

RICHEY OPENING STATEMENT

My name is Robert L. Richey. I am an architect and real estate developer whose professional offices are located at 2909 North Front Street, Harrisburg, Pennsylvania. I appeared before the Select Committee on October 29, 1973, and answered the questions that were directed to me. Since it is difficult to develop facts chronologically through the question and answer method, I have prepared an opening statement that outlines my connection with 200 North Third, Inc., the corporation that owns the former Harrisburger Hotel, now known as The Fulton Building.

In the summer of 1968, I was a partner in the Harrisburg architectural firm of Lawrie and Green, and was looking for a building that would make a suitable office for Lawrie and Green's operations. On October 29, 1968, I obtained a month's option from 407 Realty Corp., a client of Chas. Adler & Son, Inc., to buy 407 South Cameron Street, Harrisburg, Pennsylvania. In November, 1968, my partners decided not to move our architectural operations to 407 South Cameron Street. Two or three years previously, our firm was commissioned by The General State Authority to develop plans for the renovation of the Finance Building in the Capitol Complex. I was the Project Architect for the renovation; and my initial investigations consisted of surveying the space at that time occupied by the Department of Revenue, the State Treasurer, and the Auditor General -- both in Commonwealth-owned buildings and in space leased by the State from private owners.

This investigation took me into buildings throughout the community, and I was appalled at the poor quality of a large proportion of the leased space. A good deal of the time spent with various bureau directors for the purpose of assessing their needs was consumed by their complaints about the quality of the space, its maintenance and its location. Accordingly, when my partners decided not to relocate, I felt that this substantial building, with its large parking capacity, could be successfully remodeled for office space; and it was about this time I learned that the Department of Health needed good office space with adequate parking.

I had known Wayne B. Titus, President of Central Dauphin Realty Co., for many years, and knew of his familiarity with real estate development. I discussed with him the possibility of buying 407 South Cameron Street, and remodeling it to the specifications of the Commonwealth of Pennsylvania for the Department of Health. Mr. Titus expressed an interest in going into the project with me on a 50-50 basis. On November 11, 1968, we extended my option. On December 2, 1968, Mr. Titus offered 407 South Cameron Street to Secretary Hamilton for possible use by the Commonwealth of Pennsylvania. On December 10, 1968, Secretary Hamilton rejected Mr. Titus's offer, but expressed possible future interest in the site. On March 4, 1969, I forwarded a field report to Boris E. Weiner of the Department of Property and Supplies, and on March 31, 1969, 407 Realty Corp. conveyed to Central Dauphin Realty Co. and myself 407 South Cameron Street. After considerable negotiation, the Commonwealth of Pennsylvania executed a ten year

lease on June 18, 1969. Mr. Titus and I employed Dininni Construction Company to remodel 407 South Cameron Street to specifications of the Commonwealth, and we worked closely with Mr. Dininni's firm on this project.

In connection with the acquisition, leasing and renovation of 407 South Cameron Street, Mr. Titus and I spent considerable time together, and discussed many possible projects. One of these projects was the possibility of our acquiring the Harrisburger Hotel, which had been designed by Lawrie and Green, my architectural firm, 40 years previously. The way in which the Harrisburger Hotel had been designed and constructed permitted quality remodeling of it for office use. Joseph Simpson, president of Harsco Corporation, was apparently anxious to sell his interest, his foundation's interest, and the interest of the Harrisburg Polyclinic Hospital. In view of the size of the project, we decided to approach Stanley D. Adler, Jr., and Charles Adler, II, whom we considered to be highly skilled in real estate development, to offer them the chance to buy a one-third interest in a joint venture to consist of both 407 South Cameron Street and 200 North Third Street, which they accepted. In July and August of 1969, extended negotiations with Mr. Simpson and his attorneys, Berman & Boswell, by Mr. Titus, myself, and our attorneys, Metzger, Hafer, Keefer, Thomas and Wood, produced a series of agreements involving Mr. Simpson, the Simpson Foundation, and the Harrisburg Polyclinic Hospital. We agreed to buy the land on which the building was erected, to buy certain notes given by the owner, and to obtain an assignment of the existing lease. In

August, 1969, Messrs. Titus, Stanley D. Adler, Jr. and Simpson conferred with representatives of Chase Manhattan Bank with regard to possible refinancing of both land and building. The prior owners had separated the land and building some years before, and Chase Manhattan Bank had a large mortgage on the building, but not the land.

