

**TOWN OF BROOKHAVEN INDUSTRIAL DEVELOPMENT AGENCY
APPLICATION FOR FINANCIAL ASSISTANCE**

DATE: 4/10/14

APPLICATION OF: Rail Realty LLC
Company Name / Ownership of Proposed Project

ADDRESS: c/o VanBrunt, Juzwiak & Russo, P.C.
140 Main Street, Sayville, NY 11782

Type of Application: Tax-Exempt Bond Taxable Bond Lease
 Refunding Bond

Please respond to all items either by filling in blanks, by attachment (by marking space "see attachment number 1", etc.) or by N.A., where not applicable. Application must be filed in ten copies. A non-refundable application fee is required at the time of submission of this application to the Agency. The non-refundable application fee is \$2,000 for applications under \$5 million and \$4,000 for applications of \$5 million or more.

Transaction Counsel to the Agency may require a retainer which will be applied to fees incurred and actual out-of-pocket disbursements made during the inducement and negotiation processes, and will be reflected on their final statement at closing.

Information provided herein will not be made public by the Agency prior to the passage of an official Inducement Resolution, but may be subject to disclosure under the New York State Freedom of Information Law.

Prior to submitting a completed final application, please arrange to meet with the Agency's staff to review your draft application. Incomplete applications will not be considered. The Board reserves the right to require that the applicant pay for the preparation of a Cost Benefit Analysis, and the right to approve the company completing the analysis.

PLEASE NOTE: It is the policy of the Brookhaven IDA to encourage the use of local labor and the payment of the area standard wage during construction on the project.

Please write or call:
Town of Brookhaven Industrial Development Agency
c/o Town of Brookhaven Division of Economic Development

One Independence Hill
Farmingville, New York 11738

(631) 451-6563

I. Company Data

A. COMPANY (APPLICANT FOR ASSISTANCE)

Company Name: Rail Realty LLC
Address: 414 Main Street - Suite 202
Port Jefferson, New York 11777
Contact: Anthony J. Gitto Title: Managing Member
Phone Number: [REDACTED] E-mail: [REDACTED]
Federal Employer ID Number: [REDACTED]

B. BUSINESS TYPE:

Sole Proprietorship Partnership Privately Held
Public Corporation Listed on _____ Exchange
State of Incorporation New York (The business is an LLC)

C. ANY RELATED COMPANY PROPOSED TO BE A USER OF THE FACILITY:

NAME	RELATIONSHIP
<u>N.A.</u>	

D. COMPANY COUNSEL:

BOND COUNSEL

Firm Name: Vanbrunt, Juzwiak & Russo, P.C.
Address: 140 Main Street
Sayville, NY 11782
Individual Attorney: Eric Russo Phone: 631-589-5000

E. PRINCIPAL STOCKHOLDERS OR PARTNERS, IF ANY (5% OR MORE EQUITY)

NAME	PERCENT OWNED
<u>Anthony J. Gitto</u>	<u>50%</u>
<u>Gregory Star</u>	<u>50%</u>

F. Has the company ever filed for bankruptcy?

No

G. Have any of the owners / top executives ever been convicted of a felony?

No

If yes, please explain:

H. Has the company ever been convicted of a felony?

No

If yes, please explain:

I. If any of the above persons (see "G" above), or a group of them, owns more than 50% interest in the company, list all other organizations which are related to the company by virtue of such persons having more than a 50% interest in such organizations.

N.A.

J. Is the company related to any other organization by reason of more than a 50% ownership? If so, indicate name of related organization and relationship:

N.A.

K. List parent corporation, sister corporations and subsidiaries:

N.A.

L. Has the company (or any related corporation or person) been involved in or benefited by any prior industrial development financing in the municipality in which this project is located, whether by this agency or another issuer? (Municipality herein means city, town or village, or if the project is not in an incorporated city, town or village, the unincorporated areas of the county in which it is located.) If so, explain in full:

No

M. Has the company (or any related corporation or person) made a public offering or private placement of its stock within the last year? If so, please provide offering statement used.

No

N. List major bank references of the company:

Bridgehampton National Bank

O. OPERATION AT CURRENT LOCATION:

1. Employment: N.A. 2. Payroll N.A.
3. Type of operation (manufacturing, wholesale, distribution, retail, etc.) and products and/or services:

N.A.

