

8/15/73

Minutes of the Select Committee to Investigate State Agencies
Involved in Purchasing, Leasing, Construction and Disposal
of Commonwealth Property, Services and Supplies
Pursuant to House Resolution 98,
adopted on July 25, 1973

Pursuant to the call of the Chairman, Representative Patrick A. Gleason the organizational meeting of the Select Committee was called to order at 1:30 p.m., on Wednesday, August 15, 1973 with the following members present: Representatives Patrick A. Gleason, Chairman, Benjamin H. Wilson, Rudolph Dininni, James J. Ustynoski, Harry R. J. Comer, Harry A. Englehart, and James J. Manderino. Others in attendance were: William A. Kramer, II, Legal Counsel, Norman Krumenacker, Esq., James Woodcock, George Hammett, Tommy Fracella, John Connelly, Esq., and Nancy Roberts.

Chairman Gleason welcomed everyone and a discussion began on the adoption of the Rules of Procedure for the Committee. (See Rules of Procedure attached).

Rule #1 was approved as amended on a motion made by Representative Benjamin Wilson, seconded by Representative Rudolph Dininni and unanimously agreed to. The amendment to the rule was the deletion of the words: "The minority members" and the addition of the words: "Each member".

Rule #2 - The amendment to Rule #2, which reads: "Notice of issuance of said subpoenas shall be furnished to each member promptly" was made on a motion by Representative Benjamin Wilson, seconded by Representative Ustynoski and unanimously agreed to. The rule as amended was approved on a motion made by Representative Harry R. J. Comer, seconded by Representative Benjamin Wilson and unanimously agreed to.

Rule #3 - The words "outside Harrisburg" after the words "series of hearings" was deleted and the rule as amended was approved on a motion made by Representative Benjamin Wilson, seconded by Representative James Ustynoski and unanimously agreed to.

Rule #4 was approved on a motion made by Representative James Ustynoski, seconded by Representative Rudolph Dininni and unanimously agreed to.

Rule #5 was approved on a motion made by Representative Harry Englehart, seconded by Representative James Manderino and unanimously agreed to.

Rule #6 - An amendment to this rule, deleting the sentence: "Provided, however, Commonwealth Agency" was recommended by Representative Harry Englehart. A role call vote on the amendment was taken and the results were as follows: Yeas (3) Representatives Comer, Englehart and Manderino; Nays (4) Representatives Gleason, Wilson, Dininni and Ustynoski. Rule 6 was approved as originally submitted on a motion made by Representative Ustynoski, seconded by Representative Wilson with a role call vote as follows: Yeas (4) Representatives Gleason, Wilson, Dininni and Ustynoski; Nays (3) Representatives Comer, Englehart and Manderino.

Rule #7 - An amendment to this rule, changing the number of hours a witnesses statement must be filed from 72 to 48 hours. A motion for this amendment was made by Representative Harry Englehart, seconded by Representative Gleason. The rule as amended was approved on a motion made by Representative Harry Englehart, seconded by Representative Harry R.J. Comer and unanimously agreed to.

Rule #8 was approved on a motion made by Representative Harry Comer, seconded by Representative James Ustynoski and unanimously agreed to.

Rule #9 - An amendment to this rule which reads: "Records of public sessions shall be made available to any person at his expense if he so requests" was made on a motion by Representative Benjamin Wilson, seconded by Representative James Ustynoski. The rule as amended was approved on a motion made by Representative Benjamin Wilson, seconded by Representative James Ustynoski and unanimously agreed to.

Rule #10 - An amendment to this rule, adding the words "majority and minority committee counsel only" was made on a motion by Representative Harry Englehart, seconded by Representative Benjamin Wilson. The rule as amended was approved on a motion made by Representative Harry Englehart, seconded by Representative James Manderino and unanimously agreed to.

Rule #11 was approved on a motion made by Representative Rudolph Dininni, seconded by Representative Harry Comer and unanimously agreed to.

Rule #12 was approved on a motion made by Representative Rudolph Dininni, seconded by Representative James Ustynoski and unanimously agreed to.

Rule #13 was approved on a motion made by Representative James Manderino, seconded by Representative Harry Englehart and unanimously agreed to.

Rule #14 was approved on a motion made by Representative James Ustynoski, seconded by Representative Benjamin Wilson and unanimously agreed to.

Rule #15 was approved on a motion made by Representative Benjamin Wilson, seconded by Representative Rudolph Dininni and unanimously agreed to.

Minutes of meeting continued:

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Chairman Gleason then submitted the following persons as permanent staff members of the committee: Norman Krumenacker, Esq., to be paid \$100 per day per diem, William A. Kramer, II, Legal Counsel, James Woodcock and Jeff Hammett, Investigators and Nancy Roberts, secretary. These persons were approved on a motion made by Representative Rudolph Dininni, seconded by Representative Harry Englehart and agreed to.

Chairman Gleason then informed the committee that he intended to subpoena all files and pertinent data of the Department of Property and Supplies concerning all current leases. Representatives Comer, Englehart and Manderino objected to the subpoena in the form and manner of the document.

The meeting adjourned at 4:00 p.m.



John A. ...
Minutes

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

October 10, 1973

A meeting was held prior to a meeting with Auditor General Robert Casey with the following persons in attendance:

Honorable Patrick A. Gleason
Norman Krumenacker, Esq.
Jeff Hammett
Nancy Roberts

Several areas were discussed such as Mr. Casey's deputy, Jack Lynch appearing as a witness for the department at the committee's hearings and what questions were to be asked of Mr. Casey.

