



Lancaster County Progressions

A Newsletter of the Economic Development Company of Lancaster County

Summer 2009

What do you do with old buildings that have outlived their original purposes — the abandoned or underutilized structures in the downtown districts of Lancaster County's townships, boroughs and city — our urban cores?

A building-by-building, block-by-block task, urban core development necessitates enormous amounts of time, work and creativity from many partners.

And what about the urban land masses that were once vibrant with business activity, but are now quiet due to downsizings, closings or relocations? Urban land masses — the 47-acre Lancaster City decommissioned Armstrong World Industries complex and the 105-acre former Raymark property in Manheim Borough — need dedicated and long-term attention in order to be transformed into hubs of energized economic activity.

In this issue of *Progressions*, we:

- Explain the importance of redeveloping our urban cores along with common hurdles encountered
- Present just a few of the most recent urban core redevelopment projects facilitated by EDC and EDC Finance Corporation
- Introduce the reader to an EDC staff member who is passionate about urban core redevelopment and spends much of his time working for its advancement

Why is Urban Core Redevelopment Important?

— Lyle Hosler, Project Manager, EDC Finance Corporation

A response to this question would typically focus heavily on reducing urban sprawl and preserving



Lyle Hosler

green space, two important topics to Lancaster County. But, as important as they are, much more needs to be considered when thinking about redeveloping our urban cores.

The use and reuse of urban properties is a reflection of both the pride a community has in its appearance and its strategic plans for growth and stability. Recycling urban properties allows communities to reinvent themselves, sustain in the event of industry closure or relocation, reduce blight in neighborhoods, and be creative in producing something new out of an old building.

Recent examples of urban core redevelopment in Lancaster County include:

- in Columbia Borough ... an abandoned and overgrown silk mill in the process of being transformed into a new Turkey Hill tourism destination.
- in Lancaster City ... an empty and run-down tobacco warehouse transformed into a mixed-use residential and commercial space.
- in Ephrata Borough ... a dilapidated hotel complex transformed into a successful and

leading commercial hotel and restaurant destination.

Development of urban cores produces many benefits for our municipalities and residents, but not without investing inordinate amounts of time, solving daunting challenges and, often, financing a hefty price tag.

For example, urban core redevelopment usually involves difficult environmental issues — whether related to a decaying building or surrounding soil and water —

Additional cost factors for urban renovation often include site assembly. In some projects, steps must be taken to assemble several land parcels to create a site large enough for the project. (EDC's efforts in 2003-2004 to prepare the site on which Clipper Magazine Stadium now stands is a good example.) Site-assembly efforts frequently involve structures that are not being used to their highest and best use. Notwithstanding, they are still costly to acquire, renovate or demolish.

As a result of these and other hurdles, urban redevelopment projects require funding packages that provide developer incentives and bring construction budgets and anticipated project cash flow results together.

Regardless of the size or type of urban core redevelopment project, each requires a uniquely coordinated effort among business, education, community and government leaders to ensure long-term economic success.

Funding Programs for Promoting Urban Redevelopment

PIDA

Bare Building — City of Lancaster
Auntie Anne's — City of Lancaster
Clair Brothers — Manheim Borough

Building PA

Auntie Anne's — City of Lancaster
Swisher Properties — City of Lancaster
Turkey Hill Project — Columbia Borough*
Groff Funeral Home — City of Lancaster*
LSC Properties — City of Lancaster*
Mojo Barriers — Manheim Borough*

SBA 504

Dinse Dental (East Petersburg)*

* Urban area projects that are underway but not completed.

that must be identified and mitigated before any activity can begin.

Historical components must also be addressed in a manner acceptable to all stakeholders, including historians, architects, attorneys and owners. This process, too, can be time-consuming and costly.

Municipal Official Luncheon

On Wednesday, November 4, 2009, EDC and EDC Finance Corporation will sponsor a luncheon for Lancaster County's Municipal Officials. Discussion will include economic development and redevelopment efforts throughout our communities, including our urban cores, and the services that EDC and EDC Finance Corporation can offer.

