

UCIDA

Ulster County Industrial Development Agency

Ulster County Industrial Development Agency Minutes November 10, 2015

A regular monthly meeting of the Ulster County Industrial Development Agency was held at 8:00 a.m., Wednesday, November 10, 2015, Karen Binder Library, 6th Floor, Ulster County Office Building, 244 Fair Street, Kingston, NY.

Roll Call:

The following agency members were present:

Michael Horodyski	Chair
Robert Kinnin	Secretary
Floyd Lattin	Treasurer
John Morrow	Vice Chair
Mary Sheeley	Member

The following agency members were excused (absent with notice):

John Livermore	Assistant Secretary
James Malcolm	Assistant Treasurer

Office of Economic Development Staff:

Linda Clark
Suzanne Holt

UCIDA Attorney and Bond Counsel:

A. Joseph Scott Hodgson Russ LLP

Additional Attendees:

Thomas Briggs	Chair, Ulster County Economic Development, Tourism, Housing, Planning and Transit Committee
William Kimble	Daily Freeman
Zachery Lewis	311 Wall Street Project
Danielle Tomczyk	JBT/Wolf-tec

Chair Horodyski called the meeting to order at 8:00 a.m.

PLEDGE OF ALLEGIANCE

The members of the Agency participated in the Pledge of Allegiance to the flag.

READING OF THE UCIDA MISSION STATEMENT

Chair Horodyski read the Mission Statement of the Agency.

The mission of the Ulster County Industrial Development Agency is to advance the job opportunities, general prosperity and long-term economic vitality of Ulster County residents by targeting tax incentives, bonding and other assistance to foster creation and attraction of new business and the retention and expansion of existing business.

MINUTES

Motion Floyd Lattin, seconded by Mary Sheeley, moved to approve the Minutes of the October 14, 2015, meeting. A copy of said Minutes is on file.

Vote: The motion was adopted. John Morrow absent for the vote. John Livermore and James Malcolm excused.

FINANCIALS

Chair Horodyski presented the draft financials for the period ending October 31, 2015. The actual bank statements were unavailable; therefore, the members of the Agency did not formally adopt the financials as presented.

COMMITTEE REPORTS

AUDIT COMMITTEE

Committee Chair Floyd Lattin reported that the committee had not met. A meeting of the Audit Committee is scheduled for 7:30 a.m., December 9, 2015.

GOVERNANCE COMMITTEE

Committee Chair John Morrow reported that the committee had not met.

READY2GO

Ms. Suzanne Holt reported that the project in Saugerties to bring natural gas down the Old Kings Highway corridor does not technically qualify for Ready2Go. The bulk of the money in Ready2Go was contributed by the UCIDA and Central Hudson. Central Hudson would like the money they provided for the Ready2Go Program to be used for the Saugerties project. At this time, there is no other interest being expressed in the Ready2Go money.

The share that is being asked for is \$92,000; that can be covered 100% by the Central Hudson contribution. As previously stated, this project does not qualify under the Ready2Go parameters, which the UCIDA voted to approve. The Agency has the authority to be a part of this, or this project may be done with only the Central Hudson money.

Mr. Floyd Lattin asked what the argument was for participating.

Ms. Holt responded that it is economic development and it might be something that the UCIDA may wish to be a part of. However, the Agency can leave their money exactly where it is, for the original purpose for which it was approved.

Mr. Lattin thought that part of the original issue was if the Agency was comfortable in using public money to do something that was clearly of an economic benefit principally to Central Hudson.

Ms. Holt responded that is why the project does not qualify for the Shovel Ready Program. The Shovel Ready Program benefits municipalities. The Ready2Go funds are a loan to the landowner. Because it is Central Hudson, it falls into its own category.

Chair Horodyski asked if Central Hudson was willing to do it themselves.

Ms. Holt responded yes they will.

Chair Horodyski thought that the message was that the Agency would love to participate as long it falls under the Ready2Go criteria. He thought that Central Hudson should just "do their own thing".

The Agency took no official action.

RESOLUTION APPROVING THE DELIVERY OF A REVISED SALES TAX LETTER FOR THE WOLF-TEC INC./JBT KINGSTON PROJECT

Chair Horodyski reminded the members of the Agency of the recent sale of Wolf-tec, Inc. to JBT. JBT is looking for an extension of the Sales Tax Exemption that was afforded to Wolf-tec under their initial UCIDA project.