4. Size of existing facility acreage: N.A.

5. Number of buildings and square feet: N.A.

6. North American Industry Classification System (NAICS) [REDACTED]

II. PROPOSED PROJECT DATA

A. Location of project: (include as an attachment a map showing the location)

Address: 14 and 18 Sheep Pasture Road, 103 Texaco Avenue,

28 Linden Place and vacant land on the corner of Texaco Ave and Linden Place.

Suffolk County Tax Map: District 206 Section 21 Block 4 Lot 11, 12, 19.1, 20, 22.1, 22.2 & 30

B. Project Site: (Include as an attachment copies of survey, preliminary site plan, architectural rendering of the facility)

If acquiring land, please note that Federal law prohibits the use of 25% or more of tax-exempt IDB proceeds for the purchase of land. If acquiring existing buildings, please note that Federal law prohibits the acquisition of existing buildings with tax-exempt IDB proceeds unless the rehabilitation expenses of the building are equal to or greater than 15% of the portion of the cost of acquiring the building that is financed with tax-exempt IDB proceeds. Rehabilitation does not include any amount expended on new construction (additions or expansions).

1. Acreage: 1.643 acres

2. Buildings:

A) Existing number and square feet of each building:

14 Sheep Pasture Rd (2,958 SF vacant home), 18 Sheep Pasture Rd (1,192 SF vacant home), 103 Texaco Avenue (approx. 2,400 SF vacant car wash) and 28 Linden Place (4,550 SF partially vacant industrial building).

B) Does the project consist of additions and/or renovations to existing buildings? If yes, indicate the nature of expansion or renovation:

Current structures will be demolished and removed.

C) New Construction – number and square feet of each building:

74 rental units

Total building square footage will be 105,187 SF including an underground garage

Building One (Phase 1) - 54,043 SF including underground garage

Building Two (Phase 2) - 51,144 SF including underground garage

D) Builder or contractor and address: _____

Equity Development and Construction Corp.

414 Main Street - Suite 202, Port Jefferson, New York 11777

E) Architect name and address: _____

Eric Nicosia, PO Box 879 Rocky Point, NY 11778

3. Indicate present use of site: Two (2) vacant & boarded-up homes, one (1) vacant & secured car wash, one (1) vacant lot and a partially vacant industrial building.

4. Indicate relationship of applicant to present user of site:

Both applicants are property owners in-interest of the residential,

commercial and industrial properties that are part of this application.

C. Proposed project ownership (company or realty partnership):

Rail Realty LLC

D. What will the building or buildings to be acquired, constructed or expanded be used for by the company? (Include a description of products to be manufactured, assembled, or processed, and services to be rendered):

Approximately 74 rental apartments.

E. If any space in the project is to be leased to third parties, indicate the total square footage of the project to be leased to each tenant, and the proposed use by each tenant:

Every apartment will be leased to a third party tenant, but the application may retain one (1) unit to be used as a home for the full time building superintendent.

F. List principal items or categories of equipment to be acquired as part of this project:

Building materials (including exterior and interior finishes), mechanical equipment and appliances.

G. Has construction work on this project begun? If yes, complete the following:

- (a.) SITE CLEARANCE: YES NO % COMPLETE _____
- (b.) FOUNDATION: YES NO % COMPLETE _____
- (c.) FOOTINGS: YES NO % COMPLETE _____
- (d.) STEEL: YES NO % COMPLETE _____
- (e.) MASONRY: YES NO % COMPLETE _____
- (f.) OTHER: _____

H. Existing facilities within New York State:

1) Are there other facilities owned, leased, or used by the company (or a related company or person) within the state? If so, describe whether owned, leased, or other terms of use:

No

2) If there are other facilities within the state, is it expected that any of these facilities will close or be subject to reduced activity?

YES NO

3) If you answered yes to question 2, above, please indicate whether the project is reasonably necessary for the company to maintain its competitive position in the industry. Please explain in detail:

N.A.

4) Has the company thought about moving to another state? If so, please explain:

N.A.

5) Will the project meet zoning requirements at the proposed location?

YES NO

6) If a change of zoning is required, please provide the details/status of the change of zone request.

N.A.

I. Does the company, or any related corporation or person, have a lease on the project site?

YES NO

J. Does the company now own the project site?

YES NO

1. If yes, indicate:

A) Date of purchase: 103 Texaco Avenue - 2011 (subject to closing upon issuance of Village of Port Jefferson building permit)

B) Purchase price: All other parcels were acquired by Rail Realty LLC in 2013

103 Texaco Avenue - \$1,200,000

18 Sheep Pasture Road - \$325,000

14 Sheep Pasture Road - \$375,000

28 Linden Place - \$440,000

Corner of Linden and Texaco - \$425,000

- C) Balance of existing mortgage: \$1,452,769.00
- D) Holder of mortgage: Rail Realty LLC / Gregory Star for 103 Texaco Avenue
- E) Special conditions: None

2. If no, indicate:

A) Present owner of site: N.A.

