

MEETING NOTICE

Thursday, September 22, 2022

Northern New York Community Foundation

(Northern New York Philanthropy Center)

131 Washington Street

Watertown, New York

Conference Room One
& Zoom Videoconference

Board of Directors – 10:30 AM

Pursuant to Open Meetings Law, members of the public have the right to attend the Meeting telephonically via Zoom by dialing into the following access line, or view the proceedings using the following link:

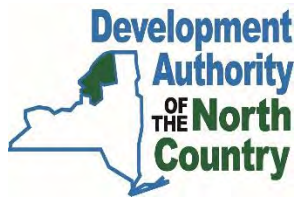
Dial In Number: 1-646-876-9923 Meeting ID: 842 8513 7463 Passcode: 557998

<https://us02web.zoom.us/j/84285137463?pwd=eXp1YmkxdDUvbGw1Qmt6Z213Um1Jdz09>

Board member McGrath will be participating via Zoom at:
800 Third Avenue, 13th Floor, New York, NY 10022

Board Member Hollenbeck will be participating via Zoom at:
30 Circle Road, Fort Jackson, NY 12965

**The Public May View and Listen to the Meeting
Live Stream at www.danc.org.**

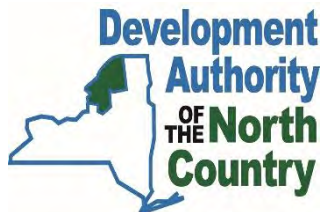


AGENDA

BOARD OF DIRECTORS MEETING

**Thursday, September 22, 2022 – 10:30 AM
Northern New York Community Foundation
Conference Room One and Zoom Videoconference
131 Washington Street, Watertown, New York**

1. Call to Order
2. Call the Roll
3. Privilege of the Floor
4. Approve the Minutes of August 25, 2022 Board Meeting
5. Chairperson's Report
 - a. Next Meeting – October 27, 2022
6. Executive Director's Report
7. Telecommunications -
 - a. Resolution No. 2022-09-71, Authorizing Application to be Submitted, National Telecommunications and Information Administration, Middle Mile Grant Program
8. Regional Development –
 - a. Resolution No. 2022-09-72, Affordable Rental Housing Program, Cambray Housing Corporation, Loan Modification
 - b. Resolution No. 2022-09-73, Affordable Rental Housing Program, Hermon Housing Development Fund Company
 - c. Resolution No. 2022-09-74, Regional Tourism Transformational Community Revolving Loan Fund, Sally Port View LLC, Loan Ratification
9. Additional Resolution –
 - a. Resolution No. 2022-09-75, Water Quality Division, FU2022-2023 Capital Budget Amendment, Warneck Pump Station Building Modification Project
10. Next Meeting – October 27, 2022
11. FY 2024 Strategic Planning –
 - a. Telecommunications Update PowerPoint
 - b. Strategic Planning FY24 PowerPoint
12. Adjourn



MINUTES
BOARD OF DIRECTORS MEETING
Thursday, August 25, 2022 – 10:30 AM
Warneck Pump Station
23577 NYS Rt 37, Watertown, New York

The Development Authority of the North Country Board of Directors met in regular session in person and via Zoom Videoconference at the Warneck Pump Station, 23577 NYS Rt 37, Watertown, New York on Thursday, August 25, 2022 at 10:30 am.

Members Present

Voting

Margaret Murray, Chairperson
Thomas Hefferon*
Alex MacKinnon*
Dennis Mastascusa
Mary Doheny
Mark Hall
Eric Virkler

Non-Voting

Nancy Henry
James Hollenbeck*
Stephen Hunt*
Brian McGrath*

*Attended via videoconferencing.

Members Absent

Staff Present:

Carl Farone, Executive Director
Jennifer Staples, Chief Financial Officer
Carrie Tuttle, Chief Operating Officer
Stephen Bohmer, Director of Information Technology
Dawn Caccavo, Comptroller
Michelle Capone, Director of Regional Development
Kevin Feuka, Director of Engineering
Kate Mangan, Director of Materials Management
Laurie Marr, Director of Communications and Public Affairs
Brian Nutting, Director of Water Quality
Regina Rybka-Lagattuta, Director of Human Resources
David Wolf, Director of Telecommunications
Angela Marra, Executive Assistant
Sonja Brown, Administrative Assistant

Guests:

Jennifer Granzow, Counsel, Wladis Law Firm
Andy Gardner, Watertown Daily Times
Brad Catling and Julie Catling
Adam Atkinson, North Country Now

1. Chairperson Murray called the meeting to order at 10:30 AM.
2. Chairperson Murray requested a roll call.
 - A quorum of voting and non-voting members was established.

3. Public Hearing –
With a quorum of the Board established, Chairperson Murray called a Public Hearing to order at 10:32 AM for purpose of gathering testimony from members of the public regarding a proposed Videoconference Participation Policy that will allow Authority board members to participate in public meetings of the board through the use of videoconferencing applications. This public hearing was advertised in the Watertown Daily Times for five days beginning on August 19, 2022.

The proposed policy, posted on the Authority's website since August 18, 2022, establishes the procedures whereby board members may participate in meetings by videoconferencing from private locations, in satisfaction of Public Officers Law 103-a-2-b.

The Board will now hear testimony from members of the public regarding this proposed policy. Members of the public wishing to speak will be allowed up to five minutes each and are asked to speak clearly and directly into the microphone, stating their full name first. Chairwoman Murray stated that she will call upon members of public at this location who wish to speak first, then will call upon members of the public participating via Zoom who have indicated they wish to speak by using the "raise hand" feature in the application.

No comments were received.

The public hearing was closed at 10:38 AM.

4. Privilege of the Floor was offered.

Brad and Julie Catling from Potsdam addressed the Board regarding the Potsdam Rate Study. C. Farone stated that the Authority completed a rate study in 2016 for the Village of Potsdam, and that it was Potsdam's decision in regards to the rate structure they would implement. C. Farone stated that the Village of Potsdam had requested that the Authority provide a proposal to update the 2016 rate study. Per such request, the Authority provided a proposal to update the rate study to the Village of Potsdam but has not been retained to conduct the study.

Julie Catling asked if they should contact the Potsdam Village Board. C. Farone replied yes, the Village of Potsdam should be contacted to discuss the rate structure.

Julie Catling asked if there was a set rate. C. Tuttle responded that the Authority is not certain of Potsdam's current billing practices.

Julie Catling stated she would pursue this further with the Village of Potsdam. Julie and Brad Catling left the meeting at 10:42 AM.

5. Upon a motion by D. Mastascusa, and seconded by M. Doheny, the minutes from the June 23, 2022 Board Meeting, were approved.

6. Chairperson's Report

- a. The Strategic Planning session will be held Thursday, September 22, 2022. At this time, the location has yet to be determined.

7. Executive Director's Report

a. Staff Recruitment –

C. Farone introduce K. Mangan as the new Director of Materials Management to the Board. K. Mangan further provided details about her education and experience as it pertains to materials management. C. Farone further discussed the other recent new hires, such as Travis Sprague and Aaron Falkowsky in telecommunications, Taylor Friant in Engineering, Paul Rondeau in finance, and Sonja Brown in administration.

C. Farone stated there are still five open positions, which we hope to have filled this month. The Authority is utilizing the recent wage analysis to compare and remain competitive in the local job market.

b. Total Compensation Statements –

C. Farone explain that a Total Compensation Statement was completed for Authority staff for the first time. Human Resources reviewed statements individually with each employee. It was important for the staff to understand the value of the benefits they are receiving and they seemed to appreciate the transparency. We will continue this report going forward.

c. Health Insurance Request for Proposal (RFP) –

An RFP was issued for Authority Health Insurance coverage. Three responses were received, with one being received late. MWBE providers were solicited, but none responded. Following careful review, One Digital (previously Benefit Services Group) received the award. They offer numerous options including our current Excellus Blue Cross Blue Shield.

d. Insurance Inspection –

Liberty Mutual insurance toured the Authority sites with B. Nutting, B. Wohnsiedler, J. Staples and L. Petrie to inspect the facilities and review safety protocols. There are no recommended improvements at this time. This process will help with the insurance renewal process.

e. Army Water Line – EPA Administrative Order –

Dialog is continuing with the City of Watertown. C. Farone reported speaking with the city manager last week, who reported that the two pilot projects are continuing to move forward. The City may be behind in that the equipment would be installed in September. The City of Watertown will hold a Disinfection By-Product stakeholder meeting at the Warneck Pump Station in September with the engineer in charge of the pilots present to discuss the project. The Authority will participate in that meeting. The study will need to be done by January in order to be in the position to apply for grant funding by the summer of 2023.

M. Doheny asked if with the delay, is the project still on track. C. Farone responded yes.

- f. Office of Local Defense Community Cooperation (OLDCC) Award –
C. Farone reported that M. Capone received \$179,000 in grant funding to assist with the Army Water Line project. Staff will continue to apply for grant/ loans to fund the \$9.1 million dollar project. There is no funding guarantee, but we need to begin this project in 2023.
- g. County Broadband Committees –
The Authority is continuing to move forward with Jefferson, Lewis, and St. Lawrence Counties. M. Capone and D. Wolf have been doing a great deal of work in planning and assisting the counties in determining the number of underserved/unserved. This number has already decreased from 7,000 to 4,000 unserved homes in St. Lawrence County. They will be working with the service provider in determining opportunities to build, and at what cost. This will help position the county, Authority, and community to be able to apply for the available grants next year.
- h. Fort Drum Compatibility Symposium -
This event was very successful last year in bringing together the garrison with the community planners and leaders to have a conversation about land use. We will be holding another Symposium this October.

8. Finance Report – Chief Financial Officer

J. Staples presented the financial report ending June 30, 2022.

Beginning with the Statement of Net Position, overall assets and liabilities have decreased \$1.5 million from FYE 2022. There have been no major changes. Accounts receivable has increase \$888,000 due to timing and increased invoicing at MMF of \$335,000 and Telecommunications by \$224,000. We are waiting on federal funding from USAC.

Under the Change in Net Position, operating revenue is over budget by \$63,000. The Army Water Line is over budget due to increased water usage between the Town of Pamela and Fort Drum. There was also a water main break in Pamela. Telecom is over budget by \$164,000 due to the receipt of the NBRC Grant for the Tupper Lake Broadband Project.

B. McGrath asked why loan interest income is down given that rates have gone up. J. Staples replied that this is due to lack of interest coming in for loans. M. Capone stated that this is due to timing as most of the larger housing loans will be accrued on December 31st.

Reviewing Operation Expenses, depreciation is over budget by \$325,000 mainly due to the Southern Expansion. Depreciation of the new cells was budgeted over 50 years; however, we are only allowed to depreciate over the useful life of the cell or 5 years resulting in an accelerated depreciation schedule.

Closure /Post Closure costs along with Community Benefits are over budget due to the large waste volumes being brought in to MMF. Year to date, waste volumes are over projection by 11,609 tons mainly in contaminated soil and non-beneficial use sludge.

The Recycling Transfer Station is over budget due to the budget being spread over 12 months instead of 9 months.

Non-Operating Revenue Interest Income is a negative \$281,000 while the market adjustment is a -\$473,000. The market adjustment would only be a realized loss if we were to cash in our held investments early. Actual Investment Interest Income is doing better than budgeted, and we hope the investment rates continue to rise. Overall, interest income was budgeted at \$157,000 YTD, and we are actually at \$192,000 YTD.

