

## MINUTES

### PROJECT DEVELOPMENT COMMITTEE MEETING

Tuesday, June 22, 2021 – 8:00 AM

Zoom Video/Teleconference Call

Dulles State Office Building

Watertown, New York

The Development Authority of the North Country Project Development Committee met in regular session via Zoom Video/Teleconference Call, Watertown, New York on Tuesday, June 22, 2021 at 8:00 am.

#### **Committee Members - Present**

Thomas Hefferon  
Nancy Henry  
Steve Hunt  
Margaret Murray  
Gary Turck

#### **Committee Members - Absent**

Alex MacKinnon, Chairman  
James Hollenbeck

#### **Other Board Members Present**

#### **Staff Present:**

Michelle Capone, Director, Regional Development Division  
Angela Marra, Executive Assistant

#### **Guests:**

1. M. Capone called the meeting to order at 10:01 AM.
2. Roll call – Quorum established
3. Resolution No. 2021-06-94, approves a loan of \$1,000,000 to DGL Properties, LLC (to be formed) from the Affordable Rental Housing Program subject to the terms and conditions outlined in the term sheet attached to the resolution, and further authorizes the Executive Director or Chief Financial Officer to execute all documents necessary. This resolution further authorizes the assumption of the existing loans of Conifer Bateman Associates to DGL Properties, LLC (to be formed) subject to the terms and conditions outlined in the term sheet attached to the resolution, and further authorizes the Executive Director or Chief Financial Officer to execute all documents necessary. This is considered a Type II Action under the State Environmental Quality Review Act (SEQRA) and is considered an exempt activity requiring no further action.

M. Capone stated that the developer, Baldwin Real Estate Development Corporation (BREDC) approached the Authority about doing some redevelopment at these properties a few years ago, but the Bateman is too small, 24 units, and the only way this could happen would be to bundle it with a bigger project. She further explained that the Bateman, owes \$767,143, plus a \$70,000 loan that they have only been making interest only payments on for the past 30 years. The \$767,000 was originally a \$1.1 million loan.

In regards to the 0.5% interest rate, this deal is different versus other past housing projects in that others were cash flow based which meant 1% interest would be charged, however they only paid if they had available cash flow meaning we haven't received payments on several of these projects for many years, and the developer would get paid before we would. What is different with this project is that while the state is asking us to do 0.5% interest, we would receive annual interest only payments.

M. Capone went on to explain the complex equation process for determining the yield for tax credits. Tax credits used to sell for over a dollar, now they are selling for much less leaving a gap in the project. The state is trying to fill these gaps with their money and at a lower interest rate to make these deals appealing. All of this would result in us having a fixed interest rate, and the developer's payment on the deferred fees would come to them after us as opposed to before us like on other projects. From a community perspective, this is a great project with many necessary improvements.

A current concern is that Woodcreek is entirely market rate housing, and by doing this project they become entirely affordable housing. The developers have stated that the majority of the tenants will still qualify for the program. Another concern with changing from market rate to affordable rate is what will this do to the village taxes. M. Capone stated that she has followed up with A. MacKinnon and the community does support this project and see this as a good investment in both facilities.

G. Turck asked why the developer's fee was so high. M. Capone replied that the developers are allowed to take 15% and they are already deferring \$940,000. There is a requirement stating they can defer only up to a certain amount, and they are already at their maximum. The developer's fee is what entices a developer to take on a tax credit project. They will also have to pay this back within the first 15 years after the permanent loan closing by HFA requirements.

G. Turck asked about the Bateman group already struggling to make interest only payments. M. Capone confirmed they have, and the developer was also putting money into the project. The Bateman owners will be getting \$100,000 with the transaction because of the commercial space. Woodcreek will have no cash changing hands as they are buying it for the outstanding debt.

S. Hunt asked if the history of this company has been covered, as it is new. M. Capone explained Baldwin Real Estate is a longstanding company who has done many projects in the North Country under different names, DiMarco being one. John DiMarco is the primary owner of the BREDC. DiMarco used to be a big name in many of the 801 housing so they are an established developer. The new piece is that they are forming a new entity to hold the two properties. S. Hunt further commented that the Bateman is a significant downtown structure in the area. M. Capone agreed, and commented that we invested in this property in 1992 or 1993, and no improvements have been done to the property since then making this a substantial renovation. S. Hunt also commented that project bundling is seen often.

Upon a motion by G. Turck, and seconded by T. Hefferon, Resolution No. 2021-06-94, Affordable Rental Housing Program, DGL Properties LLC (to be formed), Loan, was unanimously recommended for Board approval.

