



ACCEPTED BY BOARD MEMBERS 4/22/21

MINUTES
IDA REGULAR MEETING
MARCH 25, 2021

Present: Kevin Harvey, Vice Chair
Anthony Giordano, Secretary
Brian Beedenbender, Member
Gregory Casamento, Member
Josh Slaughter, Member

Excused Absence: Natalie Wright, Chair
Sondra Cochran, Treasurer

Also Present: Anthony Catapano, Executive Director
Kelly Murphy, Deputy Executive Director
Daryl Leonette, Executive Assistant
Regina Halliday, Bookkeeper
William Wexler, Esq., Agency Counsel
Andrew Komaromi, Esq., Harris Beach PLLC, Transaction Counsel
William Dudine, Esq., Katten Muchin Rosenman LLP, Transaction Counsel
William Weir, Esq., Nixon Peabody LLP, Transaction Counsel
Melissa Bennett, Esq., Barclay Damon, LLP, Transaction Counsel
Greg Gordon, ZE Creative Communications
Grant Havasy, Managing Partner, BGNV AVE LLC
Daniel Baker, Esq., Counsel to BGNV AVE LLC
Kevin Gremse, National Development Corp. (NDC)
Geoffrey Person, National Development Corp. (NDC)

The Regular Meeting of the Suffolk County Industrial Development Agency was held remotely via Zoom. Members of the public were able to listen and view the Meeting through the Agency's website via its YouTube Channel. The Meeting was called to order at 12:35 p.m. by Kevin Harvey, Vice Chair of the IDA.

Mr. Harvey stated this is the March 25, 2021 Regular Meeting of the Suffolk County Industrial Development Agency and for the record we have a quorum present on Zoom. The notice of the meeting followed the Open Meetings Law and the Meeting is being held pursuant to Executive Order 202.1 (2020) and further extended as set forth by the Governor of NYS.

Mr. Harvey asked Mr. Catapano to proceed with the Meeting. Mr. Catapano proceeded with the roll call of Board Members. Also present were staff members, agency counsel, and transaction counsels.

Mr. Harvey stated for the Public Comment portion of the Agenda the public may submit comments via email to info@suffolkida.org or they may be mailed to the Suffolk County Industrial Development Agency.

NEW BUSINESS

BGNYAVE, LLC – Northridge Square: Request for an inducement resolution for a lease transaction.

Mr. Catapano presented Exhibit A. BGNV Ave., LLC is a real estate development company and an affiliate of Blue & Gold Holdings. Mr. Catapano indicated that Grant Havasy is one of the principals and is joining us at the Meeting today. This is an offshoot of the redevelopment of Huntington Station with the Town of Huntington and the master development agreement it has with Renaissance Downtowns where Grant Havasy (Blue & Gold Holdings) was the first project under the agreement and known as BGRD Northridge in 2017 Project. The 2017 project was a 16 unit development rental apartment complex of approximately \$5 million and this project closed with the Agency in 2017. It was a market rate housing redevelopment of Huntington Station under the master development agreement with Renaissance which called for several buildings with affordable housing being put in one building and the rest at market rate. Mr. Catapano stated it was a successful project for Mr. Havasy he moved his offices to one of the commercial units in the Northridge Building which is located at 1060 New York Avenue, Huntington Station. He has taken an interest and is very active with the Town and the redevelopment of Huntington Station. This new project is not part of the Town of Huntington Master Development Plan; it is on its own although Mr. Havasy still needs assistance from the Agency. As mentioned, this proposed building will be 16 units with 3 (affordable) rental units on the other side of the intersection of New York Avenue and Northridge Road, Huntington Station. The building will also have 2,800 square feet of leased space to commercial/retail business on the ground floor. There are about 4 jobs to be created it is not about the jobs it is about having additional rental housing stock and an investment in Huntington Station. The project is also estimated to create 75 construction jobs.