Counsel A. Joseph Scott explained that when transactions are closed, a Sales Tax Letter is delivered because that is one of the benefits/inducements/parts of the financial assistance being granted to the project applicant. In the Sales Tax Letter there is an expiry date; the expiry date in this letter is December 1, 2015. Traditionally, when a request is received from a project applicant with reference to a request for sales tax letter extension, the applicant is asked to submit a letter. They are asked to state various things about the status of the project, including why they want the extension of the sales tax letter. The reason it is attached to the resolution is that it makes a nice integrated package. On Page 3, Section 2 of the resolution, one of the issues that is always of concern is to make sure that the project is in compliance with the documents that they originally entered into. There are a number of conditions described in Section 2. One of the conditions is compliance with the documents, making sure that they are current with PILOT payments, water/sewer payments, etc.

Chair Horodyski asked what the new expiry date that is being looked for.

Counsel Scott responded April 1, 2016.

Mr. Lattin and Chair Horodyski asked if the Sales Tax Letter had a maximum.

Counsel Scott responded no, it does not.

Mr. Lattin stated that the fact that the original application was for \$6.5 million dollars and now they are saying that the cost is going to be somewhere around \$10 million.

Counsel Scott explained that the way this project was structured the project was to be "at least". On this transaction, the project costs were to be at a certain level. That was the transaction negotiated at that time. It is a little unusual; typically an actual amount is put in and if it exceeds that amount, additional admin fees are collected.

Chair Horodyski stated that this project was a retro-fit of an existing building.

Mr. Lattin stated there was no bonding.

Counsel Scott confirmed his statement; there was no bonding.

Mr. Lattin stated that the project was done a number of years ago.

Counsel Scott responded two years ago.

Chair Horodyski stated that basically the old Colony Liquor Building is where this project is located; an adaptive re-use of that building.

Mr. Lattin asked if there were any policy changes that should be included.

Chair Horodyski responded that the project falls under claw-back.

Mr. Lattin stated that when they are asking for an extension, everything is on the table and to the extent that the Agency has changed any of their policies, the new letter should reflect that.

Counsel Scott agreed with Mr. Lattin. To answer Mr. Lattin's question, he would have to double check the Agency's policies. As the Chair indicated, a Claw-back Agreement was entered into with the project applicant with all the normal re-capture events and employment levels.

Mr. Lattin stated that clearly the Agency didn't have a thing regarding a change of control or ownership which would trigger He thought that was a fundamental thing.

Chair Horodyski stated, and asked Counsel to correct him if he was wrong, when the Agency benefits are given, they are specifically given to the company. If that company is sold

Counsel Scott responded that the issue here is that the ownership interests in the company were sold, not the project itself.

Mr. Lattin replied so the shares in the company were sold; there was no difference in the beneficiary.

Counsel Scott responded exactly; it is the same activity. If that had happened, it would have come back to the Agency for formal review.

Mr. Lattin asked if evidence to that action has been provided.

Counsel Scott responded yes.

Mr. Robert Kinnin inquired about additional admin fees.

Counsel Scott replied that as part of the Agency's policies, there is a post-closing fee which starts at \$500. It is at the discretion of the Agency as to what that number is. Most of his clients assess the number based upon the amount of work that staff had to do with respect to the project.

Mr. Kinnin asked based upon staff time is that an appropriate amount.

Ms. Holt asked Counsel what he would recommend.

Counsel Scott's reply was that he could go and review other transactions such as these. He believed they were in the range of \$500-\$1000.

Mr. Kinnin asked if the Agency knew what the applicant had saved in terms in sales tax already.

Ms. Tomczyk, representing JBT/Wolf-tec, could not respond to that inquiry off the top of her head.

Mr. John Morrow asked if this had any relevance as to what was being done.

Chair Horodyski asked Ms. Tomczyk if there was anything she wished to add.

Mr. Tomczyk responded by thanking the members of the Agency for their support.

Counsel Scott stated that in Section 2 there was a blank there for additional conditions.

Mr. Lattin responded that he thought the issue was if the project was going to be \$6 million and now it is \$10 million, was the scope changed.

Mr. Tomczyk responded somewhat with the purchase. The envelope of the building is still the same, but the project has changed a little bit. With the purchase they are now moving another company into the area. They have to change the design of the space.