On September 4, 1969, we closed the transaction with Mr. Simpson, the Simpson Foundation and the Harrisburg Polyclinic Hospital. On September 5, 1969, our attorneys entered the notes, and caused the Sheriff to levy on the building. The owner, which was operating a hotel, abandoned possession upon the levy, and the Sheriff's Office continued to run the hotel with considerable assistance from Main Lafrentz & Co., our accountants. Various creditors asserted claims, including Federal taxes, Pennsylvania sales taxes, Pennsylvania corporation taxes, Harrisburg Water Department, hotel tenants, Chrysler Corporation's Air-Conditioning Division, L. B. Sheet Metal, Nicholas Evanoff, various purveyors, Chase Manhattan Bank, and hotel employees. On September 17, 1969, our attorneys purchased the building and contents at the Sheriff's Sale with a bid of approximately \$4,000 to cover costs and poundage. There were no other bidders at the Sheriff's Sale, doubtless because of the Chase Manhattan mortgage and our judgment, which would have required any other bidder to come up with over \$700,000 to buy the building, without any assurance that he would be able to control the land.



In the winter, spring and summer of 1969-1970, we and our attorneys conducted extensive negotiations with creditors, particularly Chase Manhattan Bank and with the prior owner. In the fall of 1970, we reached an overall settlement with Chase Manhattan Bank, and received an assignment of its mortgage against the building, which at the time of assignment involved over \$360,000 of principal and over \$50,000 of interest.

In the winter of 1970-1971, we negotiated with The Fulton National Bank of Lancaster to interest it in use of 200 North Third Street as its Downtown Harrisburg office. We also explored the possibility of the use of the building as a hotel, and had extended negotiations with the Milner chain. We continued to attempt to negotiate settlement of various creditor claims and liens, some of which remain unsettled to this day.

In March of 1971, Charles Adler, II, advised me that he would be accepting Secretary Hilton's invitation to work for the Department of Property and Supplies. He decided to sell his interest in 407 South Cameron Street to his brother, Stanley D. Adler, Jr. However, both Adlers decided to terminate their interests in 200 North Third Street. A corporation was created by the name of 200 North Third, Inc. and the Adlers conveyed their interests in 200 North Third Street to the corporation. Mr. Titus and I both conveyed a portion of our interests to the corporation, so that the corporation owned an undivided one-half of 200 North Third Street. The corporation then purchased the interests of both Adlers through notes. These

notes totaled \$110,000, for we valued the assets at \$1,000,000 and had obligations of \$670,000, producing a value of \$330,000.

In May of 1971, the Fulton lease was written in close to final form. Over the summer of 1971, we sold the hotel building contents through Clem Long Auctioneers, Inc., and negotiated with various possible tenants, including three separate Harrisburg law firms, Microwave Communications Incorporated, and the Commonwealth of Pennsylvania, for floor space in 200 North Third Street. In the fall, Mr. Titus turned over the balance of his interest in 200 North Third Street to 200 North Third, Inc. for additional stock, and I did the same. As a result, the entire interest in 200 North Third Street became concentrated in 200 North Third, Inc., with Central Dauphin Realty Co. owning 50% of the stock and my owning 50% of the stock. On December 1, 1971, the Fulton lease was executed, and on December 30, 1971, the lease with the Commonwealth of Pennsylvania was executed. Needless to say, these documents had involved extensive negotiations with a number of people.

In January of 1972, we obtained a construction loan of \$2,200,000.00 from The Commonwealth National Bank. In connection with the construction loan, we had submitted a permanent take-out from Harris Savings Association. We entered into an agreement with Ritter Bros., Inc. for the renovation of 200 North Third Street, now called The Fulton Building, and the renovations were performed under our supervision during the spring, summer and fall of 1972. On July 27, 1972, the Microwave Communications lease was signed, again after extensive negotiations. In the fall of 1972, both Fulton and the Commonwealth of Pennsylvania took occu-

pancy, with the Commonwealth of Pennsylvania taking occupancy in stages. On February 6, 1973, 200 North Third, Inc. closed a permanent mortgage with Harris Savings Association for \$2,700,000.00, and The Commonwealth National Bank was repaid. Shortly thereafter, Mr. Titus and I borrowed additional money from The Commonwealth National Bank to clean up other obligations of 200 North Third, Inc., except the permanent mortgage.

To the best of my knowledge, Mr. Titus and I have met all commitments to our tenants, and all tenants are satisfied with the renovation process. I consider the building to be not only highly functional but quite handsome, and a real credit to Downtown Harrisburg. I hope that the Committee members will tour the building at their convenience.

I will be glad to attempt to answer such questions as the Committee may wish to direct to me.