

COMMONWEALTH OF PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

DATE: December 5, 2018

TO: PSERS Board of Trustees

FROM: Charles J. Spiller, Deputy Chief Investment Officer,
Non-Traditional Investments



RE: 812 Market, Inc.

In the Executive Session, Executive Director Grell will update the Investment Committee on the former Patriot News property in Harrisburg and request approval to invest additional sums in 812 Market, Inc. to enable the acquisition of two additional contiguous parcels to expand the developable footprint of the property.

(1.) DGS Publications Building

This property consists of approximately 0.49 acres and improvements thereon currently owned by the Commonwealth of PA and known as the DGS Publications Building. This property is no longer utilized by DGS and its maintenance is a burden on the Commonwealth. Pursuant to Act 128 of 2018, the General Assembly and Governor Wolf authorized the conveyance of the property for \$1.00, plus costs of conveyance, to 812 Market, Inc.

PSERS has conducted environmental and hazardous materials diligence on the property and plans to raze the improvements and add the cleared parcel to the development plans for the former Patriot News property.

The Investment Office and Executive Office recommend an additional investment of up to \$2 million to 812 Market, Inc. to support the acquisition and demolition costs, and master planning and site development costs for the project.

(2.) Surface Parking Lot at 23, 27 and 31 North 10th Street, Harrisburg

This property consists of three (3) contiguous parcels on 10th Street, improved with 82 individual income-producing parking spaces, pursuant to Agreement of Sale with Robert I. Clay and Barbara P. Clay, for a purchase price of \$450,000, plus customary closing costs.

PSERS has conducted due diligence with respect to the status of the zoning and permitted use as a surface parking lot and has obtained confirmation from the City of Harrisburg that the contained use as a public parking lot is permitted.

Post-acquisition, PSERS plans to continue to use the site for leased parking (month-to-month) for existing customers and to use available spaces for needed parking for PSERS' Staff. Revenue from space leases will help offset the acquisition and operating costs of the parcels, plus satisfy immediate and on-going parking needs for PSERS. This site is also contiguous to the other property of 812 Market, Inc. and would likely be included in the master development plan for the former Patriot News property, enhancing its development value.

The Investment Office and Executive Office recommend an additional investment of up to \$1 million in 812 Market, Inc. to support property acquisition, repairs, improvements, operating costs and site development for the property.