Mr. Lattin replied so another company is coming.

Ms. Tomczyk stated it is JBT; so it is just another division. They will be using/sharing part of their manufacturing floor.

Chair Horodyski clarified that there was original concern that Wolf-tec was going away completely.

Mr. Lattin replied that he was not questioning the benefit. But when you say that you are 50% over

Chair Horodyski asked if there were any additional conditions to be added.

Mr. Morrow stated only if there were changes to any of our policies that would apply to this transaction.

Motion: John Morrow, seconded by Mary Sheeley, moved to approve the resolution extending the Sales Tax Letter for JBT/Wolf-tec to April 1, 2016 and to access an administrative fee of \$500.

Vote: The motion was adopted. John Livermore and James Malcolm excused.

311 WALL STREET

Mr. Zach Lewis, representing 311 Wall Street, presented the project to the members of the Agency. It should be noted that no application has been received by the Agency. Mr. Lewis' remarks included, but were not limited to, the following:

- The project is located at the old Woolworth Building on Wall Street, Kingston. The building and parking has been purchased. After the parking lot has been worked on, there will be an estimated 65 parking spaces.

- The building at this time is basically asbestos; Phase 1 and Phase 2 surveys have been performed. The costs are easily \$400,000 for remediation of asbestos and mold.
- It is hoped that the roof work will begin before the snow falls in December. They are about to put down a deposit, but first a GC will be put in place and will begin abating the roof. The HVAC unit and compressors are located on the roof. They will lay a new roof where the old roof was which will allow work to be done on the interior during the winter.
- The building has been vacant for at least a decade.
- The basement will be a giant manufacturing kitchen; about 17,000 sq. ft. The space will be split into rentable incubator space kitchens for emerging businesses. There will be three different time slots ... morning, evening and late night. It will be open 24 hours a day to basically allow emerging chefs to go to trade shows and other places to cook food in bulk which is typically being done illegally in their homes/kitchens. At least 150 emails have been received showing interest in just the rentable incubator space.
- They will have their own manufacturing kitchen. They are producing food that is meant to be sold upstairs and distributed into New York City, Albany, etc. They have had contact with Fresh Direct, as well as Whole Foods, etc.
- On their site alone in the manufacturing kitchen there will be 10-15 jobs. In the additional space it should create and expand business 10-25% at a time.
- There will be private, larger kitchens. There are two massive brands; one of which has been written up in the New Yorker and Wall Street Journal for what they are doing. They are coming in with their own people and will be manufacturing their product here. The space is about 1,200 feet with additional refrigeration.
- The building's footprint is 18,000 retail; 17,000 in the basement.
- At this time there is no loading dock but they anticipate building one with a hydraulic lift.
- Upstairs there will be a food hall which will comprise 6-8 food venues; some of which will be restaurants.
- Food hall vendors will also have space in the commercial kitchens to prepare their food and bring it upstairs.
- The 6-8 business will run exclusively from our company, but there will be 7 small stalls for things like flowers, locally made chocolate, etc.
- In the back there will be a 9,000-9,500 sq. ft. organic local grocery. At all times 30% of produce/meat has to be Ulster County/Hudson Valley produced. Ulster County will be emphasized more so than Hudson Valley. In the market space, it should include 45 jobs.
- They will also have their own café; some of the stuff will be made in the basement or on-site. A ready to go, ready eat, beverage and food center.
- It is hoped to keep the building opened until 10:00 p.m. to create more of an uptown presence and vibe which should lead into the emerging night life that they see on Fair/Wall Street.
- The big key is to be non-competitive to whatever is there. They are not going to put in a café like Outdated, a restaurant like DUO or Boiston's.
- Everyone that is going in there is to be financially soluble and will be vetted extensively. They have brought in an advisor from the Culinary Institute of America. She has done the Barclay Center Food Kitchen and Food Hall; currently doing the Golden State Warriors Food Hall in New Orleans and is very enamored with the project.

