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**Robert T. Armistead, Chairman • Mary Ellen Rogulski, Vice Chairman • John Steinberg, Jr., Second Vice Chairman
Stephen Brescia, Secretary • Edward A. Diana, Assistant Secretary • Robert J. Schreibeis, Sr. • Michael Bonura
Laurie Villasuso, Chief Operating Officer & Executive Vice President • Vincent Cozzolino, Managing Director
Kevin Dowd, Attorney • Russell E. Gaenzle, Harris Beach • Joel Kleiman, Chief Financial Officer**

Agenda

PLEASE TAKE NOTICE, The Orange County Industrial Development Agency will hold a regularly scheduled meeting on October 12, 2017 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 September 21, 2017 meeting**
- **Financial Reports and/or Requests for Payments**
 - IBM Audit
- **New and Unfinished Business**
 - Chairman's Report
 - Chief Operating Officer Report
 - Board Committee Reports (as needed)
- **Other Board Business**
 - Labor Audit Update
- **Executive Session**
- **Adjournment**

Dated: October 5, 2017

Stephen Brescia, Secretary

By: Laurie Villasuso, Chief Operating Officer & Executive Vice President

ORANGE COUNTY INDUSTRIAL DEVELOPMENT AGENCY

MINUTES

September 21, 2017

A regular meeting of the Orange County Industrial Development Agency was convened in public session on September 21, 2017 at 2:01P.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, Edward Diana, Stephen Brescia, Robert Schreibeis, John Steinberg, Michael Bonura

ABSENT: NONE

ALSO PRESENT: Laurie Villasuso – Chief Operating Officer
Kevin Dowd – IDA Attorney
Russell Gaenzle – Harris Beach
Vincent Cozzolino – Managing Director
Melanie Schouten – Project Manager
Lisa Sommers– Focus Media
JP McGuirk – Focus Media
Maureen Halahan – OCP
Bill Fioravanti – OCP
Phil Royale – Legoland
Dominic Cordisco – Drake Loeb
John McCarey – OC Real Property

Chairman Armistead calls to order the regular meeting of the Orange County IDA, September 21, 2017 (Pledge of Allegiance is recited). Board consists of seven members. There is a quorum.

Roll Call is taken.

Minutes

Review of the prior August 10, 2017 meeting minutes. Motion to approve the minutes is made by Mr. Bonura, seconded by Mr. Schreibeis. Motion carries with all in favor.

Chairman Armistead states that IDA Board Meetings are meant for the board to take action on board business. Though open to the public, these meetings are only open to comment by board and staff members. Due to ABO compliancy and Governance review, this is the way business will be conducted at these meetings going forward.

Financial Reports and/or Requests for Payment

Ms. Villasuso reviews the summary of IDA bank accounts, certificate of deposits, and money market accounts that reflect a total of \$12,794,034, as of August 31, 2017. A new CD was opened in early August.

Ms. Villasuso reviews the income and expense summary, noting that YTD is \$2,599,386, and YTD expenses are \$342,596, with revenues exceeding expenses by \$2,256,789.

Ms. Villasuso reviews the income and expense summary for the Business Accelerator, noting that revenues YTD are \$169,127, and expenses are \$1,082,496. Expenses, as anticipated, exceed revenues by \$913,369.

Chairman Armistead asks for a motion to approve the vouchers and payments in the amount of \$305,271.75. Motion made by Ms. Rogulski, seconded by Mr. Schreibeis, that the Board accept the financial reports and authorize IDA payments and vouchers. Open for discussion. Affirmative votes of all members present results in motion carried.

Ms. Villasuso updates the board regarding the payments received from IBM in July. Shortly after receiving the funds, an e-mail was received from IBM stating that they believe they may have overpaid. Mr. Kleiman has been in contact with the auditing firm JGS. JGS is currently conducting an audit from 2014 to 2016. Once that is completed, a contract will be drafted for them to conduct a 2017 audit. IBM has been informed of the anticipated course of action.

Resolution

Merlin Entertainments Group US Holdings, Inc. – Final Resolution

Ms. Villasuso informs the board that the project cost has increased to just over \$400,000,000 and, as a result, the fee has been adjusted accordingly. Currently, repayment terms are being discussed, but it is anticipated to be broken down over five years.

Mr. Dowd reads aloud Merlin Entertainments Group US Holdings, Inc. Final Resolution. Motion is made by Mr. Steinberg, seconded by Ms. Rogulski, accepting resolution to take action on certain matters pertaining to a proposed project for the benefit of Merlin Entertainments Group US Holdings, Inc. Rollcall is taken. Affirmative votes of all members present results in motion carried.

