MINUTES
IDA REGULAR MEETING
NOVEMBER 17, 2022

Present:    Sarah Lansdale, Chair
Kevin Harvey, Vice Chair
Sondra Cochran, Treasurer
Cris Damianos, Member
Josh Slaughter, Member

Excused Absence:  Greg Casamento, Secretary
Brian Beedenbender, Member

Also Present: Anthony Catapano, Executive Director
Daryl Leonette, Executive Assistant
William Wexler, Esq., Agency Counsel
William Dudine, Esq., Muchin Rosenman LLP, Transaction Counsel
William Weir, Esq., Nixon Peabody, LLP, Transaction Counsel
Andrew Komaromi, Esq., Harris Beach PLLC, Transaction Counsel
Carolyn Trespasz, Esq., Barclay Damon, LLP, Transaction Counsel
Greg Gordon, ZE Creative Communications
Kevin Gremse, National Development Council (NDC), (Via Telephone)
James Madore, Newsday
David Curry, Esq., Farrell Fritz, P.C., Counsel to Sunrise of Northport Propco LLC
William Paparella, CEO/President, Broadway National Group LLC
Dana Judge, Canon U.S.A., Inc.
Amy Newman, Canon U.S.A., Inc.
Daniel Deegan, Esq., Counsel to Canon U.S.A., Inc.
Lisa Broughton, Suffolk County Department of Economic Development & Planning
Christina DeLisi, Assistant to the Commissioner, S.C. Dept. of Labor

Ms. Sarah Lansdale, Chair who is presiding over the Meeting today indicated that the documents for this meeting can be accessed and are posted to the IDA’s website at https://www.suffolkida.org/resources/ under the Board Meetings tab.

The Regular Meeting of the Suffolk County Industrial Development Agency held in the Arthur Kunz Memorial Planning Library Conference Room located on the 2nd. Floor of the H. Lee Dennison Building, 100 Veterans Memorial Highway, Hauppauge, NY was called to order at 12:35 p.m. by Ms. Lansdale, Chair of the IDA.
This is the November 17, 2022 Regular Board Meeting of the Suffolk County Industrial Development Agency and for the record, we do have a quorum present. The Meeting is being held as an in-person Meeting. Members of the public may listen and view the Meeting via the Agency’s website www.suffolkida.org. Watch Meeting menu option, and will be linked to the Agency’s YouTube Channel.

PUBLIC COMMENT

Ms. Lansdale asked if there are any public comments and no one replied and Ms. Lansdale closed the public comment portion of the meeting.

NEW BUSINESS

Broadway National Group LLC: Request for an inducement resolution for a lease transaction.

Mr. Catapano presented Exhibit A. Broadway National Group LLC involves the renovation of the first floor of an existing 65,500 square foot building to include: training area, shared spaces, modern furniture and equipment and a kitchen and lunch area for continued use as Broadway National Group LLC’s headquarters. Additionally, new surface parking of 75,550 square feet to provide ample parking to accommodate expansion is included. The 2017 project proposed purchase and renovation of the entire building however, due to COVID-19 only the second floor was completed at that time.

Mr. Catapano stated there is an abstract attached to the 2022 abstract for the 2017 project of Broadway National. The 2017 project was to purchase a 65,500 square foot building at 100 Davids Drive, Hauppauge to be used as Broadway National’s headquarters. Mr. Catapano stated Broadway National is a national property management and technology company. Some of the clients of the company are Hertz Rental Car, CVS and Walgreens Pharmacy these types of large corporations that have multiple locations throughout the country. Broadway assists these large companies as a management company if they have technical problems such as bathroom leaks and snow removal they would contact Broadway National. The Company also developed proprietary software they are also a technology company. Mr. Catapano indicated that he visited and toured the company and there are a lot of young adults employed. They have to compete with other technology companies such as Apple and Google for talent. Mr. Catapano stated this project can be either an amendment to the existing project or a new project. When the President of the Company, William Paparella approached the agency they had approximately 100 jobs and promised to create 50. He is currently at 236 jobs and he created 136 more jobs then what he previously had. Mr. Paparella is proposing 70 new jobs for this project and approximately 25% of the jobs have an average salary of $80,000.

