

**TOWN OF BROOKHAVEN**  
**INDUSTRIAL DEVELOPMENT AGENCY**

**MEETING MINUTES**

**MONDAY, MAY 17, 2010**

MEMBERS PRESENT: Frederick C. Braun, Chairman  
Vincent R. O'Leary  
John Rose  
Ann-Marie Scheidt  
Ronald J. LaVita  
Joseph R. Kessel  
Peter G. Moloney

ALSO PRESENT: Lisa M. Giannusa, CEO  
James Ryan, CFO  
Annette Eaderesto, IDA Counsel  
Howard Gross, Esq., Weinberg, Gross & Pergament, LLP  
Bill Weir, Esq., Nixon Peabody (Conference Phone)  
Supervisor Mark Lesko  
Stacey Epifane, Deputy Chief of Staff  
Jim Morgo, Economic Development  
J. Timothy Shea, Esq., Pinnacle Hotels  
Viral H. Patel, Manager Pinnacle Hotels  
Kathleen M. Estabrook, Economic Development

Chairman Braun opened the meeting at 8:05 A.M. at the Miller Business Resource Center in the Middle Country Public Library (MCPL), 101 Eastwood Blvd., Centereach, NY. We were greeted by the wonderful staff there and MCPL Director, Sandy Feinberg, and Resource Center Coordinator, Sophia Serlis-McPhillips, offered a warm welcome to the IDA and gave a brief overview of their relationship with local economic development in offering business research and assistance. As usual, a delicious breakfast was set up for the IDA, thanks to all the staff, and especially to Janet Ross.

**PINNACLE HOTEL**

Chairman Braun invited Mr. Shea and Mr. Patel to introduce themselves and give a brief presentation on Pinnacle Hotels. This is a 200-room hotel at Exit 68 on the LIE off the William Floyd Parkway. Mr. Shea said they have received their change of zone approval, which is the first step in what has become a quick moving process. They have also secured a Zoning Board date of July 21<sup>st</sup>, and hope to have their Site Plan hearing sometime early fall, and are very confident that they will meet the deadline for stimulus funding. They thanked Ms. Giannusa and Mr. Morgo for their assistance as they are moving at a very

good pace. They are hoping for the most they can get from the stimulus funds. There will be 200-250 union construction jobs. There will be 85-95 permanent jobs within the hotel. Mr. Braun said recovery bond allocations will have to be made within the next month, and Pinnacle's financing can only be made with partial recovery funding and they would need conventional funding as well. Construction costs amount to \$30-32 million. This will be a full-service hotel with Convention Center, restaurant, pool, etc. In answer to Mr. O'Leary's question, Mr. Patel said the cost per room would be \$200,000. Mr. Braun expressed the urgent need for more hotels in the area. The Convention Center will have 15,000 square feet of floor space and will hold 4,000 people. The Pinnacle principals were thanked and excused at 8:20 A.M.

Ms. Giannusa placed the call to Bill Weir on the speaker phone to join the regular meeting which began at 8:20 A.M.

#### **SUPERVISOR LESKO'S PRESENTATION ON TECHNOLOGY-BASED DEVELOPMENT**

Supervisor Lesko thanked the IDA for the **Blight to Light** video. He said it has proven to be a real "homerun". Developers are very interested and requesting to see some incentive packages. The Planning Department has become re-invigorated and has been very busy. Plans for the K-Mart store in Middle Island (Breslin property) was stalled to a standstill. Mr. Breslin was seeking funding for parks and ballfields. Mr. Lesko said what is necessary is creative financing and more innovative funding. There was a meeting with the Shinnecock Indian tribe. They are extremely interested in the Calabro Airport site for a casino. He said this would be the "mother of all deals", as the Shinnecoeks desire to stay close to their reservation. They also have "deep, deep pockets". Fifteen thousand (15,000) permanent jobs would be possible and this would be a massive economic boon. The IDA would be very involved if this comes to fruition. Another possible project, UFC Aerospace, a project that Ms. Giannusa "jumped all over" may also come to Brookhaven. She and the Supervisor toured their plant and "pitched" the IDA incentives to them and it looks like they will re-locate to one of the Town's Corporate Parks in Holtsville. He added that they are a good, solid company.

