

TOWN OF BROOKHAVEN
INDUSTRIAL DEVELOPMENT AGENCY

MEETING MINUTES

MARCH 15, 2010

MEMBERS PRESENT: Frederick C. Braun, Chairman
Vincent R. O’Leary
Ann-Marie Scheidt
Ron LaVita
John Rose

EXCUSED MEMBERS: Peter G. Moloney
Joseph R. Kessel, Jr.

ALSO PRESENT: Lisa M. Giannusa, CEO
James Ryan, CFO
Annette Eaderesto, IDA Counsel
Jim Morgo, Economic Development Advisor
Howard Gross, Esq., Weinberg, Gross & Pergament
Bill Weir, Esq., Nixon Peabody, LLP
Jocelyn Brinka, Economic Development

PRESENTATION ATTENDEES: Mark Lesko, Town Supervisor
Tim Mazzei, Councilman & Liaison to Economic Develop.
Brian Beedenbender, Chief of Staff
Stacey Epifane, Supervisor’s Office

Chairman Braun opened the meeting at 8:05 A.M. on Monday, March 15, 2010 at Brookhaven Town Hall, One Independence Hill, Farmingville, NY in the Town Council Work Session Room on the Third Floor.

Mr. Braun welcomed Supervisor Lesko and Mr. Mazzei (Town Board Liaison to Economic Development), and invited the Supervisor to make his presentation.

The Supervisor thanked the IDA Board Members for all their efforts. His focus is creating jobs in the Town of Brookhaven, both short and long term. He spoke about his two-pronged initiative: immediate development and then focused development. He mentioned how Industrial Development Agencies are under attack. The Town Board recently expressed their concern over the recent PAAA fee for “Cost Recovery Tax Assessment on IDAs”. The Supervisor sent a letter to the Governor and the Town Board passed a sense resolution opposing the fee. Without the IDA, the Town does not have much to offer with the Empire Zone Program coming to an end on June 30, 2010. The

Supervisor noted that Councilman Mazzei is now the liaison for Economic Development. The Supervisor is also working on an initiative focusing on suburban blight (the Plaza Theater is being used as a template). The Coram United Artists Theatre and the Home Depot in Patchogue are also good examples of this. He would like the IDA to assist with a blight study he would like to have done: “Blight to Light”. He added that the community really wants this study. The long term goal for the type of economy needed is technology-based. He proposed the creation of a short film that can be shown at various events. He would like to start immediately and plans to have early April as a rollout for the film. Applications for the Recovery Zone Bonds are due in June and time is of the essence. He added that no public officials will appear in the film.

The Supervisor then turned his attention to Jim Morgo and said the reason he is now with the Town is because economic development is Mark’s signature issue. Mr. Morgo has been working on this film project with Lisa Giannusa, Inez Birbiglia and Stacey Epifane. When Mr. Morgo was with the L.I. Housing Partnership, they made a film that earned the Partnership much more attention. A matrix was handed out and the recommendation was that 30fps Productions produce the film. The content has not yet been decided, but the film company would like to start this week. Ms. Epifane showed four clips on the Smartboard as an example of what 30fps does. Mr. Morgo recommended 30fps because they are so proficient and gave the most effective response to the RFP. Supervisor Lesko said this all-purpose film will create some buzz and it must move quickly. If the film is out in April, it gives us two months to promote the bonds before applications are due.

The Supervisor is requesting \$25,000 from the IDA; he would also like a special IDA meeting to be scheduled the first week of April for a screening of the film as well as a press event. At the April meeting, the Supervisor would also like to discuss how we can move forward as a partnership and adding more staff to the IDA. He suggested that the IDA Board members look at www.connect.org - San Diego would be a good model for the Town of Brookhaven. The Town Board would also support dissolving the existing dormant Local Development Corporation and recreating an LDC to assist in issuing bonds for not-for-profit organizations. Mr. Morgo then thanked Ms. Giannusa and Bill Weir for all the help they have given him. Mr. O’Leary asked if the contract for the movie would be an IDA contract and the Supervisor said “yes”. Mr. O’Leary then asked

how the Supervisor's plans relate to the Planning Department, and mentioned the presentation given by Commissioner Tullio Bertoli to the IDA a few months back. The Supervisor said that Ms. Birbiglia is the new Deputy Commissioner of Planning and they are very involved.

A discussion was held concerning the recent assessment by the State and our letter of February 19, 2010, pointing out their error in establishing the levy. To date we have not received a reply. The group was advised that, pending a response, we do not plan on making the payment that is due on March 31st. There was no dissent.

Mr. O'Leary further reported that he met with our accountant, Mr. Reeves, concerning the presentation of PILOT data. To avoid a repetition of this year's error, Mr. O'Leary suggested, and Mr. Reeves agreed, that PILOT receipts not be listed as operating revenue, but rather as a separate line indicating PILOTS collected and distributed.

