated area in center-city Allentown. He said it is a very controversial thing in Allentown. He said it was too concentrated on too few properties. Alderman stated the "urban-core" of Allentown has improved because of this. He said there is an eight-block area with nice restaurants and nice offices with a lot of companies locating in Allentown. He said some cities need to counteract the pressure of the suburbs, drawing wealth out of the cities.

Perry said Hazleton is competing with Hazle Township. Alderman agreed. He said, in Hazle Township, Humboldt Park has put Northeast PA, on the map, from a logistics and manufacturing standpoint. He stated the City provides the labor. He said one of the things that attracted them to this site is its proximity to residential areas. He said this helps people to get jobs. Alderman said they are building a 1,000,000 square foot building, in Pittsburgh, by the airport with a solid five miles "of nothing". Alderman said no one lives there. He said it feels good to provide jobs but the quality of life with people struggling with transportation is a problem. He said the Hazleton site, on South Church Street, people can walk or take the bus to work. Mundie asked if there are any railroads, nearby, or are they planning any railroads. Alderman said there is an active railroad, run by Norfolk Southern, right by the area. Mundie asked if this is an added incentive to companies. Alderman said yes.

Tom Meagher, Blue Creek representative, said one of the things that attracted them, to the site, are the utilities. He said having gas, water, sewer and electric at one location, in good quantity, is essential to manufacturing. He said this, along with some tax incentives, can have them "pull" the right company to this location.

Mundie asked what the original plans were for this property. Meagher said he was looking to build at that time with 1,000,000 square feet. He said, with this round, they were able to pick up more property that was always there and has been "derelict".

Ted Sherrock, 67 Franklin Street, Hazleton, said he is a Chairman of the Board of the Greater Hazleton Joint Sewer Authority. He said when they started this project because of their company's reputation and the performance of the GHJSA, there was no problem with DEP. He asked if they downsized on the building. Alderman said he appreciates them jumping "through hoops". He stated this is indicative of the spirit of Hazleton with overcoming the DEP corrective action limitations. He said DEP was a good partner. He said the largest building they can build, on this property, is 1,410,000 square feet. He said their company is looking at 1,200,000 square feet with conservative expectations. He said his company would like to build a 1,410,000 square foot building. Mayor Cusat said the big project was with both buildings. Mayor Cusat said this is for only one building. He said Sherrock was at the first meeting for both buildings. Alderman said there is a bottling plant that is still interested in the site. Sherrock said they had a CSO coming down Church Street to their pumping station. He said this was closed, as a requirement, with a flow meter on this. He said they are "ready to go". He stated their board said that the GHJSA will not be the one who stopped the industry from coming to Hazleton. He said this would be a "shot in the arm". He said they will do anything to get this to happen. Alderman said they typically build buildings like this one. He stated their project, in York, with their sewer authority giving them about 20,000 gallons a day. He said they cannot market this site, to manufacturers, because this is not enough. Alderman said he can market the Hazleton site because of the sewer module. He said there is also ample power at this site. He said this area is "blessed" with a lot of water. Alderman said there is a lot of the "pieces put together" with community support and infrastructure.

Perry said the next step would be for them to bring city council their ordinance for approval. Mundie asked if they own the land. Alderman said there are options on the land.

Perry spoke of the Conflict Council Solicitor Services RFP. Atty. Sean Logsdon said this would be looking for a general proposal as to act as a conflict counsel solicitor. He said they need to have experience with third class city code, municipal law and optional plans. He stated he wanted to keep this as "broad as possible". He said if they are needed, it would be for contracts and personnel. Atty. Logsdon said a municipal lawyer, who will respond to the ad, would be "pretty versed" on these things. He stated this is the RFP and if the firm is interested, they can call City Hall and then would be sent the information via email, or the city clerk can put this on the City of Hazleton's website. He said there would be a small announcement, in the Standard Speaker, for the request for proposals seeking from qualified firms for a conflict council solicitor. He said they would then be directed to the city clerk, website, or the City in "some way". He said there would be a deadline put on this. Atty. Logsdon said we will see "what we get" for the right price and to see who we can work with. Barletta asked if this would be put in a resolution for approval. Mayor Cusat said city council needs to agree on who they choose. He said city council needs to meet with the candidates, interview and vote on them. Barletta asked where the money is coming for the solicitor. Mayor Cusat said it comes from the special legal item in the budget. He said there is about \$75,000 in this account. Perry said this would not require city council and administration to change the budget. Mayor Cusat stated there needs to be someone on a retainer if needed. He said the special legal always has \$75,000 in the budget with the deductible being \$25,000. Barletta asked if city council will still use the Karpowich Law firm with any questions and asked why city council needs this attorney. Mayor Cusat stated this is if city council feels that there is an item they cannot talk to Atty. Logsdon about or if Atty. Logsdon is siding with him on anything city council does not want to do. Barletta asked who Atty. Logsdon works for. Atty. Logsdon stated he works for the City. Barletta stated she was completely against this from "day one". Perry said PEL are the ones "pushing this".

