Industrial Development Agency
ORANGE COUNTY | NEW YORK

Empowering Businesses. Inspiring Growth.

Robert T. Armistead, Chairman • **Mary Ellen Rogulski**, Vice Chairman • **John Steinberg, Jr.**, Second Vice Chairman
Stephen Brescia, Secretary • **Henry VanLeeuwen**, Assistant Secretary • **Robert J. Schreibeis, Sr.** • **Edward A. Diana**
James R. Petro, Jr, Executive Director • **Laurie Villasuso**, Associate Executive Director •
Kevin Dowd, Attorney • **Joel Kleiman**, Chief Financial Officer

Agenda

PLEASE TAKE NOTICE, The Orange County Industrial Development Agency will hold a regularly scheduled meeting on August 13, 2015 at 2:00 p.m. at the Orange County Business Accelerator, 4 Crotty Lane, Suite 100, New Windsor, New York, to consider and/or act upon the following:

Order of Business

- **Roll Call**
- **Approval of the minutes from July 9, 2015 meeting**
- **Financial Reports and/or Requests for Payments**
- **New and Unfinished Business**
  - Chairman's Report
  - Executive Director's Report
  - OCBA Report
  - OCP Report
  - Discussions
- **Resolutions**
  - Nowak Properties, Inc. – Final Resolution
  - Stauber/Pharmline – Supplemental Resolution
- **Such other and further business as may be presented**
- **Public Comments**
- **Executive Session**
- **Adjournment**

Dated: August 5, 2015

Stephen Brescia, Secretary

By: James R. Petro, Jr., Executive Director

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MINUTES

July 9, 2015

A regular meeting of the Orange County Industrial Development Agency was convened in public session on July 9, 2015 at 2:07P.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, Robert Schreibeis, Edward Diana, Stephen Brescia, Henry VanLeeuwen
ABSENT:	John Steinberg
ALSO PRESENT:	James Petro – Executive Director Laurie Villasuso – Associate Executive Director Kevin Dowd – IDA Attorney Joel Kleiman – CFO Russell Gaenzle – Harris Beach Bill Fioravanti – Orange County Partnership Maureen Halahan – Orange County Partnership Whitney Bowers – Focus Media James Walsh – Times Herald Record Mark Thomas – Steris Isomedix Brandon Pyers – Ernst & Young Ashley Rivera – Ernst & Young Alec Taylor – Matrix Development Group

Chairman Armistead calls to order the regular meeting of the Orange County IDA, July 9, 2015 (Pledge of Allegiance is recited). Board consists of six members. There is a quorum.

Review of the prior June 11, 2015 meeting minutes. Motion to approve the minutes as presented made by VanLeeuwen, seconded by Schreibeis. Motion carries with all in favor.

Roll Call taken.

Financial Reports and/or Requests for Payment

Mr. Kleiman reviews the income and expense summary, noting that income YTD is $1,617,248, and YTD expenses are $600,478, with revenues exceeding expenses by nearly $1,016,769. These figures include the CPV closing fee of $750K. Moving on, he reports that the IDA has over $9.4M between its bank accounts. One CD is maturing in August, and Mr. Kleiman will be collecting rates from the approved financial institutions. Mr. Kleiman then reviews the income and expense summary for the Business Accelerator, noting that revenues are just over $56K, expenses are just over $287K. Expenses, as anticipated, exceed revenues by just over $287K.

Lastly, he reviews the payments received for the month, which total $793K, and the payments submitted for approval which comes to $484,108.68. Chairman Armistead notes that the Warwick Shovel Ready program has requested payments for their project, and Ms. Villasuso advises that, including today's payments, they now have $388,541.04 remaining in their program.

Motion made by VanLeeuwen, seconded by Schreibeis, that the Board accept the financial reports and authorize payments and vouchers for July 2015. Open for discussion. Affirmative votes of all members present resulted in motion carried.

Mr. Kleiman notes that he and Ms. Villasuso are working on the 2016 budget, and met with the Audit Committee today to begin the process. They distributed the current budget to the committee members and will meet twice more before bringing the budget to the full Board in September.

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Chairman's Report

Chairman Armistead notes that the Board is pleased to see the Warwick Shovel Ready program moving along, and adds that there was another possible applicant considered in Governance. He asks OCP to keep the program on the minds of Orange County's municipal leaders. When asked if the program will be open to private developers, Chairman Armistead advises that the possibility of opening up the program does exist down the road. Ms. Halahan asks if the Shovel Ready Program could be deployed when a business needs help to remedy an issue with a municipality's roads, and the Board advises that, in that scenario, the municipality could make the application.

Executive Director Report

Mr. Petro advises that after multiple attempts to collect payment, Mr. Abbatine from the Warwick Yard forwarded the payment in the amount of $12,750. Ms. Villasuso advises that the check was received on July 2nd, not the June 30th deadline, and Mr. Gaenzle notes that Harris Beach has not received payment or the necessary documents. He moves on to address the Labor Policy, and updates the members on the Blackhawk project. He then explains that, after he and Ms. Villasuso explained the Isomedix PILOT to the Village Board, the Board opted to neither support nor oppose the PILOT.