Mr. Catapano introduced Kevin Gremse, National Development Council (NDC) they have an ongoing engagement with the Suffolk County Department of Economic Development and the Suffolk County IDA utilizes their services mostly to help structure benefits for housing projects. Mr. Catapano indicated that Mr. Gremse and Mr. Geoffrey Person also of (NDC) have prepared a report to present to Board Members. Mr. Person and Mr. Gremse provided a Power Point presentation to Board Members. Mr. Giordano asked what is the current rental market rate in the area and Mr. Gremse replied I look at it on a square foot basis the rate is anywhere from \$3.00 to \$3.50 a square foot. These units are small and they are more than \$3.50 a square foot; the market rate units average about \$2,400 they are small one bedrooms. The rent on square foot basis is above what we have seen. Mr. Giordano asked what would the rent be and Mr. Gremse said the rents average \$2,100 a month. Mr. Giordano asked what is the affordable rate is it 20% less and Mr. Gremse yes they are about \$1,200. Mr. Beedenbender stated on the report it mentions \$2,400 as the one bedroom rate. If the Town had used standard AMI the rent would be \$1,600 and the loss of revenue to the property owner would be \$800 a unit. They used a different one it is \$1,200 a unit is that correct. Mr. Gremse said they are losing \$1,200 a month that is the delta between what they were hoping to place the affordable units into service as opposed to what the Town is requiring. Mr. Beedenbender stated on Page 3 of the report it goes through the cost there is a line on use of funds, a development fee. Mr. Gremse said not all the equity is coming from the developer's pockets they are raising equity from outside investors all the financial benefits are not being directly received by the developers. One of the financial incentives is to capitalize the developer fee that means that they cannot get financial benefit from the project. Mr. Beedenbender stated that is a percentage of the project and Mr. Gremse replied yes. Mr. Catapano introduced Grant Havasy, Managing Partner, BGNVAVE, LLC to Board Members. Mr. Slaughter asked Mr. Gremse on your report Page 6 what is the internal rate of return

of 14.86% what does that number address. Mr. Gremse replied that is the return of the invested capital measured against financial benefit received from the project over a certain period of time. We measured that based on a 15 year holding period we looked at that holding period based upon 15 years of the PILOT schedule. Mr. Gremse said that was return on cash equity measured against the cash flow as well as sale proceeds that we assumed in the 15th year. Mr. Slaughter stated that is reflective of them receiving the PILOT and the return on their investment and Mr. Gremse replied yes. Mr. Slaughter stated you make an assumption there will be 5% residential vacancy and 10% commercial vacancy, is that standard. Mr. Gremse said a lot of residential development in Long Island may have vacancy less than 5% from an underwriting standard it is typical to use. Mr. Slaughter stated on Page 3 of the report the total construction cost is \$3.7 million, 60% materials is that a standard and Mr. Gremse said that is standard calculation that the IDA has been using to look at construction costs. Mr. Slaughter said I can assume the other 40% is simply labor and Mr. Gremse said correct. Mr. Catapano stated there is a sales tax cap standard that we use with a construction project it is 60% labor and 40% materials but we flip it the other way to give them a 20% contingency. Mr. Slaughter said the reason I ask if you factor \$1.5 million for labor and there are 75 construction jobs it comes out to less than \$20,000 per worker which is not even minimum wage. Mr. Catapano said that is just for the purpose of computing sales tax exemption that's what the State is concerned with as to what is the estimated amount. Mr. Catapano said this is standard across all IDA's it is not reflective of the labor part it is to focus on building materials and what would be subject to sales tax. Mr. Slaughter asked do you ever look at data and come up with if they didn't receive a PILOT or received mortgage or sales tax savings do you look at partial benefits to see if it can work. Mr. Gremse responded it is an up-front savings to the capital cost through the exemptions; the PILOT is the savings on the operation. As illustrated on Page 6 of the presentation that Mr. Person's went over looking at the stabilized year we look at ability to pay full taxes it is barely positive cash flow. All financial metrics are not met based upon the project starting with full taxes year one. This tells us that the developer would not be able to attract outside equity and borrow requisite debt to build the project we look at it carefully to see that the PILOT payments are necessary in order for the project to proceed. Mr. Harvey stated on Page 5 of the presentation is it land only and Mr. Havasy replied the lot is currently vacant land. Mr. Harvey said there are 4 jobs listed on the application what do these jobs entail and Mr. Gremse replied that is related to the jobs on the ground floor space in the commercial/retail space.

Mr. Beedenbender had an additional question for Mr. Gremse, in the application it talks about the Town of Huntington requirements if there was no affordable requirement at all would this project require IDA support to be feasible. Mr. Gremse replied yes, we discussed different possibilities with schedules we talked about a 60% abatement I think that would be appropriate if there were no higher discounted affordable units. There is still a need for the PILOT without the affordability restrictions you just change the schedule. Mr. Harvey stated the construction jobs everyone considers them temporary jobs, people can work for 30-40 years in the construction industry with temporary jobs.