Mundie asked if city council needs to approve the towing contract. Atty. Logsdon said, in 2019, did the RFP for towing. He said the proposals received were evaluated and graded. He said the City is not paying out any money; the towing contractor is paying the City money. He said this is a professional service. He said the rotation and using a city tower was always an administration function. Mundie asked what if the conflict counsel says this will not work, where would it go from there. Mayor Cusat said, in 1988, city council sued the mayor over the water authority appointment. Perry said this is conflicting Atty. Logsdon with the mayor and city council asking him to prepare an ordinance. He said this is costing more money to do two different things. Mundie said Perry stated PEL recommended this. Mayor Cusat said PEL wanted him to present to the senator and our representative to change the third-class city code. Barletta asked why PEL did not put this in their plan. Mayor Cusat said they may have not "picked-up" on this. Barletta said she never sees any issue. Mayor Cusat said PEL feels Atty. Logsdon is sometimes "put in the middle" of things. Mayor Cusat said it is also a confidentiality issue and if city council feels he is hiding something from them. Perry said Luzerne County had the same issue. Mayor Cusat said the third-class city code states city council would need an advisor. He said when PEL read the code, they did not realize city council did not have their own advisor. Mayor Cusat said in the 1980's, there were a lot of problems. Atty. Logsdon said he spoke to a solicitor in Wilkes-Barre and they utilize a similar procedure. He said sometimes this is beneficial coming to a compromise going to a third-party solicitor. Perry said Luzerne County was going to do this, and they choose their own solicitor. They have a different form of government. Barletta asked if Atty. Logsdon can change a proposal or is it "set in stone". Atty. Logsdon said if someone submits a letter that does not comply with anything, he said city council can consider it. Mayor Cusat said city council would need to sit down with the candidates and "score them". Barletta asked what if they do not meet the qualifications. Atty. Logsdon said then city council would not consider them and grade them as a "0". Barletta asked when this will be put in the paper. Atty. Logsdon said he put the deadline as March 31, 2020. He said it needs to be advertised to get enough responses. He said 30-days is the standard to advertise this request. Mayor Cusat said city council needs to tell either Atty. Logsdon or the city clerk to advertise. Mayor Cusat asked if this is a resolution. Atty. Logsdon said it is just a proposal. Perry asked what the process is to do this. Mayor Cusat said city council meets with

the candidates, in the board room or in executive session. Perry asked who would “score” the candidates. Mayor Cusat said city council would need to interview them. He said the candidates do not need to be interviewed in front of the public. Barletta said this is considered a bid. Mayor Cusat said it is not a bid; price is not a consideration. He said city council can take the highest priced person with experience. Mundie said there is no residency requirement in this proposal. He said the towing proposal had a residency requirement. Atty. Logsdon said he did not want to limit candidates to only City residency. Mayor Cusat said the towing contract had to be in the jurisdiction of the magistrate. He said the solicitor is a professional service. Mayor Cusat said city council may get candidates from Wilkes-Barre or Scranton. Barletta asked if towing is an emergency service. Atty. Logsdon said it can be. Mundie said Wilkes-Barre has towing contracts. He asked if Wilkes-Barre’s mayor signed the contract, and if council did not approve this. Mayor Cusat said he does not know what they did. He said our form of government gives him all contract ability. He said he does not have to bring a contract here if he does not want to. He said optional plan B gives him a lot more power than any other mayor in the state. Atty. Logsdon asked if city council wants him to advertise this. Perry said yes.

Perry asked if the towing contractor is paying their money “up-front”. Mayor Cusat said there is a \$50,000 deposit and \$35,000 would be due six months later. Perry asked if there is a control on their cost to the residents. Mayor Cusat said there was a price structure in the contract. Mayor Cusat said he will send the contract to council. Barletta asked Mayor Cusat why he did not tell city council and then taxes were raised. Mayor Cusat said he was not 100% sure the City would do this. He said the agreement was signed about two weeks ago. Barletta asked where the money would be put in the budget. Mayor Cusat said it would go to general fund for now. Perry asked if the contract is for one year. Mayor Cusat said the contract is for one year with an option for year two. Mundie asked how many towers responded to the towing contract. Mayor Cusat said about 3-4. Perry asked if they were “scored”. Mayor Cusat said yes, but he was not on the scoring committee. Colombo asked if there is a provision if the company does not meet the criteria and then could be terminated. Mayor Cusat said yes. Perry asked if they can “sublet out”. Mayor Cusat said yes. Barletta said the proposal states they would work on behalf of the City. Atty. Logsdon said the tower is covering their own liability insurance. Perry stated they also need a place to store the vehicles.

Perry also spoke of An Ordinance Regulating Conduct and Activities Related to Slot Machines which are Herein Classified as Nuisances and Providing Penalties for the Violation of this Ordinance in the City of Hazleton. Atty. Logsdon said in case there is an issue, this ordinance is here to be discussed. He said as long as there are no complaints or issues, he said city council does not need to “act on this” at this time. He said it is only if other municipalities are passing this ordinance.

Barletta spoke of Uber. She asked if they can be given a business license. She asked if they are considered a taxi. Mayor Cusat said no. He said there are a lot of Uber’s and Lyft’s. Mayor Cusat said he looked at this issue a few years ago. He said under the PUC the City could not do anything. He said they are not employees of this company and are not paying taxes. Perry said they are independent contractors. Colombo said years ago, with Yellow Cab, other cabs could not get a PUC license. He said other van transportation, in the City, do not meet the requirements. Atty. Logsdon said he is not sure who is regulating all the shuttle services, shared rides, Uber’s and Lyfts in the City. He said the only way to regulate this is through the PUC.

Colombo said he spoke to other city council members about adding additional WORK SESSION meetings. Barletta asked when city council has a WORK SESSION if Atty. Logsdon needs to be there. Mayor Cusat said Atty. Logsdon does not need to be at these meetings. Barletta said council is not able to sit down to talk about ideas and discuss things to work on. Mayor Cusat said council can advertise a WORK SESSION anytime they want. He said they can discuss items in the board room with the “door open” so the public can hear. Atty. Logsdon said for city council to let him know if he needs to be at any of the meetings.

Perry said PEL stated they can discuss matters, but no voting can be done. Atty. Logsdon said there can be no deliberations in private.

Perry adjourned the WORK SESSION meeting at 9:00 p.m.