Ms. Villasuso advises that CRH Realty VI, on Rykowski Lane in Wallkill, has reached out to the IDA requesting an increase in their Sales Tax Exemption. She notes that the purchases being made are all part of the original project, but were delayed during the process of Crystal Run obtaining state certifications for their new health insurance group. The request would increase the amount on the currently active Sales Tax Exemption package.

Motion made by Brescia, seconded by VanLeeuwen, to approve the increase to CRH Realty VI, LLC's Sales Tax Exemption package up to $35,000.00. Motion carries with all in favor.

Mr. Petro adds that two public hearings were held yesterday: JCA Hospitality and Sheri Torah, which was an OCFC public hearing. He and Ms. Villasuso update the Board on both hearings.

OCBA Report

Ms. Villasuso updates the Board on the operations at OCBA, and the management turnover from HVEDC to Galileo Technology. She and Mr. Cozzolino have met with a number of industry partners to strategize how best to move forward with the new Cut & Sew center. Ms. Bowers adds that Focus Media is working on a promotion plan, and will meet with the OCBA team next week to formulate a marketing plan for the new mission.

Ms. Villasuso adds that, in one of the meetings over the past month, a contact had suggested attending the MAGIC Convention in Las Vegas, which is one of the largest international gatherings for fashion retail and manufacturing. A part of the convention focuses solely on Sourcing, including trends in software, equipment, re-shoring, technology and trends. She requests Board approval to authorize the travel and stay for the convention, for up to $5K.

Motion made by Brescia, seconded by Schreibeis, to authorize up to $5,000.00 for the Associate Executive Director's travel to the MAGIC convention in Las Vegas in August 2015.

Chairman Armistead asks if Mr. Cozzolino will deliver monthly updates, and Ms. Villasuso confirms that he will. She notes that Mr. Cozzolino is actually in the building at the moment, meeting with groups to secure a ready workforce at the Business Accelerator. She adds that having a trained workforce at the Business Accelerator is key to its success. The Business Accelerator can offer machines to clients, but if there is a need for bulk production, a trained workforce is necessary to the success of both the client and the production pod.

OCP Report

Ms. Halahan begins by sharing the many awards received by OCP for their marketing efforts. She adds that OCP is redesigning its website, and has a newsletter going out in the coming week. She notes that OCP will be taking advantage of a new, comprehensive demographics site that will enable them to get exactly the information that site selectors and projects seek; she offers the Board access to the program. Ms. Halahan comments on some recent trends in Orange County, and shares some details about the CFA and Upstate Revitalization Initiative progress.

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Mr. Fioravanti highlights the seminars and trade shows the Partnership will be attending in the near future. He goes on to explain the Partnership's leads for the past month, and updates the Board on active projects. He details the business attraction and business expansion and retention projects.

Isomedix Operations, Inc. – Final Resolution

Ms. Villasuso advises that Steris Isomedix's project cost has changed, and a letter explaining the increase in project cost from $12.2M to $15M has been provided to the members. She also notes that the public hearing transcript is in the Board packets. Mr. Petro reminds the Board that Steris is a great company who had the option of leaving Orange County for their expansion.

Mr. Dowd reads aloud the Isomedix Operations, Inc. final resolution. Motion made by Diana, seconded by VanLeeuwen. Open for discussion. Affirmative votes of all members present resulted in motion carried.

Mr. Thomas of Isomedix thanks the IDA and the OCP for all of their help throughout the process.

Matrix Newburgh I, LLC – Initial Resolution

Mr. Taylor of Matrix Newburgh gives an overview of the development company, and explains that the site on 17K in the Town of Newburgh will be 565K square feet with AmerisourceBergen occupying 317K square feet. The remaining 250K square feet will built on a speculative basis. Mr. Taylor adds that AmerisourceBergen was recently upgraded from number 28 to number 16 on the Fortune 500 list.

Mr. Petro notes that Matrix is a developer, with AmerisourceBergen the tenant occupying a portion of the space. The portion of the space occupied by AmerisourceBergen will be seeking a 10 Year Enhanced PILOT, and Mr. Petro notes that the Town of Newburgh has issued their support for that portion of the project. The developer will seek a 485-b for the remainder of the space, and when an end-user/tenant is identified, they can then approach the IDA and request consideration of the 10 Year Enhanced for that space. He notes that the IDA has issued these kind of approvals before, most notably for the parcels at Hudson Valley Crossing.

Mr. Taylor adds that the project will officially apply to the Town of Newburgh Planning Board in the coming weeks, and notes that the welcome from the planning board has been very warm. Mr. Pyers, representing AmerisourceBergen, explains the selection process that led the company to Orange County, choosing between two site in Orange County and one in CT.

Mr. Dowd reads aloud the Matrix Newburgh I LLC initial resolution. Motion made by Brescia, seconded by Schreibeis. Open for discussion. Affirmative votes of all members present resulted in motion carried.

