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## **Alas, it was April Fool's day. Would it were true.**

Posted on April 1st, 2014 in News and Commentary

1) Lancaster Mayor Rick Gray announces that CRIZ funds will be used to acquire the long vacant Bulova Building and the troubled Lancaster Hotel and Annex. The sites will then be sold by the city to a major developer for erection of upscale condominiums.

2) A subsidiary of Lancaster Newspapers has filed papers with a local court asking to replace the High Company subsidiary as sole general partner of Penn Square Partners. Penn Square Partners is the equitable owner of the downtown Marriott Hotel. The Lancaster Newspapers, Inc. has agreed to renegotiate the contracts with the Convention Center Authority to comply with industrywide norms.

3) A prestigious citizens group has formed to conduct an investigation of the mishandling of the sewer treatment station's over flow problems by the City of Lancaster. They say they want to come up with long term solutions, not short term 'fig leafs.' They will research construction of storm sewer lines to redirect some storm water from the

combined sanitary sewer lines. The plan will be implemented over the next two decades in five stages.

4) Lancaster General Hospital will open its board meetings to the media and public and has named a half a dozen people of color and from minority groups to serve on its board of trustees.

5) Wells-Fargo Bank has acknowledged that the funding of the convention center should never have taken place by Wachovia Bank, which Wells-Fargo acquired out of near bankruptcy. To show good faith, it has waived all SWAP requirements and set the bond interest rate at LIBOR plus two percent.

6) The Lancaster Library System has concluded that its creation a few years ago was a costly mistake and will shut down, turning what services it performs back to the individual libraries.

7) Governor Tom Corbett has withdrawn his re-election bid after accepting responsibility for 'slow walking' the Jerry Sandusky investigation and railroading the firing of Coach Joe Paterno.

## **CRIZ is a 'Pay Check Loan' for cities**

Taxes from the future are to be used to create a feeding trough to pay for current development. This means real estate taxes that otherwise would be available to meet future needs will instead be used to pay the cost of today's dubious projects.

It is not like selling bonds to build a bridge. In that case, your children and grandchildren benefit for the bridge for which they are paying. Instead, the CRIZ program benefits special interests. The kids do not get any benefits in the future.

## **Crunch time for saving the Convention Center**

The Martin Plan calls for an expanded county guarantee of the debt service for the seven year term of the loan modification agreement in exchange for concessions by bond owner Wells Fargo, Penn Square Partners, the city, and the tourist bureau. The unresolved issues relate to Wells Fargo and Penn Square Partners

Wells Fargo inherited dirty hands when it took over Wachovia Bank during the sharp recession of 2008. A year earlier, all the other solicited banks and insurance companies had turned down guaranteeing the bond issue due to the obvious risk of future default.

But Wachovia, for reasons that were hard to discern, provided the bond guarantee which saved the project. And they did that in the face of a feasibility study by the foremost authority on such matters,

PKF, which concluded that the project should either be scaled back or another use found for the site...

Even the best of salespersons won't be able to book convention center events for 2015, 2016, and 2017 when it is clear that there will not be sufficient funds to properly operate and maintain the facility.

Failure to accept the Martin Plan is for Wells Fargo to turn its back on the only solution to salvage its investment.

As for Mayor Rick Gray, he had better start studying hotel management. Once Penn Square Partners starts hemorrhaging losses due to the lack of convention center events, they likely will give up its lease on the hotel owned by the city. Then Gray will get a chance to operate a hotel.

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