Stony Brook University Hospital has developed a new and promising drug in their research labs: Xiaflex to treat Dupuytren's Disease. The clinical trials look very good and

Collaborative Economics helped to fund the research. However, patents on new drugs are usually licensed out to distant pharmaceutical companies as there are no viable bio-tech programs here on Long Island.

He then discussed San Diego's UC-Connect model that brings business and research together; he said this would be a very good model for Brookhaven. His vision is to get this revolutionary initiative off the ground. He posed the question: "How do we pull this together and create a mini Silicon Valley on Long Island?" He has already met with each of our world-class research institutions. Mr. Lesko said we have thousands of researchers and scientists, (SUNY Stony Brook, Brookhaven Labs, Cold Spring Harbor Labs, etc.) but venture capital is needed. Also needed is "Human capital in the form of a culture of innovation with entrepreneurs who can run a tech company, and heads of pharmaceutical companies, along with lawyers, accountants and engineers." There also has to be a networking system for graduates and entrepreneurs to be mentored. He is enthusiastic about creating this culture of innovation economics and having a technology-based economy. "If we don't do this now, we are going to fall behind." Ms. Giannusa then directed the members to look at a certain document relating to the Supervisor's presentation:

**Long Island Connect: A Proposal to Assist in the Design and Launch of a Regional Catalyst for Innovation (Document Attached)**

(A biography of Mr. Henton is also attached to this document.)

Supervisor Lesko met with Doug Henton, co-founder, Chairman and CEO of Collaborative Economics. Mr. Lesko said he "is the real deal". He asked Mr. Henton to put a proposal together (\$60,000) which would be an analysis of where we are and where we want to be. "We have to get the initiative off the ground and get the major stakeholders (he named several people) together with Mr. Henton." Mr. Lesko feels this would be a small investment with a very high yield. He is asking the IDA to consider retaining Mr. Henton for this \$60,000.

Mr. Lesko met with the Rauch Foundation, an entity he believes to be on the "cutting edge" of a project of this magnitude. They are very interested in our plans. Nancy Rauch-Douzinis has been talking about this initiative for a while. She was ready to give up on the whole idea until she started discussing it with the Supervisor. She, in fact, introduced him

to Mr. Henton, who has written extensively about this subject. The Rausch Foundation would co-sponsor this endeavor with the IDA.

At this point, Mr. Lesko said he would take questions. Mr. LaVita asked if this would be a regional project and if it is, would the Supervisor be going to other groups for funding. He responded by saying “not initially” but to fund the larger issue, he may have to reach out to other IDAs and other avenues for funding. He added that the incubators are full and we need a location for a technology campus. He mentioned the AGFA-Tesla property. Mr. Kessel questioned whether this site is environmentally clean. Mr. Lesko will speak to Peter Scully (Long Island Regional Director of the NYS Department of Environmental Conservation) and make sure this property is safe and will get it “in writing”. Mr. O’Leary would like to read the San Diego UC-Connect Report mentioned in the Long Island Connect document. He was told this is on the website and Ms. Scheidt said that it’s not actually a report, but the results of the report. Mr. Lesko then stated that “The sleeping giant”, Brookhaven National Labs, has changed its focus and created a Division of Commercialization. Mr. O’Leary was still concerned with the difficulty of starting businesses on Long Island because of “red tape” which he feels results in losing our best and brightest who head to other states where they are welcomed. However, he did applaud the Supervisor’s enthusiasm. Mr. Lesko said it still is about venture capital and creating a “buzz” and believes this can be done. He also said that a project like Pinnacle Hotels probably could not have happened five years ago, because of the height of the building, and now he thinks they will be shovel ready in less than a year. The Town Board worked very quickly on this project. Brookhaven Labs really needs such a hotel as they have had to turn away many conferences because of lack of rooms. Mr. Lesko would like to see recovery bonds going to such a project. He added that this Town Board is business friendly. Much discussion followed. Ms. Scheidt spoke about the “Angel Network” and the companies they have funded. She added that at this time next year, there will be a lot of activity and a lot of start-ups coming out of the Angel Network. The Supervisor again stressed that we need to move quickly on this or “we will become a retirement community in five years”. “There will be only service-oriented, health and government workers.” This has to be a private sector effort as he feels government will “screw it up”.

