

TOWN OF BROOKHAVEN
INDUSTRIAL DEVELOPMENT AGENCY

MARCH 20, 2019

MEETING MINUTES

MEMBERS PRESENT: Frederick C. Braun, III
Martin Callahan
Scott Middleton
Gary Pollakusky
Ann-Marie Scheidt
Frank C. Trotta

EXCUSED MEMBER: Felix J. Grucci, Jr.

ALSO PRESENT: Lisa M. G. Mulligan, Chief Executive Officer
Lori LaPonte, Chief Financial Officer
James M. Tullo, Deputy Director
Annette Eaderesto, Counsel
Howard Gross, Weinberg, Gross & Pergament
William Weir, Nixon Peabody, LLP
Terri Alkon, Administrative Assistant
Jocelyn Linse, Executive Assistant
Alan Wax, Wax Words, Inc.
Eric Russo, Vanbrunt Juzwiak & Russo, PC

Chairman Braun opened the meeting at 12:34 P.M. on Wednesday, March 20, 2019, in the Work Session Room on the Third Floor of Brookhaven Town Hall, One Independence Hill, Farmingville, New York. A quorum was present.

MINUTES OF FEBRUARY 20, 2019

The Minutes of February 20, 2019 were previously sent to the Members for review. The motion to approve these Minutes as presented was made by Mr. Middleton and seconded by Ms. Scheidt. All voted in favor.

MINUTES OF FEBRUARY 20, 2019 GOVERNANCE COMMITTEE MEETING

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The Minutes of the Governance Committee meeting held on February 20, 2019 were also previously sent to the Members. The motion to approve these Minutes as presented was made by Mr. Middleton, seconded by Ms. Scheidt and unanimously approved.

CFO'S REPORT

Ms. LaPonte presented the Operating Statement for the month ending February 28, 2019. Administrative fees were collected as well as a closing fee for the Amneal Nicholas Drive project. The usual expenses were noted along with some membership renewals. The interest rate on the investment account was increased to 1.5% as of March 1st; a transfer of \$250,000 was transferred from the operating account to the investment account. All PILOT payments have been received and disbursed within the required 30-day deadline. Atlantic Fluid paid their first-half PILOT late, they have yet to pay their penalties. All payroll taxes, retirement and deferred compensation payments have been paid in full.

The motion to accept the Operating Statement for February was made by Mr. Pollakusky and seconded by Ms. Scheidt. All voted in favor.

AUDIT COMMITTEE REPORT ON 2018 FINANCIAL STATEMENTS

The motion to accept the Audit Committee Report on the December 31, 2018 IDA financial statements was made by Ms. Scheidt, seconded by Mr. Pollakusky and unanimously approved.

PUBLIC AUTHORITIES REPORTING INFORMATION SYSTEM (PARIS) APPROVAL

Ms. LaPonte detailed the very lengthy PARIS report for the Members. Each project is listed out and details on their job numbers, PILOT, sales tax exemptions and mortgage recording tax exemptions are included. Due to a flaw in the system, set information about the project can't be changed once inputted even if there are errors; notes are inserted to reflect corrections. This report must be submitted by March 31, 2019. The motion to file the PARIS report was made by Mr. Pollakusky, seconded by Mr. Trotta and unanimously approved.

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Mr. Braun inquired if any issues arose during the audit process, Ms. LaPonte responded that the only issue is the timing of the auditor's review at an already hectic time of the year (the end of December). Interim work on PILOTS will now start in June.

WELLTOWER – APPLICATION

Ms. Mulligan presented the application for Welltower, one of the largest Real Estate Investment Trusts for healthcare facilities, who intends to purchase the Yaphank AVR Chelsea assisted living project. Chelsea would continue to operate this \$39.5 million project. Welltower would purchase the facility and enter into a management agreement with Chelsea to operate it on their behalf.

The motion to accept the application and schedule a public hearing was made by Ms. Scheidt and seconded by Mr. Callahan. All voted in favor.

HEATHERWOOD – APPLICATION

This application is for a 200-unit \$53.5 million senior housing project on an existing golf course in East Setauket. In as much as the Agency is in the process of adjusting the Uniform Tax Exemption Policy (UTEP) as it relates to senior housing projects, Mr. Weir advised the Board to table accepting this application until after the UTEP has been finalized. Changes to the UTEP discussed at last month's meeting would make this project no longer eligible for assistance.