We incurred a net Position Loss of \$1.2 million for a difference in our budget versus actual of -\$307,000. This difference is associated with the market adjustment.

B. McGrath asked if there were no inflation increases because they are being offset by long-term contracts or positions that have not been filled. He further asked that with a CPI over 8 he would expect to see more on the expense side. J. Staples responded that regarding the staffing issues we are seeing fluctuation where the positions remain open and not filled. We are seeing an increase in other operating expenses, specifically at MMF and Water Quality, and especially regarding fuel. Internal budget modifications have been done so this may not be seen within budget versus actual because we are not over the full year budget in any one account, but instead moving funds between accounts. More budget resolutions may be seen toward the end of the year as increased cost become harder to fund within the existing budget.

Upon a motion by E. Virkler, and seconded by M. Doheny, Financials ending April 30, 2022, was unanimously approved.

9. Governance

a. Resolution No. 2022-08-63, Authorization of Videoconference Participation Policy, Authority Board Members

C. Farone reviewed the policy in detail.

S. Hunt asked if this was being required by law or by policy. C. Farone replied this is specifically required by the law.

B. McGrath asked about members choosing to participate from a private location and choosing to disclose this location to the public, which then becomes a public location and this policy does not apply. C. Farone replied yes, if the location of a Board Member is disclosed, the Board Member's location is considered open to the public.

M. Murray clarified by asking if a Board member indicates during quorum calls that they can participate in person but then is not able to attend, they can still participate but are not counted as a member of the quorum. C. Farone and M. Doheny both

commented that you could participate in the meeting but would not count as a member of the quorum.

S. Hunt asked if the term open to the public meant a physical location actually open to the public. M. Murray commented that A. MacKinnon participating in his vehicle today would be able to participate but not as a member of the quorum.

C. Farone stated that for today's meeting we are still under the governor's executive order due to COVID so this is not currently applicable.

J. Granzow clarified that when participating via teleconference you should be identifiable. S. Hunt asked about instances even at physical Board meetings where a member may have to excuse themselves. He continued in asking about the term "at all times" specified in the policy and if this means there is no allowance for turning the camera off and excusing yourself as long as there is not a vote at that moment. J. Granzow stated this would operate like an in person Board meeting, and further stated the full intention is that remote participation should be equivalent to in person.

B. McGrath asked if his location were listed publicly are there any applicable limitations, such as security approval. C. Farone replied yes. B. McGrath continued in asking if there is a reasonable maximum number of attendees. J. Granzow responded that nothing in the statute addresses that specifically, she stated that as with any other meeting space there is room capacity.

T. Hefferon asked if Board members needed to be in the continental United States. B. McGrath asked if members of the public would be able to join the meetings via Zoom from their own location. C. Farone stated yes, that is the intent and we will continue to post the Zoom address in meeting notice.

M. Hall asked if the public would be able to participate via Zoom even if all Board members were attending in person. C. Farone replied yes, this would help us to be more transparent to the public allowing for more participation. B. McGrath commented that the Zoom link should continue to be standard practice in the event someone is not able to attend in person they could still participate and vote.

S. Hunt asked about the public access to a private location, are there requirements for that private location such as speakers versus headphones and private monitors. J. Granzow stated that the members of the public need to be able to participate in the same way they could in a public location regarding hearing, seeing, and speaking.

M. Doheny asked if there is an end date for the Executive Order. C. Farone stated the Executive Order is set to expire on September 14th, but it has been renewed by the governor on a monthly basis.

L. Marr commented that the policy we are voting on today is due to a change being made in the 2022 adopted state budget, which modified the public officer's law to authorize public bodies to conduct meetings using video conferencing, and that this change will be permanent through July 2024.

B. McGrath stated this policy looks well drafted and thought out. S. Hunt agreed and further stated that it is expanding the opportunity for public participation.

Upon a motion by D. Mastascusa, and seconded by M. Hall, Resolution No. 2022-08-63, Adopting the Videoconference Participation Policy and ensuring that such policy is posted on the Authority website, was unanimously approved.

9. Engineering –

- a. Resolution No. 2022-08-64, approves the technical services agreement by and between the Authority and the Lake Champlain – Lake George Regional Planning Board, and authorizes the Executive Director to execute said agreement.

Upon a motion by M. Hall, and seconded by D. Mastascusa, Resolution No. 2022-08-64, Technical Services Agreement, Lake Champlain Lake George Regional Planning Board, GIS Hosting Services, was unanimously approved.

- b. Resolution No. 2022-08-65, approves the technical services agreement by and between the Authority and the Village of Malone, and authorizes the Executive Director to execute said agreement.

Upon a motion by M. Hall, and seconded by D. Mastascusa, Resolution No. 2022-08-65, Technical Assistance Services Agreement, Village of Malone, Water System Improvements Project, was unanimously approved.

10. Technical Services Summary Report –

C. Tuttle reviewed the Technical Services Summary Report and noted that these contracts are within our service area and generate revenue under \$100,000 annually.

a. Non-Lewis County Contracts -

- I. St. Lawrence County, Technical Service Agreement, Centralized Biosolids Composting Facility Feasibility Study, Total Agreement Amount \$30,000, 7/7/22 – 12/31/22, St. Lawrence County
- II. Village of Potsdam, Technical Services Agreement, Water/Sewer Rate Analysis Review, Total Agreement Amount of \$17,700, 7/19/22 – 1/9/23, St. Lawrence County
- III. Town of LeRay, Technical Services Agreement, Operation & Maintenance Service Agreement, Total Agreement Amount of \$664,436.00, 10/01/22 – 9/30/2028, Jefferson County
- IV. Town of Louisville, Technical Services Agreement, Amendment 1 to Technical Services Agreement for Water System, Total Agreement Amount of \$18,000, 8/23/22 – 8/22/27, St. Lawrence County

Upon a motion by E. Virkler, and seconded by M. Doheny, the contracts included on the Technical Services Summary Table for the month of August were unanimously approved.

M. Hall asked if the bio solids were in any way beneficial to farms. C. Tuttle responded yes, that the study is looking at creating class A bio solids which could be a fertilizer material that could be used for farms and replace existing fertilizer. The study will also review the quantity of bio solids produced, if there would be a charge to sell that material to farms, and how that would be handled. There has been concern recently about the difficulty to obtain fertilizer and this could potentially be a local option. Another benefit would be keeping this material out of the landfill and extending its useful life.

11. Telecommunications –

- a. Resolution No. 2022-08-66, authorizes the increase of the Budget for Off Network Circuit Leases (GL5720) from \$674,564 to \$842,564, and authorizes the Executive Director to extend the term of the Fiber IRU with Windstream for a period of twelve months at a monthly cost of \$24,000.

Upon a motion by D. Mastascusa, and seconded by M. Hall, Resolution No. 2022-08-66, FY 2022-2023 Operating Budget Amendment, Telecommunications Division, Offnet Circuit Lease, was unanimously approved.

12. Regional Development -

- a. Loan Report –

M. Capone reported that North Country Rural Preservation is five months past due. Typically, this loan runs late because they need to wait for USDA approval in order to release the funds for payment. They do not have sufficient cash flow to make the payment due to rent that has not been paid due to COVID related issues. M. Capone stated that she spoke with the CFO at Conifer and they want to still make the principal and interest payment. This is not a cash flow based loan, but a regular amortized loan. M. Capone offered them an interest only payment and they feel confident that they will have sufficient cash flow by the end of October to make that payment. M. Capone will follow-up with them in the middle of October and the offer to consider interest only will still be made available. M. Capone would bring this to the Project Development Committee and the Board.

M. Doheny asked what is driving the cash flow issues. M. Capone replied that it is roughly due to \$24,000 in rent they did not receive due to issues with foreclosures and evictions. M. Capone stated that she did ask if they had applied for funding, to which they replied yes. M. Capone further explained that the projects do not have great cash flow to begin with, the USDA allows for these payments, and they are in a priority position in terms of all payables. M. Capone is confident they will make this payment in October.

Meadowbrook Terrace is 55 days past, and typically has run between 30 and 60 days past due in the past. M. Capone stated she is not overly concerned and has

been in contact with them, although we have not yet received the payment they were to send to us. This loan will come due December 1, 2022, with a balance of \$17,000. There are three other lenders involved for a total outstanding debt of \$68,000. M. Capone feels this loan will be paid off.

Drelick Maple Syrup was provided with an interest only payment last year. He is past due again this year and M. Capone does not want to continue offering them interest only payments. He had provided a \$2,500 payment leaving the balance of his payment at \$2,998, and we are confident that he will send that payment in.

M. Capone stated that otherwise everything in the portfolio is being paid as agreed.

M. Capone responded to a request from B. McGrath at the last Board meeting to review the portfolio to see if there were any impacts with the interest rates and the economy in general, and how it is affecting our portfolio. Nothing seems to be standing out at this time. Those items that were reported in today's loan report are consistently slow payers and we are in touch with all of our borrowers. There is nothing standing out requiring a response at this point in time. M. Capone continued by stating that the last recession in 2008-09 affected us differently than in other parts of the country so we may have to wait and see how this looks. Interest rates are fixed and favorable to many borrowers. We have also seen many payoffs indicating those who were concerned about rising bank rates have consolidated their debt and refinanced prior to the markets increasing. M. Capone stated that she will continue to monitor this and will report at the October meeting regarding a review of the project descriptions for all of the loan funds. This may entail the Project Development committee meeting to review all of them in order to make any recommendations at the Board meeting in October. B. McGrath thanked M. Capone for the review and further stated that it is encouraging to hear the portfolio is in good shape. He further asked that if there are any loans that appear to need modification, he would think that is something the Authority would be open to and that is where we could incorporate some interest rate adjustments and loan modifications.

- b. Resolution No. 2022-08-67, authorizing the Executive Director or Chief Financial Officer to fund Co. 55 Community Rental Housing Program account 5970 consulting at \$15,000 to update the Watertown / Fort Drum Multi-Family Housing Market Study and Senior Housing Market Study.

C. Farone added that with the potential of an additional 3000 troops at Fort Drum, this study would be an attempt to be proactive and know what the housing looks like before this information is needed.

M. Doheny asked what information this report would deliver. M. Capone responded this would review all units in a 30-mile radius and report on capture rate, occupancy rates, demographics, and how many more units might be needed or if there is a surplus.

M. Doheny asked if this would be any qualitative side to it, such as the quality of units. M. Capone replied yes but not in detail. The age of the units will be discussed and in the past, it has been found that roughly 2/3 of the housing stock was built prior to 1949. Because of this, we attempt to do a combination of new construction and rehabilitation projects. Some projects that we assisted with in

1992 are now 30 years old as well and are beginning to need significant improvements as well.

E. Virkler asked what the timing is for completion of this study. M. Capone responded that the firm, NewMark, have done a great deal of the housing studies in the North Country and could complete this by the middle of October.

Upon a motion by E. Virkler, and seconded by M. Doheny, Resolution No. 2022-08-67, FY 2022-2023 Operating Budget Amendment, Watertown/Fort Drum Multi-Family Housing Market, Market Study, was unanimously approved.

- c. Resolution No. 2022-08-68, authorizing the Executive Director or Chief Financial Officer to execute the amended North County HOME Consortium Subrecipient Agreement to provide administrative services for the HOME American Rescue Plan Program in an amount not to exceed \$175,000.