4. Resolution No. 2021-06-95, authorizes a loan from the Economic Development Fund in an amount up to \$285,000 to the Jefferson County Historical Society at the terms and conditions outlined in the term sheet attached to the resolution, and further authorizes the Executive Director or Chief Financial Officer to execute all appropriate documents necessary to make the loan. This is considered a Type II Action under the State Environmental Quality Review Act (SEQRA) and is considered an exempt activity requiring no further action.

M. Capone stated we currently have a loan of up to \$125,000 with the Historical Society for predevelopment costs associated with their multiple grants to redo the roof, install an elevator, and renovate displays. They were awarded Downtown Revitalization Initiative (DRI) funding through the City of Watertown, and they have also received some CFA money as well.

M. Capone also stated that in recent news it was mentioned that their bid for the elevator came in \$180,000 short and they are going to try to obtain more DRI money for this. This will be addressed in the next resolution.

This resolution is for construction financing. In working with the Watertown Local Development Corporation, \$570,000 would be sufficient for them to be able to move forward. Once reimbursed by the state they will have an open line of credit while doing construction. This is similar to other loans with the Economic Development Fund that have bridged state grants to pay down loans. The Watertown Local Development Corporation is looking at a similar request of \$285,000 at their upcoming board meeting. We are typically the lead lender, and the Watertown Local Development Corporation has asked us to take care of these funds.

S. Hunt asked if along with the \$570,000 bridge loan for the DRI money and their other grants, is there any extra for working capital. M. Capone responded there is not.

Upon a motion by G. Turck, and seconded by T. Hefferon, Resolution No. 2021-06-95, Economic Development Fund, Jefferson County Historical Society, Bridge Financing Loan #2, was unanimously recommended for Board approval.

S. Hunt disclosed that he was part of the DRI process. The grant that was issued to them is not from ESD (Empire State Development), but he has been involved in another capacity. He does not feel it is enough involvement to recuse himself, but wanted to make sure all were aware.

5. Resolution No. 2021-06-96, ratifies the grant/loan commitment in the amount of \$180,000 (\$90,000 loan/\$90,000 grant) from the North Country Redevelopment Fund to the Jefferson County Historical Society at the terms and conditions outlined in the term sheet attached to the resolution, and further authorizes the Executive Director or Chief Financial Officer to execute all appropriate documents necessary to make the loan. This is considered a Type II Action under the State Environmental Quality Review (SEQRA) and is considered an exempt activity requiring no further action. These funds are filling the gap due to the elevator bid coming in over what was projected. M. Capone stated this is different than resolution number 2021-06-95 because financial projections have been provided. The cash flow appears very tight, but they should be able to pay \$5,203 monthly by fundraising. This would be a good

project and the best option and opportunity to move forward for the Historical Society in the City of Watertown. She further stated this could go in as construction financing.

S. Hunt would like to note that this is a \$90,000 loan, but they are able to leverage all of the grant funding and receive hundreds of thousands of dollars in improvements.

Upon a motion by G. Turck, and seconded by M. Murray, Resolution No. 2021-06-96, North Country Redevelopment Loan Fund, Jefferson County Historical Society, Ratifying Loan and Grant, was unanimously recommended for Board approval.

6. Resolution No. 2021-06-97, ratifying a loan in the amount of \$200,000 from the North Country Value Added Agriculture Revolving Loan Fund to a new subsidiary of Agbotic Incorporated (to be formed) at the terms and conditions outlined in the Term Sheet attached to the resolution, and further authorizes the Executive Director or Chief Financial Officer to execute all appropriate documents necessary to make the loan. This resolution further approves transferring \$200,000 from the Authority's Economic Development Fund to the North Country Value Added Agriculture Fund to bridge the funds from Empire State Development, subject to an executed modification agreement to ESD Grant Y854. This is considered a Type II Action under the State Environmental Quality Review (SEQRA) and is considered an exempt activity requiring no further action.

M. Capone stated that this loan is being recommended by the Regional Committee. It has been asked where they will be putting the bottling equipment for the organic beverages in Jefferson County. At this time there are several options which causes concern in the committee. No funds would be disbursed until proof is shown that there is a facility with an approved plan.

M. Capone also stated that the North Country Economic Development Fund tabled this request at their last meeting because they had questions, including the \$470,000 the company was going to contribute and what it would specifically be used for. They would also like to make sure these funds are going into the new operations and are not other operations because of COVID. The plan is to also request a limited personal guarantee from John Gaus, who is a 97% shareholder in Golden Technology Management, which in turn owns 37% of Agbotic Incorporated, and Agbotic Incorporated owns 100% of the subsidiary. M. Capone also noted in her write up that Agbotic Incorporated is looking for significant capitalization in July with financing to close in the fall. The question was asked of them why were these two projects not combined, and the answer was timing as they would like to begin the bottling operation sooner than the other funding can close. M. Capone further stated that Agbotic would be taking one of their six greenhouses in Sackets Harbor to use for the beverage line. These six greenhouses are only a portion of this complex company, and have been carrying a significant amount of losses. This is very concerning to the loan committees. Their sales projections seem high, and while the greenhouses took a hit when many restaurants closed, they did make increases on their distribution side of the business. We would be in the first lien position on the new equipment.

