

TOWN OF BROOKHAVEN

INDUSTRIAL DEVELOPMENT AGENCY

MEETING MINUTES

MONDAY, SEPTEMBER 20, 2010

MEMBERS PRESENT: Frederick C. Braun, Chairman
Joseph R. Kessel, Jr.
John Rose
Ronald J. LaVita
Ann-Marie Scheidt
Gasper Celauro

EXCUSED MEMBER: Peter G. Moloney

ALSO PRESENT: Lisa M. Giannusa, CEO
James Ryan, CFO
Annette Eaderesto, IDA Counsel
James Morgo, Economic Development Coordinator
Paul Pontieri, Economic Development
Bill Weir, Esq., Nixon Peabody
Howard Gross, Esq., Weinberg, Gross & Pergament
Jocelyn Brinka, Economic Development
Kathleen M. Estabrook, Recording Secretary

INVITED GUESTS: Robert Ritter, President & CEO, Ritter & Associates
(Representing Pallets-R-Us)
Andrew D. Presberg, Esq.
(Representing J. Young Mechanical and Renaissance Tech.)

Chairman Braun opened the meeting at 8:00 A.M. on Monday, September 20, 2010, in the Work Session Room on the Third Floor at Brookhaven Town Hall, One Independence Hill, Farmingville, NY.

MEETING MINUTES OF AUGUST 16, 2010

These Minutes were reviewed and after two corrections were noted, the motion to approve them was made by Ron LaVita, seconded by John Rose, and unanimously approved.

Mr. Braun suggested that the next Agenda Items be taken out of sequence since our guests had presentations they wished to make on behalf of the IDA projects they were representing.

PALLETS-R-US GRANT APPLICATION THROUGH ESD

Mr. Ritter was invited to address the Board on behalf of Pallets- R-U's who are operating in Bellport. Production has begun and thirty (30) people have already been hired. There are some issues regarding the permanent Certificate of Occupancy (CO), but Pallets is working on it. Pallets has the unique opportunity of being able to apply for an Environmental Program grant that is administered through Empire State Development. This would provide up to \$500,000 to purchase a grinder/mulcher and a pay loader, and it would be matched by the company to improve their manufacturing process. Whatever wood they cannot recycle, they grind up into mulch and in addition to mulch, they are going to create heating pellets. Ninety-nine percent (99%) of their waste is being re-used. Mr. Ritter said there are actually two applications and he is presenting one now and will come back next month and present the second one. Pallets-R-U's has a sister company, totally separate, in Coram called Premium Mulch. He added that they have about 16 truck trips per day from Bellport to Coram and if this project is successfully implemented, the truck traffic will be greatly reduced and Pallets will be able to remove 4,100 trips per year which adds to the savings toward the environment. This is an application to the State of New York and in order for a private company to apply, they need a municipal form of government as a vehicle for the grant money. They hope to meet the October 1st deadline for submittal of this application which is 95-97% complete. All financial information and projections have been completed. They need a grinder which grinds the wood; it also separates the metal out and brings the wood to a smaller chip. In the mulch business, the finer you can grind it, the better the mulch is and the longer it will last. This grinder will cost \$700,000 and the pay loader will be another \$300,000 investment. There may be as many as 15-20 new jobs with this project. He said he is very appreciative to this Board and especially to Ms. Giannusa and her Division. There may be changes to modify their IDA financing which will be discussed with Ms. Giannusa.

Mr. Braun was concerned about their temporary Certificate of Occupancy status. Even though the IDA is just acting as a conduit, Mr. Weir asked about the grant and was told it will not be paid back to the State and there is no loan attachment.

In answer to Mr. Braun's questions about monitoring invoices and such, and who pays the vendors – is it Pallets or the IDA?, Mr. Ritter said the sister company, Premium Mulch &

Materials will be buying the grinder. Nick Sorge is the founder of both companies and both are family businesses run by his sons.

Mr. Braun abstained from voting on the original project, but since he no longer has the same bank affiliation, he voted this time. Mr. Ritter was then thanked and excused at 8:25 A.M.

The motion to approve Premium Mulch & Materials and/or Pallets-R-Us Grant Application, subject to Mr. Weir's review of the agreement and the fee involved, was made by Ms. Scheidt, seconded by John Rose, and unanimously approved.