Some of the questions to be asked were: (1) What are in their files; (2) their opinion of open-ended maintenance and utility agreements; (3) What does the Auditor General think about 10-year leases; (4) the department's knowledge about the Westmoreland County leases, Warren County leases and the Harrisburger Hotel lease; (5) what judgements Mr. Casey makes on leases.

Representative Gleason feels that we should determine if AG money is misspent and that he would like to have 2 days of hearings starting next Friday or the following Friday.

Representative Gleason also stated that he wants to meet with Mrs. Sloan and the DER.

Mr. Krumenacker feels that before we set up dates of hearings we should obtain the opinion of the democratics on the committee first.



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HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

October 10, 1973

A meeting was held in the Office of the Auditor General on Wednesday, October 10, 1973 at 2:00 p.m.

The following persons were in attendance:

Honorable Patrick A. Gleason
Norman Krumenacker, Esq., Counsel to the Special Committee
George Hammett, Investigator to the Special Committee
Nancy Roberts, Secretary to the Special Committee
Honorable Robert P. Casey, Auditor General
John M. Lynch, Executive Deputy Auditor General
William H. Smith, Chief Counsel, Deputy Auditor General
Frank P. Lawley, Deputy Counsel

The first question posed to Mr. Casey was how the Harrisburger Hotel situation came to the attention of the Auditor General?

Mr. Casey indicated that his department has no jurisdiction over the approval of the leases. Upon the completion of the lease transaction the department then does a post-audit. Mr. Casey then indicated that they became aware of the situation through a newspaper article by John Scotzin.

Mr. Casey indicated that his department is concerned with these basic areas in investigating a lease: (1) the cost of the lease and whether it would be cheaper to build another building (2) whether the fiscal plans for renovations had been cleared under the Fire & Panic Law of the Department of Labor & Industry.

Mr. Casey stated in a discussion about 10-year leases that the State Treasurer's policy had been not to approve leases which are for more than 5 years.

The question was raised as to Charles Adler's involvement with the Harrisburger Hotel. Mr. Lawley indicated that Mr. Adler stated that he had no active participation in the Harrisburger Hotel lease and that he sold his own interest in the Hotel on April 2, 1971. Mr. Lawley indicated that the principal stockholders in the 200 North Third Street property were Robert Richey and Wayne Titus. Mr. Lynch indicated that Mr. Titus was well known in Real Estate transactions in the Harrisburg area and that he worked both sides of the political streets.

The question was raised as to whether Mr. Adler was involved in any of the 5 draft offers. Mr. Lawley, reading from a report, listed the following people who made offers: Robert Richey on March 23, 1971 through Heath Allen, Esq; Central Dauphin Realty; Robert Richey again on October 20, 1971 on Laurel & Greene stationery; Mr. Knockman and Mr. Gerber.

Mr. Casey stated that Mr. Adler would not be able to have the Commonwealth's best interest at heart in looking at leases realistically under the circumstances.

The question was asked of Mr. Casey as to his knowledge of the leases being in one filing place and the documents being filed somewhere else. Mr. Casey said he had no knowledge of this practice.

The question was asked of Mr. Casey as to what criteria does the Auditor General's department use to determine the legality of the leases? Mr. Casey stated again that his department has no authority on pre-approval of leases in or outside of Harrisburg.

Mr. Casey stated that when the leases are fully executed - leases including those outside of Harrisburg - the Auditor General should be notified and should be furnished with documents.

A discussion began on the Board of Commissioners of Public Grounds and Buildings. Mr. Casey stated that the board consists of the Governor, the Auditor General, and the State Treasurer. Mr. Smith indicated that the Auditor General is a member by statute and has no power. It was also related that the Governor can authorize the Secretary to the Governor or some other employee of the Governor's office to serve in his stead on said board, and the Auditor General and State Treasurer may authorize a named deputy of their respective departments to serve in their stead on said board, but any such persons designated by the above mentioned persons have no right to exercise any power or perform any duty which the Constitution of the Commonwealth requires such officials personally to exercise or perform. Mr. Casey indicated that this was a very powerful board. Mr. Casey feels that a third member should be on the board and that this member should be an elected official of the legislative leadership - one who is opposite of the party in power. The consensus of opinion was that this special committee should look into this board's activities.

Mr. Gleason indicated that the committee was going to hold hearings to determine abuses in processing leases. Mr. Casey agreed and stated that a bill should be introduced into the legislature eliminating the abuses. Mr. Casey indicated that the people don't know that the Auditor General does a post audit and the State Treasurer does a pre-audit on these leases, and that the people should be notified of this.

The question was asked as to how much input in the Auditor General's files do they have with DER concerning the Harrisburger Hotel? Mr. Casey indicated that their files contain a letter or memo stating that Secretary Goddard was not interested in the Harrisburger Hotel and that he agreed to it only because it was felt that "it was the only practical office building available".

A discussion then began on the "Walker Study" - a \$500,000 study done to ascertain the availability of the Capitol Complex - adjacent to the farm show building. Mr. Lynch and Mr. Casey then indicated that their department did not approve of the Walker Study and disapproved of its recommendations.

There was also a discussion about the property that the state was interested in purchasing. The property was the site of the Phoenix Iron & Steel Corp. was closed down. The property was bought by Robert Mumma. Mr. Mumma then tried to sell it to the State for twice what he paid for.

