



MINUTES

PROJECT DEVELOPMENT COMMITTEE MEETING

Tuesday, October 18, 2022 – 9:00 AM

Zoom Videoconference

Warneck Pump Station

23557 NYS Rt 37, Watertown, New York

The Development Authority of the North Country Project Development Committee met in regular session in person and via Zoom Videoconference, at the Warneck Pump Station 23557 NYS Rt 37, Watertown, New York on Tuesday, October 18, 2022 at 9:00 am.

Committee Members - Present

Alex MacKinnon, Chairman

Mark Hall *

Nancy Henry

James Hollenbeck

Steve Hunt

Eric Virkler *

Thomas Hefferon

Committee Members - Absent

*Attended via videoconferencing

Other Board Members Present

Margaret Murray – Board Chairperson

Staff Present:

Carl Farone, Executive Director

Michelle Capone, Director of Regional Development

Angela Marra, Executive Assistant

Guests:

1. A. MacKinnon called the meeting to order at 9:00 AM.

2. Roll call – Quorum established

S. Hunt joined the meeting via Zoom at 9:01 AM.

3. Review Loan Program Lending Guidelines –

M. Capone presented the Affordable Rental Housing Program Lending Guidelines, and reviewed the suggested changes and recommendations.

N. Henry joined the meeting in person at 9:06 AM.

E. Virkler asked regarding the interest rate, if prime was lower as it was a few years ago, would we still have a floor of 3%. M. Capone responded that the target would still be

3%. She continued in stating that when we do New York State housing projects the underwriting only supports a 1% interest rate. C. Farone further stated that 3% is a target with affordable housing projects, but the project may only work with 1.5%.

C. Farone commented that within the Affordable Rental Housing Program, we have the ability to do grants through the legislation but we have never done that.

S. Hunt joined the meeting in person at 9:14 AM.

S. Hunt asked if Wall Street Prime is at 1% are we still going to be at 3%. M. Capone responded yes, 3% would be a good floor and go along with our intent of setting a viable fixed rate. S. Hunt then asked if our program becomes less valuable to a borrower if we are three points above Wall Street. M. Capone responded that we would be at half of Wall Street Prime plus one. At the point where they are below three, this is still at the discretion of the Board making it more of a benchmark than a floor. S. Hunt stated that setting it at 3% with the flexibility of the Board sounds different from floor as that indicates the bottom. M. Capone stated the only concern she would have at that point is what would be done if there were a negative interest rate. S. Hunt commented that the value of the fund is to be less than a private lender. C. Farone suggested changing it to read a targeted floor and changing it to 2%. He further stated if an affordable project only makes sense at 1%, it will then be brought to the Board for consideration.

S. Hunt asked what the current Wall Street Prime is. M. Capone responded it is at 6.25%. S. Hunt replied that 3% works in this instance.

M. Capone stated it is of her personal opinion that a floor helps because she has seen adjustable rate mortgages with an interest rate of 1.75% for five years. We attempt to do fixed lending rather than adjustable rate mortgages. A. MacKinnon stated that none of this is cast in stone and can be changed by a simple Board resolution and a vote of the Board. He further commented that there is "why borrow here" but there is also the notion of are we competing with the private lenders and by how much. Another question would be how many projects that we are involved in wouldn't happen if we did not have the programs in place.

S. Hunt stated the benefit of the fund is to outweigh the cost of the bureaucracy. When people are coming to the government, they are requesting grants. When you bring up loans, there is concern that a loan will not be able to get them to where they need to be. However sometimes it is still the right option and there is value to the project.

A. MacKinnon stated that if these projects are built and it is too easy to do, there is no incentive to keep things up and they ultimately fall apart. S. Hunt stated that we still want sustainable projects.