B) Does the company or any related person or corporation have an option or a contract to purchase the site and/or any buildings on the site?

N.A. YES NO

If yes, indicate:

1) Date signed: N.A.

2) Purchase price: N.A.

3) Settlement date: N.A.

4) Please attach a copy of option or contract.

K. Is there a relationship legally or by virtue of common control or ownership between the company (and/or its stockholders) and the seller of the project (and/or its shareholders)?

If yes, please describe this relationship:

103 Texaco Avenue is owned in the personal name of Gregory Star, but there is an agreement between Gregory Star and Rail Realty LLC to transfer the ownership into Rail Realty LLC's name upon issuance of building permit by the Village of Port Jefferson.

L. How much equity do you have in this project?

\$1,700,000

III. PROJECT COSTS

A. Give an accurate estimate of cost of all items:

	AMOUNT
LAND	\$ <u>\$ 2,750,000</u>
BUILDING	\$ <u>\$ 8,000,000</u>
SITE WORK	\$ <u>\$ 300,000</u>
LEGAL FEES	\$ <u>\$ 250,000</u>
ENGINEERING FEES (including architectural fees)	\$ <u>\$ 300,000</u>

LEGAL & FINANCIAL CHARGES	\$	_____
EQUIPMENT	\$	\$ 4,600,000
RECORDING FEES	\$	_____
OTHER (SPECIFY)	\$	_____
TOTAL	\$	\$ 16,200,000

B. METHOD OF FINANCING COSTS	Amount	Term
1. Tax-exempt IDB financing:	\$ N.A.	_____ years
2. Taxable IDB financing:	\$ N.A.	_____ years
3. SBA (504) or other governmental financing:	\$ N.A.	_____ years
4. Other loans:	\$ 12,150,000	10 years
5. Company's equity contribution:	\$ 4,050,000	
Total Project Costs	\$ 16,200,000	

C. Have any of the above costs been paid or incurred (including contracts of sale or purchase orders) as of the date of this application?

YES NO If yes, give particulars on a separate sheet.

D. Are costs of working capital, moving expenses, work in progress, or stock in trade included in the proposed uses of bond proceeds? Give details:

N.A.

E. Will any of the funds borrowed through the Agency be used to repay or refinance an existing mortgage or outstanding loan? Give details:

N.A.

F. What portion, if any, of the cost of the project is to be financed from funds of the company (other than from the proposed bond issue)? Give details:

Approximately \$4,050,000 of equity will be in the project.

G. Has the company made any arrangements for the marketing or the purchase of the bond or bonds? If so, indicate with whom:

N.A.

IV. MEASURE OF GROWTH AND BENEFITS

A. If the company presently operates in the Town of Brookhaven, give current employment and payroll. Also give reasonable estimates of employment and payroll directly attributable to the facility to be built in the Town of Brookhaven.

CURRENT EMPLOYMENT FIGURES	UNDER \$30,000	\$30,000 - \$50,000	\$50,000 - \$75,000	OVER \$75,000
Number of Full-Time Employees (FTE) earning:	0			
Number of Part-Time Employees (FTE) earning:	0			

TOTAL PAYROLL FOR FULL-TIME EMPLOYEES	N.A.	\$
TOTAL PAYROLL FOR PART-TIME EMPLOYEES	N.A.	\$
TOTAL PAYROLL FOR ALL EMPLOYEES	N.A.	\$

PROJECTED EMPLOYMENT FIGURES - YEAR ONE	UNDER \$30,000	\$30,000 - \$50,000	\$50,000 - \$75,000	OVER \$75,000
Number of Full-Time Employees (FTE) earning:		1		1
Number of Part-Time Employees (FTE) earning:	3			

TOTAL PAYROLL FOR FULL-TIME EMPLOYEES	\$ 165,000
TOTAL PAYROLL FOR PART-TIME EMPLOYEES	\$ 90,000
TOTAL PAYROLL FOR ALL EMPLOYEES	\$ 255,000

PROJECTED EMPLOYMENT FIGURES - YEAR TWO	UNDER \$30,000	\$30,000 - \$50,000	\$50,000 - \$75,000	OVER \$75,000
Number of Full-Time Employees (FTE) earning:		1		1
Number of Part-Time Employees (FTE) earning:	3			

TOTAL PAYROLL FOR FULL-TIME EMPLOYEES	\$ 165,000
TOTAL PAYROLL FOR PART-TIME EMPLOYEES	\$ 90,000
TOTAL PAYROLL FOR ALL EMPLOYEES	\$ 255,000

The Board reserves the right to visit the facility to confirm that job creation numbers are being met.

