

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MINUTES

August 6, 2014

A regular meeting of the Orange County Industrial Development Agency was convened in public session on August 6, 2014 at 2:05 P.M. at the Orange County Business Accelerator in New Windsor, New York.

The meeting was called to order by the Chairman, Robert Armistead, and upon roll being called, the following were:

PRESENT: Robert Armistead, Mary Ellen Rogulski, Henry VanLeeuwen, Robert Schreiber, Stephen Brescia, John Steinberg

ABSENT: Russell Vernon

ALSO PRESENT: James Petro – Executive Director
Laurie Villasuso – Associate Executive Director
Kevin Dowd – IDA Attorney
Joel Kleiman – Chief Financial Officer
Russell Gaenzle – Harris Beach, PLLC
Brian Gates – HVEDC
Maureen Halahan – Orange County Partnership
Bill Fioravanti – Orange County Partnership
Bill Madden – Focus Media
James Walsh – Times Herald Record
Agnes Goldrich – Orange County Youth Bureau
Laurence Gottlieb – HVEDC
Wayne Gurda – Ryan Development
Tom Pahucki – RJ Smith Realty
James Kuha – Marlboro BOE
Daniel Petigrow – Marlboro BOE Attorney
Ray Castellani – Marlboro CSD
Pat Witherow – Marlboro CSD
Carl Meyer – Center for Global Advanced Manufacturing
Vincent Cozzolino – Center for Global Advanced Manufacturing
James Titolo – Church Hill Properties/Old Guard Hotel
Bill Richards – SUNY Orange
George Woolsey Sr. – Town of Newburgh Council
Larry She – Danskammer Energy, LLC
Gil Piaquadio – Supervisor, Town of Newburgh

Chairman Armistead calls to order the regular meeting for the Orange County IDA, August 6, 2014 (Pledge of Allegiance is recited). Board consists of six members. There is a quorum.

Review of the prior July 10, 2014 meeting minutes. Ms. Villasuso notes that there is one change to be made on page four: The minutes read that Mr. Dowd read aloud a resolution, when in fact it was Mr. Gaenzle. Motion made by VanLeeuwen, seconded by Rogulski, to approve the minutes with the correction. Motion carries with all in favor.

Roll Call taken.

Financial Reports and/or Requests for Payment

Mr. Kleiman distributes the monthly financial reports, and advises that as of July 31, the IDA has \$9.2M, and the OCFC has just over \$800K. Moving on to address the IDA expense summary, Mr. Kleiman notes that the annual IBM payments were received, totaling \$1,322,980.42, which results in the revenues exceeding expenditures by \$709K. To date, the OCFC has \$109K in revenue and \$49K in expenses. Moving on to address the receipts and disbursements to be approved, the IDA received \$1,477,980, including the IBM fee, and will disburse \$299,587. Mr. Kleiman distributes a spreadsheet with the history of the IBM payments, detailing what has been received in the past. Mr. Steinberg asks if this year's IBM payment includes the audit findings. Mr. Kleiman advises that, yes, the \$35K that IBM overpaid in 2011 has been deducted from this payment.

Mr. Kleiman then notes that the Audit Committee met before the IDA meeting to review the draft 2015 Budget. The Committee will have a proposed 2015 for review at September's meeting. He adds that revisions, if necessary, can be made at the September meeting, and that the budget must be approved by the October meeting in order to meet New York State's submission deadline.

Ms. Villasuso advises that the payment for the Orange County Partnership's Wall Street Journal insert is included with the Vouchers/Payments. That payment will need to be approved separately by resolution, later in the meeting, as it over the amount the IDA budgeted for the campaign.

Motion made by VanLeeuwen, seconded by Schreiber, that the Board accept the financial reports and authorize IDA payments and vouchers for August 2014, with the exception of the Orange County Partnership WSJ campaign payment. Open for discussion. Affirmative votes of all members present resulted in motion carried.

Chairman Armistead notes that the September meeting will need to be rescheduled due to conflicts. The members discuss, and agree that September 18th at 1:00, in the County Executive conference room, will work.