Mr. Krumenacker then asked Mr. Casey if he had any knowledge of the GEM building. Mr. Casey indicated that he had no knowledge of the building or lease transaction.

Mr. Krumenacker asked how AG would figure what rent to pay for a building such as the Harrisburger Hotel. Mr. Casey indicated that there are two basic points they would take into consideration: (1) what investment the owner has in the property and what his margin of profit would be and (2) other comparable rentals.

A discussion then began on the Janitorial Services. Mr. Lynch stated that it was strictly an Executive Branch decision and that only the Governor can stop a transaction.

Mr. Casey also indicated that the Commonwealth should have competitive bidding for leases outside Harrisburg. It was stated that P & S would say they already do it. Mr. Casey also stated that public notices should be issued.

A discussion began on the Westmoreland County leases and Mr. Casey indicated that the matter had been turned over to the Department of Justice and that action would be taken by the Attorney General on the Westmoreland County situation.

The committee asked Mr. Casey if they know what other leases we should be looking at? Mr. Casey said he did not know and that their department was not notified soon enough about completed transaction of leases. Mr. Casey mentioned a possible problem for us to look into concerning Haranbee Inc., involving a Day Care Center in Harrisburg. He indicated that this involves 2 building structures which provide day care service for state employee's children and that the state pays the rental. Mr. Casey indicated that they would provide us with correspondence concerning this matter.

Mr. Casey indicated that there was an appropriation that went to the county for this project, and that the Department of Public Welfare took money (one and a half million dollars) and diverted it to Haranbee project and unilaterally extended it for 4 or 5 years - money which should be spent within a year.

Mr. Casey was asked if Secretary Hilton would be directly tied into these apparent leasing abuses and the indication was that there is nothing directly to indicate Secretary Hilton's involvement.



Select Committee pursuant
to House Resolution 98

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

October 15, 1973

A meeting was held in the office of the State Treasurer, Grace M. Sloan on Tuesday, October 16, 1973 at 10:30 a.m., with the following persons in attendance:

Hon. Grace M. Sloan, State Treasurer
Mr. James M. Marsh, Deputy State Treasurer & Chief Counsel
Mr. Darl H. Callen, Executive Assistant

Hon. Patrick A. Gleason, Chairman of Special Committee
Norman Krumenacker, Esq., Counsel to the Special Committee
Nancy Roberts, Secretary to Special Committee

Representative Gleason opened the meeting by explaining to Mrs. Sloan and all those present that the purpose of the meeting was to determine what procedures Treasury employs in approving state leases and what suggestions they might have for changing the leasing procedures.

The first question posed to Mrs. Sloan was whether Treasury had an input from P & S for leases in the Capitol City. Mrs. Sloan indicated that they had none and that Treasury has no jurisdiction for leases in the Capitol City.

The question was asked of Mrs. Sloan about her feelings on leases that are over 5 years. Mrs. Sloan indicated that her objections to leases over 5 years are: (1) she would hate to lock in her successor or another administration with leases over 5 years; (2) she had found that the terms of the leases are no better in a 10-year lease than in a 5-year lease; (3) there is no financial advantage in a 10-year lease.

The question was asked as to whether Mrs. Sloan has signed any 10-year leases? Mrs. Sloan indicated that she recalled signing only one lease of this type and that was a labor temple lease in Johnstown.

The question was asked whether State Treasury initiates leases - and the answer was no.

The question was asked as to whether Treasury get just the leases from Property & Supplies or if they receive other material. Mr. Callen indicated that they do receive other material besides the lease itself such as field reports etc.

The question was asked as to whether or not they are aware of any lease rentals being renegotiated during the term of the lease. Mrs. Sloan indicated that she was not aware of any.

Representative Gleason indicated that the committee had received information that a Philadelphia lease (Kirk Mortgage Company) had been renegotiated.

Mrs. Sloan then indicated that Treasury does not handle Liquor Store leases. She stated that they are an independent and that they only go through P & S.

The question was asked as to how does Treasury arrive at a reasonable rent for a lease. Mrs. Sloan indicated that they go by (1) the area; (2) what other properties in the vicinity are renting for; (3) what would the janitorial costs and electricity costs be.

The question was asked as to their feelings about having fixed rates. They indicated that fixing rates would tie everyone's hands.

Mrs. Sloan indicated that the City of Harrisburg ought to have a "Grace Sloan" to look over the leases in the city.

Representative Gleason then explained Mr. Casey's thoughts about having another member appointed to the Board of Commissioners of Public Grounds and Buildings who is an elected official - preferably legislative leadership. Member should be of the opposite political party of the party in power.

Mrs. Sloan indicated that she had no objection to having another member on the Board.

Mrs. Sloan indicated that she favors a flat lease. She also stated that there was a Fish Commission lease that she did not sign. She stated that they wanted to build a new building for a 2-year lease. The water, lights and heat facilities would be paid for by the Commonwealth but not the air-conditioning.

The question was asked as to whether Treasury feels that there should be an advertisement of leasing a building in the city.

Mrs. Sloan indicated that it would be impossible to do this and gave an example such as the City of Philadelphia having 10 leases for Public Assistance.

The question was asked as to Treasury's knowledge about the occupancy of the Harrisburger Hotel 6 months before the building was finished.

Mrs. Sloan indicated that no rent is due until the lease is signed by the Board of Commissioners of Public Grounds & Buildings.