Chairman Armistead thanks Ms. Rogulski, the subcommittee, and the staff for their efforts in regarding to the Merlin Entertainments project. A great deal of time was dedicated thoroughly vetting out the project, not only by the committee members, but by KPMG performing a job cost analysis. The IDA Board has done its due diligence and all the hard work has been greatly appreciated.

Executive Session

Chairman Armistead entertains a motion that the committee enter into executive session pursuant to section 105(1)(f) of the open meetings law to discuss the financial, credit and/or the employment history of particular client and agent of the IDA. Motion made by Ms. Rogulski to enter executive session issued. Motion seconded by Mr. Schreiber. All in favor.

Enter Executive Session

The members discuss the financial, credit and/or the employment history of particular client and agent of the IDA.

Mr. Brescia exits at 3:02pm.

End Executive Session

Chairman's Report

Chairman Armistead informs the board he attended the Middletown Accelerator Meetup. Future tenants, local officials, and staff members came together to meet, some for the first time, to discuss the opening of the new facility, and make the connects between each other and local resources. The energy and chemistry at the meeting was phenomenal and a truly successful satellite location is in the making.

Chairman Armistead states that the board hired auditing firms to assist with the labor auditing process. The recent audits need to be wrapped up and brought to the attention of the full board. The best next steps need to be discussed, as there is some lack of compliance relating to a few projects. The board must decide on the measure of repercussions for those not meeting the expected standard. Whether or not the lack of compliance is marginal the board wants to see the full reports so they can make decisions and move on to the next sets of audits.

Chief Operating Officer Report

Ms. Villasuso informs the board that The Sentinel Realty Project has closed and progress should be underway at that site. It is both an IDA and OCFC project.

Adding on to Chairman Armistead's comments about the Middletown Accelerator Meetup, Ms. Villasuso tells the board that there were 9 companies present that anticipate occupying that location. Due to the meeting, the companies have already started to collaborate.

On October 5th, The Accelerator will be hosting the Hudson Valley Film Conference located at the Great Room in Kaplan Hall, SUNY Orange Newburgh Campus. It is officially sold out and a great event is expected.

Ms. Villasuso informs that board that she and Mr. Cozzolino attended the E&E meeting with the legislature. They debriefed they about the Middletown Accelerator as well. As a result of that meeting, a legislature came and toured the new satellite location.

Ms. Villasuso informs that board that she and Mr. Cozzolino had an Editorial Board Meeting with the Times Herald Record. There were a lot of questions and the meeting was extended an additional hour, but it was a worthwhile endeavor. They were able to discuss the significant changes that the IDA has made.

Chairman Armistead thanks them for attending the Editorial Board meeting. It's important to tell the IDA's side and really inform the public about the positive initiatives taken on by the board.

Board Committee Reports

Audit Committee Report

As chair of the Audit Committee, Ms. Rogulski, reviews the 2018 IDA budget with the board. She states that the audit committee met and reviewed the budget with management. The budget presented today is the proposed finalized budget.

The budget is being presented in three different ways:

First, the board reviews the total IDA Budget with projected revenues of \$4,043,229. Notable changes are: the closing fees revenue increased \$738,000 due to anticipated payments, agency support costs by increased by \$47,000 with the addition of some new agents, and the shovel ready program was reduced by over \$1M. Net is projected revenues over expenses by \$112,000.

Second, the board reviews the IDA Budget (alone) with projected revenues of \$4,005,929. A bulk of the revenue comes from fees and closing fees. Projected expenses are similarly reflected in last year's budget. The largest change being the shovel ready line as mentioned previously. Net is projected revenues over expenses by \$1,569,579.

Third, the board reviews the Business Accelerator Budget with projected revenues of \$37,300. Revenues result from resident client rent and interest. Accelerator Without Walls line item is \$240,000. There is a slight anticipated increase in client rent due to the expansion plan and new satellite locations. Moving expenses have also been built in due to the expected relocation of offices. Net is projected expenses over revenues by \$1,457,766.

Ms. Rogulski entertains a motion to approve the 2018 IDA Budget. Motion made by Mr. Bonura, seconded by Mr. Steinberg, that the Board accept the 2018 IDA Budget. Open for discussion. Affirmative votes of all members present results in motion carried.

Applications/Resolutions

Oxford Commerce Center, LLC. – Initial Resolution

Due to a conflict in scheduling, the applicants are unable to attend the meeting in person. Ms. Schouten presents the project to the board on their behalf.