JCA Hospitality, LLC – Final Resolution

Mr. Dowd reads aloud the JCA Hospitality, LLC final resolution. Motion made by VanLeeuwen, seconded by Schreibeis. Open for discussion. Affirmative votes of all members present resulted in motion carried.

Executive Session

Motion made by VanLeeuwen to enter executive session relating to the medical, financial, credit or employment history of a particular corporation. Motion seconded by Schreibeis. All in favor.

Executive Session

The members discussed a particular corporation

End of Executive Session

Motion made by VanLeeuwen to enter executive session relating to the medical, financial, credit or employment history of a particular person. Motion seconded by Schreibeis. All in favor.

Executive Session

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The members discuss personnel.

End of Executive Session

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 3:50 p.m.

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ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
INCOME AND EXPENSE SUMMARY
JULY 2015

	Jul 15	Jan - Jul 15	Budget	$ Over Budget
Income				
Closing Fees	$ 97,750.00	$ 1,603,500	$ 1,640,000	$ (36,500)
Fees	$ 1,571,016.72	$ 1,637,649	$ 970,000	$ 667,649
IDA Administrative Fees	$ 2,500.00	$ 20,000	$ 10,000	$ 10,000
Interest Earnings	$ 1,982.81	$ 11,825	$ 22,000	$ (10,175)
Pass Thru Legal Fees	$ 2,500.00	$ 20,000	$ 10,000	$ 10,000
Total Income	$ 1,675,749.53	$ 3,292,974	$ 2,652,000	$ 640,974
Expense				
Administrative Costs				
Advertising	$ -	$ -	$ 1,500	$ (1,500)
Auditors	$ -	$ 12,500	$ 22,500	$ (10,000)
Insurance	$ -	$ 6,606	$ 7,000	$ (394)
Mileage	$ -	$ 405	$ 500	$ (95)
OCIDA Admin. Support	$ -	$ -	$ 7,000	$ (7,000)
Office Supplies & Expenses	$ 250.00	$ 5,823	$ 5,000	$ 823
Secretary/Bookkeeper/Accountant	$ 1,749.99	$ 4,000	$ 2,000	$ 2,000
Website and Technical Support	$ -	$ -	$ 5,000	$ (5,000)
Total Administrative Costs	$ 1,999.99	$ 29,334	$ 50,500	$ (21,166)
Agency Contribution Costs				
Hudson Valley Agribusiness Dvl.	$ -	$ -	$ 25,000	$ (25,000)
Hudson Valley Eco. Dev. Corp.	$ -	$ 15,500	$ 15,500	$ -
Hudson Valley Eco. Dev. Network	$ -	$ 4,500	$ 4,500	$ -
Hudson Valley Film Commission	$ -	$ 2,500	$ 10,000	$ (7,500)
Hudson Valley Food & Beverage	$ -	$ -	$ 20,000	$ (20,000)
O.C. Foreign Trade Zone	$ -	$ -	$ 25,000	$ (25,000)
O.C. Partnership	$ 54,250.00	$ 108,500	$ 277,000	$ (168,500)
Orange County NY Arts Council	$ -	$ 10,232	$ 45,000	$ (34,768)
Patterns for Progress	$ -	$ -	$ 17,000	$ (17,000)
PTAC	$ 7,000.00	$ 14,000	$ 28,000	$ (14,000)
Total Agency Contribution Costs	$ 61,250.00	$ 155,232	$ 467,000	$ (311,768)
Legal				
Legal, Pass Thru	$ -	$ 17,500	$ 10,000	$ 7,500
Legal - Other	$ 5,161.50	$ 40,053	$ 80,000	$ (39,948)
Total Legal	$ 5,161.50	$ 57,553	$ 90,000	$ (32,448)
Other Expenses				
Conf., Seminars, Events & Dues	$ -	$ 6,709	$ 5,000	$ 1,709
Promotional Expenses	$ -	$ 2,350	$ 30,000	$ (27,650)
Total Other Expenses	$ -	$ 9,059	$ 35,000	$ (25,941)
Projects				
Project Expenditures	$ -	$ 33,876	$ 850,000	$ (816,124)
Shovel Ready Program	$ 227,622.19	$ 611,459	$ 2,000,000	$ (1,388,541)
Total Projects	$ 227,622.19	$ 645,335	$ 2,850,000	$ (2,204,665)
Total Expense	$ 296,033.68	$ 896,512	$ 3,492,500	$ (2,595,988)
Income Over/(Under) Expense	$ 1,379,715.85	$ 2,396,462	$ (840,500)	$ 3,236,962

Orange County Industrial Development Agency
Banks Accounts/Certificates of Deposit/Money Markets Accounts
As of July 31, 2015

Listed in order of maturity date.