S. Hunt stated that the value added agriculture loan committee did ask for a full guarantee from Mr. Gaus one and he said no. M. Capone confirmed that he was asked for a full personal guarantee and he said no. The PDC recommend mirroring the NCEDF

request for the limited personal guaranty of Mr. Gaus. This will be added to the Term Sheet.

S. Hunt asked what the contingencies were in the ESD (Empire State Development) release of funds, and is that the ESD grant they are discussing. M. Capone responded that the modification was needed for the agreement, and until she executes the modification, she doesn't want them to say the grant is expired.

M. Capone also stated that if this resolution was approved, \$200,000 would be transferred from the Economic Development Fund to the Value Added Ag Fun to bridge this grant while waiting on the draw from the state.

S. Hunt asked if this should be tabled until the contingency is received and the North Country Economic Development Fund (NCEDF) approves their loan. M. Capone recommended due to the timing of the next scheduled Authority Board meeting being in August, we should approve this today with the contingencies added, and if the NCEDF decides it is not going to proceed then we do not move forward until other funding is found. S. Hunt stated that we should match what the NCEDF is requesting, and G. Turck agreed.

M. Capone reiterated the request, and concurred with the additional condition. The term sheet will be revised for the Board meeting.

Upon a motion by G. Turck, and seconded by M. Murray, Resolution No. 2021-06-97, North Country Value Added Agriculture Revolving Loan Fund, New Subsidiary of Agbotic Incorporated, was unanimously recommended to the Board for approval.

7. Resolution No. 2021-06-98, approves the loan modification for Eastern Resort Management, LLC releasing 23.3 acres of land from the mortgage, and authorizes the Executive Director or Chief Financial Officer to execute all necessary documentation.

Eastern Resort Management is now selling the land, 23.3 acres, that has been discussed previously to help make their debt current. They are also current in their payments now and are looking for us to release the sold acreage from their mortgage without requesting a monetary amount. M. Capone feels it is in our best interest to release the 23.3 acres without asking for a monetary amount. M. Murray agreed, and stated she is impressed that after COVID they were able to do this.

Upon a motion by M. Murray, and seconded by S. Hunt, Resolution No. 2021-06-98, North Country Regional Tourism Transformational Community Revolving Loan Fund, Eastern Resort Management, LLC, Loan Modification, was unanimously recommended for Board approval.

8. Resolution No. 2021-06-99, authorizes the applications still to be identified that meet the mission of the Authority to be submitted through the Consolidated Funding Application or other federal or state programs, subject to the approval of the Executive Director and notification to the Board.

M. Capone explained that many of the Consolidated Funding Application (CFA) grant authorizations open up over the summer months, and our Board does not meet again until August. Obtaining authorization to apply for new funding becomes difficult due to this timing. This resolution would allow applications for upcoming programs.

Upon a motion by G. Turck, and seconded by N. Henry, Resolution No. 2021-06-99, Grant Funding Applications, Authorizing Applications, was unanimously recommended for Board approval.

9. Resolution No. 2021-06-100, authorizes the Executive Director or Chief Financial Officer to execute contracts based upon awards made by the North Country HOME Consortium Administrative Board.

M. Capone stated that St. Lawrence and Lewis Counties are not included in this resolution because they have not applied.

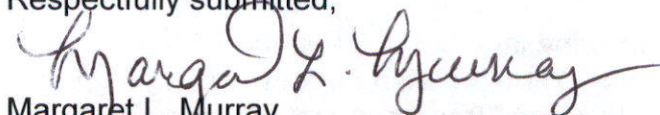
Upon a motion by T. Hefferon, and seconded by M. Murray, Resolution No. 2021-06-100, 2021 Home Program Year, Authorizing Contracts, was unanimously recommended for Board approval.

M. Capone stated, to make all aware, the HOME Consortium Jefferson County also received close to \$3 million. This money is for homeless housing assistance, and we will be working with the county on the requirements to ensure the money is distributed to the right service providers.

Lastly, M. Capone thanked the committee for approving the Zehr Maple project through the Grown and Certified Program. This will utilize the remaining money in that grant, making it a very successful program.

10. Upon a motion by G. Turck, and seconded by T. Hefferon, the meeting was adjourned at 8:47 AM.

Respectfully submitted,



Margaret L. Murray  
Board Vice Chair / Committee Member  
Project Development Committee

RECEIVED

JUL 12 2021