Danskammer Energy, LLC – Initial Resolution

Mr. Petro introduces the project, and notes that the IDA was approached by the company and the Town of Newburgh roughly two months ago, asking the IDA to formalize an agreement with the Town to fix the project's taxes. The only way to formalize such an agreement is through an IDA, in the form of a PILOT. Mr. Petro notes that Danskammer and the Town of Newburgh were instructed to discuss the terms and come to an agreement, and then come back to the IDA with an agreed-upon plan. He notes that the Town Supervisor, Mr. Piaquadio, is present along with Councilman Woolsey. A letter of support from the Town of Newburgh has been provided for the Members' review, and Supervisor Piaquadio also brought with him a Town Resolution authorizing the support letter, indicating the entire Town Board's support. Mr. Petro also notes that the School District has been made aware of the agreement. Mr. Petro advises that this is not a tax abatement, but an agreement galvanized by the IDA, which will be in place for 10 years. He notes that the agreement is necessary to prevent closure of the plant a few years down the road. He adds that the agreement states that Danskammer will pay a fixed \$1.5M for 10 years, with an increase of 2% per year. He goes on to add that the school receives "over 70%" of the payment. The balance goes to the County and Town. He adds, then, that there is a Host Community agreement between the Town and the plant, which does not involve the IDA.

Mr. Petro then advises that Mr. She of Danskammer explained to him and Ms. Villasuso that if this company does not take over the parcel, the plant would be demolished and sold for scrap. Presently, the plant portion of the site, 52 acres, is assessed at \$14.7M, and the rest of the 180 acres is assessed at roughly \$2K per acre. If the plant were to be demolished and assessed like the surrounding acres, he estimates the tax assessment would result in a mere \$8K in taxes per year. He then reminds the Board that it is very important that the plant is being taken over and returned to operation. Chairman Armistead adds that Deputy County Executive Wayne Booth has also been a part of the discussions, as he addressed this project when he was Town of Newburgh Supervisor.

Mr. Castellani from the Marlboro Central School District notes that the district was only made aware of the agreement on the previous Friday, and adds that while the District is neither for nor against the agreement at this point, he would like to point out that it would be an error to say that they are on board. Chairman Armistead understands the point, and explains that today's resolution authorizes a public hearing to discuss the project. Mr. Petigrow, attorney for the School District, adds that the School has had little time to review the agreement and request. He asks questions of the Board regarding timing of the application. He notes that the application was signed by Mr. She on July 30th, and there is a note on the IDA website that applications should be received 10 days prior to a meeting. He asks for a copy of the resolution passed today, and Mr. Dowd advises that it will be provided. Mr. Petigrow then contends that the agreement is, in fact, an abatement of taxes: By virtue of the IDA involvement, he says, the property will become tax exempt, so that the only payments to be received will be pursuant to the PILOT agreement. He goes on to note that 2012-2013, the Danskammer facility provided over \$5M in revenue to the Marlboro School District. Mr. Dowd advises that the public hearing is the proper forum for such comments.

Supervisor Piaquadio offers that there is no doubt that the town and school have relied on both the Roseten and Danskammer power plants for years. Adding that they were, in the best times, "like the rich uncle" for everyone. But when the Danskammer facility fell into bankruptcy, the first person interested in taking over the site was a scrapper. Plans were to sell the parts off piece by piece, but that purchaser dropped out. If no one took it over, site and plant would go away, and in 2016 just the value of the land would remain. The Supervisor explains that Larry She approached the Town, stating the plant could run again, but the new plan would remove the coal, and would operate at peak times, not full time. She's concern, though, was that the same situation that bankrupted the last company would befall them as well: Continually rising assessments that would eventually put them out of business. Supervisor Piaquadio felt it best that if the project, the Town and the School Board knew what they would receive annually, it would

be better than the alternative of receiving nothing. He believes that this will be a good deal for all parties, and reminds the room that it was not a decision reached quickly or lightly. He goes on to note that he's spoken with some of the roughly 40 local, re-hired workers, and he has heard them speak of how they have their jobs and income back after having been laid off for so long. So often, he says, PILOTs are offered with the hope that the local people are hired or re-hired. And here they are, working already. If this goes through, he adds, and those roughly 40 people keep those jobs, he will consider it to be one of the best things he's done with the town.

