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Martin plan for Convention Center financing moves ahead; Penn Square Partners gets free ride

At a specially convened news conference, County Commissioner and Vice Chair Scott Martin announced that his plan for refinancing the terms of the Convention Center will move ahead by July 1 but Penn Square Partners (PSP) has declined to participate.

PSP is a partnership between subsidiaries of Dale High's companies, the General Partner, and the Lancaster Newspapers, Inc., a limited partner. PSP is the lessee and equitable owner of the Marriott Hotel

Martin said there would be no side agreement as demanded by PSP with it and the Lancaster County Convention Center Authority (LCCCA) for the remaining 95 years of their condominium agreement. It would have required the LCCCA to guarantee set payments each year towards renovation and marketing reserves.

Such an arrangement would have made failure to set aside such funds a default under the new terms of the bonds and, if that occurred, triggered the commissioners' guarantee of the convention center bonds.

Without the side agreement, PSP has declined to be part of the arrangement and will not be contributing approximately $100,000 annually through various concessions as previously contemplated.

Martin was *"hopeful"* that the other parties to the negotiations – the Pennsylvania Dutch Convention & Visitors Bureau (CVB), the Convention Center Authority, Wells Fargo Bank and the County Commissioners – would approve the arrangementsby the deadline of the end of the day on Tuesday, July 1. The Commissioners will vote on the matter at their Work Session earlier that day.

Martin pointed out that, even with PSP not participating, the arrangement accomplishes many things:

No side agreement as requested by PSP of LCCCA,

There will be $5 million from a City Revitalization and Improvement Zone (CRIZ) towards a reserve fund for renovations,

Avoidance of a potential default on debt by LCCCA,

No raise in the Hotel Room Sales Tax,

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A lower interest rate than otherwise would have been charged ($670,000 in savings annually), and

An arrangement for five years with bond and SWAP owner Wells Fargo Bank.

Martin referred to the consequences of not doing anything. LCCCA would be in technical default under terms of the bond agreements.

According to a communication from Wells Fargo on June 14, the default interest rate would leap to 10%. Martin said that would amount to $6 million annually just for interest, a large part at tax payers' added expense. He noted that the Hotel Room Sales Tax last year only generated $5.1 million in tax revenue.

Martin said there is no pre-payment penalty under the arrangement and, should a better financing opportunity come along, the parties could avail themselves of it. Concerning the relatively short five year term with the bank, Martin opined: *"Like 'Ground Hog Day'. We keep waking up to it."*

Kevin Malloy, Executive Director of the LCCCA, said that the arrangement for the next five years achieves their #1 priority: *"sustainable financing."*

When asked from the audience *"With CRIZ contributing $5 million and the county guaranteeing the full bond debt, how can the citizenry not perceived PSP as the 'bad guys.'?"* Martin refused to characterize PSP other than to say this was a very complicated matter.

Prior to the meeting, Martin told **NewsLanc:** *"I made the best lemonade I could out of a bunch of lemons."*

<u>READERS COMMENTS:</u>

#1: *"If they were smart, which they are not, all other parties should withdraw support. If no PSP concessions, even the measly ones originally included, then no deal. Let it die under its own weight."*

#2: *"What happened to,* 'If all of the party's don't agree to the terms of the proposed agreement, the deal is off?' *Looks like without PSP's proposed contribution,it will become more likely that the taxpayers will be left holding the bag for this fiasco. I say NO to this deal. Let's see if Wells Fargo really wants to own a convention center."*

#3: *"Penn Square Partners should be RUN OUT OF TOWN (WAY OUT OF TOWN!!!). They have NO sense of community involvement; only a lust to fill their own pockets at the expense of the hard-working City/County taxpayers. The founding fathers of the Lancaster Newspapers must be rolling in their graves….what a blow to the Steinman legacy of community goodwill…*

"Lancaster Newspapers can spin this 'til the cows come home…..They have just stuck it to us again."