Upon a motion by D. Mastascusa, and seconded by M. Hall, Resolution No. 2022-08-68, Amended Subrecipient Agreement, HOME American Rescue Plan Funding, was unanimously approved.

- d. Resolution No. 2022-08-69, subordinating the \$750,000 loan to the Potsdam Sandstone Senior Citizens Club Inc., from the Affordable Rental Housing Program to a Community Bank loan of up to \$618,500 subject to the property market value pf at least \$1,423,523 being confirmed by the updated appraisal, and authorizes the Executive Director or Chief Financial Officer to execute all required documentation.

B. McGrath asked if the Authority would be giving up anything with this change. M. Capone responded that we would still be behind Community Bank, but would move to a third position rather than second because there is still a mortgage ahead of us which does not come off the books until the first loan is paid off. C. Farone stated that from a dollar perspective we are still in the same position.

Upon a motion by M. Hall, and seconded by E. Virkler, Resolution No. 2022-08-69, Affordable Rental Housing Program, Potsdam Sandstone Senior Citizens Club Inc., Subordination, was unanimously approved.

13. Executive Session – to discuss the proposed sale of real property

Upon a motion by M. Hall, and seconded by D. Mastascusa, the committee moved into Executive Session at 11:57 AM.

Upon a motion by D. Mastascusa, and seconded by M. Hall, the committee moved out of Executive Session at 12:31 PM.

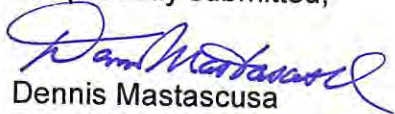
No action was taken during Executive Session.

- a. Resolution No. 2022-08-70, authorizing the Executive Director to enter into an agreement to sell the Harrisville Site to Geiter Done of WNY Inc. for \$400,000, and to execute any documents or take any actions reasonably necessary to effectuate the sale of the property.

Upon a motion by D. Mastascusa, and seconded by M. Doheny, Resolution No. 2022-08-70, Authorizing Sale of Real Property, 8023 Washington Street Harrisville New York, was unanimously approved.

14. Next Board Meeting Date – September 22, 2022, Strategic Planning Session, location is to be determined.
15. Upon a motion by D. Mastascusa, and seconded by E. Virkler, the meeting was adjourned at 12:37 PM.

Respectfully submitted,



Dennis Mastascusa
Board Secretary



**Board Resolution No. 2022-09-71
September 22, 2022**

**AUTHORIZING APPLICATION TO BE SUBMITTED
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION
MIDDLE MILE GRANT PROGRAM**

Whereas, the Development Authority of the North Country has submitted applications and been awarded funding for several Telecommunication projects since the inception of the Open Access Telecom Network in 2004, and

Whereas, a Notice of Funding Opportunity was issued by the National Telecommunications and Information Administration (NTIA) in May of 2022 to provide nearly \$1 billion in federal funding for middle mile telecommunication networks with applications being due September 30, 2022, and

Whereas, the Middle Mile Broadband Infrastructure Grant (MMG) Program, provides funding for the construction, improvement, or acquisition of middle mile infrastructure. The purpose of the grant program is to expand and extend middle mile infrastructure to reduce the costs of connecting areas that are unserved or underserved to the internet backbone, and

Whereas, the Authority was approached by National Grid to develop a project that would construct approximately 335 miles of new middle mile fiber in twelve North Country counties, and

Whereas, the proposed project would require the Authority to design, construct, own and operate approximately 275 miles of new fiber and associated electronics, and a private Internet Service Provider (ISP) would design, construct, own and operate 60 miles of fiber in Fulton, Herkimer, and Montgomery counties, and

Whereas, the proposed \$24,450,000 project would result in the construction of additional middle mile infrastructure that will result in modernization of the electric grid, improved public emergency services, and would enable broadband access to approximately 2,444 unserved homes and 287 Community Anchor Institutions in twelve North Country counties, including healthcare and educational institutions, public emergency and municipal locations, and

Whereas, the NTIA Middle Mile Grant will pay 50% of the capital expenditures and the remaining 50% of the capital costs will be paid for by National Grid, and

Whereas, the Authority's ownership and operation of the Open Access Telecommunication Network uniquely positions the Authority to be the lead on the Middle Mile Grant application and to work with private ISPs to deliver customer services, and

Whereas, the project would involve the development of Memorandums of Understandings (MOUs) between the Authority and National Grid, as well as other private Internet Service Providers, and

Whereas, the proposed project meets the mission of the Authority and the priorities outlined in our Strategic Plan.

Now, upon the recommendation of the Telecommunications Committee, therefore be it

RESOLVED, the Development Authority of the North Country does hereby authorize the Executive Director or designee to submit an application in the amount of \$24,450,000 to the National Telecommunications and Information Administration Middle Mile Grant Program, and be it further,

RESOLVED, if awarded, the Executive Director is hereby authorized to execute all documents necessary to accept and implement the Middle Mile Grant Program project, to include establishing a NTIA Middle Mile Capital Project in the amount of \$24,450,000, and be it further,

RESOLVED, the Development Authority of the North Country does hereby authorize the Executive Director to enter into a Memorandum of Understanding with National Grid detailing the roles and responsibilities of each party should the grant be awarded, and be it further,

RESOLVED, the Development Authority of the North Country does hereby authorize the Executive Director to enter into a Memorandum of Understanding with private Internet Service Providers detailing the roles and responsibilities of each party should the grant be awarded.

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION (NTIA) MIDDLE MILE GRANT PROJECT (9/2022)

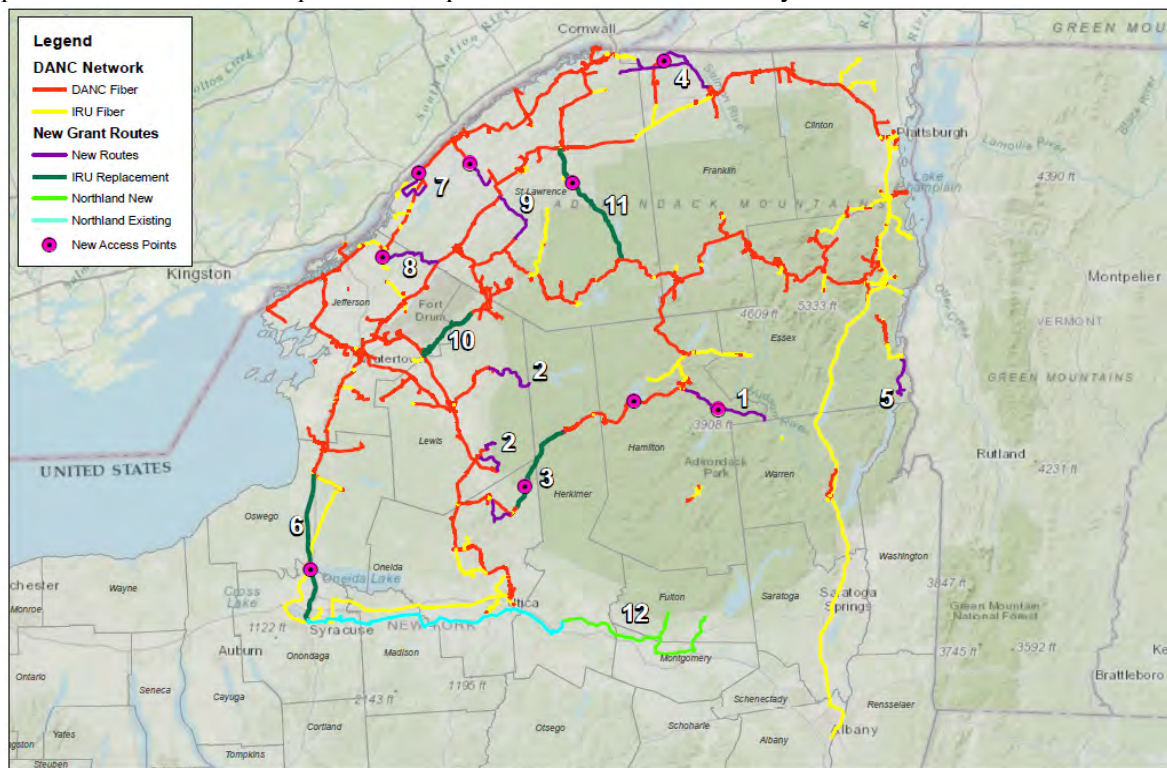


PROJECT SUMMARY

The Development Authority of the North Country (Authority) was approached by National Grid to work collectively on a National Telecommunications and Information Administration (NTIA) Middle Mile Grant Program project. The proposed project will provide additional middle mile infrastructure, electric grid modernization, pre-positioned last mile residential fiber, and deliver public emergency benefits in several segments across the northern part of NY State. SLIC Network Solutions, Mohawk Networks and Northland Networks have agreed to provide residential services on the new network. This project benefits the Authority by providing broadband access to unserved homes, increasing route diversity, reducing the costs of existing IRU's (Indefeasible Right of Use) in 4 different routes, and providing positive cash flow that will offset future expense increases in other areas. Projected financial projections include a \$24,450,000 capital project, with no cash outlay for the Authority, generating \$341,849 in annual revenue, \$192,500 in annual expenses, and \$87,580 in annual cost reductions.

LOCATION & SCOPE

- 335 miles of new middle mile fiber to be constructed in 12 counties of Northern NY
- 9 new mini Central Offices/Access Points with core Ethernet gear pre-positioned for last-mile connections
- 144 strands of fiber to be installed; 36 stands to be leased to National Grid and 36 strands to be reserved for private last mile telecom providers to provide last mile connectivity.



	Coverage	No. of Unserved	Miles	Estimated Cost	County	Owner/ Operator	Benefit to Area
1	Blue Mountain to North River	320	23	\$1,518,000	Hamilton	DANC	Route diversity for Western Adirondacks
2	Lyons Falls, Brantingham, ADK Sub	464	27	\$1,782,000	Lewis	DANC	Lewis County unserved, cell service, NG hydros
3	Alder Creek to Old Forge	200	34	\$2,244,000	Herkimer, Oneida	DANC	IRU cost savings, redundancy for critical customers, cell coverage, route diversity for Fort Drum
4	Fort Covington to Malone, Reservation	191	24	\$1,584,000	St. Lawrence, Franklin	DANC	St. Lawrence County unserved, Tribal Land diversity (SRMT)
5	Ticonderoga to Crown Point	377	10	\$660,000	Essex	DANC	Diversity to Schroon Lake; Authority has many circuits on path
6	Parish to Syracuse	0	40	\$2,640,000	Oswego and Onondaga	DANC	IRU Replacement
7	Morristown to Hammond/Yankee Rd.	137	11	\$726,000	St. Lawrence	DANC	St. Lawrence County unserved priority; cell service, E911/public emergency
8	Redwood to Sommerville/Gouverneur	345	29	\$1,914,000	Jefferson	DANC	Jeff County unserved, E911/public emergency
9	Rensselaer Falls/DeKalb/Russell	80	22	\$1,452,000	St. Lawrence	DANC	St. Lawrence County unserved
10	Carthage to Harrisville	20	20	\$1,320,000	Jefferson	DANC	IRU Replacement
11	Potsdam to Sevey Corners	50	35	\$2,310,000	St. Lawrence	DANC	IRU Replacement; many NG substations
EQUIPMENT AND INTERCONNECTS OWNED BY AUTHORITY				\$2,340,000			
SUB TOTAL OF AUTHORITY PROJECT		2,184	275	\$20,490,000			
12	Northland Herkimer to Mayfield	260 ¹	60	\$3,960,000	Fulton, Montgomery, Herkimer	Northland	National Grid priority
PROJECT TOTAL FOR GRANT		2,444	335	\$24,450,000			

¹ Segment 12 customers will be owned and served by Northland, not the Authority.