Purchase Date	Maturity Date	# of Days	Bank	Principal	Interest Rate	Interest Amount	Status
12/18/13	12/17/14	364	Orange County Trust	$ 2,342,782	0.45%	$ 10,513.64	Closed
8/29/14	8/27/15	363	Orange County Trust	$ 1,507,756	0.55%	$ 8,247.22	open
12/17/14	12/17/15	365	Sterling National Bank	$ 2,353,296	0.51%	$ 12,001.81	open

		Amount	% of total		rate
Bank Account	Chase - checking	$ 333,139	3%	bank account	0.10%
Certificates of Deposit	Total	$ 3,861,052	36%	CD	
Money Market	Sterling (Provident)	$ 5,151,431	48%	MM	0.51%
Money Market	Sterling (Provident)	$ 1,296,559	12%	MM	0.35%
	total	$ 10,642,181	100%		

ORANGE COUNTY BUSINESS ACCELERATOR
INCOME AND EXPENSE SUMMARY
JULY 2015

	Jul 15	Jan - Jul 15	Budget	$ Over Budget
Income				
Interest Income	$ 18.85	$ 88	$ 100	$ (12)
Rent-Clients	$ 5,480.36	$ 40,792	$ 70,000	$ (29,208)
Rent-HVEDC	$ 3,217.41	$ 22,293	$ 37,750	$ (15,457)
Utility Reimbursement	$ 134.93	$ 2,172	$ 4,000	$ (1,828)
Total Income	$ 8,851.55	$ 65,346	$ 111,850	$ (46,504)
Expense				
Administrative Salaries	$ 19,859.60	$ 123,130	$ 206,500	$ (83,370)
Automobile Expense	$ 47.62	$ 351	$ 5,000	$ (4,649)
Benefits	$ 1,911.03	$ 12,722	$ 33,850	$ (21,128)
Building Insurance	$ -	$ -	$ 7,000	$ (7,000)
Building Rent	$ 14,647.50	$ 102,533	$ 180,250	$ (77,718)
Building Utilities	$ 2,777.76	$ 24,556	$ 30,000	$ (5,444)
Business Accelerator Manager	$ 5,000.00	$ 35,000	$ 60,000	$ (25,000)
Common Area Maintenance	$ 4,863.07	$ 38,395	$ 48,000	$ (9,605)
Dues and Subscriptions	$ -	$ 829	$ 4,000	$ (3,171)
Info Technology	$ 937.62	$ 5,610	$ 32,000	$ (26,390)
Marketing/PR & Web	$ 7,866.14	$ 30,164	$ 100,000	$ (69,836)
Membership	$ -	$ 525	$ -	$ 525
Office Cleaning	$ 300.00	$ 2,400	$ 3,600	$ (1,200)
Office Supplies & Postage	$ 835.09	$ 5,884	$ 10,000	$ (4,116)
Payroll Taxes & Fees	$ 1,995.90	$ 13,468	$ 26,000	$ (12,532)
Professional Fees	$ 1,150.00	$ 6,900	$ 2,100	$ 4,800
Security Deposit - Refund	$ -	$ 1,500	$ -	$ 1,500
Travel, Lodging, Meals	$ 410.41	$ 2,358	$ 4,000	$ (1,642)
Total Expense	$ 62,601.74	$ 406,323	$ 752,300	$ (345,977)
Income Over/(Under) Expense	$ (53,750.19)	$ (340,977)	$ (640,450)	$ 299,473

Orange County IDA

Funds Received for August 2015

The Warwick Yard, LLC (STE Closing Fee)	12,750.00
Matrix Newburgh I, LLC (Application Fee)	5,000.00
Isomedix Operations, LLC (Closing Fee)	85,000.00
Orange County Business Accelerator (2nd Quarter 2015)	26,650.61
IBM (June 1, 2014 - May 31, 2015)	1,571,016.72
Total	**1,700,417.33**

Vouchers & Payments August 2015

Rosemarie Rogowski Saindon (Accounting 2Q 2015)	500.00
Frances Roth (JCA Hospitality Public Hearing)	250.00
Hudson Valley Film Commission (2nd Q 2015)	2,500.00
Judelson, Giordano & Siegel, PC (IBM Audit 4/16/14 - 6/30/15)	12,677.50
Kevin T. Dowd (Legal Sevices 07-01-15 through 08-04-15)	4,366.00
Charles B. Merrill Office Products (Office Supplies)	60.64
Frances Roth (Nowak Properties Public Hearing)	250.00
Laurie Villasuso (Travel for OCBA - Trade Show)	2,074.75
Total	**22,678.89**

STAUBER
INGREDIENTS FOR INNOVATION™
NEW YORK

Laurie Villasuso
Associate Executive Director
Orange County Industrial Development Agency
4 Crotty Lane, Suite 100
New Windsor, NY 12553

July 16, 2015

Dear Laurie:

This letter is to notify you that the construction of our warehouse has been delayed.

As you know from our recently approved application to expand the scope of our Tax Abatement Exemption, Pharmline Inc. dba Stauber NY invested significantly more money on renovation of the Production Facility at 41 Bridge Street than originally anticipated.

This additional expense has resulted in delaying our planned construction of a warehouse at the Bridge Street location. Our current outlook is that this planned construction will be delayed until at least 2018.

Please let either myself or Jim Kehoe know if there is any additional information you require to modify the PILOT documentation in line with our current plans.