- There will be additional design for the façade; to bring the front back to its original and in the back looking for an all glass entranceway. There will be a landscape component with trees separating properties.
- The roof will be part solar and a greenhouse setting to grow greens. Looking to be totally vertically integrated; grow produce on the roof, sell it in the grocery or use it in the manufactured goods to be sold at the facility or distributed out.
- Projecting a minimum of 45 jobs in the market; but realistically they will hit 65-70 year 1 and could be as many as 90 or 100 if they get a distribution wing opened by 2016.
- The key reason why this concept is not going to match a Whole Foods or Trader Joes in pricing is their goods are sourced from Peru, California, Mexico, there are gas and oil charges that are being put into the price whereby you can get \$.80 to a \$1.00 mark-up depending on the situation. By using Ulster County/Hudson Valley goods, this will closely match or be slightly higher than a Hannafords or a Stop and Shop. This is affordable.
- They will also work with the Kingston Farmer's Market.
- They have loose commitments from four potentials businesses.
- At this time they don't know if they are going to purchase or finance the equipment. They will be coming to the Agency for PILOT and sales tax exemption incentives.
- Structurally the building is sound; going for historic tax credit. Because the building is in the historic district it qualifies as registered for both federal and state.
- The principals of the building are Mr. Lewis' father, his partner, Jeff Cohen and himself. In the interior it is himself, Ben Giardullo and Bradford Beckerman.
- The Kingston Planning Board is behind the project.
- The working name is the Kingston Food Exchange.

OLD BUSINESS

None.

NEW BUSINESS

Woodland Pond

Counsel Scott stated that he received an email from Woodland Pond this week indicating that they may be changing some of their corporate ownership and corporate management. It came in the middle of this week, frankly not enough time for any of us to digest both staff and counsel. There may be a resolution at the next meeting approving that under our documents, under the bond documents for that transaction we do have consent issues and consent powers. He would expect that materials will be sent out in advance of the meeting and will have someone here from Woodland Pond to make a presentation with reference to that. The email came from the senior staff person there. They are changing, he believed, the membership entity of the LLC that owns Woodland Pond. He is not prepared to talk about it. They did indicate that they need to go through DOH, and to get bond holder approval, so those conditions that you saw in Section 2 with respect to the JBT/Wolf-tec matter will be expanded to include those conditions. Generally if the lender consents to a change in the corporate organization, his experience is that the conduit issuer, the IDA is usually amendable to that.

Mr. Kinnin stated that he works for Health Alliance and will have to recuse himself from any votes.

**RESOLUTION REQUESTING THAT THE NEW YORK STATE COMMISSONER OF TAXATION AND FINANCE
TAKE CERTAIN ACTIONS TO EFFECT A TECHNICAL FIX TO THE 2% TAX CAP APPLICABLE TO LOCAL
GOVERNMENTS AND SCHOOL DISTRICTS**

Ms. Holt explained that this subject has been raised by a number of individuals that have come before the Agency. What happens when there is a PILOT it doesn't reflect the amount of value that the towns have from the property so when they calculate the 2% by having a PILOT we have decreased the value of the property. This is a resolution calling upon the State Commissioner of Taxation and Finance to basically take that into consideration and add in the real value of the property not the value of the PILOT so when municipalities calculate the 2 % it is a more realistic number.

Counsel Scott stated that it has been seen in some projects as a negative impact. Happily the state has adopted legislation this year directing the Commissioner to make a regulatory change to address the issue. There has not been an issuance of legislation yet. For a number of the IDAs that he works with, they have adopted resolutions supporting this activity and asking the Commissioner to act quickly to address what we have thought since the 2% tax cap law was enacted, a glitch in the statute.

Motion: John Morrow, seconded by Floyd Lattin, moved to approve said resolution.

Vote: The motion was adopted. John Livermore and James Malcolm excused.

Staff will send copies of the resolution to affected taxing jurisdictions.

PUBLIC COMMENT

Chair Horodyski opened the meeting for public comment. There were no individuals who requested the Privilege of the Floor. The public comment section of the Agenda was closed.

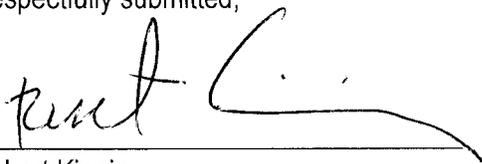
ADJOURNMENT

Motion: Robert Kinnin, seconded by Floyd Lattin, moved to adjourn the meeting

Vote: The motion was adopted. John Livermore and James Malcolm excused.

The meeting was adjourned at 8:58 a.m.

Respectfully submitted,



Robert Kinnin
Secretary