Mr. Grant Havasy, BGN YAVE, LLC historically my father started the Company years ago, we developed a project in our hometown our first building. Since then it has become a passion project we get to redevelop an underserved area. We went beyond the master developer and revitalized some buildings that were in subpar condition in the area. Mr. Havasy indicated they purchased some vacant land to develop further mixed-use new developments next to the train station. The pandemic put a halt on everything. The reality is our underwriting changed for rental rates we received unpleasant surprises with building material costs. Even though the returns are more modest than anticipated we are in it for the long haul.

Mr. Beedenbender stated here is my struggle, I do not have an aversion to the project. What is the principle thing driving the need for IDA assistance. Mr. Havasy responded we are not at the threshold with the PILOT of what a typical investor would want to see due to the risk of project. My current 2017 project is 16 market rate apartments and retail underneath and all 16 rents were 20 – 25% lower than competitive counterpart in the surrounding area. If you have full market value on your taxes and same cost of the surrounding area 20-25% less revenue you cannot make it work. The costs are beyond what was predicted, the retail is challenged trying to fill the space. We get hit hard with costs we only have 16 units not 300. The largest component is the taxes full tax rate at the building, we could not even build the job. Mr. Beedenbender said NDC said market rate is \$2,400 what these units will bear regular market rate is 25% north of that. Mr. Gremse stated these are one bedroom apartments on the small side we look at what the rents are at a square foot basis which is \$3.50 and is at the top of the market. Mr. Gremse said even if these were 16 market rate units this development does not pencil out because high acquisition, construction costs and high taxes which are \$5,000 per unit that is with discounted rents. Mr. Havasy stated these developments cannot absorb costs from the get go so we look to phase it in to see how much is affordable. Fully market rate development would still need a PILOT. This development is high cost, high taxes there is a need for financial assistance. The Town is putting a burden on the applicant with the three affordable units at a lower amount than the applicant was expecting making it more financially challenging. Mr. Harvey stated the economic development portion of what we do is multi-faceted housing it is difficult for young people on Long Island. We can create thousands of jobs if we cannot assist in small residential developments, find places to house people then all the young people are leaving Long Island. Job creation is not the only thing, we have a low tax structure on the complex now, and in 15 years it will benefit greatly and will be a viable member of the community in increasing tax rolls. Mr. Beedenbender said I agree, I know this area but what I am struggling with is whether this Agency is empowered to help this type of development. Mr. Beedenbender stated it is not listed statutorily is the IDA intended to do this. Mr. Slaughter said I am concerned about housing projects coming through the IDA are there affordable housing programs that you have pursued other government assistance from. Mr. Havasy we reached out to The Long Island Housing Partnership we are too small, they do not want to get involved for three units. The key thing is the tax savings which helps the operational savings is the material difference other than the IDA there is no other governmental relief. Mr. Giordano asked has anyone else tried to develop in this location. Mr. Catapano replied in the 1960's the Federal Government came through Huntington Station and demolished the downtown for urban renewal. The Town and the community have been trying to revitalize the area for years, and the Town is now involved with Renaissance Downtowns. Mr. Catapano stated they have a master development agreement and Mr. Havasy's original project, BDRD Northridge was the first project and JDJ Gateway is 66 units down the road and is the second project under the master development agreement. This is what you hope to see happen, a private investor coming in and investing in the community. Mr. Giordano stated so you believe that this piece of property could still remain undeveloped and Mr. Catapano replied yes. Mr. Catapano said as Mr. Havasy mentioned he has taken buildings in bad disarray and has upgraded and sold them. Mr. Slaughter stated you are a few months away from ground breaking what is your labor budget for the 75 jobs using local labor can you speak to the cost. Mr. Havasy replied the labor on retail they are smaller store fronts, owner operator employment the vast majority is the construction jobs. The tradesmen do not bid, there are a lot of skilled trades on the site you may have a framer on site for 8 weeks each employee may make good money for the block of time they are employed. Mr. Havasy said the skilled tradesmen will not be minimum wage jobs, they will be appropriately compensated. Ms. Murphy indicated that Andrew Komaromi is the transaction counsel for the IDA regarding the project for Blue & Gold and he may want to speak about Mr. Havasy's points. Mr. Komaromi this is a subject of rental housing has been frequently discussed by the State Comptroller's Office and subject of litigation. Ultimately the prevailing view to the extent it is an IDA project that promotes employment opportunities and prevent

economic deterioration and it can found to be considered a commercial project by the IDA that is sponsoring it. Typically the IDA makes those findings in their resolution.