Sincerely,

Mark Gaeta
Corporate Chief Operating Officer
Stauber USA

cc: J. L. Kehoe
S. Graham, CFO

ORIGINAL

ORANGE COUNTY INDUSTRIAL AGENCY
STATE OF NEW YORK
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IN THE MATTER OF

NOWAK PROPERTIES, INC.

----------x

Town of Wawayanda Town Hall
80 Ridgebury Hill Road
Slate Hill, New York
July 17, 2015
11:00 a.m.

B E F O R E: James Petro, Chairman
Orange County IDA

FRANCES ROTH
COURT STENOGRAPHER
168 North Drury Lane
Newburgh, New York 12550
(845) 566-1641

A P P E A R A N C E S:

LAW OFFICES OF KEVIN T. DOWD
Attorney for ORANGE COUNTY IDA
46 Daisy Lane
Montgomery, New York 12549

Laurie Villasuso, Associate Executive Director, OCIDA

NOWAK PROPERTIES, INC.

MR. PETRO: I'd like to call the public hearing for Nowak Properties to order. Would everyone please stand for the Pledge of Allegiance?

(Whereupon, the Pledge of Allegiance was recited.)

MR. PETRO: I'm Jim Petro, Executive Director of the Orange County IDA. With me is Laurie Villasuso, Associate Executive Director of the Orange County IDA, Kevin Dowd, the attorney for the Orange County IDA and Franny here is going to be taking down the notes and transcribing so we have something to fall back on. This application today again is for Nowak Properties, Inc. And if the attorney would please read in the Notice of Public Hearing?

MR. DOWD: Thank you, Mr. Chairman. Notice of Public Hearing. Notice is hereby given that a public hearing pursuant to Article 18-A of the New York General Municipal Law will be held by the Orange County Industrial Development Agency on Friday, July 17, 2015 at 11:00 a.m. local time at the Wawayanda Town Hall, 80 Ridgebury Hill Road, Slate Hill, New York 10973 in connection

with the following matter. NOWAK PROPERTIES, INC., a New York corporation for itself or on behalf of an entity formed or to be formed has submitted an application to the Agency requesting the Agency's assistance with respect to a certain project consisting of (i) the acquisition by the Agency of a leasehold interest in an approximately 2.30 plus minus acre parcel of land located at 3491 Route 6 in the Town of Wawayanda, Orange County, New York, (ii) the construction on the Land of an approximately 50,000 square foot four story hotel containing 108 units and (iii) the acquisition and installation in, on and around the Improvements of certain items of equipment and other tangible personal property, including but not limited to, furniture. The Agency will appoint the Company as its agent to undertake the Project and, if necessary, acquire a leasehold interest in the Facility and lease the Facility back to the Company. The Company will operate the Facility during the term of the agency appointment and/or lease agreement. At the end of the Project, the Company's agency status will be terminated together with any

leasehold interest of the Agency. The Agency contemplates that it will provide financial assistance to the Company in the form of sales and use tax exemptions, a real property tax abatement and, if necessary, a mortgage recording tax exemption for financing related to the Project; all consistent with the policies of the Agency unless procedures for deviation are complied with. A representative of the Agency will be at the above-stated time and place to present a copy of the Company's application and hear and accept written and oral comments from all persons with views in favor of or opposed to or otherwise relevant to the proposed Financial Assistance. Dated July 6, 2015 by Orange County Industrial Development Agency.

MR. PETRO: Thank you, Kevin. Also, it should be known there won't be any action taken today. This is for information to be processed and brought back to the board, Orange County board members to digest, and we'll move forward at that time. So with that, obviously, we have three people here so I'll open it up to the public, if there are any comments and/or anything

you want to talk about? I'll read into the minutes just first that the estimated sales tax exemption is $300,000, there is no mortgage tax exemption being sought and the property tax abatement over 10 years would be 1,125,000. We also, just for the minutes, it should be noted that the applicant will not be going backwards, in other words, we're not taking anything off the tax rolls, the land value would continue going forward and any special district charges they cannot be abated by state law so you'd be moving forward. Although in this particular case, I believe a building will be coming down, an unsightly building, correct, and then the new one would be going up. So with that being stated, I'll open it up to the public. I see the Supervisor is here, the principle, and I believe the young lady from the school board of Middletown. So if you, do you want to speak?

MS. MC KEAN: Sure.

MR. PETRO: Your name for the record?

MS. MC KEAN: Elizabeth McKean, Assistant Superintendent of Administration for the Middletown City School District. Did you want me

to sign in?

MR. PETRO: Please. New jobs created is 19, if you want to put that in also.