It was the consensus of the Board to table this application.

D & F BELLPORT – APPLICATION

This application calls for the construction of seventy 100% affordable housing units to be constructed at a cost of approximately \$31.4 million. A 30-year PILOT was requested; the current UTEP allows for a 15-year shelter rent PILOT. This project would be located in the newly formed Economic Opportunity Zone and expects to create 3 jobs. D & F also has an assisted living facility in Patchogue. Ms. Eaderesto added that there is a lot of support from the local community for this project and it is in an area that the Town is trying to redevelop.

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The motion to accept the application was made by Mr. Pollakusky, seconded by Mr. Callahan and unanimously approved.

FOUR L SUBTENANT APPLICATION – SIMPLE FREIGHT

Simple Freight is seeking to sublease the approximately 6,400 square feet remaining in the Four L facility which is still under construction. Simple Freight is a warehouse / distribution company, there will be clauses in the lease agreement that nothing hazardous can be stored on the site.

The motion to accept the application was made by Mr. Trotta and seconded by Mr. Pollakusky. All voted in favor.

ISLANDAIRE SUBTENANT APPLICATION – HANSAI HOLDING, LLC

Islandaire, a manufacturer of in-wall heating and cooling systems, is seeking to rent 1,000 square feet of their facility in Setauket to Hansai Holdings, LLC, to import and distribute high-end tequila.

The motion to accept the application was made by Ms. Scheidt, seconded by Mr. Middleton and unanimously approved.

PENNYSAVER SOLAR – FINAL AUTHORIZING RESOLUTION

A public hearing was held for this project on Monday with no comment received. This project is for a solar installation at the Amphitheater at a cost of approximately \$4.9 million. The cost benefit analysis was included in the meeting packets for review.

The motion to approve this resolution was made by Mr. Pollakusky and seconded by Mr. Callahan. All voted in favor.

CEO'S REPORT

Audio Den

Ms. Mulligan and Mr. Tullo met with Audio Den which has been in business for three generations. Audio Den has been a retail operation but their business has changed. They work with developers

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and builders to set up high-end theater rooms, smart thermostats, smart lights and intercom systems. They also set up systems to live stream corporate meetings. Mr. Braun questioned if Audio Den would slide back to retail if the commercial side of their business doesn't take off. Ms. Mulligan said that Audio Den analyzed their business and sales at their retail location were down to 15%. They are interested in purchasing an existing building on Montauk Highway in Brookhaven hamlet. They would keep a small portion of the building as retail. They are also in the process of working with an importer to start importing and distributing their technology. Mr. Weir stated that this qualifies as a project under the IDA Act.

Mr. Callahan made a motion to encourage Audio Den to submit a formal application. The motion was seconded by Ms. Scheidt and unanimously approved.

Frank Lowe Letter

Frank Lowe requested an extension of their PILOT in October of 2017. At that time, the Board offered to extend the PILOT for five years with 20% increases per year as long as they kept 70 employees in the building. Frank Lowe only recently responded and have said they would like the extension. Frank Lowe stated that they researched relocating to Pennsylvania, Virginia, New Jersey and South Carolina but would like to stay on Long Island due to the five-year extension. They currently have 74 employees. Their existing PILOT expires in 2019/2020 but the bonds will not be paid off until 2026. If the PILOT is not extended they would receive a bill for the full assessed amount until the bonds are paid off. There is a subtenant in the facility that will not sign the Tenant Agency Compliance Agreement and has refused to provide the required New York State Form 45's.

It was the consensus that this request will not be entertained until the subtenant issues have been resolved.

Job Number Updates

Ms. Mulligan provided the Members with an update on the project's job numbers. Some have employees well over the number promised. For example, Amneal has 160% of jobs promised, Global Tissue has 183% and Tate's has 300%. Among the projects that failed to meet this requirement are the two Aarco projects. For the third year, Aarco has been below the 85%

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threshold. One year they were at 79% of what was required in one building and 50% in the other facility. Letters will be sent requesting further information.