The question was asked as to Treasury's knowledge of whether or not the lessor of the Harrisburger Hotel is paying rent and when did they start.

Mr. Callen stated that they started paying rent on 2/13/73/ First month's rent was \$15,909.02; Second's month \$33,467.36 and they are now paying \$34,607.17.

The question was asked as to their knowledge of any leases outside the City of Harrisburg where the Commonwealth provides janitorial services.

Mrs. Sloan indicated that there was and stated that the State Police want to have someone else provide for janitorial services, but that normally the lessor provides this service.

Mrs. Sloan stated that they are investigating a Norristown area lease for janitorial services (Public Assistance building). She indicated that we should not be paying rent until the janitorial services problem is solved.

The subject of purchasing without bids - single source- one bid was discussed. It was indicated that there are one bid property leases but it must go through the Board.

Mrs. Sloan indicated that she signs every lease.

The question was raised as to whether Treasury spot checks on the departments. The answer was no. They indicated that they have sent investigators to check on several leases. Mrs. Sloan indicated that she operates on intuition on the propriety of the leases.

The question was asked as to whether or not Treasury inquires into who the principles of a corporation are. The answer was no.

Representative Gleason then stated that the Committee might want Mrs. Sloan to testify at the committee hearings to be held in the future. Mrs. Sloan indicated that it may be better if someone from her department testify in her place.

Mrs. Sloan was told by the committee that if any information was uncovered relating to her department that she would be notified of such.



10/24/73

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

Select Committee Pursuant to
House Resolution No. 98

A meeting was held on Wednesday, October 24, 1973 at 11:00 a.m., in Room 115A, Main Capitol Building, Harrisburg with the following members present: Representatives Patrick A. Gleason, Chairman, Benjamin H. Wilson, Rudolph Dininni, James J. Ustynoski, Messrs George F. Hammett, Norman Krumenacker, Esq., William Hopkins, and Ms. Nancy Roberts.

The discussion began on the 2 Harrisburg leases, namely the Warrington Press Building and the Harrisburger Hotel./ Mr. Krumenacker stated that he has evidence on the high cost of the leases, the inadequacies of the buildings and the outrageous profit being realized by the owners of the two Harrisburg buildings.

Representative Dininni cautioned the committee to make sure their information is correct on the Harrisburger Hotel lease. He indicated that Robert Mumma from Harrisburg was also involved in the lease in the past.

Mr. Krumenacker related the fact that the Board of Commissioners of Public Grounds and Buildings operates all leases outside the City of Harrisburg. He also stated that the committee was investigating several leases in York County.

Mr. Krumenacker also indicated that there is evidence of "kickbacks" from contractors and political favoritism in several lease. He indicated that none of the witnesses, however, will admit under oath of political "kickbacks".

Representative Ustynoski suggested that the committee concentrate on misjudgements.

Representative Gleason then related his meetings with Auditor General Robert Casey and State Treasurer Grace Sloan and stated that Mr. Casey said the entire system of leasing was no good and that Ms. Sloan said she uses her intuition on the propriety of the leases.

Mr. Krumenacker stated that he was comparing the GEM Building, Warrington Press, and Harrisburger Hotel leases. He related the following figures on the Harrisburger Hotel lease: value of building - \$3,703,000, building permit was for \$1,250,000, actually spending \$1,500,000, total value \$1,750,000, return on their investment is \$139,000 per year, Commonwealth is paying in excess of \$270,000 a year rent, records show total investment was \$284,000.

Representative Ustynoski suggested that the committee should have additional appraisals.

Representative Gleason stated that the committee had no money to do this and that we should use the Binswanger appraisal.

Representative Gleason also stated that leadership has not decided what direction the committee should go politically. He announced that there would be an Executive Committee meeting on Monday, October 29 at 10:00 a.m., with full committee and that at 1:00 p.m. they would take testimony of witnesses that are to be subpoenaed.

Representative Ustynoski suggested that we determine if the Harrisburger Hotel property was ever offered for sale or lease prior to the state taking over. He also suggested that we asked Deputy Secretary Adler under oath if he had any subsequent interest as a result of the sale of this building (Harrisburger Hotel).

Mr. Krumenacker stated that the first offer for the Harrisburger Hotel was made by Robert Richey on March 23, 1971, Charles Adler sold his own interest in the hotel on April 2, 1971.

Following are some of the inadequacies which were discussed at the meeting and are to be asked of the witnesses at the Executive Session:

Harrisburger Hotel - everything was done for the advantage of a building owner who until the time the Commonwealth agreed to lease the structure, had no tenant in sight for all available space nor had any prospect of one which would do what the state agreed to do; namely, pay \$415,286 a year for 86,872 square feet after extensive renovations. The Commonwealth is paying \$4.78 a square foot for 86,872 square feet annually for a period of 10 years with the State picking up the additional expense of janitorial and electrical services.

A suggestion was made that all questions asked in Executive Session be asked by the Counsel first, then the Chairman, then Minority Counsel and Minority Chairman and finally members.



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

October 29, 1973

MEMO

SUBJECT: Notes of Executive Session Meeting

TO: William Hopkins

FROM: Nancy Roberts

The first witness was Robert Richey. Mr. Richey was asked about his knowledge of the Harrisburger Hotel lease.

When Mr. Richey was unable, at one point, to furnish answers or documents, Representative Englehart voiced his objection to the continuation of the hearings because the minority members were not aware of what was going on and had no information in order to ask questions. He then asked for an adjournment of the meeting.