With all the plans being contemplated here, he then brought the subject to staffing, especially with the IDA and Economic Development. In Suffolk County's Economic Development Department there are 20 people and 3 in their IDA. In the Town's Economic Development Division there are two part-timers and one full-time Executive Director (Ms. Giannusa). He said he has five people (some serious names) he is considering for the two new hires. They would have to be paid competitively (six figures). He discussed certain ideas with compensation: Do we stay with the hybrid model: positions that are partly funded by the Town and partly funded by the IDA, or do we go to a fully dedicated IDA staff. He is looking for an aggressive push in the marketplace. The IDA could pay for travel expenses with little scrutiny, whereas the Town could not. The Executive Director and a Board member could make their pitch to out of state companies looking to re-locate. He then made it very clear what he is requesting from the IDA:

- 1) Consider participating with the Rauch Foundation to fund the six-month effort of Doug Henton (Bill Weir was fine with this – no RFP is necessary).
- 2) Consider staffing two positions with a clerical position and discuss salaries and benefits.

He envisions at the end of the next six months, we have an organization with the IDA as the leader of it; "we are excited that we are at the forefront of all of this". Mr. Weir mentioned that he read an article in the Rochester Newspaper, similar to what we have been discussing, about bio-tech companies becoming major employers. He will send copies to all members.

Supervisor Lesko was applauded for his presentation and excused from the meeting at 9:10 A.M.

The regular agenda items then resumed:

#### **MINUTES OF APRIL 19, 2010**

Mr. Braun had some corrections and will speak with Ms. Estabrook about amending these Minutes. He did not feel they were critical to any motion being made.

The motion to approve April 19<sup>th</sup> Minutes was made by Mr. O'Leary, seconded by Ms. Scheidt and unanimously approved.

## **TREASURER'S REPORT**

Mr. O'Leary reported on the IDA's Annual Financial Report. The State is re-doing the format and our report will go out this week. We incurred a loss last year of \$33,865.00. The reason being that our revenues are down which reflects the economy. The report prepared by our auditors, Sini & Reeves, indicate our revenues went from \$381,000 in 2008 to \$171,000 last year. We did reduce our expenses; however, we can expect to have a \$200,000 deficit this year. Mr. O'Leary is concerned that we will be living off our endowment for quite a few years. This will be the subject of future discussions.

At this point, Mr. Braun said if we can issue our \$27+ million worth of bonds by December 31, 2010, the fees on those alone could make a substantial difference by about \$210,000. Also, the LIDC is basically out of business and we will not be funding them any further. Also, Mr. Braun added that he has met with the Supervisor and explained he has to find some way to get Economic Development's budget back in the Town's budget and not depend completely on the IDA. Mr. O'Leary still would like to have a special meeting to discuss this and the re-organization of the IDA and EDC.

## **CFO'S REPORT**

Mr. Ryan presented the Operating Statement for April 2010. He cited many transactions and balances. He added that the PILOT Account in the Bank of America is now closed. However, he needs a resolution to close the Money Market Account in the Bank of America.

The Resolution authorizing Mr. Ryan to close this account was made by Ms. Scheidt, seconded by John Rose, and unanimously approved.

The motion to accept the CFO'S Report was made by Mr. Moloney, seconded by Mr. Rose, and unanimously accepted.