V. PROJECT CONSTRUCTION SCHEDULE

A. What is the proposed date for commencement of construction or acquisition of the project?

We anticipate the construction to commence September 2014.

- B. Give an accurate estimate of the time schedule to complete the project and when the first use of the project is expected to occur:

June 2016

- C. At what time or times and in what amount or amounts is it estimated that funds will be required?

N.A. or blank?

VI. SUBMIT THE FOLLOWING INFORMATION OF THE COMPANY

- A. Financial statements for the last two fiscal years (unless included in the company's annual report).
- B. What, if any, will be the expected increase in the dollar amount of sales? \$ N.A.
- C. Company's annual reports (or 10-K's if publicly held) for the two most recent fiscal years.
- D. Quarterly reports (form 10-Q's) and current reports (form 8-K's) since the most recent annual report, if any.
- E. In addition, please attach the financial information described in items A, B, and C of any expected guarantor of the proposed bond issue.
- F. Completed Long Environmental Assessment Form.
- G. Most recent quarterly filing of NYS Department of Labor form 45, as well as the most recent fourth quarter filing. Please remove the employee Social Security numbers and note the full-time equivalency for part-time employees.
N.A.

Town of Brookhaven Industrial Development Agency
Payment in Lieu of Tax (PILOT) Policy

An annual fee of \$1,000 will be due to the Agency in addition to the PILOT payment to cover ongoing costs incurred by the Agency on behalf of the project.

1. The Town of Brookhaven Industrial Development Agency (IDA) may grant, or be utilized to obtain a partial or full real property tax abatement for a determined period which can be as long as ten years. To be eligible for this abatement there would be a requirement of new construction, or renovation, and a transfer of title of the real property to the Town of Brookhaven IDA.
2. The Chief Executive Officer (CEO) or their designee shall consult with the Town Assessor to ascertain the amounts due pursuant to each PILOT Agreement. Thereafter, the PILOT payment for each project shall be billed to the current lessees. The lessees can pay the PILOT payment in full by January 31st of each year, or in two equal payments due January 31st and May 31st of each year of the PILOT Agreement. The CEO or their designee shall send all PILOT invoices to the lessees on a timely basis.
3. The Town of Brookhaven IDA shall establish a separate, interest bearing bank account for receipt and deposit of all PILOT payments. The CEO or their designee shall be responsible for depositing and maintaining said funds with input from the Chief Financial Officer (CFO).
4. The CEO or their designee shall remit PILOT payments and penalties if any, to the respective taxing authorities in the proportionate amounts due to said authorities. These remittances shall be made within thirty (30) days of receipt of the payments to the Agency.
5. If first-half PILOT payments are not received on a timely basis (as outlined in paragraph 2 hereof), the following interest and penalties shall accrue:

(i)	2/1 to 2/28	1% of the amount due
(ii)	3/1 to 3/31	2% of the amount due
(iii)	4/1 to 4/30	3% of the amount due
(iv)	5/1 to 5/31	4% of the amount due
(v)	6/1 to 6/30	5% of the amount due
(vi)	7/1 to 7/31	5% of the amount due
(vii)	8/1 to 8/31	5% of the amount due
(viii)	9/1 to 9/30	5% of the amount due
(ix)	10/1 to 10/31	5% of the amount due
(x)	11/1 to 11/30	5% of the amount due

PILOT payments paid after May 31st shall pay interest and penalties as follows:

(i)	6/1 to 6/30	5% interest and 5% penalty
(ii)	7/1 to 7/31	6% interest and 5% penalty
(iii)	8/1 to 8/31	7% interest and 5% penalty
(iv)	9/1 to 9/30	8% interest and 5% penalty
(v)	10/1 to 10/31	9% interest and 5% penalty
(vi)	11/1 to 11/30	10% interest and 5% penalty

For PILOT payments past due beyond one year, additional interest and penalties will accrue.