Oxford Commerce Center is a potential warehousing, manufacturing, and office space project. It will be suited to fit small and medium size operations and will bring a diverse range of employers and integrated workforce. Some of the anticipated companies include: a small candle manufacturer, a bottling plant for perfumes, an on-line outlet specializing in outdoor recreation, and a supplier to national supermarkets. Projected modest job figures were provided but the final figures are expected to be higher.

The board discusses the fact that the proposed applicant is a developer and not the end user. It is questioned whether the board can incentivize this type of project.

Ms. Villasuso states that the board has incentivized similar project in the past and that the applicant is required to pass them onto the lessees.

The board feels that more information is required from the applicant and that additional questions need to be asked in person. This results in tabling the resolution.

Mr. Armistead entertains a motion to table the Oxford Commerce Center resolution. Motion made by Mr. Steinberg, seconded by Ms. Rogulski, tabling the Oxford Commerce Center Initial Resolution. Open for discussion. Affirmative votes of all members present results in motion carried.

Ms. Rogulski states that when further conversations take place with the applicant needs to address certain concerns: are the leases real or speculative, what is the real information with respect to the tenants, and how are they going to pass the benefits on?

Other Board Business

With no further business, meeting called for adjournment by Chairman Armistead, motion made by Mr. Bonura, seconded by Mr. Schreibeis, the time being 3:39 p.m.

DRAFT

\$37M in tax breaks approved for Legoland owner

By Daniel Axelrod

Times Herald-Record

Posted Sep 22, 2017 at 1:37 PM

Updated Sep 22, 2017 at 9:53 PM

GOSHEN – The Orange County Industrial Development Agency approved a crucial 20-year, \$88.64 million payment-in-lieu-of-taxes proposal for Legoland on Thursday, but the \$500 million theme park’s opponents promised a strong final stand to prevent it.

“The IDA didn’t take this vote lightly,” said IDA Chief Operating Officer Laurie Villasuso, who added that a board subcommittee spent six solid months studying the project. “They really committed a lot of resources and effort to make sure they thoroughly investigated the job figures that were created and the revenue estimates.”

Legoland’s U.K. parent company, Merlin Entertainments, had initially asked for a 30-year PILOT. Over the approved two-decade PILOT, the company would pay \$10.3 million to Orange County, \$11.65 million to the Town of Goshen, \$60.56 million to Goshen schools and \$5.73 million to the town’s fire department.

Chester schools would receive \$400,100, and the Chester fire department would get \$2,100. All told, Merlin is projected to owe about \$37 million less than if the company received no tax breaks.

A separate 30-year host agreement, approved by Goshen’s Town Board on May 18, calls on Merlin to give Goshen \$1.3 million annually if 2 million visitors come during the park’s April to October season.

The IDA board’s unanimous 6-0 vote, absent John Steinberg, Jr., leaves Legoland needing only the Town of Goshen Planning Board’s final site plan approval.

“If the park receives all the necessary approvals, we intend to be a trustworthy and positively contributing neighbor,” said Phil Royle, Legoland’s head of community and project relations. “We pledge to make a positive, long-term difference in Goshen and the surrounding communities.”

Legoland's opponents worry the 150-acre park, planned for a 522-acre site off Harriman Drive, will harm local flora and fauna, ruin Goshen's character, drain water supplies, overburden emergency services and clog Route 17 with traffic. They argue a \$7.1 billion multinational conglomerate, second only to Disney in attendance, doesn't need millions of dollars of tax breaks that aren't adjusted for inflation.

"How dare the town supervisor glorify that this is going to save Goshen, when Goshen doesn't need saving," said Debra Corr, vice president of Concerned Citizens for the Hudson Valley. "They're telling Lego lies. We've only just begun to fight."

If the Planning Board issues final site plan approval, the group plans to file suit, claiming the project was inadequately reviewed. The opponents may seek a referendum, as soon as late December, to prevent Goshen from selling eight land parcels to Merlin.

Legoland officials have said they'll build the park with or without those parcels, and the move would prevent them from donating wells to the nearby Arcadia Hills housing development.

"Legoland New York has been sensitive and transparent in listening to the community, expert consultants, the Goshen Town Board and the town Planning Board," said Royle, who added that independent studies of the project "state tremendous benefits to Goshen and Orange County."