The Chairman then order a roll call and the vote was 4 no's and 3 yeas.

Mr. Richey was asked to furnish the committee with certain documents which he didn't bring with him. (Corporate records from Wayne Titus who was in Florida).

Mr. William Zurick was the second witness. Mr. Zurick was asked about his knowledge or involvement in the Warrington Press lease. Mr. Zurick indicated that Draco Development Company was doing the remodeling.

Mr. Zurick would not give information on what profit or cost he would make or on what basis he borrowed money from the bank whether it was on the lease itself or brick and block.

Mr. Zurick was asked if it wasn't unusual for the Commonwealth to pay electric and heat and Mr. Zurick said no.

Mr. Zurick was very evasive in answering specific questions on monetary figures. He didn't have a ledger and Representative Dininni found it hard to believe that Mr. Zurick didn't have one.

Some of the specifics in the Warrington Press Building lease are:

Building purchased for \$350,000
took out mortgage for \$275,000 from lending institution
of National Central
Construction mortgage of \$2 million from Harris Savings & Loan
Used proceeds to satisfy \$275,000 mortgage

Both witnesses were asked if they donate to any political party - Mr. Richey indicated that he donates to the Republican Party - Mr. Zurick indicated he donated for 25 years but did not say to what party.

Both witnesses denied having any conversation with Governor Shapp in regard to their lease.

Mr. Zurick indicated that he spoke with Deputy Secretary Adler on specifications of the building. He also had discussions with DER people about specifications etc.

Mr. Zurick indicated that he had personal records of political contributions for the year of 1972 and 1973 and would furnish same to the committee.

Representative Comer asked both witnesses if they knew what a "Sweatheart lease" was and asked both if any of their leases could be termed a "Sweatheart lease". Both denied that their leases were "Sweatheart leases".

Mr. Zurick indicated that he discussed monetary terms of the lease with Lou Swartz and Mr. Weiner and Mr. Carr of DER.

Mr. Zurick was asked if he furnished the department with a cost estimate and Mr. Zurick indicated he did not.



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

October 29, 1973

A meeting was held in Executive Session on Monday, October 29, 1973 at 10:00 a.m., in Room 401 Main Capitol Building, Harrisburg, Pennsylvania with the following persons in attendance:

Honorable Patrick A. Gleason, Chairman
Honorable Benjamin Wilson
Honorable Rudolph Dininni
Honorable James Ustynoski
Honorable James Manderino
Honorable Harry R. J. Comer
Honorable Harry Englehart

Norman Krumenacker, Counsel
John Connelly, Minority Counsel
Tommy Frascella
Jeff Hammett
Nancy Roberts

The first question brought up was an objection by Representative Manderino as to what the Executive Sessions were closed sessions. Representative Gleason indicated that it was a rule of the chair and his intention was to pre-examine the witnesses in a closed session before public hearings are held.

Representative Manderino objected to the fact that the minority members of the committee were not informed of what was going on in the committee to date.

Representative Ustynoski indicated that he did not know what was going on either.

Mr. Krumenacker stated that the committee was only interested in the 2 Harrisburg leases.

Representative Gleason stated that the committee had meetings with Auditor General Casey and State Treasurer Sloan and had obtained information on various leases. He also indicated that the reason for the subpoenas (which a few of the members objected to) was that they had trouble getting cooperation with Secretary Goddard to voluntarily answer questions.

Tommy Frascella indicated that the subpoenas may not be valid according to prior knowledge of a hearing several years ago.

Representative Manderino also objected to the fact that the committee as a whole had not decided what leases should be examined.

Mr. Krumenacker indicated that every lease was examined from a rental angle and they took the leases that were out of line to examine. He also indicated that they looked leases under 10,000 square feet and over 20,000 square feet.

Representative Manderino reiterated that the committee as a whole should decide what leases to examine.

Representative Wilson stated that the committee does not have the time to look at all leases.

Representative Manderino also objected to a newspaper account of an investigation into the Westmoreland County leases being under way without his knowledge, and also the fact that the article stated that if Attorney General Packel doesn't make a determination on the Westmoreland County problem the committee would.

Representative Manderino stated that the committee never discussed this.

Representative Gleason stated that the Auditor General gave the committee this information and that they are carrying on an investigation. He also asked if the committee would examine some irregularities in leases in Cambria County. The chairman indicated that the committee would.

Representative Gleason asked the committee members for an understanding that their would be no leaks to the press.

Representative Manderino again stated that he objected to the newspaper article on the Westmoreland County problem and stated that he could not guarantee that he would not issue anything to the press.

Representative then read Rule #13 and #14 of the Rules of Procedure for Committee.

"Rule #13 - All testimony taken in executive session shall be kept secret and will not be released for public information without the approval of a majority of the Committee.

Rule #14 - No committee report shall be released to the public without the approval of a majority of the committee."

It was decided that copies of leases would be provided to the Minority Counsel and Representative Comer.

It was also decided that the questioning in executive sessions would go as follows: Krumenacker, Connelly, Chairman, Rep. Comer (10 minutes) then members (5 minutes), then counsels sum up.

Representative Gleason then related a letter from Ron Lench that all departmental inquiries requests should be funnelled through the Governor's Office.

Ron Lench, Secretary of Administration then appeared before the committee at 11:00 a.m., along with Larry Beeser, Counsel to the Governor.