Mr. She, president of Danskammer Energy, begins by stating that 10 months ago, when the process first began, it was not clear what would happen to the plant. There were two main issues with the site: The first was that there was a great amount of uncertainty whether the air, water, waste, and other permits for the plant would be received. The second issue was the damage to the site. There was incredible damage caused by Superstorm Sandy, and then, thereafter, the plant sat idle for over a year. The extent of the damage was unclear at the outset, and there were two aspects to the economy of bringing the plant back: One, the cost of the repairs and, two, whether or not it could be repaired in a reasonable amount of time. Mr. She has worked with the DEC, the NYISO, with the Public Service Commission to bring back the plant. And, in addition, Danskammer has brought back close to thirty of the plant's original employees; between those full-time employees, there are over 550 years of Danskammer-specific experience back in the plant. Another 35 full-time contractors are working frantically, 6 days a week, to bring back the plant. A few months ago, the plant received its permits, and a tremendous amount of money was spent to bring the plant back to operation. They anticipate making power in the fall.

In addition to the good paying jobs that have come back to the community, there are two other big benefits: First, there is no longer a coal component to the plant, relieving the area of the pollution. Second, Danskammer's return to operation will provide significant utility cost savings to the community. He explains that the NYISO created a new Lower Hudson Valley zone, which resulted in an estimated 6% increase in power prices. If Danskammer comes back online, it will reduce the increase by about half; which translates into a \$100M reduction in power prices in the Lower Hudson Valley zone.

Mr. She goes on to address Danskammer's request. He recognizes that the community has certain expectations about the power plant's ability to pay, based on the plant's previous output. Dynegey made a significant amount of money in 2007-2008, when the plant ran more than 60% of the time. But in 2010-2011, when the world of power changed, that same plant ran less than 40% of the time, and then decreased to less than 20% of the time, resulting in Dynegey's bankruptcy. The face of power today, he points out, has remained the same since 2011. He adds that his company believes they can bring the plant back, and that it can be economic and can bear its share of taxes, but the request for the 10 year agreement is to ensure the viability of the plant for at least those ten years.

He concludes by offering to make himself available to answer the many questions out there around Danskammer. Mr. She answers questions from Mr. Steinberg about coal fuel.

Mr. Dowd reads aloud Danskammer Energy, LLC initial resolution. Motion made by Brescia, seconded by VanLeeuwen. Open for discussion. Affirmative votes of all members present resulted in motion carried.

Executive Director Report

Mr. Petro advises that he and Ms. Villasuso attended a Start Up NY meeting with OCCC, and during that meeting the parties briefly discussed the OCCC regrating payment, which is a payment made by OCCC to the IDA in the amount of approximately \$55K/year. Currently, the payments for years 2013 and 2014 are due. Ms. Smith of OCCC advised Mr. Petro that it is an unfunded line item. Mr. Petro thought it would be wise for the Board to consider how they would like to handle the payment going forward. Whether they forgive the sum of the due payments, stretch out the remaining balance so that the annual amount due is less, or leave it as is, the parties should discuss it. Dr. Richards was in attendance, but had to leave due to an emergency, so the issue will be addressed at the September meeting.

Ms. Rogulski asks for details about the original OCCC deal. Mr. Steinberg, who was Chairman at the time the original deal was arranged, answers that OCCC needed funding to jumpstart a jobs-education program. The idea was that the IDA funds would allow the program to start, and then once the program was up and running, and profitable, OCCC would grant the funds back to the IDA. The program, however, never succeeded. Mr. VanLeeuwen adds that he would like to see the funds come back, but would be open to restructuring the payments. Mr. Steinberg notes that his interest lies more in why the program was never successful.