Mr. Braun then discussed the Dowling College project with Mr. Weir who was bond counsel for all deals between Dowling and the Brookhaven Campus (NAT Center), Suffolk County and Islip. Mr. Braun thinks Dowling may still owe the IDA \$10 million in bonds. However, he and Mr. Weir thought there may have been another transaction between the County and the Towns of Brookhaven and Islip, where Brookhaven's bonds were paid off. Mr. Braun asked Mr. Ryan to change the entry in the PARIS report showing the location of Dowling as being in Oakdale. Dowling's headquarters are there, but the IDA project is in

Shirley. Mr. Ryan asked about the legal termination on bonds where the IDA does not take title to the property. Mr. Weir explained the process. There always has to be some kind of document that shows the bonds are settled.

Before going into Executive Session, Mr. Morgo agreed with Mr. O'Leary that 2009 has been a financially sad year for the Town of Brookhaven IDA, but added that the Suffolk County IDA would have been in worse shape if they had not closed the Canon deal. He added that with the Supervisor's enthusiasm and commitment to economic development activity, we may soon see some positive changes in the financial condition. Mr. Braun is optimistic as well with the Supervisor's commitment and vision.

The IDA meeting was temporarily adjourned to begin the Local Development Corporation Meeting.

**The motion to adjourn the LDC meeting and return to the IDA meeting was moved without objection at 9:35 A.M.**

*(Mr. LaVita, having another commitment, excused himself at 9:35 A.M.)*

## **IDA AGENDA ITEMS (CONT'D.)**

### **CEO'S REPORT**

#### **Project Updates**

Ms. Giannusa reported that Quantronix and Hampton Air still owe penalties and interest on their 2009-2010 PILOTS. Insula-Dome has not yet paid any part of their 2009-2010 PILOT bill. Ms. Giannusa did drive by the Insula-Dome facility and said there seemed to be activity there. There were 25 cars in the parking lot and the lights were on. Mr. Gross said that the attorney for Insula-Dome is Fred Mars; he will be preparing a formal default letter to Mr. Mars.

Ms. Giannusa reported that Stafford Associates closed on April 30, 2010. Mr. Gross said that Stafford is subletting space and needs our approval. He added that Stafford's lawyer "better wake up".

#### **Website Update**

Ms. Giannusa is working with Seth Schneider of Applied Computer Technologies on this project. She reported that it is moving forward and going well.

### **IDA Application**

Ms. Giannusa asked the members to refer to a page in their packets – Section IV, Page 10. It's entitled Measure of Growth and Benefits and now includes employee numbers making "under \$30,000".

Because of recent negativity toward Industrial Development Agencies, Mr. Braun sent an e-mail to Brian McMahon of the NYSEDC. He has not yet responded, but Mr. Braun said he will bring it up again when he and Ms. Giannusa attend the conference in Cooperstown.

### **MWBE Requirements – State Assembly Letter**

Ms. Giannusa asked for suggestions from the Board on how to respond to this letter. As the new MWBE (Minority & Women's Business Enterprises) Officer for the Town, she was looking for guidance from the Board. She asked Mr. Weir if this group is a "watchdog" for the Town. He said companies are expected to be truthful with reporting procedures and must comply with standards, but the MWBE does not have to be a "watchdog". He added that what this letter is requesting only applies to State Agencies, not local authorities. Ms. Eaderesto asked Mr. Weir to draw up a letter in response to this request. He will contact Comptroller Brodsky and he added that nothing more has to be done with this issue.

### **Blight to Light Initiative**

Ms. Giannusa asked the Board to look at the draft report on the B2L Grading System in their packets. Ms. Eaderesto will be working on this draft report with Jim Ryan, Ms. Giannusa, Bob Quinlan and Jim Morgo. According to Ms. Giannusa, we have details to work out for the July Town Board Meeting. Mr. Morgo stated that Planning and Economic Development are on the same track with the Blight Study Plan. Mr. Weir reiterated that "yes, we can consider retail projects" for funding. Until the Legislature passes a bill, there is no restriction on retail. Mr. Kessel asked what our part is in the Blight to Light program. He was told this would be good marketing for the IDA. Ms. Giannusa said she will keep the IDA Board up to date with the progress of this initiative.