Representative Gleason asked Mr. Lench to explain his letter.

Mr. Lench indicated that the committee should request department inquiries requests through the Governor's office because of the fact that the comptrollers work for the department head and OA and that information about lease for auxilliary services are located in OA. They could expedite if requests are funnelled through OA.

Mr. Lench indicated that the subpoena did not indicate it was an Executive Session and that the Bennett subpoena in particular was too broad. He indicated that there was not a need for the subpoenas that they would cooperate.

Representative Gleason then asked Mr. Lench whether or not he was stated that the requests of the departments should be directed through OA.

Mr. Lench said that a copy of the request should also be sent to OA.

Representative Ustynoski indicated that he was an expeditor but he would not want OA to be a screening process.

Mr. Lench said he wanted to know what was going on, and the committee asked why. Mr. Lench stated that maybe the department head could call OA and inform them of the committee's requests.

Representative Gleason stated that the "Ground Rules" which was referred to in the letter had never be set up for the committee.

The question was asked of Mr. Beeser as to whether or not the subpoenas issued to members of the Executive Board were invalid or not. Mr. Beeser stated that he would not take a position on this. Mr. Beeser indicated that the position of the Governor was that the subpoenas are not necessary and that they were willing to cooperate.

Mr. Lench then indicated that those who were subpoenaed would not appear in Executive Session.

Mr. Krumenacker stated that the reason for the executive session was so there would be no publicity.

Mr. Lench then asked the committee to set up a schedule.

Representative Manderino then asked Mr. Beeser if he was aware of an opinion from the Attorney General stated that the subpoenas were not lawful. Mr. Beeser indicated that he was not aware of such an opinion.

The schedule is as follows:

Monday Afternoon

Robert Richey
William Zurick
William Carr - DER
C. L. Bennett - DPW
Edward Seladones - DER
H. Scott Warrick - P & S

Tuesday

Maurice K. Goddard, Secretary, DER - 10:00 a.m.
Frank C. Hilton, Secretary, P & S - 1:00 P.M.
Chas. Adler II, Deputy Secretary, P & S - 1:30 P.M.

Representative Gleason then related to the committee the letter sent to Rep. Fineman stated that he could testify or submit a statement in relation to any evidence presented on Kirk Mortgage Company.

Mr. John Connelly, Minority Counsel stated that he couldn't question witnesses with no prior information.

Representative Gleason stated that they had a problem with duplicating this information. He indicated that as soon as the material would be duplicated the committee members would be furnished with copies.

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Minutes



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

October 30, 1973

MEMO

SUBJECT: Notes of Executive Session

TO: William Hopkins

FROM: Nancy Roberts

The first witness was Maurice K. Goddard, Secretary, Department of Environmental Resources who stated that he served as Secretary of DER since 1971 and as Secretary of Forests & Waters for 16 years.

Secretary Goddard stated that the department was interested in having their entire department housed in one building. They were anticipating the GEM building until the income tax was passed.

Secretary Goddard stated that the 3rd & Reilly (Evangelical Press Bldg.,) houses the Secretary, Administrative, PR and Resources Management; the Fulton Building houses the Protection and Regulations.

Following are figures for the costs of the Fulton Building:

Electricity	\$11,658.34
Janitorial Services - 8 mons. Comm. Cleaning	\$41,014.40
" " 12 mon.	\$61,521.60
Building Security - Globe Security - 8 mons.	\$17,495.22
" " - 12 mons.	\$26,470.08

Following are figures for the costs of the Evangelical Press Building:

Electricity - 1972 - 2 mons	\$6,053.28
" 1973 - 2 mons.	\$7,610.42
Janitorial Services - 8 mons. 1972 -	\$1,760.00
Comm. Cleaning Co. took - 15 mons - 1972-1973-1974 =	\$63,376.80
Building Security - Globe Sec. - 2 mons. 1972-73 =	\$6,106.97
" " - 12 mons. - Globe Sec. =	\$50,976.00

Secretary Goddard indicated that they had no other place to go and they had to use the Fulton Building and the Evangelical Press Building.

John Binswanger of Binswanger/Herman - appraisal company.

Mr. Krumenacker started questioning Mr. Binswanger and Representative Manderino objected to the line of questioning. Mr. Krumenacker indicated that the line of questioning was to determine Mr. Binswanger credibility on appraisals. Representative Manderino still objected to using Mr. Binswanger as an expert appraiser.

Representative Wilson asked Mr. Binswanger what would the economic rent be for the building of 100,000 square feet (Harrisburger Hotel).

Mr. Binswanger indicated that the figure would be \$2.25 per square feet. Mr. Binswanger indicated that they use 3 approaches in determining rent: (1) marketing approach, (2) projected income approach, (3) re-construction cost approach.

The next witnesses were Edward Seladones, Deputy Secretary, DER, William Carr, DER and William Eschbaum, Counsel, DER.

The question was asked as to whether DER was reluctant to accept the Harrisburger Hotel and the answer was that they wanted to get into as few buildings as possible.

The question was asked if DER found the rent to be high. They indicated that they compared it with figures they had within the department. Mr. Seladones indicated that they renegotiated parts of the lease which DER objected to.

Mr. Seladones also stated that they preferred a 5-year lease as opposed to a 10-year lease.

In response to a question Mr. Seladones stated that DER met with Robert Richey and Wayne Titus but had not met with William Zurrick and Eli Kramer.