Chairman Armistead asks the Members to consider the issue, and notes that it will be addressed at the September meeting.

Chairman's Report

Chairman Armistead begins by welcoming Agnes Goldrich from the Orange County Youth Bureau internship program. She has been an intern with the IDA, the Accelerator and HVEDC this summer, and Chairman Armistead thanks her and wishes her luck.

Moving on, Chairman Armistead addresses some recent articles in the Times Herald Record. He mentions a particular article recently written about the IBM audit, and clarifies that IBM did not request the audit, as it was reported in the story. He reminds the room that the IDA Board initiated the audit, because they were aware that there may have been an error in IBM's calculations. He reiterates that the article was inaccurate in its facts, and while it was unfortunate that the error is out there, these things happen. He commends the Board on doing their jobs and due diligence.

Mr. Petro advises that Mr. Titolo from the Old Guard Hotel is present and wishes to offer an update on their project. Mr. Titolo thanks the Board for their time and gives a refresher on their project. He then advises that their recent public hearing went well, and the hope is that SEQR will be closed at the end of August.

OCBA Report

Mr. Gates updates the Board on the previous month's activities. He explains that, of the recent leads, there have been 4 in-person meetings, 19 over-the-phone contacts, and 3 email contacts. He reviews the interested industries, including e-commerce, computer services, solar manufacturing, and software development. To date, there are 2 new full time clients (a solar company and a software developer), 1 new associate client, and 3 new jobs. He notes that the leads are coming from marketing, but also from word of mouth and the 5th Anniversary event. Mr. Madden advises that the Distinguished Seminar Series was launched last month, and the first event drew 27 attendees. The Seminar featured Mike Oates, and covered how to pitch a company to potential investors. In addition, there was a full page feature in the Times Herald Record highlighting the Summer Sandbox program. Mr. Madden then notes that the Pay Per Click campaign has drawn results lower than industry standards, and it was decided that the campaign will be suspended.

Mr. Gates notes that Mr. Oates brought an interesting company to the Accelerator's attention. The company, called Field Goods, connects farmers with consumers and would like an Orange County footprint. They will begin as an associate client, and Mr. Gates believes it will be an excellent addition to the clientele.

Mr. Gates has also been advised that Start Up NY is closer than ever to approval, and the hope is that the Accelerator will be approved as a Start Up NY location by the fall.

OCP Report

Mr. Fioravanti begins by addressing Business Expansion and Retention: To date, there have been 19 expansions, 4 retentions and 538 jobs. He goes over some of the projects that have expanded in the area, as well as some other companies looking to expand or stay in the area. There is some discussion of cleanup in Newburgh, as well as initiatives to train current young students in advanced manufacturing.

Ms. Halahan reminds the Board that the Partnership has a close and open relationship with the local municipalities, both in large building or expanding projects, and in the recent casino interest.

Orange County Tourism met with the County Executive office and the OCP recently, in an effort to address the multipliers and benefits to tourism and tourism destination projects. With the casinos and various Orange County attractions, tourism figures should be addressed.

Mr. Fioravanti discusses attractions, and there have been 47 leads so far this year. He notes that he's been working very closely with Ms. Villasuso to prepare incentive information for a few large prospective projects. In addition, the team has been exploring the IDA's labor policy, and how it impacts these new projects. In particular, questions about specialized labor have surfaced. Mr. Fioravanti notes that in an effort to address it in the beginning, and in order to ensure that local outfits have the opportunity to provide the labor, a dialogue is being opened between the CCA and the companies.

Regarding the Shovel Ready program, Ms. Halahan asks if we can assemble as a team to discuss some of the facts about Shovel Ready. Chairman Armistead agrees that it would be an excellent idea. Ms. Halahan then gives an overview of the CFA process and the priority project presentations. They then cover marketing and social media updates. Ms. Halahan notes that incoming projects continue to commend Orange County for having demographic information readily available.