After further discussion and,

Upon a motion by Mr. Giordano, seconded by Mr. Casamento, it was:

RESOLVED, to approve an inducement resolution for a lease transaction in the approximate amount of \$5,742,800 for BGNV AVE LLC, Northridge Square facility.

The motion failed to carry 3/1/1 with Mr. Beedenbender voting no and Mr. Slaughter abstaining. A roll call was taken. Therefore the motion did not carry.

Mr. Casamento asked Mr. Wexler if the abstention brings us from a quorum to no quorum. Mr. Wexler replied yes.

OLD BUSINESS

Regent Baby Products Corp. (400 Rabro LLC): Request for a final resolution for a lease transaction.

Mr. Catapano presented Exhibit B. Regent Baby Products Corp. (440 Rabro LLC) is a wholesale distributor of baby and pet products (e.g. pacifiers, bottles, wipes, apparel, toys, bathing and travel accessories, safety items). Mr. Catapano stated the Board approved this project at the February 25, 2021 IDA Meeting. The Company is purchasing the old Trophy Depot building that is currently an IDA project located at 400 Rabro Drive, Hauppauge, NY. As discussed at the last meeting it was verbally presented by the applicant and their attorney and they submitted a letter explaining three items; Trophy Depot will be leasing back some space for a period time until they find alternate space. There will be leasing of some space of approximately 34,000 square feet to an unrelated third party. The warehouse building & operations in Melville they want to include with Rabro Drive (both locations) for tracking jobs. The Company memorialized this in a letter that was sent to Board Members and is on the Agency's website. The public hearing was held on March 22, 2021 and no comments were received. The comment period was left open until March 24, 2021 at 3:00 p.m. and no comments were received. Mr. Catapano stated it is estimated that the sale of the building may occur sometime in April, 2021.

After further discussion and;

Upon a motion by Mr. Beedenbender, seconded by Mr. Giordano, it was:

RESOLVED, to approve a final resolution for a lease transaction in the approximate amount of \$19,775,000 for Regent Baby Products Corp. (400 Rabro LL) facility.

Unanimously carried 5/0. A roll call was taken and it was unanimously carried 5/0.

OTHER BUSINESS**Minutes**

The Minutes of the January 28, 2021 IDA Meeting were postponed to the April 22, 2021 Meeting due to a lack of quorum for the vote.

The Minutes of the February 25, 2021 were accepted by Board Members.

OTHER

Mr. Catapano stated we have a year-end summary of our activity for 2020 that Kelly Murphy helped prepare and was presented to Board Members.

Mr. Harvey thanked Tony and Kelly for their hard work. I would like to commend the staff for a job well done especially last year which was by many small businesses considered a lost year. The reporting of jobs by the State Comptroller regarding large number of jobs Suffolk County created at a minimal cost to the tax-payers is what we strive to do. Mr. Harvey said I think it speak volumes and congratulations to the staff and due diligence to find economic development and due it at a reasonable cost to taxpayers. Mr. Giordano stated I second what Mr. Harvey said you are doing a great job being second in the State for creating jobs. I think it is a reflection of what you are doing. Mr. Catapano said there are only four of us on staff, it is a lot of work almost like being a small business. The projects and the reporting thank you for recognizing it.

Mr. Casamento had to leave left the Meeting.

Upon a motion by Mr. Giordano, seconded by Mr. Slaughter, it was:

RESOLVED, to adjourn the Regular Meeting of the Suffolk County Industrial Development Agency.

Unanimously carried 4/0. A roll call was taken and it was unanimously carried 4/0.

The Meeting adjourned at 2:10 p.m.

The next Regular Meeting of the Suffolk County Industrial Development Agency is tentatively scheduled for April 22, 2021.

Mr. Catapano indicated that Natalie Wright, Chair of the Board will be back. We would like to thank Mr. Harvey for handling the mechanics of the Meetings for the last three meetings.