### **Cost/Benefit Analysis**

Ms. Scheidt informed the Board that her report is "almost a usable document". She will be reaching out to Pearl Kramer (title) about the multiplier.

Mr. Braun stated that the \$27.8 million in stimulus funds has to be allocated in conjunction with other means of financing. He will speak to Lee Browning this afternoon.

(He then said that the IDA Board should consider another meeting to discuss other administrative items between June and July.)

## **APPLICATIONS**

### **Yaphank Enterprise, LLC**

Ms. Giannusa pointed to the location of this potential Recovery Zone Bond project on the map. There followed much discussion on this retail and entertainment group. It was rezoned to J-2 property. It was decided that more information is needed and it may not be a viable project. It was ranked as low priority. Mr. Weir said financing has to be in place before we move forward.

### **Pinnacle Hotels**

This project is ranked top priority and the Board will be moving forward on this.

(Ms. Giannusa asked the Board to review all these project abstracts, and asked if anyone would like to see a change in the structure of the abstracts.)

### **Long Island Precast, Inc.**

Ms. Giannusa reported that this would be an IDA Straight Lease project. L.I. Precast wants to expand their business of manufacturing modular precast walls outside. They need to construct a building to do this year-round. This project will move forward.

### **Advanced Pharmaceutical, Inc.**

This company updated their application and it was accepted. They plan to purchase and complete major renovations to the Waverly Avenue building. This project was approved and we can move forward to a Public Hearing.

The motion to approve moving forward was made by Mr. Moloney, seconded by Mr. Rose and unanimously approved.

## **RESOLUTION – TORINO INDUSTRIAL**

The motion to extend Torino's Completion Date, PILOT and Lease Terms was made by Mr. O'Leary, seconded by Mr. Moloney, and unanimously approved.

## **SUPERVISOR LESKO'S REQUEST FOR MR. HENTON'S RETAINER**

The motion to approve the \$60,000 retainer fee for Mr. Henton's proposal preparation was made by Mr. Braun, seconded by Ms. Scheidt – ***this motion was tabled and further discussion ensued. It was never voted on.***

Mr. Ryan asked Mr. Weir if this should be paid in installments after the contract is signed. It was felt by more than one member that possibly the decision to move on the Supervisor's request was going too fast. Mr. Morgo expressed concern with the cynicism directed toward IDAs and cited a big company who hesitated to come to Brookhaven. He added that he is also enthusiastic about Mr. Lesko's plan and is eager to move forward on it. He also said that the heads of many fine institutions are anxious to be a part of this.

Ms. Scheidt stated that there has to be a whole re-orientation as we must commercialize the bio and high-tech technologies. Mr. Kessel suggested we speak or meet with Mr. Henton before the dinner meeting. When a few of the members were concerned with using IDA funds for this project, Ms. Scheidt said the cost would amount to less than 4% of what we have in the till. Mr. Morgo added that it is critical to have the consultant on board with the important heads of companies. Ms. Eaderesto will prepare a contract for Ms. Giannusa to sign.

At this point, the motion to go into Executive Session for reasons of personnel was made by Mr. Kessel, seconded by Ms. Scheidt, and unanimously approved.

The motion to come out of Executive Session was made by Mr. O'Leary, seconded by Mr. Kessel, and unanimously approved. NO action was taken while in Executive Session.

Mr. Lesko's requested was tabled until a special meeting is held on Tuesday, June 1, 2010 at 4:00 P.M. in the Economic Development Conference Room. Mr. Weir and Mr. Henton will be in attendance by Conference Phone.

The IDA meeting was adjourned at 10:20 A.M. The next regular meeting of the IDA will take place on June 14, 2010 in the Work Session Room at Town Hall.

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