The 2014 Wall Street Journal insert campaign is addressed, and Ms. Halahan explains that the 2012 and 2013 campaigns were focused on site selection and strategically placed in hot markets. The campaigns resulted in hundreds of calls and one closed deal. But, more importantly, the ripple effect from the campaigns continue to reach site selectors and companies. She highlights the markets that the campaign will target, and explains that this year more inserts are being printed and placed. In addition, the IDA will have a four page feature in the insert, to highlight the success and drive of the IDA.

Mr. Gottlieb reaffirms the value of the WSJ insert, and how effective a campaign like this can be. He notes that no other county, certainly in the Hudson Valley, sees the activity that Orange County does, and it is largely due to the IDA and Partnership's push in getting its message out there.

Mr. Dowd reads aloud a resolution approving additional funding to Orange County Partnership for Wall Street Journal Ads. Motion made by Steinberg, seconded by Rogulski, to approve the resolution. Affirmative votes of all members present resulted in motion carried.

Ms. Halahan and Mr. Fioravanti review upcoming breakfast and project meetings.

Center for Global Manufacturing – Update

Mr. Meyer reminds the Board that the IDA provided a project expenditure in the amount of \$750K last year. The project expenditure enabled CGAM to fit up the Newburgh Armory and prepare for a machinist and education center, in addition to the creation of a Smart Classroom for use by local manufacturing companies. The Smart classroom is scheduled to be completed by September of this year, with the basement shop fit up scheduled for completion in January of 2015. He goes on to explain the other pieces of the project which are being funded by other organizations, including shop equipment donated by IBM. In addition, the \$1M from the NYESD grant will be available upon completion of the IDA-funded construction.

Mr. Cozzolino offers an overview of the expected curriculum at CGAM. There will be an introduction to Machining, with an initial focus on the lighting industry, and is expected to launch in September. They've been working with the local industries and unions to find the right partners and students. Beyond that program, there will be an introduction to 3D printing, and some courses aimed at young entrepreneurs.

Ms. Halahan reminds the room that this program is yet another thing that Orange County alone can offer.

[Mr. Brescia exits the meeting]

At this time, CGAM requests an extension of their IDA agreement which is currently set to expire on December 31 of this year. While they anticipate that construction will be completed late this year, they do want to allow for any unforeseen delays, or slow invoices.

Mr. Dowd reads aloud the Resolution Approving the Project Expenditure Deadline for the Center for Global Advanced Manufacturing, Inc., to June 1, 2015 and Authorizing the Amendment of the IDA's Standard Agreement. Motion made by VanLeeuwen, seconded by Schreibeis to approve the resolution. Affirmative votes of all members present resulted in motion carried.

Presentation – Ryan Development/Medical Mile Complex

Mr. Petro reminds the Board that the Shovel Ready policy is set up so that the IDA can entertain municipal applications, but may also consider private developers. The purpose of today's presentation is informational only, and to gather the Board's opinion of the project.

Mr. Pahucki explains that he read about the Shovel Ready initiative and thought of his client, Wayne Gurda, and his site on Crystal Run Road. The site, located on "medical mile" of Crystal Run Road in Middletown, consists of 7 commercial lots, and has preliminary approval from the Town of Walkkill Planning Board. The 38 acre site has an opportunity to create a footprint of 650K square feet. Because of the site's proximity to so many medical, and medical related, facilities, Mr. Pahucki believes that the site would be ideal for a medical facility. The purpose of their Shovel Ready application would be to fund the infrastructure – lighting, water, sewer, and road – for the site. The cost for the infrastructure is estimated to be \$1M - \$1.5M. The property is currently valued at roughly \$3M, and Mr. Pahucki estimates that the site, once shovel ready, would be valued at almost \$7M.

The members request an official application, including a detailed explanation of the project, the timeline, and the planning.

Such other and further business as may be presented

With no further business, meeting called for adjournment by Chairman Armistead, motion made by VanLeeuwen, seconded by Schreibeis, the time being 4:20 p.m.