Mr. Catapano introduced Mr. William Paparella, CEO/President of Broadway National Group LLC to Board Members. Mr. Paparella stated 34 years ago he founded the Company out of his parents garage it started out as a neon sign company. It has evolved into a company that does national facility maintenance and construction management services. The Company continues to evolve in terms of growth, over the last 10 years we have had 21% compounded growth in sales this last year we are up 39%. We built the business on old fashioned family atmosphere as people engage in the Company and share in the rewards. Mr. Paparella stated the technology side of the company has added the component of us being viewed in the marketplace as an innovator. The
Company is selling their software, they don’t provide services for them and they are just purchasing the app. Mr. Paparella stated he is trying to build the company out to another 200 jobs which would bring it to 500 jobs in the building. We do have some small satellite offices in Raleigh, North Carolina and he indicated that he lives here and has had a lot of success on Long Island, Suffolk County. Mr. Paparella said we are hiring software developers and engineers and those jobs are a big part of our growth, in addition to project managers and facility managers that we have already hired. Mr. Slaughter asked in reference to the existing project and this one, originally the parking lot and the first floor were included in the original project and we are now including that in the new application. Is there any impact to the original benefits because it was not done under the original payment in lieu of tax (PILOT). Mr. Catapano replied we are going to amend the existing PILOT for half and the other half will be in this amended part of the project for the first floor. Mr. Komaromi stated this is additional financial assistance in connection with the amendment of an existing project where there is additional jobs and investment. Mr. Harvey asked Mr. Paparella if he believes he can get an additional 250 jobs if it moves forward in the right direction and Mr. Paparella replied yes but he doesn’t want to get into a trap the first time around we brought in some good will. We were comfortable committing to 50 jobs, if we continue we don’t see why we won’t come to 41% of growth we never know what can happen to accounts and the economy.

After further discussion and;

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

RESOLVED, to approve an inducement resolution for a lease transaction for Broadway National Group LLC facility.

Unanimously carried 5/0.

OLD BUSINESS

Sunrise of Northport Propco., LLC: Request for a final resolution for a lease transaction.

Mr. Catapano presented Exhibit B. Sunrise of Northport Propco., LLC involves the demolition of an existing 2,150 square foot building and construction of a 77,500 square foot building on 6 acres located at 1381-1387 Pulaski Road, East Northport, NY. An existing farmhouse type building will be preserved and renovated as per Town and community request. The project is a proposed 90 unit, 112 bed assisted living facility including an Alzheimer’s/memory care unit in a two-story building.

Mr. Catapano stated that Sunrise of Northport Propco., LLC was approved by the Board at the October 27, 2022 IDA Meeting. The company plans to create 68 jobs with an average salary of $55,000 and an estimate to create 152 construction jobs during the construction phase of the project. A public hearing was held on November 14, 2022 and two representatives from the Northport/East Northport School District attended. The Superintendent and the Business Superintendent had some questions on the mechanics of the abatement and how it would be applied they seemed satisfied with the response. They went on record saying that they are not against economic development and they may send a letter, we have not received anything as of yet. Ms. Cochran asked this is previous farmland and Mr. Catapano said it was a farm stand years ago. Mr. Slaughter stated he questioned Mr. Kevin Gremse at the last meeting on his
analysis of the project. The data and metrics that he supplied showed substantial return on investment and profit margins for the project that he felt they would probably do this project without the assistance. The response was it’s an inflationary period and it is a risky business and they want to know that they have the extra assistance to move forward. Mr. Slaughter stated that he feels that our responsibility as a Board is to look at the need and the but for clause of these projects. The information provided shows that if they decided to move forward without the assistance it is a regional project they had to make an assessment for placement it’s not necessarily a project they would build somewhere else. They feel the need is here because of the aging population and they can occupy it. Mr. Slaughter stated Mr. Kroskin stated at the last meeting in the past when they have received assistance it wasn’t as needed as it is now. We have a tough perception with IDA’s on Long Island 100% of the projects coming in are getting approved and he thinks the public looks at IDA’s as a rubber stamp. There are not a lot of projects getting pushed back or voted down. The budget information that was provided showed that this project could be profitable and built without the assistance. Mr. Slaughter stated we have to start looking at projects and if they don’t receive our assistance see what happens it is our responsibility to the tax-payer. There are a lot of small businesses that struggle and take risks in the area that are not eligible for assistance. These large companies that are successful and the data shows the same the economic and budget information shows that they can be profitable without our help he is not comfortable providing assistance in those situations and he will be voting no on this application. Mr. Catapano stated Kevin Gremse, NDC at the last meeting is on the phone if you would like to hear his comments and or reaction and Ms. Lansdale replied yes.