M. Capone reiterated that the guidelines read that a different rate may be considered at the discretion of the Board. She further suggested that she could change the guidelines, not when the project includes New York State but when the underwriting requires it. Ultimately this target or starting point helps with discussions so random numbers are not being thrown around. If they then indicate not being able to afford the offer, we can review their proforma and we can look further to see how we can work with them.

E. Virkler asked if in addition to underwriting, could market conditions also be added. M. Capone stated that can be added, and then asked if the committee wanted to keep the floor percentage in the guidelines. A. MacKinnon said yes, as long as it is flexible. He further stated that the bottom line is the Authority has to remain solvent. M. Capone responded that this is our primary affordable housing program and we are carrying about

\$12 million in this fund. A one page sheet will be created for those looking to apply for this program.

- a. Resolution No. 2022-10-XX, adopts the updated lending guidelines for the Affordable Rental Housing Program outlined in and attached to the resolution, and further authorizes the set-aside amount of \$500,000 in the Affordable Rental Housing Program for eligible grants as defined in the revised lending guidelines

Upon a motion by J. Hollenbeck, and seconded by T. Hefferon, Resolution No. 2022-10-XX, approving Affordable Rental Housing Program, Lending Guidelines, Set-Aside, was unanimously recommended for Board approval.

M. Capone reviewed with the committee the updates done to the one application that will be used for all three housing programs, although it did not require a formal adoption.

M. Capone reviewed the Housing Loan Revolving Fund (HLRF) Lending Guidelines.

- b. Resolution No. 2022-10-XX, adopts the updated lending guidelines for the Housing Loan Revolving Fund as outlined in and attached to the resolution.

Upon a motion by T. Hefferon, and seconded by J. Hollenbeck, Resolution No. 2022-10-XX, approving Housing Loan Revolving Fund, Lending Guidelines, was unanimously recommended for Board approval.

M. Capone reviewed the Community Rental Housing Program Lending Guidelines.

- c. Resolution No. 2022-10-XX, adopts the updated lending guidelines for the Community Rental Housing Program as outlined in and attached to the resolution, and further ratifies \$322,440 remain set-aside in the Community Rental Housing Program for eligible grants per the revised lending guidelines.

Upon a motion by T. Hefferon, and seconded by J. Hollenbeck, Resolution No. 2022-10-XX, approving Community Rental Housing Program, Lending Guidelines, Reaffirm Set-Aside, was unanimously recommended for Board approval.

M. Capone reviewed the Community Development Loan Fund Lending Guidelines. She confirmed that she would change them to read 3% and include the new language. She also stated there would be no changes to the Value Added Ag Fund or the Economic Development Fund.

- d. Resolution No. 2022-10-XX, adopts the updated lending guidelines for the Community Development Loan Fund as outlined in and to the resolution, and further rescinds Resolutions No. 2014-02-11.

Upon a motion by T. Hefferon, and seconded by J. Hollenbeck, Resolution No. 2022-10-XX, approving Community Development Loan Fund, Lending Guidelines, was unanimously recommended to the Board for approval.

M. Capone continued by reviewing the new Community Development Loan Fund Application for Financial Assistance. We have never had a community development application as we have used other programs' applications, but have now a standard application that will be used.

M. Capone presented the loan report update and reviewed a few of the monthly reconciliations.

Beginning with the ARHP accounts, M. Capone reviewed the detailed PIDC (Philadelphia Industrial Development Corp) ledger:

- a. North Country Rural Preservation has been on our books since 2011 and was thought to be fully amortized. Every year they have made a \$40,000 payment. When we went back to review the promissory note it was found to be a cash flow loan. This year they did not have sufficient funds, primarily based on cash flow issues due to COVID, and asked if they could defer the interest. M. Capone stated that she reviewed their financials and found they were eligible to have their interest deferred. The next payment received from them will satisfy the interest first and then the principal and will show current within our reports.
- b. Cambray Housing Corporation loan has been paid in full, and they have closed on their permanent financing with the state. The pre-development loan was paid off this month.
- c. DGGL Properties is a project in Gouverneur that we have a construction loan with and who is past due. They owe \$30. Staff is not concerned.