Atlantic Fluid has also failed to meet their job numbers for the past few years; they have only had 37% of the jobs promised both last year and this year. Last year their PILOT was increased by 50% as a result. It was the determination of the Board to terminate this project. Brookhaven Memorial Hospital has 71% of their job numbers; there is no one employed at the 14 Glover facility. The construction permit for 14 Glover was only obtained today. The hospital had a difficult year in 2017, 2018 was a bit stronger. The Board decided to give both of these projects another year to improve, but requires additional information. Letters will be sent to Brookhaven Memorial Hospital and 14 Glover as well.

Island Trimmers has not met their job numbers for a few years and their building is up for sale. The Board opted to terminate this project. Letters will be sent to all projects that did not meet the requirement. It was noted that some of the projects that didn't make their job numbers are still under construction or have terminated in the past year. Mr. Weir noted that the Brookhaven IDA was the first IDA in New York to include clawback provisions in PILOT Agreements.

Sales Tax Minimum Fee Schedule

Ms. Mulligan researched if any other IDAs have this type of fee and no one seems to have one for sales tax specifically. It's thought that \$2,500 as a minimum fee is a bit low but fair. This fee would only apply for additional sales tax exemptions, if an exemption is only being extended it will be charged at the normal hourly rate of \$250 per hour with a minimum fee of \$250.

Uniform Tax Exemption Policy (UTEP)

The proposed changes to the Uniform Tax Exemption Policy (UTEP) were e-mailed to the Members and included in the meeting packets. Mr. Weir suggested some additional changes including not supporting senior housing projects unless it is in specific areas such as an Opportunity Zone, a Community Development Block Grant Fund area, or a highly distressed area. Some additional options for granting a 30-year PILOT in certain instances have also been included. The

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Members will review the latest draft of the UTEP over the next week and then a public hearing will be scheduled.

The motion to schedule a public hearing after the final review of the UTEP was made by Mr. Pollakusky and seconded by Ms. Scheidt. All voted in favor.

Triple Five

A letter was sent to Triple Five informing them that Stuart Bienenstock is no longer permitted to be an Authorized Representative for this project. Mr. Bienenstock has been found liable in a civil case for forging mortgage documents. The new representative from Triple Five is Alan Glazer.

Board Assessments

This matter will be revisited next month.

Scalamander Cove Letter

A letter was received from Scalamander Cove, a 96-unit rental community to be built on the north side of Middle Country Road in Middle Island. There are three houses on the property, two will be demolished for this facility. This will be a \$21 million multi-family residential housing development with 13 affordable and workforce units. Some land will be kept as green space for the endangered tiger salamander; some land will remain wetlands. Ms. Mulligan inquired if the Board would like an application submitted. The new UTEP changes would not affect multi-family housing. There was a change of zone granted by the Town Board in 2005. Mr. Tullo added that this project may be coming back to the Town Board for a relief of covenants and restrictions. It was the determination of the Board that zoning should be in place before an application is submitted.

Conifer Request

A request was submitted from Conifer for a 30-year PILOT to be entertained in the UTEP. They will have a Tax Regulatory Agreement with the State requiring that they maintain 100% affordable rates for 50 years. This will be discussed at a future meeting.

April Meeting

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The April 17, 2019 meeting will be moved to 12:00 P.M.

PRESENTATION – ALAN WAX, WAX WORDS, INC.

Mr. Wax informed the Board that the 2018 Year End ad has been published in the Long Island Business News and Real Estate Weekly. It will run in the New York State Real Estate Journal next month as the IDA of the Month. No press releases were sent, Facebook has become more active. The upcoming Job Fair and Job Readiness Program were promoted.

At 1:51 P.M., Ms. Scheidt made a motion to enter executive session to discuss proposed, pending or current litigation. The motion was seconded by Mr. Middleton and unanimously approved.

At 2:00 P.M., Mr. Middleton made a motion to exit executive session. The motion was seconded by Mr. Pollakusky and all voted in favor.

Mr. Callahan made a motion to close the IDA meeting at 2:01 P.M. The motion was seconded by Mr. Pollakusky and unanimously approved.

The next IDA meeting is scheduled for Wednesday, April 17, 2019.