PROJECT BENEFITS

- 2,444 unserved homes passed by new fiber, creating opportunity for service (See Table below)
- 287 Community Anchor Institutions (CAIs) passed directly, 1,859 CAIs within 5 miles of new fiber (i.e., healthcare, education, public emergency and municipal locations)
- 45 miles of existing DANC network will be used to deliver broadband access to unserved customers in Jefferson, Lewis, and St. Lawrence Counties
- Cost savings on four expiring IRUs of \$87,580 per year
- SmartGrid project will improve electrical service reliability for customers
- Future National Grid circuits with Authority (i.e., resulting in increased revenue)
- Increased network reliability for Jefferson, Lewis and St. Lawrence County due to diversity of service routes

COUNTY	TOTAL UNSERVED	SERVED BY THIS PROJECT	% OF TOTAL REMAINING UNSERVED As of 8-30-2022
Jefferson	2,408	365	15.16%
Lewis	4,589	464	10.11%
St. Lawrence	4,021	267	6.64%
Total In Service Area	11,018	1,096	9.95%
Essex	3817	377	9.88%
Franklin	2538	191	7.53%
Fulton	1537	110	7.16%
Hamilton	2273	320	14.08%
Herkimer	2229	160	7.18%
Montgomery	1487	90	6.05%
Oneida	3891	100	2.57%
Onondaga	2111	0	N/A
Oswego	1565	0	N/A
Total Out of Service Area	21,448	1,348	6.28%

AUTHORITY FINANCIAL PROJECTIONS

- Capital investment = \$0
 - \$24,450,000 Project Includes 13.7% contingency (\$10,000 per mile)
 - 50% grant through National Telecommunications and Information Administration (NTIA);
 - 50% paid for by National Grid
- Annual revenue projected for first year (FYE25) = \$341,849
- Annual direct expenses projected for first year (FYE25) = \$192,500
- Annual cost savings from avoided IRUs = \$87,580

ASSUMPTIONS

Revenue Assumptions

Revenue comes from 2 sources; unserved homes and anchor institutions/cell towers

Unserved Revenue = Authority will receive 10% of the revenue collected by the service provider (ISP).

ISP revenue = \$50/month per subscriber.
Assumed 72% of unserved homes take service (per SLIC)
(2,184 subscribers x \$50/month x 0.1 x 0.72 = \$94,349)

Anchor Institution revenue is \$750/month/CAI. Assumed one CAI for every 10 miles of network.
(275 miles/10 x \$750 x 12 = \$247,500)

Direct Expense Assumptions

Direct expenses are a combination of pole attachment fees and fiber maintenance
Annual Pole attachments fees are \$345/mile (23 poles/mile x \$15/pole x 275 miles = \$94,875)
Annual Maintenance fees are \$355/mile based on our average costs annually for emergency restoration, maintenance, dig safely and fiber marking divided by the total miles of fiber the Authority will own (275 miles X \$355/mile = 97,625).

Cost Savings Assumptions

Cost savings are derived by building network in places where the Authority has existing fiber leases
The Authority has 4 leases that will be replaced by this project as follows: 1) Altmar to Syracuse for \$23,200 per year; 2) Old Forge to Utica for \$32,480 per year; 3) Carthage to Harrisville for \$11,600; and 4) Potsdam to South Colton for \$20,300. Total annual cost savings = \$87,580

ROLES & RESPONSIBILITIES

Authority:

- Act as project lead and grant administrator
- Design, build and own fiber cable for segments one through eleven
- Own all fiber except Segment 12 for a total of 275 new fiber miles
- Lease 36 strands of fiber to last mile service providers to enable delivery of residential broadband services
- Procure, install and own electronics for segments 1 through 4, & 6 through 11. No electronics for segment 5
- Operate and maintain fiber and electronics for segments 1 through 11

National Grid:

- Receive a 20-year IRU (Lease) for 36 fiber strands enabling them to implement SmartGrid applications throughout the North Country.
- Assist with grant development
- Project manage and pay for make ready
- Establish fund to cover all short-term capital cost and pay 50% of total capital costs

ISPs

- Assist with last mile designs
- Service customers
- Purchase GPON Equipment
- Own fiber in segment 12 in Herkimer, Fulton, and Montgomery
- SLIC will provide a MOU stating they will provide services to customers in Jefferson, Lewis, St. Lawrence, Franklin, Essex, and Hamilton Counties
- Mohawk Networks will provide a MOU stating they will provide service on Segment 4
- Northland Networks will provide a MOU stating they will construct, own, maintain and provide service on Segment 12 and provide services for Segment 3.



Board Resolution No. 2022-09-72
September 22, 2022

AFFORDABLE RENTAL HOUSING PROGRAM
CAMBRAY HOUSING CORPORATION
LOAN MODIFICATION

Whereas, **Resolution No. 2021-05-75** approved a loan up to \$150,000 from the Affordable Rental Housing Program for predevelopment costs associated with the substantial rehabilitation of 21 units of affordable rental housing in the village of Gouverneur, and

Whereas, **Resolution No. 2021-12-132** approved a permanent loan of up to \$750,000 from the Affordable Rental Housing Program for a term of 25 years at 2% with a co-proportional first mortgage position with NYS Homes and Community Renewal, and

Whereas, **Resolution No. 2022-02-16** extended the term of the financing to 30 years, and

Whereas, **Resolution No. 2022-05-48** approved a loan up to \$250,000 for 30 years at 1% with a co-proportional first mortgage position with NYS Homes and Community Renewal,

Whereas, NYS Homes and Community Renewal has asked the Authority to subordinate its two loans to its \$3.1 million Community Investment Fund loan, and

Whereas, Staff recommends subordinating the \$250,000 loan to the NYS Homes and Community Renewal loan, and

Whereas, the Authority's \$750,000 loan will remain in a co-proportional first mortgage position with NYS Homes and Community Renewal, and

Whereas, all other terms and conditions will remain the same, and

Whereas, the Applicant will pay-off the predevelopment loan at the start of construction, and

Now, therefore be it

RESOLVED, the Development Authority of the North Country does hereby modify the commitment for its loan of \$250,000 to Cambray Housing Corporation from the Affordable Rental Housing Program to be subordinated to the NYS Homes and Community Renewal loan at the attached terms and conditions, and authorizes the Executive Director or Chief Financial Officer to execute all necessary documentation, and further be it

RESOLVED, that the Development Authority of the North Country accepts the action of the Village of Gouverneur Planning Board taken under the State Environmental Quality Review (SEQRA) and affirms a Negative Declaration for this Project.

TERM SHEET

BORROWER:	Cambray Housing Corporation
AMOUNT:	up to \$250,000.00 for permanent financing
FUND:	Affordable Rental Housing Program
PURPOSE:	Improvements to facilities
RATE:	1%
TERM:	30 years
PAYMENTS:	Annual interest only payments
COLLATERAL:	<p>Second mortgage behind NYS HCR and assignment of leases and rents on property located at the corner of West Main Street and Mill Street, Gouverneur, NY 13642 (parcel id# 173.032-1-30.11)</p> <p>Second lien position on all other assets of Cambray Housing Corporation</p>
CONDITIONS:	<ul style="list-style-type: none">• NYS HCR Community Investment Funding of at least \$3,100,000• Federal Home Loan Bank funding of \$353,000• NYS Weatherization funding of \$105,000• Cambray Housing Corporation equity of up to \$142,000• DANC loan #2 of \$750,000

BORROWER: Cambray Housing Corporation

LOCATION: 68 West Main Street & 4 Mill Street, Gouverneur, NY 13642
(parcel id#173.032-1-30.11)

BOARD OF DIRECTORS: Ron McDougall, President Judy Peck
Kenneth Snyder Ronald Tuttle
Duane Winters Kathy Bigarel
Dave Blevins Scott Gillan

LOAN #2: approved \$750,000, 30 years, 2%, annual P&I (Resolution #2022-02-16)

LOAN #3: **\$250,000, 30 years, 1% annual, annual interest only**

COLLATERAL: **Second mortgage on real estate located at 68 West Main Street, Gouverneur, NY 13676**

USE OF FUNDS: Permanent financing toward improvements to the facilities

SOURCES OF FUNDS

USES OF FUNDS

Development Authority	\$1,000,000.00	Construction	\$3,870,335.00
NYS HCR Community Inv. Fund	\$3,100,000.00	Soft costs/fees	\$ 629,665.00
Federal Home Loan Bank of NY	\$ 353,000.00	Developer's Fee	\$ 200,000.00
NYS Weatherization Program	\$ 105,000.00		
Cambray Housing Corp Equity	<u>\$ 142,000.00</u>		
Total Sources	\$4,700,000.00	Total Uses	<u>\$4,700,000.00</u>

NYS HCR Community Investment Loan-Pending-Interest only payments at .5% annually for 30 years.

Federal Home Loan Bank-Committed-Requires a grant enforcement mortgage on the real estate. No repayment requirement.

NYS Weatherization Program-grant

DANC PREDEVELOPMENT LOAN:

Resolution No. 2021-05-75 approved **loan #1** of up to \$150,000 for pre-development costs to Cambray Housing Corporation. The loan closed on June 16, 2021. As of 5/16/2022, they had drawn \$75,042.34 on this loan. It is their intent to pay this loan off at the closing for construction financing. This loan was secured by proceeds from Community Bank.

UPDATE TO PROJECT:

The general contractor, ConTech, provided a revised construction cost with an increase of about \$270,000. They plan to revisit with subs to identify any potential savings, but is not optimistic about this. The state will not provide any additional cash resources into the

project, nor will a bank lend to the project. The cost increases are not specific to this project alone but all projects that are currently underway. The project has been slowed down as the Village needed to act on a release of property for the project that took over 4 months to complete. For those familiar with the project in Gouverneur, it needs to be renovated and it currently an eyesore along the river. The Authority has affordable housing funds, and while it is a 30-year interest only loan at 1%, it is needed to allow this project to move forward otherwise it is in jeopardy of being completed.

PROJECT:

Cambray Housing Corporation (“CHC”), a NYS Private Housing Finance Law Article II Housing Company, developed the Cambray Court Apartments in the early 1970s under the NYS Mitchell-Lama Housing Program. For over 40 years, the project was comprised of 100 apartments for low and very low-income senior citizens. Until 2015, 72 of the 100 units were subject to periodic flooding. NYS HCR and CHC determined to redevelop the entire project, in two phases.

In 2015, the property was legally subdivided into two components for the purpose of redeveloping the entire project. Phase 1, completed in 2017, involved the demolition of the 72 flood-impacted units, and the construction of 72 new units built on fill on the same site. The Authority provided a loan of \$750,000 to this project. The Borrower is current on the loan. Phase 2, the subject of this application, involves the substantial rehabilitation of the remaining buildings that are above the flood plain. The phase 2 property will remain Mitchell-Lama Housing.