The question of the "Gypsy Moth" proposal came up, and Mr. Seladones indicated that he didn't know who stopped it and in January or February of 1973 they found out it would not be located at the Jonestown Road, Rt. 22 location.

Mr. Seladones indicated that a site in Duncannon was looked at by DER's Forestry people and they found it acceptable. It was formerly a bowling alley. Mr. Seladones also indicated that the "Gypsy Moth" lab is now located in a temporary building at Middletown. The facility will be completed in March 1974. Mr. Seladones also answer in response to a question that the program was severely affected because of the delay in obtaining an appropriate location.

The question was asked as to whether or not DER know's why P & S turned down the property out on Rt. 22 or Duncannon. They indicated that they did not know. Mr. Seladones indicated that to his knowledge the State Treasurer did not approve the Duncannon location.

Representative Comer then asked the Chairman whether or not the DER could furnish the committee with an expert witness on "Gypsy Moth". The Chairman indicated that he would consider the request.

Mr. Seladones responded to a question by stating that the total rental figures for the Fulton Building was \$563,000 and the Warrington Press Building (Evangelical Press Building) was \$556,000. Mr. Seladones indicated that they were approximate costs.

Mr. Seladones indicated that because of the high costs DER wants their own building.

The next witness was Frank C. Hilton, Secretary of P & S and Joseph Shine his chief counsel.

The first question asked of Mr. Hilton was whether he personally involves himself in negotiations in leases, in particular the Harrisburger Hotel Lease.

Mr. Hilton answered no and that it goes through a process - Attorney General, Governor by way of the Budget Bureau Secretary, initiating department, then to the Bureau of Real Estate. When submitted to P & S Secretary it contains the final lease with approval of DER or agency affected.

The question was asked as to whether he had final responsibility for leases and the answer was yes.

Mr. Hilton explained that there are standards set up within the department which his subordinates must follow - standards which had been in existence through the years.

The question was asked as to what did he (Mr. Hilton) have available to make a decision for reasonable rent for the Commonwealth of Penna. Mr. Hilton answer that the existing prices that prevail in Harrisburg market plus what the owners were asking.

Question - Did you have comparable rental facts available. Answer - The Bureau of Real Estate has face and set of criteria available.

Question from Mr. Krumenacker - Can't find any comparable buildings rentals available in Harrisburg to compare with the Harrisburger Hotel. Answer - I am not engaged in real estate business, lease these decision up to subordinates, and I rely on the experts within P & S on their judgement.

The next lease in question was the Kirk Mortgage Company (Fineman) between the Commonwealth of Pennsylvania and Leo Kirk Mortgage Company at 1314 Chestnut Street, Philadelphia.

Question by Mr. Krumenacker - when was the original lease for the property in question entered into?

Answer - My Deputy Secretary (Adler) would have more knowledge on this matter than myself. The negotiations were already finished by the time it came to me.

Question - Was the rental figure renegotiated and changed? Answer - No.

Question - You took a personal interest in this lease, Why? Answer - That is a broad statement. You must be referring to the memo I sent to Mrs. Sloan. The reason for the memo was because Ms. Sloan had rejected the lease. I often send a memo to Mrs. Sloan in answer to her rejection. I could have it searched and supply documents (namely the Sloan memo).

The next lease in question was the Kirk Mortgage Company - located at 5610 Woodland Avenue.

Question why the increase from \$265 per square foot to \$4.00 per square foot when nothing had been done except the installation of burglar system.

Answer - federal inspectors reviewed the lease because of the federal funds used by BES and found it to be satisfactory.

Question how much weight did you give to increase? Answer - I don't make these assumptions the Bureau of Real Estate does. There are comparisons in the files of costs in the immediate area.

The next lease in question was the York County lease - Celtic Corporation DPW occupies it.

Question why was site chosen? Answer - because it was accessible to where people are being served and within transportation area. Had approval of Secretary of Welfare, Budget Secretary and State Treasurer.

Question - It was reported that Sec. Kane (Revenue) was the attorney that formed the Celtic Corporation, and was Secretary of the Corporation he then resigned as attorney and as Secretary but recommended to Common. of Pa. that they lease the premise. Did you find this unusual.

Answer - No. Sec. Kane was a lawyer in York County before becoming Secretary of Revenue and was probably involved in a number of lease deals before becoming Sec.

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Question - Do you have knowledge of any employee or other person having paid a fee for securing a lease for the Commonwealth of Pennsylvania?

Answer - I have not accepted a fee or no of no other employee who has and if I did he would be fired.

Question - Do you have knowledge of an employee or other person soliciting a political contribution as a result of securing a lease for the Commonwealth of Pennsylvania?

Answer - No.

Question What do you think of the Harrisburger Hotel lease? Answer - It is a fine lease.

Question - Do you think the 1314 Chest. Street rental fee is fair. Answer - Yes.

Question - Did you know that this property is located within the flood plain zone? Answer - Yes. Have variety of leases in flood plain zone.

Question - Are you aware that this lease was entered into after Hurricane Agnes.

Answer - Yes. We leased several properties after the flood. The department's involved accepted them.

Question - What period of time elapsed from the time the lease was signed until it was occupied - first the Harrisburger Hotel - Answer - 10 months; second the Evangelical Press Building - 10 months or less.