MS. MC KEAN: I'd like the board to have a copy of the Resolution that the Board of Education had made regarding Payments In Lieu Of Taxes, PILOTS, back in November. This has risen to a new level for us because of the change in our computation per tax caps. And PILOTS are a portion of that computation as well as the fact that when they PILOTS end, the rateables are not included, the additional structure's not included in our growth percentage. These are not things that this board would be able to address but they do affect the tax cap calculation for our school district and make it--for example, if this were a large enough PILOT, we may end up with no ability to increase school taxes for a year just because of a new Payment In Lieu Of Taxes and that's a calculation that no one here had anything to do with but it has a direct affect on our ability to raise taxes as a school district. The board supports new businesses in the school, supports new rateables. What we're asking the IDA is if

there is a different way to do it because what we're, because of these mechanisms, it creates a hardship for us. And on the other end of that conversation, when the PILOT is over then we have the ability to raise taxes above what the community would normally support. For example, we have a part of our, part of our taxing jurisdiction, a portion of the Galleria Mall, a small portion of the Galleria, their PILOT is scheduled to end this year. If you look online, you'll see I made a presentation to the Board of Ed during the budget season saying next year here's what's going to happen if nothing else changes, we'll have the ability to raise our school taxes by I think it was six percent. Now the taxing, you know, we have, our budget is voted on by taxpayers and taxpayers are not going to support a six percent tax increase so this mechanism that's now required of all of us is putting the PILOT in a different light for us. We can no longer, so I don't know how, that if there's another opportunity or another way to leave the actual tax values in there and give relief. I don't know those laws of assessment,

but the Payment In Lieu Of Taxes because of the special way it's treated in our calculations now and in the calculations I'm sure for the town creates a hardship for the district. So I just wanted to make you aware.

MR. PETRO: The hardship being that you can't raise it during the 10 years of the PILOT is what you're saying?

MS. MC KEAN: Yes, it affects the calculation. For example, if I had the ability to raise my taxes $10,000 based on the growth of the communities and the percentage calculation that I'm allowed to use CPI for the year and I have a new PILOT worth $10,000, I can no longer raise my taxes at all because PILOTS directly affect how much tax I can raise.

MR. PETRO: Well, that's interesting.

MS. MC KEAN: I'd be happy to send that calculation on to you. I'll give you the presentation that I did for the board because again it's nothing that's been done here and it's not that we don't want to support growth, it directly affects our ability to raise revenue.

MR. PETRO: Over and above the stated PILOT?

MS. MC KEAN: Ah-huh.

MR. PETRO: Once the PILOT is over, you don't have the problem, just the one year.

MS. MC KEAN: So the PILOT stays in effect every year, it's a part of our calculation. When the PILOT leaves or is complete then we have the ability to raise the taxes by that amount. But now you're in a situation where you're saying to the taxpayers oh, okay, trust me if we raise your taxes five percent because this piece of property is now coming on as a ratable item, it really won't be five percent, just vote on the five percent, trust me, it won't.

MR. PETRO: You're saying you'd have to do it all too much at one time to bring it to where it probably would have been?

MS. MC KEAN: Right.

MR. PETRO: Over the 10 year period, nobody's going to go for that because it's too much at one time.

MS. MC KEAN: To explain to the tax paying public that yes indeed, the tax rate is going to go up five percent but your actual tax bill will not, that's a tough stretch for people to

understand.

MR. PETRO: Well, I guess--

MS. MC KEAN: I just wanted to make--you'll be seeing more and more business officials I'm sure at your meetings because this is going to be, this is a problem for us we can't raise taxes.

MR. DOWD: I think this is an issue at the Albany level and I know that they've been trying to get the Legislature and Governor to change that calculation, albeit unsuccessfully for the last couple years. And there's not much that we as an IDA can do, other than maybe even support that kind of legislation with the district, with the other taxing jurisdictions to allow them to exclude it from the tax cap.

MS. MC KEAN: It would be a wonderful thing if we could but at the moment that's the laws by which we have to live. I'm here because I don't know enough about the assessing, that's not my side of the world and I don't know if there's another way to do it, I don't know, and that's why I'm here. If there's another way to do it, it's not that we don't support having additional

businesses in the community, that's not what the school board is here to say. We're here to say isn't there a better way to do it now that it's creating a hardship on behalf of the districts? So it's not that we're against it, it's that we're against what happens to us after.

MR. PETRO: Talk to Russ about it.

MR. DOWD: I think we're sort of between a rock and a hard place, there's only what the State Legislation allows us to do as an IDA and how we give that relief to the applicants here is a commercial operation that needs it or they won't do it. And it's no impact to the school in the sense of more school-aged children because it's a commercial property as opposed to residential, but now with the PILOT with the tax cap that's a whole complicated mess and it's really up to Albany to fix it.

MR. PETRO: We're an administrative board, not a legislative board so we're just following the laws that we have to follow and do what we can do but that doesn't mean we can't keep an open ear to the problem.

MS. MC KEAN: As I said, I know that this

body did not create the rule or the laws that have created the hardship for all of the school districts. And my only plea is that that's taken into consideration that we don't have the ability to do anything different and it's going to hurt, you know, all the strings and pieces that are attached to that. So if we try to override a tax cap then the new language about everybody gets their little check in the mail, if all the municipalities have maintained the tax cap, then that becomes a problem. So now we have public relations and unfortunately, the way it's going to be discussed is that we have a new PILOT and this is causing this to happen where we can't raise our taxes and then we're going to be saying if we go through this and we get above the tax cap which takes 60 percent of our voters, not just 50, there's a new law there too, so we get them to do that. Now they no longer get the little check in the mail saying, that they have from the finance department, so then they don't get the check in the mail from the finance department because we have a PILOT. And that's not what anybody wants to see happen because I do

believe that PILOTS are good for bringing business into a community. I'm a business person at heart but I, and maybe it's more a plea that all of the people here use whatever political powers they have to try to get Albany to change that. And, you know, one of the Governor's big pushes, he wants to grow business in New York State. Well, he's essentially creating a situation where no one wants him to grow businesses in New York State because it's affecting the way we educate or finance our education. So that's my plea.