Last year we approved a loan up to \$750,000 for cost overruns. This is not surprising considering the increase to construction materials. As the project was delayed, the new estimates came in \$300,000 higher. NYS HCR will have a first mortgage on the property and will require interest-only payments annually at .5% for 30 years. The Authority would have a co-proportional first mortgage and would require fixed principal and interest payments on the \$750,000 loan over 30 years at 2%. [Traditionally we charge 1% for affordable housing projects over a 20 year term; however the applicant was able to cash flow this project at the slightly higher rate of 2% over 30 years which seems agreeable to staff.] The debt service coverage ratio is not sufficient to support amortizing the additional \$250,000 over 30 years at 2% with regular principal and interest payments. Therefore, staff recommends this loan be interest-only for 30 years at 1% with interest paid annually.

Cambray Court is located in the village of Gouverneur, at the intersection of Main Street (NY Route 11) and Mill Street, near the Village commercial center. The project is located in a stable and established setting that is centrally located, and near to commercial and community resources. The project is located within reasonable distance to all necessary services in the surrounding neighborhood, which include grocery, retail establishments, neighborhood parks, public library and museums, a senior center, and health care/pharmacy facilities. Local and regional bus service is nearby, and regional food and pharmacy chains provide free bus service for grocery shopping, and offer direct delivery services.

The project is comprised of seven, two-story residential buildings (a three-plex and a four-plex, each separated by fire walls), and a community building comprised of meeting space, managers

office, rest rooms, and maintenance shop. There are currently 28 units, comprised of 13 studio units and 15 one-bedroom units. 4 one-bedroom units will be demolished, four studios will be converted into 2 one-bedroom handicapped accessible units (additional HA units to-be-determined during design phase), and a studio will be converted to a community room with laundry facilities, resulting in 8 studios and 13 one- bedroom apartments, and the community building as the final product.

The project is occupied by very- low income senior citizens age 62+, with incomes less than 50% AMI, subsidized by Section 8 Project Based Vouchers, and will be re-occupied by the same income group at project completion.

Supportive Services will be provided through an agreement with United Helpers Home Health-Mosaic Behavioral Health Services, which provides Case Management and Care Coordination services, Behavioral and Mental Health Counseling, Day Habilitation, and Home Health Services.

The project community building provides office space for several locally-based non profit agencies, including the North Country Prenatal/Perinatal Council, Inc. and provides Maternal and Infant services, Health Advocacy services, and NYS DOH-funded community health workers.

A professional Market Study conducted by the firm Newmark, Knight, and Frank concluded that there is market demand for the project. Other key factors cited in the Study to indicate overall project support and a market advantage include:

- Lack of recent affordable senior housing development in the Primary Market Area. The most recent development was Cambray Phase 1 that was entirely replacement housing; all other regional development has been for workforce family households outside the PMA.
- Location characteristics of the site along the river, with good water views, and within a very walkable location with retail, grocery, pharmacy and community service uses nearby.
- The superior product concept with amenities and community space will be superior to nearly all unrestricted rental options in the market in addition to older affordable options. The predominate housing option in the area for 1BR unit types is older garden style/townhouse complexes that are not adapted/accessible for senior residents.
- Continued growth in the senior age category with increases of around 10% in renter households projected into 2024.
- All competitors in the PMA have extensive waitlists and very limited turnover which results in longer wait times for availability.

A tenant relocation plan has been drafted and is being reviewed by Homes and Community Renewal (HCR).

United Helpers manages the project on behalf of the owner.

FINANCIALS:**REVISED**

	<u>3/31/2020</u>	<u>3/31/2021</u>	<u>12/31/2021</u>	Projected <u>Year One</u>
Rental Income	\$197,659	\$190,405	\$125,360	\$169,814
Commercial Income	\$9,565	\$26,950	\$10,980	\$10,260
Interest Income	\$629	\$178	\$74	\$0
Laundry & Other Income	<u>\$13</u>	<u>\$150</u>	<u>\$86</u>	<u>\$0</u>
Total Operating Revenue	\$207,866	\$217,683	\$136,500	\$180,074
<i>Expenses</i>				
Maintenance Fee	\$45,513	\$37,815	\$40,947	\$24,000
Electricity	\$35,770	\$34,862	\$21,383	\$21,000
Sewer/Water	\$14,179	\$13,453	\$11,143	\$0
Other Utilities	\$0	\$0	\$0	\$3,193
Trash Removal	\$6,532	\$6,294	\$4,963	\$5,300
Grounds Maintenance	\$8,328	\$4,673	\$4,533	\$5,250
Maintenance & Repairs	\$10,764	\$16,627	\$2,451	\$1,092
Janitorial Supplies	\$595	\$3,240	\$379	\$2,100
Painting and Decorating	\$749	\$684	\$0	\$0
Extermination Services	\$0	\$1,308	\$3,130	\$0
Other Maintenance	\$0	\$0	\$417	\$1,000
Insurance	\$16,081	\$17,719	\$13,609	\$250
Advertising	\$776	\$1,035	\$0	\$250
Depreciation	\$19,375	\$19,199	\$13,448	\$0
Management Fees	\$25,518	\$26,328	\$14,382	\$15,337
Management Salary	\$0	\$0	\$5,364	\$7,200
Audit & Accounting	\$7,500	\$7,400	\$5,725	\$7,500
Legal Fees	\$160	\$25	\$0	\$150
Telephone	\$2,889	\$3,099	\$0	\$0
Office Expense	<u>\$2,807</u>	<u>\$2,235</u>	<u>\$1,547</u>	<u>\$1,795</u>
Total Expenses	\$197,536	\$195,996	\$143,421	\$95,417
Change in Net Assets	\$10,330	\$21,687	(\$6,921)	\$84,657
Add: Depreciation	\$19,375	\$19,199	\$13,609	\$0
Less: Reserves				(\$29,418)
Cash available for debt	\$29,705	\$40,886	\$6,688	\$55,239
Debt:				
HCR CIF	\$15,500	\$15,500	\$11,625	\$15,500
Authority Debt #2	\$33,487	\$33,487	\$25,115	\$33,487
Authority Debt #3	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,875</u>	<u>\$ 2,500</u>
Total Debt	\$51,487	\$51,487	\$38,615	\$51,487
Debt Service Coverage Ratio: .58X		.79X	.17X	1.07X

- Cambray Housing Corporation is a 501 C3 created under NYS Private Housing Finance Law Article II Housing Company.
- FYE 3/31/2020 and FYE 3/31/2021 audit completed by Pinto, Mucenski, Hooper, VanHouse & Co., CPA, P.C. The 12/31/2021 information was internally prepared.
- Occupancy is usually very good with only 0-1 units vacant at any time.
- The project receives Section 8 project based vouchers. There are 7 years left on the Section 8 contract with opportunity to renew. It currently charges 100% of the Fair Market Rent for St. Lawrence County which is \$625 for a studio and \$665 for a 1 bedroom unit. They are proposing to increase the rent to 110% of the Fair Market Rent similar to what was approved for the Phase I project at Cambray Court Apartments. Proposed rents are \$653 for the studio units (fair market is \$700) and \$745 for the 1 bedroom (fair market is \$825).
- The year one projections do show a 5% vacancy. They also include the commercial income that is identified in the audit. That is income from a not for profit that rents space at \$900/month in the community building. The residential income is projected to decrease as there will be 25% fewer units. The project will go from 28 units to 21 units.
- The project does not pay taxes as it is a 501 C3. Since there is no debt, there is no interest expense either. There was no interest expense as the project has no debt/mortgage.
- Projected expenses are lower as there will be 25% fewer rental units. Expenses are the result of HCR's review, vendor quotes, and discussions with the management agent. In addition, the property will be more energy efficient and will require less maintenance. In addition, the Housing Finance Agency is imposing their own parameters on certain expenses.
 - Maintenance fee will decline due to fewer staff hours going forward.
 - Electricity includes gas; it is an engineer estimate. Project moving to electric heat and installing gas hydronic heat and extensive new insulation, windows and doors.
 - Trash decline - fewer units.
 - Maintenance/repairs- decline due to all new everything.
 - Extermination is included in cleaning/supplies.
 - Insurance/Water & Sewer/Capital Reserve-These are included in the Reserve amount as required by the State as this is how Mitchell-Lama projects shows these expenses.
- The Debt Service Coverage ratio for Year Two is expected to be 1.07 based on \$183,676 in total income and \$128,427 in total residential operating expenses and reserves. The Debt Service Coverage ratio for Year Three is expected to be 1.07 based on \$187,349 in total income and \$132,123 in total operating expenses.
- For cash flow purposes, based upon the projections, there is sufficient cash flow to repay the proposed debt.

Balance Sheet

	2019	2020	2021	12/31/21
Current Assets	\$50,093	\$64,660	\$76,908	\$54,128
Restricted Cash	\$194,121	\$194,558	\$209,575	\$189,845
Fixed Assets	\$176,410	\$176,469	\$187,740	\$269,601
Other Assets	\$0	\$0	\$0	\$0
Total Assets	\$420,624	\$435,687	\$474,223	\$513,574

Current Liabilities	\$18,995	\$23,728	\$40,577	\$86,850
Long Term Liabilities	\$0	\$0	\$0	\$0
Total Liabilities	\$18,995	\$23,728	\$40,577	\$86,850
Equity	\$401,629	\$411,959	\$433,646	\$426,724
Total Liabilities and Equity	\$420,624	\$435,687	\$474,223	\$513,574

- Restricted cash in 2020 is comprised of security deposits, \$3,005, and an operating escrow, \$191,553. Restricted cash in 2021 is comprised of security deposits of \$3,150 and operating escrow of \$206,425. The operating escrow can be used for operations and capital purposes, but require approval from the NYS Division of Homes and Community Renewal.
- Current liabilities in 2020 are comprised of accounts payable, \$20,723, and tenant security deposits, \$3,005. Current liabilities in 2021 are comprised of accounts payable, \$37,427, and tenant security deposits, \$3,150.
- The property has no long-term debt. The mortgage was paid in full in 2014.

COLLATERAL ANALYSIS:

As completed appraisal done by Michael L. Varley, MAI dated July 9, 2021. The as of date for the completed value is July 31, 2022.

The as completed value is \$2,020,000. The assessed value per the SLC tax records is \$804,800.

NYS HCR is the primary lender. NYS does not consider loan-to-value when structuring funding for affordable housing. In this case they are willing to lend \$3.1 million with interest-only payments over 30 years in order to see this project completed. As such, the Authority will have a co-proportional first mortgage position with NYS HCR on the real estate for its \$750,000 loan and will be in a second mortgage position on its \$250,000 loan.

CONDITIONS:

- NYS HCR Community Investment Funding of at least \$3,100,000
- Federal Home Loan Bank funding of \$353,000
- NYS Weatherization funding of \$105,000
- Cambray Housing Corporation equity of up to \$142,000

STAFF RECOMMENDATION:

Staff recommends an additional permanent loan of up to \$250,000 for 30 years at 1% with annual interest only payments.



**Board Resolution No. 2022-09-73
September 22, 2022**

**AFFORDABLE RENTAL HOUSING PROGRAM
HERMON HOUSING DEVELOPMENT FUND COMPANY**

Whereas, Hermon Housing Development Fund Company is requesting up to \$65,000 from the Affordable Rental Housing Program to make improvements to its 16 units of affordable, senior rental housing in Hermon (St. Lawrence County), and

Whereas, the project will replace the project's parking lot and several hundred square feet of walkway in front of the building as there is significant deterioration resulting in health, safety and accessibility concerns for the residents, and

Whereas, the Applicant will utilize project reserves with Authority funding to complete the project, and

Whereas, the project is consistent with the intent of the Affordable Rental Housing Program to improve affordable housing in the three-county region.