Mr. Braun suggested that IDA projects be shown as part of the "Light" in the video. Supervisor Lesko said he would update Ms. Giannusa on anything he hears about the IDA's cost recovery tax fee. Legislation repealing this fee may be introduced in two weeks. **Mr. Weir said we do not have to take the lowest bidder as there is creativity involved. It was then mentioned that 30fps Productions is Long Island-based and was the most responsive to the RFP.**

At 8:45 A.M., the Supervisor, Councilman Mazzei, and staff excused themselves from the meeting. At this point, Mr. Braun asked for a vote to approve up to \$25,000 for the creation of the video.

The motion for approval was made by Ms. Scheidt, seconded by Mr. O'Leary, and unanimously approved. Mr. Braun suggested that Ms. Epifane be point person and Ms. Giannusa will advise CFO, Jim Ryan, when it is time to write the check.

Ms. Eaderesto will coordinate the execution of a contract for the film.

TREASURER'S REPORT

Mr. O'Leary mentioned the recent change of banks for handling our IDA accounts. The Suffolk County National Bank has replaced the Bank of America with all our financial

dealings. He then said that the State has sent a letter explaining problems with the PARIS reporting system. The IDA Accountant, Mike Reeves, has spoken with the State regarding this issue. The State's approach to reporting projects appears to be at variance to GAAP (Generally Accepted Accounting Principles). Mr. O'Leary then mentioned that the IDA has established a petty cash fund. He reported that an insurance representative for the IDA will be considered at the April 19th meeting. The IDA needs a new Directors and Officers Policy (D&O) carrier. Mr. Ryan is following this. Mr. O'Leary added that Assemblyman Fitzpatrick will try to help with our proposed scholarship program by speaking with Assemblyman Hoyt.

CFO'S REPORT

Mr. Ryan informed the Board that Suffolk County National Bank will reimburse the IDA for any fees incurred for the preceding month. He said we have a CD coming due on April 12, 2010 and he would like to hold it in the Checking Account to pay the aforementioned film cost and IAP fees. Mr. Ryan stated that most of the PILOT disbursements have been made. (Another disbursement will take place once all PILOT checks have been received.) Mr. Parr (IAP) wants the Town of Brookhaven or the IDA to impose an assessment on property owners for Exit 68 infrastructure costs in the 1980s. Ms. Eaderesto, IDA Counsel, said "Let's fight it". She is working on a land swap for SD #2 now. Renaissance was discussed as they are expanding and cannot consolidate the properties. They will be moving across to non-IDA property. Mr. Braun suggested they re-apply to the IDA.

The motion to accept the Treasurer's and CFO's report was made by John Rose, seconded by Ron LaVita, and unanimously accepted.

APPLICATIONS

Mr. Braun mentioned the Lenders' Roundtable event and asked if the entire amount of bonds should be given to one application or should funds be allocated and money pieced out? It was added that the project must be shovel-ready. With regard to the Coram United Artists property, Mr. Morgo said there was less than enthusiasm from the lenders since it is less than \$10 Million and might not be worth the deal. Mr. Weir said with the different layers of complexity, it makes it difficult to finance. The minimum equity is

now 20%, sometimes 30%. He added that Browning Enterprises cannot sub-divide on site and hotels are very difficult to finance.

Ms. Giannusa explained the new abstracts that are attached to the Recovery Zone Bond applications. She asked to be informed of any format or content changes.

PROJECTS

A brief description of the Pinnacle Hotel project followed. The average salary for this project is \$18,000 per year. Browning's application shows fewer employees, but with higher salaries. Mr. Braun discussed the Sills Road Realty application. This was originally set as a railroad, bringing aggregate paving companies and taking out construction waste. It was asked if they were sand mining or grading the property for business purposes. It was stated that they are exempt under the Federal Railroad Act. On March 5, 2010, Supervisor Lesko went to a hearing in DC concerning this issue. The Supervisor opposes Sills Road Realty, but they are perhaps reaching a settlement. Ms. Eaderesto suggested the IDA not get involved in this project. Ms. Giannusa said that this project was not ready to move forward anyway.

Beechwood Sewage Treatment Plant

The Town of Brookhaven owns the golf course across the street from this development. Ms. Eaderesto explained the specifics of this deal between the Town of Brookhaven and Beechwood. Ms. Giannusa added that this project would only create construction jobs. Mr. Morgo said that these are "For Sale" homes and cannot be done with the Recovery Zone Bonds (RZBs). Mr. Weir said that this project can be financed outside of the RZBs through a regular IDA deal. He added that this would also save bond money.