J. YOUNG MECHANICAL – DEFAULT LETTER

Mr. Presberg, with the Law Offices of Andrew D. Presberg, P.C., addressed the Board on behalf of J&M East End Realty, LLC/J. Young Mechanical, Inc. 2004 Facility (Company) located in Bellport. A Default Notice was sent by the IDA because of a breach of the terms of the Lease and PILOT Agreements. Mr. Presberg expressed the Company's regrets and apologized for J. Young Mechanical. He further explained the misunderstanding and the mistaken belief by the Company that they were permitted to sublease up to 49% of its property as with SBA regulations. Mr. Presberg also stated that this Company has suffered financial hardship and by subleasing could improve their financial situation. He again apologized for the ignorance of IDA policy shown by this Company and tried to clarify the Company's intent. He strongly requested that the IDA withdraw its Default Notice.

MC KEON ROLLING STEEL DOORS - APPLICATION

At 8:35 A.M., Mr. Presberg presented an application on behalf of McKeon Rolling Steel Doors. He explained that this is the third agreement with the IDA, having closed on the original project in 2006. McKeon develops specialty door systems, and they now need additional space. They plan to use the last two acres along Sawgrass Drive for the construction and equipping of an approximately 25,000-30,000 square foot building which will also include warehouse space. This building will be used for the manufacture and distribution of new products, such as special fire door systems with many safety features which Mr. Presberg explained in detail. McKeon still has to go through the Planning process. This will be a sale lease back transaction. Mr. Braun reviewed their financials and said this was a solid and strong company.

Mr. Presberg was thanked for both his presentations and was excused at 8:45 A.M.

A motion to proceed with the McKeon Application was made by Mr. LaVita, seconded by Mr. Rose, and unanimously approved.

There followed a lengthy discussion on how to deal with J. Young Mechanical. Mr. Braun led the discussion by asking the members, “do we leave the default in place, modify it or fine them?” After much debating, involving all present, a vote was taken and it was decided that the default stay as is and that this project be terminated by the IDA and deeded back to J. Young Mechanical. It was a very difficult decision as many options were presented by the members and by Counsel.

The motion to terminate this project was made by Mr. Kessel, seconded by Mr. Celauro, and accepted by most of the Board **with Mr. LaVita opposed to the decision.** Ms. Giannusa will be contacting Mr. Presberg.

CFO’S REPORT

Before Mr. Ryan got into the financials, he mentioned a meeting he had with an attorney, Mr. Kaufman, regarding an accident that took place during the construction of the Caithness Power Plant. He referred Mr. Kaufman to the Town Attorney to discuss any liability that the IDA or Town might incur. Several entities are being sued: Caithness, Suffolk County, Town of Brookhaven and the Brookhaven IDA. Certain laws were cited by Mr. Weir such as the Labor Law and the Scaffolding Law where the IDA could be liable. However, IDA Counsel, Ms. Eaderesto thinks the IDA case will be dismissed. She thinks the plaintiff is suing the wrong entity.

Mr. Ryan then reported on the Operating Statements. He was questioned on certain totals; at first, it was decided that he research past bank and operating statements and report back at the next meeting. However, once he and Counsel reviewed the statements before them, any confusion was explained. The Operating Statements were, indeed, correct. He reported that IDA assets amount to \$1,809,968.71.

The motion to approve the CFO’s Report was made by Mr. LaVita, seconded by John Rose, and unanimously approved.

Mr. Ryan reported that Project Termination Letters are being sent to the IDA projects that should be terminated now and to those terminating next year and the year after. All letters will be sent by certified mail. A sample letter was included in all the packets and was approved.

CEO'S REPORT

RENAISSANCE APPLICATION

Construction has begun on property titled in both the IDA and Renaissance names. In order for tax abatements on new construction to go forward, the title to the Renaissance property will need to be conveyed to the IDA. If we approve this expansion, the property has to be conveyed to the IDA as it is attached to the original facility. Ms. Giannusa reported that there will be ten (10) new employees added with this expansion bringing the total to 182. Project completion and occupancy is scheduled for November 2011.

The motion to proceed with the Renaissance Application was made by Mr. LaVita, seconded by Mr. Rose, and unanimously approved.

PROJECT UPDATES:

L. I. Precast - Ms. Giannusa expects Letters of Commitment from a bank early this week. This company is moving forward.

Briad – Briad might be selling to a REIT (Real Estate Investment Trust). Mr. Gross said we must receive a letter so we know who we are dealing with. The IDA needs a new application. Mr. Celauro added that all hotels are on the upturn now.

Advance Pharmaceutical – They asked if they are eligible for a straight lease deal. No change in use.