Now, therefore be it

RESOLVED, the Development Authority of the North Country does hereby approve a loan up to \$65,000 for Hermon Housing Development Fund Company from the Affordable Rental Housing Program at the attached terms and conditions, and authorizes the Executive Director or Chief Financial Officer to execute all necessary documentation, and further be it

RESOLVED, that this is a Type II Unlisted Action under the State Environmental Quality Review (SEQRA).

TERM SHEET

BORROWER:	Hermon Housing Development Fund Company
AMOUNT:	up to \$65,000.00
FUND:	Affordable Rental Housing Program
PURPOSE:	Improvements to facilities
RATE:	3.75% fixed
TERM:	240 months
PAYMENTS:	Monthly principal and interest payments
COLLATERAL:	Second mortgage and assignment of leases and rents behind USDA on property located at 103 Canton Street, Hermon, NY 13652 (parcel id# 132.029-2-19) Lien position on all other assets of Hermon Housing Development Fund Company
CONDITIONS:	<ul style="list-style-type: none">• Project reserves of up to \$60,000• Approval by RD to borrow from Authority and allow for the mortgage position• Copies of invoices to draw funds• Guaranty of Hermon Housing Development Fund Company

BORROWER: Hermon Housing Development Fund Company

LOCATION: 103 Canton Street, Hermon, NY 13652 (parcel #132.029-2-19)

AMOUNT: up to \$65,000.00

TERM: 240 months

RATE: 3.75% fixed (1/2 current WSJ Prime plus 1%)

PAYMENTS: Monthly principal and interest

COLLATERAL: Second mortgage on real estate behind USDA on facility located at 103 Canton Street, Hermon, NY 13652, and assignment of rents and leases

GUARANTOR: Hermon Housing Development Fund Company

USE OF FUNDS: Improvements to facility

SOURCES OF FUNDS

USES OF FUNDS

Development Authority Loan	\$65,000.00	Improvements	\$118,900.00
Project Reserves	<u>\$60,000.00</u>	Legal Fees/Soft Costs	<u>\$ 6,100.00</u>
Total Sources	\$125,000.00	Total Uses	\$125,000.00

PROJECT:

Hermon Housing Development Fund Company owns and operates the facility known as McBrier Park Manor located at 103 Canton Street in Hermon. The property is a 16-unit, single-story complex that houses senior citizens and disabled people. United Helpers has managed the facility since 1992. All units are one-bedroom.

McBrier Park Manor offers plenty of parking, a community room, onsite mail delivery, on-site, coin-operated laundry. Outdoors the property features a large backyard patio/sitting area with a retractable awning and areas for gardening. Apartments at McBrier Park Manor measure approximately 600 square feet. Apartments come furnished with a stove and refrigerator.

The project is a complete rebuild/replacement of the project's parking lot as well as replacement of several hundred square feet of walkway in front of and around the building as well as a back patio. It is required due to significant deterioration of the pavement and concrete that have resulted in health, safety and accessibility concerns for residents and visitors to the site. Work is beginning now as the project needs to be completed.

The applicant has provided quotes for the work to be completed. The bid opening occurred August 9, 2022. The cost came in at \$118,900. The project has \$112,973 in reserves. USDA

cannot provide any additional funding. The project manager would prefer not to use all of the project's reserves, and the underwriter would agree. They feel comfortable using \$60,000 of their reserve funds. They requested \$60,000 from DANC however staff suggested that they increase this amount to account for closing costs as well. Therefore, their request is for \$65,000.

FINANCIALS:

	<u>2020</u>	<u>2021</u>	<u>1/1-6/30/22</u>
Rental Income	\$121,664	\$124,800	\$63,256
Laundry and Vending	\$948.00	\$1,056	\$390
Interest Income	\$78.00	\$133	\$55
Other Income/(Expense)	\$0	\$0	(\$1,902)
Total Operating Revenue	\$122,702	\$125,989	\$61,799
<i>Expenses</i>			
Administration	\$23,772	\$27,370	\$13,437
Operating & Maintenance	\$40,082	\$31,116	\$15,641
Utilities	\$16,726	\$17,668	\$9,924
Taxes and Insurance	\$8,290	\$8,517	\$4,647
Total Expenses	\$88,870	\$84,671	\$43,649
Total Operating Income	\$33,832	\$67,956	\$41,676
Debt:			
RD Debt Service	\$18,338	\$18,338	\$18,338
Authority Loan	\$ 4,625	\$ 4,625	\$ 4,625
Total Debt	\$22,963	\$22,963	\$22,963
Debt Service Coverage Ratio:	1.47X	2.96X	1.81X

- 2020 and 2021 year-end financial information as submitted by staff to USDA on Form RD-3560-7. Interim 6/30/22 information internally prepared.
- Occupancy at 9/12/2022 is 100%.
- Basic rent for the 1 bedroom unit is \$640 with a utility allowance of \$77 (electric). USDA has said that there is room to be able to increase rents if necessary, however United Helpers doesn't think it is necessary at this time. The property receives a USDA subsidy.
- Interest expense is not part of operating expenses but comes out of cash flow. The property currently pays \$18,338 annually on its debt service to USDA.
- United Helpers Management Company manages the property. It is a financially stable property. USDA has no issue with DANC providing the fully amortized loan in a subordinate position to its debt.
- Based upon the historical and current operations, the project generates sufficient cash flow to repay the existing and proposed debt service.

BALANCE SHEET

	2020	2021	6/30/2022
Current Assets	\$134,397	\$149,198	\$37,719
Fixed Assets	\$339,803	\$318,624	\$308,873
Other Assets	\$0	\$0	\$128,052
Total Assets	\$474,200	\$467,822	\$474,644
Current Liabilities	\$7,092	\$2,563	\$10,963
Long Term Liabilities	\$603,158	\$592,494	\$586,770
Total Liabilities	\$610,250	\$595,057	\$597,733
Equity	(\$136,050)	(\$127,235)	(\$123,089)
Total Liabilities and Equity	\$474,200	\$467,822	\$474,644

- 2020 and 2021 year-end financial information as submitted by staff to USDA on Form RD-3560-7. Interim 6/30/22 information internally prepared.
- Primary current assets as of 6/30/22 are in the form of cash, \$36,267. Other assets included \$117,204 in replacement reserve which shows up under current assets at year-end. The project will take approximately \$60,000 from the replacement reserves for the proposed project. The replacement reserves are the primary source for replacing capital items in the buildings as well as replacing appliances, and maintaining units for occupancy upon turnover.
- Primary liability is the mortgage to USDA with an outstanding balance of \$586,770 on 6/30/2022.

Credit Analysis:

Hermon Housing Development Fund Co. Inc.'s Logic Score is a high risk score of 25, with a high risk business failure assessment. There are no days beyond terms reported, either current or historical. It has no derogatory public records, collection accounts, or pending lawsuits. It has no trade lines established.

Collateral Analysis:

	<u>Cost</u>	<u>Discount</u>
Building & Land Improvements	\$950,955	
Discounted @ 70%		\$665,669
Furniture, Fixtures, Equipment	\$133,010	
Discounted @ 50%		\$66,505
Total Collateral	\$1,083,965	\$732,174
USDA Loans	\$586,770	\$586,770
Collateral After USDA Loan	\$497,195	\$145,404

DANC Loan	\$65,000	\$65,000
LTV	.13	.45

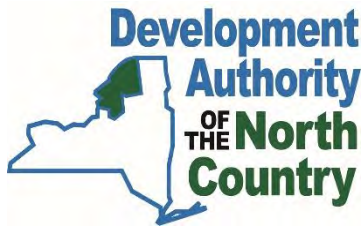
Building & Land Improvements are the book value on the balance sheet as of 6/30/2022. The assessed value as identified per St. Lawrence County's tax records is \$325,000. Furniture and fixtures and equipment are the book value on the balance sheet as of 6/30/2022.

CONDITIONS:

- Owner cash of approximately \$60,000
- Approval by RD to borrow from Authority and allow for the mortgage position. [Which they have approved.]
- Copies of invoices to draw funds

STAFF RECOMMENDATION:

Staff recommends up to \$65,000 for 240 months at 3.75% fixed with principal and interest payments due monthly. The collateral will be a second mortgage on real estate behind USDA loans and the guaranty of Hermon Housing Development Fund Company.



**Board Resolution No. 2022-09-74
September 22, 2022**

**REGIONAL TOURISM TRANSFORMATIONAL COMMUNITY
REVOLVING LOAN FUND
SALLY PORT VIEW LLC
LOAN RATIFICATION**

Whereas, **Resolution No. 2013-08-12** establishes the Regional Tourism Transformational Community Revolving Loan Fund, and

Whereas, the Regional Loan Review Committee has the authorization to commit loans of up to \$250,000 with the Authority Board ratifying the loan at its next meeting, and

Whereas, the Regional Loan Review Committee met September 7, 2022 to review an application from Sally Port View LLC requesting \$250,000.00 from the Regional Tourism Transformational Community Revolving Loan Fund in order to construct a 12,000 square foot indoor event space and 5 cottages on land located in Three Mile Bay (Jefferson County), and

Whereas, the applicant proposes to market the facility for weddings, corporate retreats, and events with a focus on the waterfront and rural nature of the location, and

Whereas, the Regional Loan Review Committee approves a commitment of \$250,000 from the Regional Tourism Transformational Community Revolving Loan Fund at the terms and conditions attached.

Now, therefore be it

RESOLVED, Development Authority of the North Country does hereby ratify a loan in the amount of \$250,000 from the Regional Tourism Transformational Community Revolving Loan Fund to Sally Port View LLC at the terms and conditions outlined on the attached Term Sheet, and further authorizes the Executive Director or the Chief Financial Officer to execute all documents necessary to make the loan, and further be it

RESOLVED, that the Development Authority of the North Country accepts the action of the Town of Lyme Planning Board taken under the State Environmental Quality Review (SEQRA) and affirms a Negative Declaration for this Project.

TERM SHEET

Borrower:	Sally Port View LLC
Loan Fund:	Regional Tourism Transformational Community Revolving Loan Fund [Empire State Development Funds]
Amount:	\$250,000.00
Loan Term:	20 years
Loan Rate:	1%
Loan Payment:	Construction Period Interest Only not to exceed 12 months, monthly principal and interest to term out loan over 240 months
Collateral:	<p>Co-proportional second mortgage and assignment of rents and leases on 7828 NYS Rte 12E, Three Mile Bay, NY 13693;</p> <p>Co-proportional 2nd lien on all machinery and equipment, furniture and fixtures, inventory, accounts receivable, and general intangibles of Sally Port View LLC</p>
Conditions:	<ul style="list-style-type: none">• Cash equity of a minimum of \$914,874 demonstrated at closing by the disbursement statement.• Bank financing of \$5,000,000• Bank financing to bridge potential ESD Grant• JCIDA funding of \$112,500• NCA funding of \$112,500• North Country Economic Development Fund financing of \$300,000• National Grid grant of \$300,000• ESD or other grant/equity funding of \$1,425,000• Labor peace does not apply as it will have less than 15 FTE• Acceptable MWBE plan or waiver• Personal Guaranty of Kurtis Bennett• Satisfactory third party broker opinion or appraisal with a minimum value of at least \$5,775,000 for a 1:1 LTV• Tourism Funds to go toward improvements• Copies of invoices, and cancelled checks or bank statements

TRANSFORMATIONAL TOURISM FUND

Borrower: Sally Port View LLC

Project Location: 7828 NYS Route 12E, Three Mile Bay, NY 13693
(60.08-1-24.1)

Borrower Address: 21277 Fox Ridge Road, Watertown, NY 13601

Ownership: Kurtis Bennett-100%

Loan Amount: \$250,000.00

Term: 20 years

Rate: 1%

Payments: Construction Period Interest Only not to exceed 12 months, monthly principal and interest to term out loan over 240 months.