The Beechwood Bridge

There is a current tunnel for golf and maintenance carts to travel through, though this would not create any long term jobs. Mr. Weir offered details on the types of projects we can finance under existing Industrial Revenue Bonds. It was asked if the K-Mart project in Middle Island would be a good fit. The next step will have to wait until April or May to make allocations of bonds.

Advance Pharmaceutical

The project details were then reviewed in the abstract. Advance would re-locate to the old Hermetic Aircraft site and they may expand to an additional 10,000 square feet. Advance has not yet decided if they are looking for a bond or lease deal. Mr. Weir suggested we accept the application, schedule a Public Hearing, and then induce.

UPDATES

Crossvets Realty/Bold Systems – New Mortgage

This project closed at the end of June 2009. The motion to approve the Resolution for Mortgaging the Crossvets Realty, LLC/Bold Systems, LLC/Bold Appellate Solutions LLC was made by Mr. Rose, seconded by Ms. Scheidt, and unanimously approved.

Insula-Dome Termination

The lease has ended on this project and the property will be re-conveyed once all payments have been received.

Motorola Termination

Their IDA deal has expired.

EDC Lawsuit

The lawsuit regarding the PAAA fee was discussed. It will cost \$5,000 to participate. Article 28 is still pending. Mr. Weir doubts the suit will be successful and it may also jeopardize the pending bill. Mr. Braun suggested this be tabled for now and he asked what would happen if we do not send the check for the new assessment tax. He learned there are no penalties mentioned in the legislation. The purpose of the fee is to reimburse the State for work done for the IDA. Mr. Braun asked Mr. Morgo what the Suffolk County Industrial Development Agency is doing and Mr. Morgo responded by saying he will strongly advise against participating in the lawsuit.

Governance Committee Meeting

Ms. Scheidt explained the documents and feels our application fee is too low. Mr. Weir asked that the mention of a bond counsel deposit be changed to “May require a retainer”. The abstracts presented would show benefit to the Town of Brookhaven. Mr. O’Leary

mentioned the formula that Mr. Aloisio, former IDA Director, used when calculating the CBA. Ms. Scheidt then explained the tier system that was discussed at the Governance Committee meeting to increase the information about job creation. This will be added to the Abstracts. Mr. Morgo said that a similar system is in place at the Suffolk Co. IDA and they may adapt our new bracket. Ms. Scheidt went through the proposed new questions. She suggested we use the term “Recapture” rather than “Clawback”. Mr. Weir suggested asking if the owners, executive or officers, have ever filed for bankruptcy, or if the company was ever convicted of a felony. Also, it should be added to the abstracts when their full tax assessment will end and alert them to this date at the onset, and start warning them as early as three years beforehand. Mr. O’Leary questioned the need for a long Environmental Assessment Form, but Messrs. Weir and Morgo said it is better to have than not. Mr. Weir added that the Town of Brookhaven is the lead agency and the IDA can request to be an involved agency. The IDA needs to look at SEQRA when we get involved in a project.

Mr. Ryan asked that if the company does not pay and we terminate the agreement, how can we collect the owed taxes? Mr. Gross said that some towns put a second mortgage on the property. We can evict, sue contractually, and sue for arrears. Mr. Weir noted that the PILOT escrow fund did not work for the Suffolk Co. IDA. The mortgage would be put on day-one of the deal. How to determine the amount was then discussed. Mr. Morgo suggested that “Recapture” be a part of the language. This was followed by a discussion of the sales tax exemption and Mr. Aloisio’s estimate of \$1,500 per job, which is pretty low today. Ms. Giannusa will provide a new version of the IDA application for the next Governance Committee meeting, which will be held before the next full IDA Board meeting.

OTHER

The Miller Business Resource Center told Ms. Giannusa that they would like to host another IDA meeting. (This may be planned for the May 17th meeting.)

Database Status – Ms. Giannusa is in the process of moving this project along. Mr. Ryan said he thinks the project is 80% complete. Ms. Giannusa was asked to get a proposal from Seth Schneider to finish the work.

IDA Website – Proposals are coming in to re-do brookhavenida.org

IDA Car – The IDA will purchase a new car for Ms. Giannusa. The Impala will need to be disposed of under the disposition of the property policy – the auction process will be explored. Ms. Eaderesto and Mr. Ryan will move forward in purchasing this car and find out whether to lease or own.

Economic Development Course – The motion allowing Ms. Giannusa to attend the NYSEDC Economic Development course in Albany in June, was made by Mr. LaVita, seconded by Ms. Scheidt, and unanimously approved. (Course information will be sent to Ms. Eaderesto.)

It was noted that IDA meetings remain as scheduled on Monday mornings.

The meeting was adjourned at 10:26 A.M. The next regular meeting is scheduled for Monday, April 19, 2010 at 8:00 A.M.

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