Mr. Gremse stated the lack of but for argument on this project the majority of projects that he has presented to the Agency have had more of a clear but for margin. The majority of those developments are residential developments and property tax can be 30-40% of the operating expenses and that can be challenging. Normally he presents a scenario of the operating pro-forma without the PILOT and often times the cash flow is negative or its just barely positive. He then shows the scenario of how the operations look with the PILOT where there is substantial savings in the real estate taxes and that creates the financial liability. There is a strong but for argument that without the financial assistance offered to the applicant those developments would not be able to proceed. The commercial developments are different, that was the case and we discussed some warehouse distribution centers and Mr. Slaughter you are correct on the warehouse distribution centers. When you look at the real estate taxes overall to the operating expenses whether it be a warehouse distribution or this case an assisted living facility the real estate taxes are a small percentage of the operating expenses that is why he made a clear distinction between Sunrise as an assisted living facility really being a commercial operation. The real estate taxes as a percentage of operating expenses is just about 2% of overall operating expenses. That is due to most of the operating expenses are personnel, by the second year operating expenses are almost $10 million dollars and most are attributable to the fairly high wage jobs that are a part of this 83 full time jobs, that is where most of the operating expenses are. The distinction between not having a PILOT and having one is not as strong as when we are dealing with residential developments whereby the real estate taxes could be as high as 30-40% of operating expenses. This is a commercial enterprise and that is why the IDA has made available a 485 (b) which is standard commercial PILOT structure. The PILOT is only 10 years and the savings of real estate taxes is only 25% during the 10 year period. Mr. Gremse said is it an absolute but for test without the PILOT the development is financially feasible no. Is it an incentive whereby Suffolk IDA is promoting a business friendly environment to offset the high cost of land and construction and the increases in interest costs which legitimately present some challenges
and risks for a development of this size of $15 million dollars. The costs for this facility is more than 30% higher than the costs a few years ago when they placed there other facility in Suffolk County into service. Mr. Gremse indicated that the overall financial package between the PILOT and the exemptions on sales tax and mortgage recording taxes together $3 million dollars that is 5% of the overall investment it is a 20 to 1 ratio in terms of private investment compared to the overall financial incentive package that is available to incentivize and mitigate the risk of that $54 million dollar investment. Mr. Gremse said to Mr. Slaughter he cannot make the absolute clear but for case that often is presented and the Board on those other residential developments given the fact that this is standard for commercial development in terms of a 485(b) 10 year PILOT phase in. It only accords 25% discount on taxes on a 10 year period of time he thinks it is a solid investment package. Mr. Gremse indicated that he doesn’t feel that Sunrise would do this again if they did not have some level of incentive and partnership with Suffolk County and the Suffolk County IDA. It is more of a policy issue in terms of having these incentives available as part of a pro-business and pro-development county then it is more of a financial argument but for this the investment would not happen. Mr. Catapano stated the 68 jobs being created many of them are well paying jobs with hourly wages which brings down the average salary. Assisted Livings generally have well-paying jobs and as mentioned before the 485 (b) property tax exemption the county is still part of providing that assistance. Even if Sunrise did not come through the IDA they would be able to go to the property tax assessor and get a 485 (b) exemption on the county property tax a lot of the towns have pulled back and don’t provide that anymore. All of the IDA’s were founded on the 485 (b) type of abatement over 10 years it didn’t address financial need if you made the investment this is what you would get this abatement. Historically, this is how it has evolved with the IDA’s.