Guarantor: Kurtis Bennett

Use of Funds: Capital Improvements to Real Estate

Collateral: Co-proportional second mortgage position and assignment of rents and leases on all real estate located at 7828 NYS Rte 12E, Three Mile Bay, NY 13693; co-proportional second lien on all assets of business

Jobs: Existing: 0
Years 1-3:14 FTE

Total Project Costs

Sources of Funds

Tourism Loan Fund	\$ 250,000.00
NCA	\$ 112,500.00
JCIDA	\$ 112,500.00
National Grid Grant	\$ 300,000.00
NCEDF	\$ 300,000.00
REDC-Bridge Loan	\$1,425,000.00
Pursuit/WSB 7a Loan	\$5,000,000.00
Cash Equity	<u>\$ 914,874.00</u>
Total	\$8,414,874.00

Uses of Funds

Acquisition of Land	\$ 625,000.00
Improvements*	\$6,207,695.00
Contingency	\$ 620,695.00
Equipment	\$ 450,000.00
Interim Interest	\$ 295,000.00
Professional Fees	\$ 85,000.00
SBA Guaranty Fee	\$ 131,484.00
Total	<u>\$8,414,874.00</u>

Pursuit/WSB SBA 7a Guaranty – Pending-Assumes 25 years with a rate between 6-8%. Underwriter used 8%.

NCA-Pending-Assumes 20 years at 5%

JCIDA-Approved-5 year term with 20 year amortization at 5%
 NCEDF-Pending-Assumes 15 years at ½ WSJ Prime plus 1 set at closing (current WSJ 5.5% as of 8/4/22)
 REDC Grant-Pending
 National Grid Grant-Pending
 Cash Equity-Cash contributed by applicant. Already paid \$625,000 cash to acquire property.

***Improvements Budget-Quote provided by Goutremout Brothers Construction as of 7/19/22**

• Site Work	\$1,593,935
• Main Building	\$2,988,050
• Tower	\$ 244,711
• Cottages	\$ 481,536
• Support Building	\$ 357,000
Total GC Construction Budget	\$5,665,232
General Contractor Overhead	\$ 339,914
Total GC Payment	\$6,005,145
National Grid Utility Install	\$ 202,550
Total Construction Budget	\$6,207,695

Description of Project

Sally Port View LLC is requesting \$250,000 from the Tourism Fund to build an event center and cabins on property in the Town of Lyme. Per the tax records, the property is 57.68 acres of which 840x150 is waterfront, 53.71 acres is tillable, and 1.08 acres is residual.

Sally Port View (SPV) is an event campus currently under construction on 1,200 feet of prime Lake Ontario waterfront and approximately 60 acres of cleared picturesque farmland just outside the village of Three Mile Bay.

The entire campus will be curated to provide a first-class experience which highlights a modern 12,000 square foot indoor event space with 2 suites, professional kitchen, bar, conference room, and more. The campus will also include 5 cottages and a network of maintained private trails along the shoreline and throughout the property.

An architecturally unique site theme of modern minimalization, accompanied by the local farmhouses & barns, will transform this property into a nationwide destination to:

- Host almost anything - weddings, anniversaries, concerts, graduations, military events, conferences, sporting events, family unions, weekend getaways, and more
- Lodge guests for accompanying and/or unrelated events
- Create opportunities for local catering, cleaning, part- and/or full-time employment, transportation, and other symbiotic business development
- Improve the infrastructure of the community and engage locals through discounted and charitable use of the space for select education and public functions
- Utilize the town’s greatest asset - the lakeshore - for economic development, which is consistent with the Town of Lyme’s Development Plan.

Mr. Bennett’s future plans are to add an additional 20 cottages to the site.

Products and Services

At its website, www.sallyportview.com, the business touts ‘private waterfront experiences.’ The website is extremely well done. The location is a private 60-acre campus featuring a 12,000 square foot event center with a divisible main hall, professional kitchen, and a beautiful viewing tower with stunning panoramas. There is also a wrap-around patio, and 1,200 feet of private waterfront. The event center will also be set up for conferences with A/V.



Rendering from back facing toward water.

The Main Hall & Events Center

Sally Port View Hall will provide more than 4,000 square feet of climate-controlled usable space, with opportunities to utilize two HD projectors, a speaker system, and sound dampening material to provide a professional setting for presentations.

The Lobby Bar will be 16 feet long and equipped with two full-service stations. The Event Center kitchen will be built to accommodate the needs of a commercial kitchen. Sally Port View Hall and the Lobby Bar will be built with accessibility in mind, welcoming all to enjoy the space.

The second-level suites will provide ample time and comfort for wedding party members to get ready for their big day. The Bride’s Suite will be furnished with three vanity stations and plenty of space for the bridal party to prepare. Both the Bride and Groom suites can also accommodate overnight guests, as they will be finished with a queen bed and full bathroom as well.



Rendering of Bride & Groom Suite

Also conveniently located on the second floor will be the modern corporate Conference Room – designed to accommodate in-person participants and remote guests – with large display screens, teleconferencing technology and full A/V needs to make sure your meeting is efficient and effective.



Rendering of Main Hall

Guest Cottages

Adjacent to the main building, along the shoreline, is the location for the 5 mini-cottages, 160 square feet each. Rental of the mini-cottages can be coordinated with the booking of a private event. Each cottage is designed to provide guests with ease and comfort, during all four seasons. The cottages are furnished with a kitchenette, one queen-sized bed, one queen-sized sleeper sofa, a 3/4 bathroom, heat, and air conditioning. In addition to the cottages, the main building also offers suites for overnight accommodations for members of the bridal party or other guests. These will not be available for nightly or weekly leases but as part of event packages only. As there is a limited number of cottages, Sallv Port View will partner with other local hotels/motels for lodging including 1000 Islands Harbor Hotel in Clayton, and Hilton Garden Inn, Fairfield Inn & Suites, Hampton Inn and Holiday Inn Express & Suites in Watertown, as well as local AirBnBs.



Cabin Rendering

Support Building

A 2,400 square foot support facility that will house an office with bathroom, a small laundromat, and a heated vehicle bay. The laundromat will be available to employees to launder linens and towels to be utilized in the main building, cottages and suites. The vehicle bay will store all of the facility's equipment used for maintenance of the entire property.

Market

Mr. Bennett wishes to transform Three Mile Bay into a destination location like Sackets Harbor, Alexandria Bay and Clayton, to name a few. These communities have traditionally leveraged their waterfront setting to support local businesses and tourism. The Town of Lyme has not benefited from this however holds the most waterfront footage than any other northern New York town.

When designing the campus, Mr. Bennett is showcasing the access to infrastructure, water and wilderness.

When designing the main building he wanted it to be versatile to adapt to many different business needs. The size of an event can be small or large and the atmosphere will still be cozy and intimate.

The interior design is minimalist and mostly black and white so clients can highlight their décor and set the tone for their own event. When researching other event spaces in the area, Mr. Bennett noticed a theme of banquet-style, busy and clashing wallpaper and décor that was dated.

Mr. Bennett wants to highlight the region's seasons as well. Under Events on the website, the business is highlighting weddings, offsite events, private events and culinary experiences. The offsite events include planning experiences like corporate offsite events that could include a conference with other activities like paddle boarding, bonding around lake-front campfire, fishing, hiking the campus, sports and outdoor leisure games for team-building, or a private-cooking class. In regard to culinary experiences, Mr. Bennett plans to partner with professional chefs to provide culinary instruction and cook-and-serve sources to enable future chefs and amateur cooks to learn and use the 1,500 square foot full professional kitchen. Finally as part of their experiences they are promoting professionally guided fishing experiences.

Mr. Bennett is also going to target the military population. Fort Drum is home to 15,000 active duty soldiers as well as spouses and families. They will look to host military balls and formal events. The

Commons on Fort Drum is not open. Therefore, there is opportunity to host more activities at this location. Also, Mr. Bennett is retired military and a veteran himself.

Mr. Bennett will use the website to drive traffic to the event center. In viewing the website, it is well-designed and professional. He will use social media marketing including Facebook/Instagram and targeted ads. He also has pro-bono assistance from a social media campaign adviser for both generating and posting content. He will target the Long Island, NYC, Syracuse, Buffalo, and Northern New Jersey markets.

In addition to social media, he will target magazines, especially bridal, and bridal shows. He will work with the 1000 Islands Tourism Council as well as join the local chambers and cross-advertise with other local businesses like the 1000 Islands Country Club.

While the business focuses on events like weddings, corporate events, private parties and large scale events, he will also market the center for off-season activities like sled races, ice fishing derbies, and pop-up restaurants.

Competition

Mr. Bennett provided the following regarding competition. The only other venues directly on Lake Ontario are:

- Oswego Area-Bay Shore-63 miles away from Sally Port View
- Rochester Area-Arbor Venues-141 miles away from Sally Port View
- Buffalo Area-None

Sally Port View is designed to position itself in the market as peers to two key venues:

- 1000 Islands Harbor Hotel-Pros-largest, nicest hotel on St. Lawrence River; charges minimum \$30k wedding; working with management as a lodging sister property. Cons-no privacy; no space; no nature, except waterview; cookie-cutter wedding template.
- Tailwater Lodge-Pros: Salmon River waterfront for serious anglers; multiple event rooms and venue spaces; spa and indoor pool; charges \$30k for weddings; popular because it is remote. Cons: multiple weddings held on same day, minimal privacy; cookie-cutter wedding template.

While there are other smaller facilities in the greater Watertown area, none have all of the amenities that Sally Port View will offer. In reviewing the application, this project is in-line with Tailwater Lodge in Altmar (Oswego County) with the exception that Sally Port View does not have on-site lodging with the exception of the 5 cabins and two suites. The cabins and suites can sleep 24. Mr. Bennett proposes more cabins in the future. There is no other facility like this in the three-county region and could be very successful due to its location on the Lake and the many amenities it could provide. Lodging is a concern. Mr. Bennett does note in his business plan that getting back and forth for those staying out of town may be a challenge. There is a shuttle service, Clarence Henry Coach, in Watertown that provides shuttle service.

Management

Mr. Kurtis (KC) Bennett graduated from the US Military Academy at West Point in 2003 and served in the US Army until 2008 having served in Iraq and Afghanistan. He graduated from the Yale School of Management in 2010 with a MBA. From 2010-2013 he worked for the CIA as an analyst. From 2013-2021 he worked for Palantir Technologies as a Business Development Specialist. In this role he implemented custom and enterprise software solutions for Fortune 500 companies to leverage their

existing data to meet an existential business threat. He was directly responsible for \$100+ million in additional revenue for an international oil & gas firm. He also led teams during sales and operations within US government, foreign government, commercial and not-for-profit clients.

The core employees of SPV will be focused on marketing, bookings, and maintaining the property. Mr. Bennett has reached tentative agreement with 2 event management companies to facilitate the execution of large events upon starting operations. He is working with two event management firms: Lovebirds Wedding Co. and Lovely Day Event Services. For catering he is working with Litterio's Catering and Take Out and Embellished Catering. He has also been receiving assistance from the Watertown SBDC, Zachary Goutremout with ZRG Fishing, and Ann Marie Angus, General Manager of 1000 Islands Harbor Hotel.