Why I Like Working on Redevelopment Projects

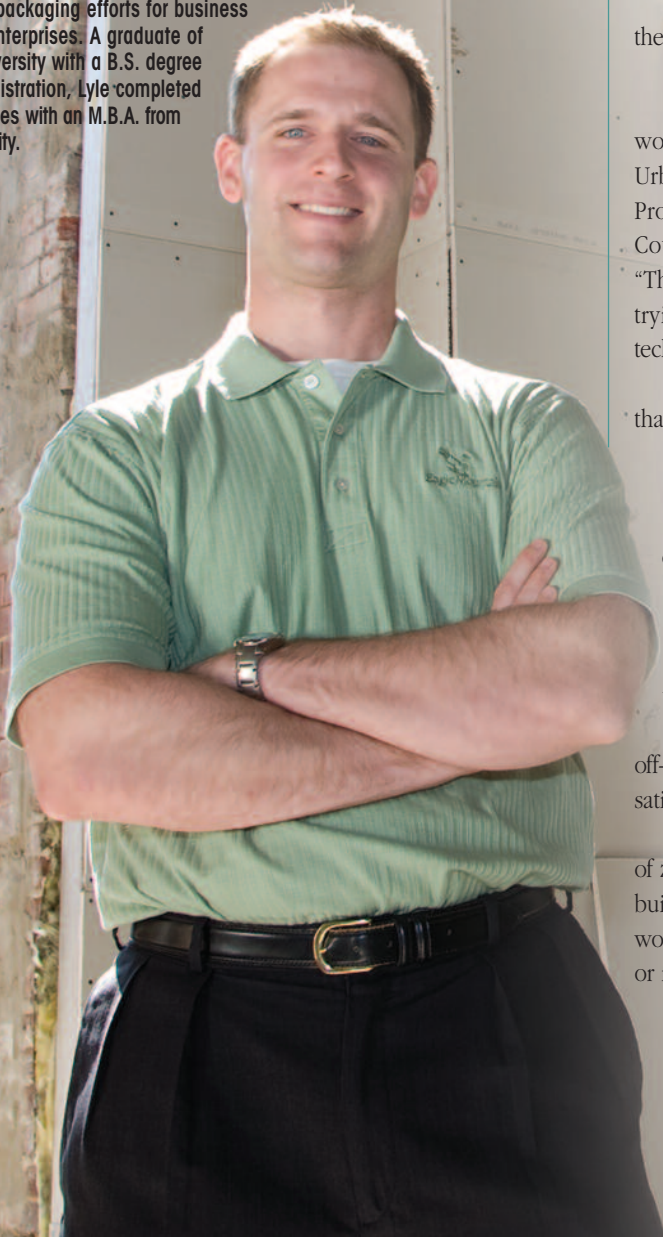
There are two main drivers for my interest in urban redevelopment projects.

First, the complex, challenging, and unique aspects and characteristics that each urban development project presents fascinate me. Since no two redevelopment projects are the same, no two financing structures for those projects are the same either. I enjoy the creative thinking and challenge that is necessary to structure the package and “fill the gap” or provide the financing incentive that can help to make a project happen.

The second driver comes from taking pride in this community where I was born and raised. Often, as I am traveling between home and work or project sites, I will admire the beautiful historic buildings our Lancaster County urban areas possess and which complement our agricultural scenery. Key urban buildings that gravitate toward a vacant or under-utilized status create an undesired stigma for the neighborhood. Visual appearance is a key component in making a strong first impression on visitors, family and friends.

Ensuring that Lancaster’s urban areas are attractive and interesting places to live and visit is important to our success in economic development.

In 2005, EDC and EDC Finance Corporation welcomed Lyle Hosler as Project Manager, a position in which he facilitates a variety of finance and loan packaging efforts for business and agricultural enterprises. A graduate of Susquehanna University with a B.S. degree in Business Administration, Lyle completed his graduate studies with an M.B.A. from Penn State University.



‘Redeveloping Downtown Areas Is Not Easy Work’

Not so fast, Petula. Not everyone “can forget all their troubles, forget all their cares and go downtown.”

For private investors and developers, that lyrical caveat is especially apt.

“Redeveloping downtown areas is not easy work,” says Matthew Sternberg, Chair of the Urban Center Development strategy of Lancaster-Prospers and Executive Director of the Lancaster County Housing and Redevelopment Authorities. “There are many barriers when trying to attract private investment into technically difficult urban redevelopment projects.”