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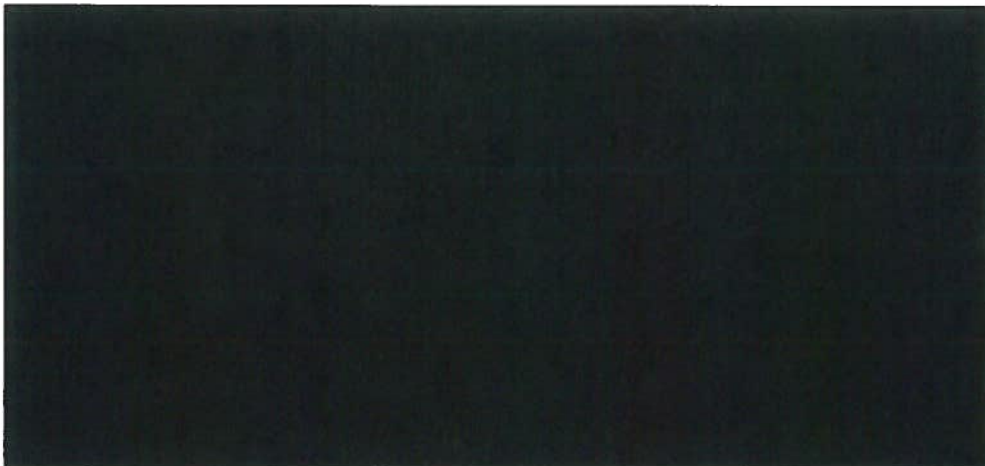
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State audit cites past problems at Orange IDA

By Daniel Axelrod
Times Herald-Record

Posted Oct 4, 2017 at 10:07 PM

Updated Oct 4, 2017 at 11:17 PM

A new audit published Wednesday by New York Comptroller Thomas DiNapoli found a litany of past problems at the Orange County agency in charge of considering tax breaks to spur development.

The state audit focused on the Orange County Industrial Development Agency and five other New York IDAs. It primarily zeroed in on the period between January 2014 and May 2015, though the audit went back further in some cases. The state found that the Orange County IDA:

- Exceeded its authority by both accepting a \$1.1 million grant from Millennium Pipeline in 2008, as the IDA was considering tax benefits for the project, and redispersing the funds as grants.
- Provided an unauthorized short-term loan of \$108,000 in 2009 to Continental Organics. Though Michael Finnegan's failed fish farm paid back the IDA loan, the company left a trail of other creditors, who are still suing, and abandoned roughly 60,000 fish, which the bank was forced to feed after the company's 2015 bankruptcy.
- Lacked oversight of projects, recordkeeping and controls, while overstating the jobs created by the businesses to which the IDA had given tax breaks, including Millennium.

The Orange County IDA "consistently reported the Millennium Pipeline project would create 350 new jobs," according to the comptroller's report. "However, the project application indicated 27 jobs would be created but did not state these jobs would be in Orange County. Orange officials told us the project was never expected to create jobs."

Brian Butry, a spokesman for the comptroller, said DiNapoli recognizes that the audit was conducted before a new state law, which he successfully championed, took effect in mid-2016 to require significantly tougher IDA checks and balances.

The Orange IDA's current co-leaders, who took over after the past practices uncovered by the audit, said they would never allow them on their watch. Laurie Villasuso, the IDA's chief operating officer and executive vice president, began in January 2016, and managing director Vincent Cozzolino came on board in July 2015.

In a recent editorial board meeting with the Times Herald-Record and a Wednesday interview, Villasuso and Cozzolino offered a detailed list of the corrective actions they've taken, which overlaps with the ones listed in the comptroller's audit. And they promised more transparency.

They said the IDA is now carefully considering and overseeing projects and clawing back funds when necessary. They added that the agency's grant and loan programs have been shifted to the Orange County Funding Corp., an affiliated county agency that they also run, which is legally authorized to engage in those actions.

"We're not going to let a project come forward and say, 'We're interested in IDA benefits and, oh by the way, if it helps us out, we'll make a donation,'" Cozzolino said. "We're validating and carefully documenting every project with all our new processes to check on the investment the company is making, and the number and the quality of the jobs being created."

Efforts were unsuccessful Wednesday to reach two current IDA board leaders, who were around during the audit period, chairman Robert Armistead and vice chairwoman Mary Ellen Rogulski.

But Villasuso's predecessor, Jim Petro, stressed that the IDA always followed its lawyers' advice. Petro served as board chairman from 2008 to 2012, and he left the IDA before returning to work as its executive director from January 2014 to August 2016.

"I didn't walk in there one day and say things like, 'I'm going to give money to the fish farm, and I don't care if it's legal or not.' The IDA board acts on the advice of its attorneys," said Petro.

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