6. If a PILOT payment is not received by January 31st of any year or May 31st of the second half of the year the lessee shall be in default pursuant to the PILOT Agreement. The Agency may

give the lessee notice of said default. If the payment is not received within sixty (60) days of when due, the CEO shall notify the Board, and thereafter take action as directed by the Board.

7. The CEO shall maintain records of the PILOT accounts at the Agency office.
8. Nothing herein shall be interpreted to require the Agency to collect or disburse PILOT payments for any projects which are not Agency projects.
9. Should the Applicant fail to reach employment levels as outlined in their application to the Agency, the Board reserves the right to reduce or suspend the PILOT Agreement, declare a default under the Lease or the Installment Sale Agreement, and/or convey the title back to the applicant.
10. This policy has been adopted by the IDA Board upon recommendation of the Governance Committee and may only be amended in the same manner.

CERTIFICATION

Anthony J. Gitto and Gregory J. Star (name of ~~Chief Executive Officer~~ ^{Managing Members} of company submitting application) deposes and says that he ~~or she~~ is the Managing Members (title) of Rail Realty LLC, the ~~corporation~~ ^{LLC} (company name) named in the attached application; that he ~~or she~~ has read the foregoing application and knows the contents thereof; that the same is true to his or her knowledge.

Deponent further says that the reason this verification is being made by the Deponent and not by Rail Realty LLC (company name) is because the said company is a ~~corporation~~ ^{LLC}. The grounds of Deponent's belief relative to all matters in the said application which are not stated upon his or her own personal knowledge, are investigations which Deponent has caused to be made concerning the subject matter of this application as well as information acquired by Deponent in the course of his or her duties as an officer of and from books and papers of said ~~corporation~~ ^{LLC}.

As an officer of said ~~corporation~~ ^{LLC} (hereinafter referred to as the "Applicant"), Deponent acknowledges and agrees that Applicant shall be and is responsible for all costs incurred by the Town of Brookhaven Industrial Development Agency (hereinafter referred to as the "Agency") acting on behalf of the Applicant in connection with this application and all matters relating to the issuance of bonds. If, for any reason whatsoever, the Applicant fails to conclude or consummate necessary negotiations or fails to act within a reasonable or specified period of time to take reasonable, proper, or requested action or withdraws, abandons, cancels or neglects the application or if the Applicant is unable to find buyers willing to purchase the total bond issue required, then upon presentation of invoice, Applicant shall pay to the Agency, its agents or assigns, all actual costs incurred with respect to the application, up to that date and time, including fees to bond counsel for the Agency and fees of general counsel for the Agency. Upon successful conclusion and sale of the required bond issue, the Applicant shall pay to the Agency an administrative fee set by the Agency not to exceed an amount equal to 1% of the total project cost financed by the bond issue, which amount is payable at closing. The Agency's bond counsel's fees and the administrative fee may be considered as a cost of the project and included as part of any resultant bond issue.

Deponent further certifies that he or she has read the Payment in Lieu of Tax (PILOT) Policy of the Town of Brookhaven Industrial Development Agency and will agree to the terms thereof.

Sworn to me before this 10
Day of April, 2014
Jacqueline Monette
(seal)

[Signature]

Anthony J. Gitto, Managing Member

[Signature]

Gregory J. Star, Managing Member

Sworn to me before this 10
Day of April, 2014
Jacqueline Monette
(seal)

JACQUELINE MONETTE
NOTARY PUBLIC, STATE OF NEW YORK
REG NO 01MO6081358
QUALIFIED IN SUFFOLK COUNTY
COMMISSION EXPIRES OCTOBER 07, 2014

EXHIBIT A

Schedule of payments-in-lieu-of-taxes: Town of Brookhaven, (including any existing incorporated village and any village which may be incorporated after the date hereof, within which the Facility is wholly or partially located), Comsewogue School District, Suffolk County and Appropriate Special Districts

<u>Year</u>	<u>Tax Year</u>	<u>Payment</u>
1.	2016/2017	\$ 16,530.00
2.	2017/2018	\$ 16,860.00
3.	2018/2019	\$ 17,200.00
4.	2019/2020	\$ 17,540.00
5.	2020/2021	\$ 17,890.00
6.	2021/2022	\$ 18,250.00
7.	2022/2023	\$ 18,620.00
8.	2023/2024	\$ 18,990.00
9.	2024/2025	\$ 19,370.00
10.	2025/2026	\$ 19,760.00
11.	2026/2027 and thereafter	100% of full taxes and assessments on the Facility