MR. PETRO: Alright, thank you.

MS. MC KEAN: You're welcome, long winded but--

MR. PETRO: Thank you. John, would you like to say something, Supervisor of Wawayanda?

SUPERVISOR RAZZANO: Let me sign in here. I just want to go on the record that the Town of Wawayanda is fully supportive of Nowak Properties' proposed 108 room hotel. We look forward to seeing the ramshackled building taken down and a beautiful new hotel there. And we have passed a resolution recently supporting his

application to the IDA with the PILOT so we're fully supportive of this project. Thank you.

MR. PETRO: Thank you, John. And I guess we have the principle, Martin, you want to sign in?

MR. NOWAK: I hope there's a lot more PILOTS in Middletown since I'm a Middletown School District taxpayer, if there's a lot of PILOTS that will hold my taxes down. Okay, thank you for giving me this opportunity for this tax break. It's pretty much really needed, I mean, as a new business starting up in the beginning and that business, it's not well-known the Sleep Inn name isn't well known in the northeast, so these tax breaks will help me survive those hopefully few years to get through that where I can start turning a profit and hiring more people. And that's pretty much what this whole IDA application is about so I can employ these people, actually stay in business before, you know, till it gets turned around and I start getting good cash flow which I hope will happen.

MR. PETRO: Just for the minutes as the applicant says tax break, it's really a partial tax abatement, it's not no taxes, it's not, you

know, it's an easy way to get up to full par of 10 years. Sometimes people think so oh, he's not paying any taxes for 10 years, that's not the case, it's a partial tax abatement.

MR. NOWAK: That's correct.

MR. PETRO: Still paying on the land full value and still paying all your special district charges full value no matter what. Thank you.

MR. NOWAK: Okay.

MR. DOWD: Mr. Petro, this resolution and a memo from the school board should be part of the record and should probably be attached to the minutes.

MR. PETRO: Let it be so. We're not going to read it in but we'll mark it part of the file, okay.

MS. MC KEAN: That's fine.

MR. PETRO: We'll receive and file it as of today. Obviously, there's no one else to speak so I would close the public hearing. Kevin Dowd, anything else you want to add?

MR. DOWD: I will discuss with our bond counsel the school district's position. Again, I think we're in a position, just as your request,

the State Legislation, perhaps Laurie we can talk to Economic Development Counsel, see if they would be on board in trying to perhaps push with the local representatives to get the Legislature to change that formula as far as PILOTS. But we're an agency that does what we can do by state law and the only way we can give that relief is by state law so I'm not too sure we can say anything other than that.

MR. PETRO: Laurie, anything else you want to add?

MS. VILLASUSO: No.

MR. PETRO: Myself, no. I do want to thank you for coming, stating your position and being polite, we appreciate that. So I say thank you, John, thank you for having us here and good luck to you, sir, with your endeavor. And at this time, I close the public hearing. Thank you.

(Proceedings concluded at 11:20 a.m.)

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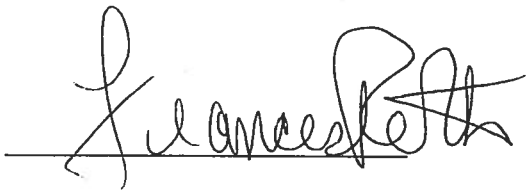
C-E-R-T-I-F-I-C-A-T-I-O-N

I, FRANCES ROTH, a Stenographic Reporter and Notary Public of the State of New York, do hereby certify:

That the foregoing is an accurate record of the testimony, as given, to the best of my knowledge and belief, the same having been stenographically recorded by me and transcribed under my supervision.

That I am not related to any of the parties involved in this matter, and that I have no personal interest whatsoever in the outcome thereof.



FRANCES ROTH

BOARD OF EDUCATION
SHARLEEN DEPEW
District Clerk
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Our people making the difference.

A National *Race to the Top* District.

Member of "League of Innovative Schools"

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CERTIFICATION

I, Sharleen Depew, hereby certify that I am the District Clerk and custodian of the official records of the Board of Education of the Enlarged City School District of Middletown; that I am authorized by the Board of Education to execute this Certification; that I have caused a diligent search to be made of the District's records pertaining to the Official School Board Minutes; that the documents attached herewith constitute the true, accurate and complete copy of all such records; that such records were made, and are maintained, in the regular course of business; and that such records were made at or about the time of occurrence of the event recorded, or within a reasonable time thereafter.