Within ARHP there is \$11 million in cash and another \$6 million in receivables for a total of almost \$17 million with \$9.5 million available for lending.

C. Farone stated that finance reconciles every loan fund to the penny every month, as opposed to several years ago when these were done once a year.

Continuing with the Housing Revolving Loan Fund, there is \$3.7 million in receivables and \$2.7 million available in cash with the biggest loans being for Creek Wood II and Creek Wood in a cash flow based loan. They were able to make sufficient payments this past year, but when they are not that interest is then capitalized to the loan.

A. MacKinnon asked if all of this is part of the PIDC, and if it was an in-house system where we input the information. M. Capone responded yes, that this is a subscription we have held since 2004 with seven users within the organization and one master who can make changes and control who has access and what level of access they have. We would not be able to do the level of loans we are doing without this system.

In reviewing CRHP these were mostly our big projects such as Carthage Apartments, Creekwood, S&J Properties, and Heuvelton Historical Association. CRHP has a loan balance of \$11.7 million in receivables and \$5 million in cash. C. Farone stated there is quite a bit of money for housing. If the study shows a need, maybe some of these funds can be put to use.

Within the Community Development Loan Fund, this is the money from New York State. We would like to find more funding sources that we can apply to help capitalize this. The Tourism Fund received \$2 million dollars in one grant from New York State and \$3 million from New York State in a second grant, and both of these grants have to be tracked separately. The total cash that we do not have commitments for at this time are \$1.1 million dollars. North Country Value Added Ag has \$280,000 available. The Redevelopment Fund is half grant and half loan. Right now there is \$1.2 million cash available and all the loans are current. There are a few outstanding commitments that we

have closed on such as River Creek LLC and 259 JB Wise Partners. Attempts to contact MCM Development on numerous occasions through our attorney with a proposal have been unsuccessful. We have also spoken with the Franklin County IDA and the Village of Malone. We have had no response so it is being recommended to be in our best interest to file the judgement. Their response has been that we are public lenders and should not be paid back but go to public enterprise.

E. Virkler commented that this has been very informative. He further stated that we may have plenty of housing funds but he is unsure of how we could market those and suggested that we might do some general marketing. He also asked if we had been in contact with homeless facilities and if the funds could be used in that regard. M. Capone stated that we have been in communication and following our last Board meeting where we approved a sub-recipient agreement with Jefferson County. There are funds for all three counties. While we cannot do transitional housing, we can do supportive housing, and are aware of potential projects in our three counties. There is also a great deal of state money out there for these programs where they capitalize there first before looking at our loan programs. This may be because they need subsidies on the operating side and we cannot subsidize that portion. We maybe could tie our programs at an announcement following our housing study. C. Farone stated that part of the housing study announcement could be an RFP to develop additional housing units.

M. Capone continued in stating that the housing analysis looked at the Greater Watertown-Fort Drum housing market and determined there is a need for affordable housing, not based on new people in the area but by the market need as most of the housing is unaffordable. A big difficulty with truly affordable housing is needing to make the development costs work. While we want to use our funds to make these projects work we have to be cognizant that even at 1% interest rate, fixed payments will be hard to get. It may be better to look at cash flow based projects.

A. MacKinnon stated that if you build a beautiful building but do not have the money to take care of things that break it wouldn't be a nice building for very long. He has seen this problem with affordable housing because the maintenance is not done year to year because they do not have the money for it because the only way to get the money is through a subsidy or higher rent.

M. Capone commented that we have to make sure to set realistic expectations.

E. Virkler left the meeting at 10:03 AM.

4. Upon a motion by T. Hefferon, and seconded by S. Hunt, the meeting was adjourned at 10:04 AM.

Respectfully submitted,



Alex MacKinnon

Project Development Committee Chair