Gleason

Representative/quoted from 71 Purdon's Pa. Statutes Annotated, Section 632 (d) entitled Grounds, buildings and monuments in general, "It shall be unlawful for any other department, board, commission, or agency of the State Government to enter into any leases, but the Department of Property and Supplies shall act only as agent in executing leases for departments, boards, and commissions, the expenses of which are paid wholly or mainly out of special funds, and, in such cases, the rentals shall be paid out of such special funds." Mr. Gleason stated also that the Department of Property & Supplies has exceeded its authority.

Mr. Hilton took exception to Mr. Gleason's accusation.

Question - The appraisal done by Binswanger, who hired him? Answer - The Department of Property & Supplies retained them for advice and counsel.

Representative Gleason asked Mr. Hilton if he could supply them with a copy of the Walker/Bouquard Survey. Mr. Hilton stated that he could.

for hearing minutes

HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

October 31, 1973

MEMO

SUBJECT: Notes of Executive Session

TO: William Hopkins

FROM: Nancy Roberts

The first and only witness was Charles Adler, II, Deputy Secretary for Properties of the Department of Property, & Supplies. With him was his attorney, William Miller.

Question - How many career employees are there in the Bureau of Real Estate? Answer - (3) They are: Earl Esch, John MC Coll, & Boris Weiner.

Mr. Adler stated that in regard to a request made to Secretary Hilton yesterday, the Department had only one copy of the Walker/Bouquard Report and that the committee could obtain a copy from GSA.

Question - Did you own any office buildings in the City of Harrisburg prior to becoming Deputy Secretary? Answer - interest in Harrisburger Hotel, Market Square Building, 2505 North Front Street and 2509 North Front St. Acquired interest in Harrisburger Hotel in August of 1969. Had 1/6% interest in Harrisburger Hotel property. Harrisburger Hotel was a going business at that time. Owners of Harrisburger Hotel bought it under a sheriff's sale. Used sheriff a month to take care of orderly removal of people in hotel.

Question - Who owner other interest in Harrisburger Hotel? Answer - brother Stanley Adler owner 1/6%, Central Dauphin Realty owner 1/3% and Robert Richey owner 1/3%.

Question - Who is Central Dauphin Realty? Answer - principle is Wayne Titus.

Question - What did you pay for 1/6% interest for Harrisburger Hotel and ground? Answer - Don't have financial records, Titus has original records and he is in Florida.

Question - What price to acquire Harrisburger Hotel building?

Answer - \$750,000.

Question - Did you (Adler) put any personal money in this transaction?

Answer - Yes, do not know amounts, will supply information.

Question - Do you (Adler) own any interest in Harrisburger Hotel?

Answer - Divest it April 3, 1971. Stanley (brother) divested himself of interest also.

Question - What were you paid for 1/6% interest? Answer - given notes for \$55,000 each - Stanley and myself. Paid \$55,000 on May 19, 1973 @ 6% interest.

Question - Prior to disposing interest were offers made to Common. of Pa. to lease this property? Answer - Yes.

These questions were asked of Mr. Adler on a personal basis.

The next set of questions were asked of Mr. Adler in his capacity of Deputy Secretary.

Question - When did you become Deputy Secretary? Answer - Sworn in on May 3, 1971.

Question - What rental being paid for GEM building? Answer \$2.37 per square foot.

Question - What services and utilities does Commonwealth pay?

Answer - landowner pays heating (with capacity of 73⁰), lighting, real estate taxes, air conditioning equipment, plumbing facilities, renovations and repairs. Commonwealth provides the balance.

Question - Had you been Deputy Secretary at the time the Commonwealth leased the GEM building? Answer - yes.

Question - What were your responsibilities in this transaction?

Answer - Mr. Adler then related to the committee their flow chart for acquisition of space. This is a chart stating the procedure (entire) for acquisition of space up to occupancy by agency. (See attachment).

Question - Does P & S have standards? Answer - Yes - provision for handicapped people is one of the standards? NOTE: Secretary Hilton testified yesterday that his department had procedures but no standards.

Question - Does department get into dollars and cents of negotiations?

Answer - Yes, primarily done by field men.

Question - What standards are these people (field men) required to use?

Answer - standards of department - these people are brokers, attorneys or real estate salesmen. Standards depend on area, market value in area.

Mr. Adler stated that the rental paid by the Commonwealth was fair.

Question - Were you (Adler) consulted in the hiring of Binswanger?

Answer - Yes was consulted but decision (final) was made by Secretary Hilton.

Mr. Adler stated that he felt Binswanger was well qualified.

Question - What factors do you take in considering what rent is paid by the Commonwealth?

Answer - (1) availability of space requirement of Commonwealth; (2) market conditions in the area (3) comparables.

Harrisburger Hotel lease signed on December 30, 1971. Chairman Gleason stated that he found nothing in the active files of the department which indicates what building was occupied. Mr. Adler indicated that he would supply information on Harrisburger Hotel and Warrington Press Building regarding occupancy date.

Question - Secretary Goddard (DER) informed committee that he wanted a 5-year lease - why did you enter into a 10-year lease. Answer - Very difficult for landlord to meet requirements and to do work under a 5-year lease.

Question - Were you (Adler) involved in the Warrington Press negotiations?

Answer - No.

Mr. Adler indicated that the GEM building was a good buy.

NOTE! In yesterday's meeting Mr. Binswanger was asked to give off-the-cuff figures on the value of a property. When Mr. Adler was asked what he thought of this procedure he stated that anyone giving figures off-the-cuff without investigating the premises and without field reports to look at is unethical practice.