Sharleen Depew
District Clerk

07/14/15
Date

District Seal

MIDDLETOWN CITY SCHOOL DISTRICT BOARD OF EDUCATION
RESOLUTION ON PAYMENT IN LIEU OF TAX (PILOT) AGREEMENTS
(Approved by the Board of Education on November 6, 2014)

Recommendation – that the Board of Education does hereby approve the following:

THE MIDDLETOWN CITY SCHOOL DISTRICT BOARD OF EDUCATION RESOLUTION ON PAYMENT IN LIEU OF TAX (PILOT) AGREEMENTS

WHEREAS, the Middletown City School District's Board of Education ("The Board") is committed to maintaining the fiscal health of the Middletown City School District ("The District") and recognizes excellent fiscal planning as a key factor in attaining the District's educational goals and priorities; and

WHEREAS, the Board's budget development shall be carefully organized and planned to ensure thorough understanding of the District's financial needs within the context of the community's fiscal resources; and

WHEREAS, the District has seen a decline in State and Federal Aid over the last several years that has shifted the burden of education funding to the local taxpayer; and

WHEREAS, The New York State Gap Elimination Adjustment (GEA) has significantly reduced the total amount of state aid the District has received with an average loss of $4.6 million dollars per year since the 2009-2010 school year; and

WHEREAS, New York State has implemented an unprecedented number of new unfunded mandates that have placed significant financial pressure on the District; and

WHEREAS, in 2011 the New York State Legislature and the Governor enacted "Chapter 97" legislation that establishes a "property tax cap" on the amount that a local government's or school district's property tax levy can increase each year, limiting the District's ability to raise local revenue; and

WHEREAS, the Middletown City School District's Board of Education has been forced to make difficult choices to balance the budget with reduced revenue including making programmatic cuts and depleting reserve funds; and

WHEREAS, while payment-in-lieu-of-tax ("PILOT") agreements may supply some revenue to the Middletown City School District, they also have the negative effect of lowering the District's tax levy limit; and

WHEREAS, the New York State Education Department ("NYSED") provides Tax Cap Guidance on the NYSED website that states that "Districts with increasing or new PILOTs could have a tax levy limit that represents a change from the prior year that is less than zero. They would have to successfully seek an override from the voters to increase the levy above that limit"; and

WHEREAS The Board cannot overlook the adverse financial implications that the District must endure as a result of New York State property tax cap legislation when coupled with PILOT arrangements granted by Industrial Development Agencies ("IDAs") as exemplified in the following presentations:

- Camoin Associates' 2012 presentation to the New York State Economic Development Corporation's Board of Directors: "NYS Tax Cap Legislation - Impact of IDA PILOTs"
- Thomas, Drohan, Waxman, Petigrow & Mayle, LLP's 2013 presentation at the New York State School Boards Association's Convention: "Navigating the PILOT Maze in the Tax Cap Age;" and

WHEREAS, according to the aforementioned presentations property value increases brought on by investments under IDA programs are excluded from the Tax Base Growth Factor ("TBGF"), which partially determines the allowed tax levy increase; and

WHEREAS, according to the aforementioned presentations PILOT arrangements exempt the real property improvements and therefore suppress the TBGF; and

WHEREAS, according to the aforementioned presentations harm is perpetual, since the TBGF does not get adjusted at the end of the PILOT when the property becomes taxable; and

MIDDLETOWN CITY SCHOOL DISTRICT BOARD OF EDUCATION
RESOLUTION ON PAYMENT IN LIEU OF TAX (PILOT) AGREEMENTS
(Approved by the Board of Education on November 6, 2014)

WHEREAS, Michael N'dolo, Camoin Associates, stated the following in his 2012 memo to the Saratoga County Industrial Development Agency and the Saratoga Economic Development Corporation:

> *With a suppressed Tax Base Growth Factor, the municipality or school district has a lower maximum local revenue level (which includes both the maximum tax levy plus any PILOT payments) than if the PILOT did not exist... In effect, the way the legislation is currently formulated, school districts and municipalities are materially adversely affected by PILOT arrangements. As such, it is natural to assume that school districts and municipalities may strongly oppose any PILOT agreements; and*

WHEREAS, the Board is not opposed to the original intention of New York State legislation enabling PILOT agreements, envisioned to facilitate economic development and improve local economic conditions, which created IDAs, the City of Middletown Industrial Development Agency, the Town of Wallkill Industrial Development Agency, and the Orange County Industrial Development Agency; and

WHEREAS, the District is the only interested taxing authority that needs referendum approval to leverage taxes, and needs a 60% supermajority vote of the voting public to exceed the tax cap;

BE IT RESOLVED that the Middletown City School District Board of Education declares its opposition to any PILOT agreements that result in a reduction of real property taxes versus full taxation based on a full market value assessment determined by the City of Middletown, Town of Wawayanda, Town of Goshen, and the Town of Wallkill assessors' offices; and

BE IT FURTHER RESOLVED that that Middletown City School District Board of Education calls on the City of Middletown, the Town of Wallkill Industrial Development Agency, and the Orange County Industrial Development Agency, to recognize the District's position that PILOT agreements have an adverse impact on school districts due to the Tax Levy Limit formula.