Financial Review

	Year One	Year Two	Year Three
Sales	1,991,000	2,411,000	3,132,000
Gross Profit	1,991,000	2,411,000	3,132,000
Expenses	963,399	1,259,475	1,405,361
Other Income/(Exp)	(405,997)	(398,942)	(393,190)
EBTDA	621,604	752,583	1,333,449
Add Back:			
Depreciation	0	0	0
Interest	383,140	377,788	372,107
(Property Taxes)	(107,892)	(107,892)	(107,892)
Cash for Debt Service	896,852	1,022,479	1,597,664
Tourism Fund	13,797	13,797	13,797
NCEDF	26,180	26,180	26,180
NCA	8,909	8,909	8,909
JCIDA	8,909	8,909	8,909
Pursuit/WSB5	463,092	463,092	463,092
Total Debt	520,887	520,887	520,887
Debt Service Coverage	1.72	1.96	3.07

Sales Inc (Dec.)	---	21%	30%
Gross Profit	---	---	---
Expenses	.48	.52	.45
Profit Ratio	.31	.31	.43

Tourism Fund-\$1,149.74/month

NCEDF-\$2,182/month

NCA-\$742.45/month

JCIDA-\$742.45/month

Pursuit/WSB-\$38,591/month

- Sales forecast for year one assumes 47 Weddings with an average net revenue of \$15,000 totaling \$705,000 for the year. Non-Wedding Private Events like corporate and reunions assume 127 rentals at an average net of \$8,000, or \$1,016,000 for the year. Nine Large Public Events (fair, arts & craft shows, carnival, parties, etc.) assumes 9 for the year averaging a net \$30,000 per event, or \$270,000 for the year. Monthly usage runs from 16% in January to 63% in November. The summer months average 61%. Although November is basically a winter month in the North Country, Mr. Bennett noted that it seems to be a highly popular month for wedding. He will consider higher pricing in November for weddings as it will be considered his peak month. The average usage for the year is 50%.
- The cabins do not show up on the revenue side as their own profit center as they are considered part of the event packages and are included in those revenues. Mr. Bennett will not be offering the cabins to the public for nightly stays.
- Revenues are net of direct costs. The amounts shown under revenue are what the applicant will make off of the events/activities after costs associated with the event. While this was not shown on the proforma he provided to me, he is tracking COGS for each event/activity. I say this so that the reader understands that Mr. Bennett understands the cost nature of the business.
- Each event will either require the rental of the facility or ticketed admission. In addition to the core revenue, there are the following additional revenue streams for each event:
 - Liquor sales-SPV will own the liquor license and will manage all alcohol sales on the property.
 - Kitchen rental-Only certified caterers and chefs with appropriate licenses will be able to rent the kitchen facilities with a beginning rate of \$350/hour.
 - Equipment rental-SPV will also rent out equipment such as tables/chairs, tableware, linens, and recreational equipment.
- Mr. Bennett currently has 1 week-long corporate off-site rental with a signed letter of intent for 2023 at the \$45,000 base weekly campus booking for 150 conference attendees. They have also had multiple wedding booking queries for both summer and winter months. Other opportunities for income include anniversaries, corporate holiday parties, military balls/unit dances, 1000 Islands Poker Run, Fishing Expeditions, dance recitals, and yoga classes.
- Sales forecast for year 2 increases by 21%. Weddings increase to 53 events, Non-Wedding Private Events increase to 172, and Large Public Events increase to 8. Total usage for the year is 63%.
- Sales forecast for year 3 increases by 30% over year two. Weddings increase to 54 events, Non-Wedding Private Events increase to 180, and Large Public Events increase to 12. Total usage for the year is 66%.
- Breakeven revenue to cover fixed debt including principal and interest in year one is \$1,614,835, for year 2 it is \$1,909,208, and for year 3 it is \$2,055,023.
- The major expense for the business is payroll. Mr. Bennett proposes to pay the owner, \$65/hour, or \$135,200 in year one. He proposes to have 5 full-time employees, at approximately \$40/hour, or \$416,000 annually. He proposes to have 4 part-time employees at about \$20/hour, or \$62,400 annually. He proposes 2 independent contractors at \$41,600 annually. Payroll taxes and benefits total \$151,893 in year one. Total payroll in year one is \$807,093. Payroll and Payroll Taxes/ Benefits increase to \$1,091,029 in year 2 and \$1,231,605 in year 3. Not including independent contractors, Year One reflects 5.5 FTE, by Year Three they hope to have a total of 11 FTE on staff. They also plan to have an additional 6 independent contractors as well.

- Other major expenses include debt service, commissions and fees totaling \$39,820 in year one, advertising of \$18,000 in year one, travel, meals and entertainment of \$18,000 in year one, and insurance of \$15,036 in year one. Supplies seem low at \$6,000 for year one. Mr. Bennett increased all expenses by 3% in years two and three. This might be low given current inflation, however inflation should level off.
- Mr. Bennett is keeping his costs low as each vendor will carry the cost burden. For example, the caterer will pay a fee to SPV to use the facility but then the caterer will be responsible for all supplies associated with the event. Mr. Bennett is providing the facility/resource to hold the event but other vendors will provide the services, with the exception of the bar.
- Mr. Bennett will have staff to maintain the property keeping snow removal, landscaping and other grounds maintenance down.
- Staff didn't see where property taxes had been included in the budget. The all in tax for the Town of Lyme including the Lyme School District and special districts is \$18.60206. Assuming an appraisal of at least \$5.8 million, taxes would be around \$107,892 annually. For underwriting purposes, Staff adjusted the cash flow analysis above to reflect this amount being paid.

Cashflow

- Based upon the projections, there will be sufficient cash flow to repay the permanent debt. In addition to the permanent debt above, Mr. Bennett will also have a short term loan to bridge the ESD grant.
- In regard to working capital, Mr. Bennett has already spent \$1,487,000 toward this project. His equity contribution into the project is \$914,874 meaning that he will have around \$572,126 in personal cash to put toward working capital.

Balance Sheet

	At Closing
Assets	
Current	511,484
Fixed	7,903,390
Other	0
Total Assets	8,414,874
Liabilities	
Current	98,715
Long Term	5,676,285
Total Liabilities	5,775,000
Equity	2,639,874
Total Liabilities & Equity	8,414,874
Working Capital	413,288
Current Assets	5.2
Debt to Equity	2.19

- Cash at closing is to cover closing costs, interim interest and professional fees. .
- Current portion of long-term debt includes the current portion on the new loans.
- Equity includes cash equity, National Grid grant and REDC grant. REDC grant is ESD funds.

- While there is no working capital identified in the uses of funds, Mr. Bennett has personal resources to contribute to the project. He will also be taking deposits as well.

Personal Credit:

Mr. Bennett lists assets of \$2,269,328 and liabilities of \$566,950. His primary assets are liquid assets of \$429,328 and real estate of \$1,700,000. This includes the Three Mile Bay property that he paid for in cash. Liabilities are a short term HELOC on his personal residence and other installment loans for education. Mr. Bennett has a TransUnion Credit Score of 740 with no derogatory comments. He shows open balances of \$461,001 of which most is for installment loans of \$426,033. He lists other income of \$46,062 from Veteran’s Affairs.

Collateral: Co-proportional second mortgage on real estate located at 7828 NYS Route 12E, Three Mile Bay, NY 13693, and a co-proportional second lien on all assets of the business.

During Construction

	<u>Cost</u>	<u>Discount</u>
Land	\$625,000	\$625,000
Real Property (70%)	\$6,207,695	\$4,345,387
Equipment (50%)	<u>\$450,000</u>	<u>\$225,000</u>
Collateral Available	\$7,282,695	\$5,195,387
Pursuit/Watertown Savings Bank	\$5,000,000	\$5,000,000
Bridge Loan	\$1,425,000	\$1,425,000
Total Senior Debt	<u>\$6,425,000</u>	<u>\$6,425,000</u>
Collateral Available-DANC/public lenders	\$857,695	(\$1,229,613)
Tourism Fund/Other public lenders	\$775,000	\$775,000
Loan to Value	90%	(63)%

Post Construction

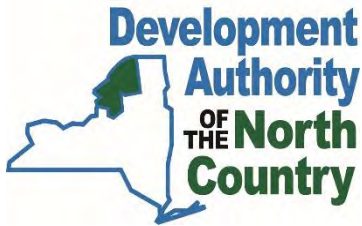
	<u>Cost</u>	<u>Discount</u>
Land	\$625,000	\$625,000
Real Property (70%)	\$6,207,695	\$4,345,387
Equipment (50%)	<u>\$450,000</u>	<u>\$225,000</u>
Collateral Available	\$7,282,695	\$5,195,387
Pursuit/Watertown Savings Bank	\$5,000,000	\$5,000,000
Total Senior Debt	<u>\$5,000,000</u>	<u>\$5,000,000</u>
Collateral Available-DANC/public lenders	\$2,282,695	\$195,387
Tourism Fund/Other public lenders	\$775,000	\$775,000
Loan to Value	34%	396%

Per the Jefferson County tax records, the market value for the land is \$282,979.

DANC/public lenders will require an appraisal with a minimum LTV of \$5,775,000 to have at least a 1:1 LTV.

Contingencies:

- Cash equity of up to \$914,874 demonstrated at closing by the disbursement statement.
- Pursuit/Watertown Savings Bank 7a financing of \$5,000,000 plus bridge financing of to cover ESD grant
- JCIDA funding of \$112,500
- NCA funding of \$112,500
- NCEDF funding of \$300,000
- National Grid grant of \$300,000
- ESD funding of \$1,425,000
- As completed appraisal with minimum value of at least \$5,775,000 to have at least a 1:1 LTV
- Labor Peace does not apply as there is fewer than 15 FTE employees
- Personal guaranty of Kurtis Bennett
- Copies of invoices, and cancelled checks or bank statements



Board Resolution No. 2022-09-75
September 22, 2022

WATER QUALITY DIVISION
FY2022-2023 CAPITAL BUDGET AMENDMENT
WARNECK PUMP STATION BUILDING MODIFICATION PROJECT

Whereas, the Development Authority of the North Country adopted a Fiscal Year 2022-2023 Army Sewer Line Budget pursuant to **Resolution No. 2022-02-13**, and

Whereas, the Resolution authorized a \$366,000 capital project for Warneck Pump Station Building Modifications (Capital Project 41063), and

Whereas, as a result of a competitive procurement process the Authority retained Aubertine & Currier to provide professional engineering services for such project for a total cost of \$34,790, and

Whereas, project construction was bid in accordance with Authority procurement policies and a total of two (2) bids were received for one contract, and

Whereas, the sum of the lowest responsive and responsible bid was \$329,700, increasing the total project costs to \$422,000 with administrative costs and a 10% construction contingency, and

Whereas, our consulting engineer, Aubertine & Currier, and internal engineering staff have reviewed bid results and attribute the increased project costs to the COVID-19 pandemic, which has resulted in increases in equipment and material costs, and a shortage of contractors to meet increased demand.

Now, therefore be it

RESOLVED, that the Development Authority of the North Country herewith authorizes the Chief Financial Officer to increase the budget for Capital Project 41063 (WPS Building Modifications) from \$366,000 to \$422,000.