Brookhaven Hospital – A letter requesting approval of an equipment sale-lease/back transaction was received; it was sent to Mr. Weir for review and Ms. Giannusa will provide her signature. The request was first made to TD Bank as holder of 100% of the outstanding bonds.

The motion to approve of Brookhaven Hospital's request was made by Mr. Celauro, seconded by Mr. LaVita, and unanimously accepted by all, **with Mr. Braun abstaining.**

RECOVERY ZONE BONDS

Pinnacle Hotel – Ms. Giannusa has impressed upon Tim Shea, representing Pinnacle, of the urgency in this matter. Mr. Shea said he would have a financing update by the next IDA meeting in October. Mr. Weir noted that the Recovery Zone Bond Program will end on December 31, 2010. Currently, there is no extension in the works, but perhaps that will change depending on the outcome of elections.

Sills Road Rail – They have received federal approvals and the Town has withdrawn their objections. It was noted that the area has been “highly disturbed”, which is due to their sand mining. Ms. Scheidt questioned whether their re-zoning could be completed by the end of the year? Mr. Weir explained that the federal government exempted their zoning under the Railway Act. Mr. Braun said we need a letter of commitment/intent. Mr. Celauro mentioned that he would have to abstain from any vote on this project since he sold the parcel. It was decided that it would come down to “first come, first served” as far as closing on the Recovery Zone Bonds.

OTHER

Global Tissue has leased an additional 200,000 square feet of space from Whitman Packaging.

Cost/Benefit/Analysis

Ms. Giannusa met with Dr. Thomas Conoscenti regarding the C/B/A. He has submitted a proposal for \$13,500, plus approved out of pocket expenses, to develop an Economic Impact and Cost Benefit models for Industrial and Commercial IDA applications to the Brookhaven IDA. Mr. Weir said that the NYS Economic Development Council (EDC) and ESDC was supposed to create a form for us to use. Mr. Braun asked Ms. Giannusa to contact Andrea Lohneiss of the ESDC and Brian McMahon of the EDC. Ms. Scheidt will approach Pearl Kamer, Chief Economist of the LIA, for a proposal as well.

Community Development Corporation of Long Island (CDC)

The CDC will be holding their 40th Anniversary Gala Luncheon on October 4, 2010 at the Crest Hollow Country Club. Ms. Scheidt and Mr. Braun will be attending. Mr. Braun invited all present and the IDA will buy the tickets for this event.

Board (Self) Assessment Forms

It was again requested that the members submit these forms. So far, only one member has complied with this request.

November IDA Meeting

This meeting is now scheduled for Tuesday, November 9th at 8:00 A.M. Doug Henton of Collaborative Economics/Accelerate Long Island will be presenting an update of this project.

December IDA Meeting

The December Dinner Meeting will be held again at Pace's Steak House in Port Jefferson. A change in table/seating arrangements will be requested. Mr. Braun said that the December meeting would most likely be moved up to Monday, December 6, 2010. At this meeting it will be necessary to approve the Recovery Zone Bonds.

October Meeting

As scheduled, our next meeting will take place on Monday, October 18, 2010. Ms. Scheidt will be participating by phone. Even though she cannot vote by phone, she can listen and be part of the discussion.

ACCELERATE L. I. UPDATE

Messrs. Braun and Morgo and Ms. Scheidt attended a recent meeting updating them on the Collaborative Economics/Accelerate Long Island (CE/ALI) project in NYC. The following are some of the attendees: Cold Spring Harbor Labs, Stony Brook University, Brookhaven National Labs, Renaissance Technologies (Jim Simons) and Hofstra University. Doug Henton presented his findings thus far, and he will inform the full IDA Board of the completion of his findings at the November 9, 2010 meeting. It was noted that the IDA recently received a bill for the second installment of the Collaborative Economics fee.

Mr. Morgo wanted to make sure that it was clear that the Accelerate L.I. project was separate from the Blight to Light project. He explained that Blight to Light is for the Town of Brookhaven only and that Accelerate L.I. is for all of Long Island. Four recommendations were made: Research Alliance, Fund for Commercialization, Innovation Hubs and Innovation Broker; Mr. Morgo said the key one was an Innovation Broker. This broker would interact with all the research facilities. The consensus at the CE/ALI meeting was that the Innovation Broker would be under the auspices of the LIA; however, there was some opposition to this from Hofstra. The new head of the LIA, Kevin Law, was also at the CE/ALI meeting.

The motion to adjourn this meeting was made by Mr. Rose at 10:24 A.M.