Below are five barriers Sternberg has identified that can hinder downtown redevelopment:

- 1. Small project size:** Given underlying development costs of typically smaller-footprint borough sites, it’s difficult to get a project to cash flow.
- 2. Constrained site configurations:** Sites can have close neighbors with often-complex issues about joint access and infrastructure.
- 3. Financing:** The constrained commercial context for urban projects greatly increases the need to use public-sector financing and incentives to fill gaps in the development proforma. Many local developers are not used to working with these programs.
- 4. Parking:** Downtown projects often involve shared parking — on- and off-street — that do not follow industry standards, often making it difficult to satisfy the parking demands of potential tenants.
- 5. Zoning:** Successful urban development requires strategic rethinking of zoning ordinances as they relate to the mix of uses, parking requirements, building size and site configuration. The willingness of a municipality to work with the team to address these issues — by identifying and removing or reducing the barriers — is essential to moving the project forward.



Matthew Sternberg

In Manheim KOZ:

Clair Brothers Cues Music in \$5.1 Million Borough Project

It is undoubtedly music to the collective ears of the public and private partners involved in the redevelopment of the approximately 105-acre former industrial urban brownfield, Manheim Borough's KOZ.

Clair Brothers Audio Systems, Inc., an offshoot of the internationally acclaimed Clair family's audio enterprises company, opened its new 48,300 sq. ft. operations and production facility in the Manheim Borough Keystone Opportunity Zone (KOZ) — site of the former Raymark Industries and now the Greentree Business Center — in early 2009.

Company principals and father/son Roy and Barry Clair realized their expansion vision with the assistance of EDC Finance Corporation in securing a \$1.6 million Pennsylvania Industrial Development Authority (PIDA) loan.

The PIDA loan was allocated in 2008 to purchase the last, and at 18.6 acres, the largest undeveloped parcel of land in the Manheim KOZ. Its development represents the culmination of the borough's KOZ site redevelopment efforts initiated a decade ago.

Total investment for the project, which provides Clair Brothers with the space to manufacture, test and design many of the high-end audio systems it permanently installs in churches, schools and stadiums, was \$5.1 million.

In 1999 EDC served as one of the key partners in identifying the Manheim KOZ and in subsequently winning state approval for the KOZ designation. EDC has partnered with the borough in marketing efforts for the site to successfully land the international firm Carel USA, an Italy-based humidification equipment control manufacturer, and an additional major entertainment-oriented company, among others.



In Lancaster City:

A New Beginning for West End Market and Its Urban Neighborhood

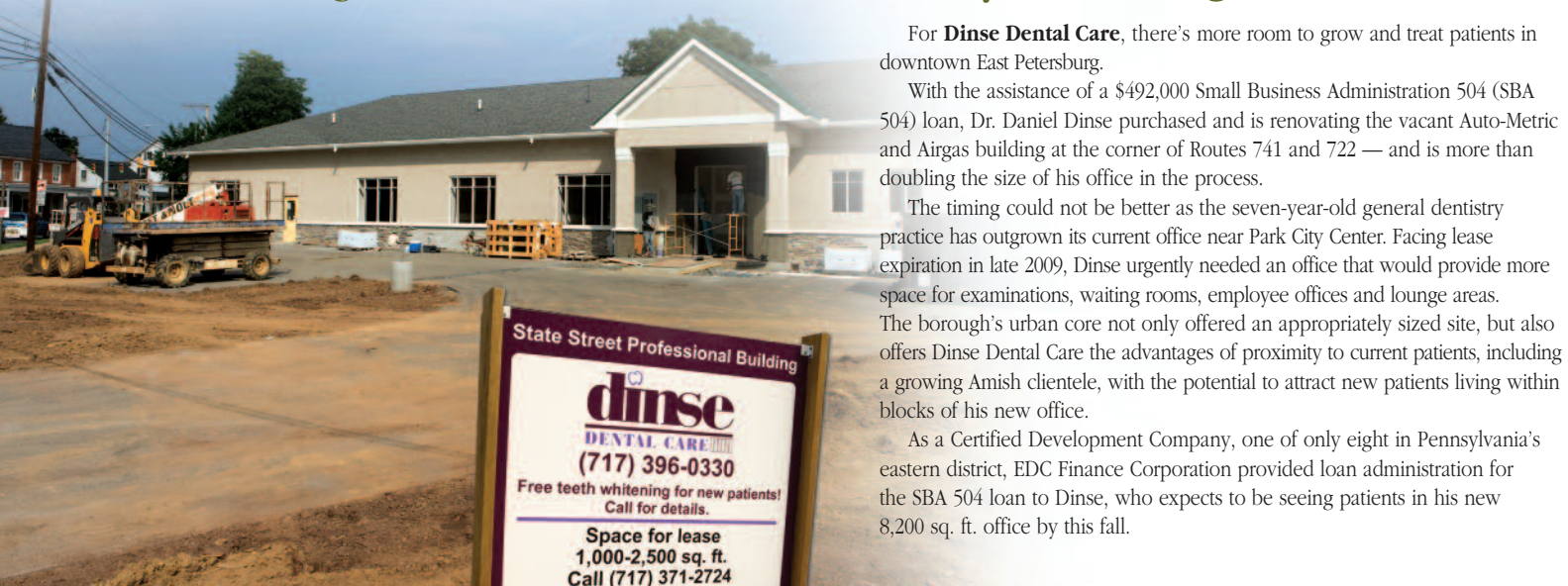


As brother and sister Fred and Lisa Groff redevelop the old West End Market in downtown Lancaster, they are revitalizing the West Orange Street neighborhood that will be home to their new **The Groffs Family Funeral and Cremation Services** and another commercial tenant early next year.

In the \$1.8 million project, which is being partially funded by a \$275,000 Building PA/ LancasterProsper Urban Capital Fund loan administered by EDC Finance Corporation, the Groffs see an opportunity to better serve downtown customers while, at the same time, restoring the historical character of a 13,000 sq. ft. building that was soon to be vacant.

A particularly unique architectural aspect of this urban revitalization project is the reinstallation of windows that had been bricked-over in the building's original facade many years ago.

In East Petersburg: Dental Practice to Double Size by Renovating Downtown Site



For **Dinse Dental Care**, there's more room to grow and treat patients in downtown East Petersburg.

With the assistance of a \$492,000 Small Business Administration 504 (SBA 504) loan, Dr. Daniel Dinse purchased and is renovating the vacant Auto-Metric and Airgas building at the corner of Routes 741 and 722 — and is more than doubling the size of his office in the process.

The timing could not be better as the seven-year-old general dentistry practice has outgrown its current office near Park City Center. Facing lease expiration in late 2009, Dinse urgently needed an office that would provide more space for examinations, waiting rooms, employee offices and lounge areas. The borough's urban core not only offered an appropriately sized site, but also offers Dinse Dental Care the advantages of proximity to current patients, including a growing Amish clientele, with the potential to attract new patients living within blocks of his new office.

As a Certified Development Company, one of only eight in Pennsylvania's eastern district, EDC Finance Corporation provided loan administration for the SBA 504 loan to Dinse, who expects to be seeing patients in his new 8,200 sq. ft. office by this fall.

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SBA, PIDA Loan Programs Are Now Even Better Deals

If there's a silver lining in today's economy it can be found in the many lending programs that EDC Finance Corporation provides to the local business community. These programs are helping to spur local business development with attractive fixed interest rates that complement participating bank loans.

Of particular note:

- The Small Business Administration 504 program's most recent 20-year fixed rate dropped to 5.39%.
- Pennsylvania Industrial Development Authority (PIDA) adjusted its fixed rates to 3.75% and 4.75%.
- PIDA can now fund 30-70% of real estate costs at these low rates for manufacturing and industrial projects.

Program	Company location/size	Percent of project that can be funded	Interest rate	Term
Pennsylvania Industrial Development Authority				
	Lancaster City, fewer than 50 employees	70%	3.75%	15 yrs.
	Lancaster City, 50 or more employees	60%	3.75%	15 yrs
	Lancaster County, fewer than 50 employees	50%	4.75%	15 yrs.
	Lancaster County, 50 or more employees	30%	4.75%	15 yrs.
Small Business Administration 504				
	Most for-profit companies	40%	4.55%	10 yrs.
		40%	5.39%	20 yrs.

WHAT'S ON OUR CALENDAR?

Watch for more details in the coming weeks

Business Financing Luncheon (see insert)
 Thursday, October 8, 2009
 12:00 - 1:30 p.m.
 Heritage Hotel Lancaster

Municipal Official Luncheon

Wednesday, November 4, 2009
 12:00 - 1:30 p.m.
 Willow Valley Resort and Conference Center