Ms. Lansdale introduced David Curry, Esq., Farrell Fritz Counsel to Sunrise of Northport Propco., LLC. Mr. Curry thanked Mr. Slaughter for his concerns, as a resident of the county and asking these questions. As far as the but for test, Phillip Kroskin who was here last month did clearly say on the record that it was the but for test Sunrise is not going to make investments in the future in NYS without IDA assistance it is part of their pro-forma. It is part of their pro-forma that they send to investors the incentive package comes to 5% that small 5% difference is the difference between a reasonable rate of return for the investors that have signed onto this project and an unreasonable rate of return. Without the incentives the numbers the big investors that own Sunrise are going to walk away from this project and as a result we will terminate the contract, lose the deposit and all the legal and other fees they have paid to date. Mr. Curry stated what Mr. Gremse was not able to factor in was the Long Island Power Authority settlement of the power plant that is in the school district. There is no way of knowing what the future holds but the school district is going to see multimillion dollar decreases in the amount of money they are going to get every year from the power plant. The only way they can compensate for that loss is to raise the taxes within the jurisdiction. That was not put in the report because there is no way of knowing how the town is going to react if these amounts of money are put in place. The tax burden on the property will increase over time Mr. Gremse’s firm knows from being in the litigation and the settlement that is public the amount of money the taxing jurisdiction is going to receive per year is going to go down approximately 7 figures a year, which is going to be difficult for the school district to absorb. COVID-19 has had an impact on the industry the industry island wide was enjoying a 90% occupancy rate and the 10% is the people move or pass away or relocate into more care facilities. There was a mass exodus with COVID-19 with families taking their loved ones out of assisted livings because of the fear they would get COVID. There is a very slow return of those people coming back to the facility, the demand will come back although slowly and the revenue is down due to this. The pro-forma that Sunrise gives to its investors and to
construction lenders includes the PILOT that we anticipate getting. It makes a difference between a lender saying okay we will lend on this with the possibility of a permanent financing in the future or we won’t. Mr. Slaughter asked what is a reasonable return that an investor expects and Mr. Curry explained he does not have those figures available that is done between Sunrise and its investors. Mr. Slaughter said Mr. Gremse’s reports typically show what a lender would expect and what the numbers are. Mr. Slaughter asked Mr. Gremse as far as the 30% increase in construction costs and the inflationary pressure on this project those numbers were factored into the report you provided. Mr. Gremse responded he does not know if he has the most recent budget he used the cost estimates that were included in the IDA application. The construction costs are fluid, unfortunately fluid going up on a consistent basis. In terms of IRR the fact that this is considered more of an operating business then a residential development it has a higher risk profile. The higher the level of risk the higher the returns the investors want.

After further discussion and;

Upon a motion by Mr. Harvey, seconded by Mr. Damianos it was:

RESOLVED, to approve a final resolution for a lease transaction in the approximate amount of $54,633,214 for Sunrise of Northport Propco., LLC facility.

The motion carried 5/1 with Mr. Slaughter voting no.

**Canon U.S.A., Inc.:** Request to amend documents to pay actual tax amount.

Mr. Catapano presented Exhibit C. Mr. Catapano stated that the Canon project is coming to the end of its agreements with the Agency. The property was never assessed the assessment is with the land value it is a fixed payment-in-lieu-of-tax (PILOT) payment a schedule of 13 years. Back 10-13 years ago we consulted with the Town Assessor and came up with estimates of what the property tax would be over time. The assessor put an assessment on it and Canon reached out to us to seek the Town Assessor’s input on what the assessment would be on the property. The upcoming year the taxes are approximately $500,000 less then what the PILOT payment would be. Next year is the last PILOT payment for this agreement at $2.7 million if you use the assessment that the assessor came up with times today’s tax rate it’s about $2.1 million. Canon has the right to terminate the transaction and they will get what they want as far as paying the actual tax amount as opposed to the higher amount. Mr. Catapano stated we spoke to Canon and we think it would be better for the taxing jurisdictions also that they pay the full tax amount in the form of a PILOT payment because then the taxing jurisdictions can get their payments next year rather than wait a year because it is too late to send out a tax bill for the upcoming year. A year from now the Company would get a double bill the upcoming year plus the 2023/2024 tax year delaying the taxing jurisdictions from getting there funds and they agreed. We also had a meeting with the assessor and the Company and their counsel and there is some further refinement of that assessed value number and they are still reviewing it. Mr. Weir stated we are reducing the tax payment by $100,000 that could be considered new benefits so to be safe we are going to hold a public hearing and come back to the Board for the final resolution. Mr. Catapano stated there are representatives from Canon here Amy Newman, Dana Judge and Dan Deegan, Esq. Counsel to Canon. Mr. Deegan stated this project has been a big success for the county, State and the Company they currently have over 1,000 jobs very high paying. Canon is owned by a Japanese parent company this is the American headquarters they have had
challenges in terms of the camera business which everyone knows from their iPhones to the camera business. They have pivoted and gone into other businesses and expanded other business lines and they are still very successful they would like to stay here in Suffolk County. This is a smoother mechanism if we adjust the PILOT rather than terminate and go back on the tax rolls. Mr. Weir stated if we terminate it now it can’t get on the tax rolls in time for a tax bill to be sent out so the school district and town would get no money in 2022/2023 and they would get a double payment next year which hurts the school district. Mr. Damianos said there is no certiorari and Mr. Weir replied this circumvents that it’s good for the tax assessor the school district and the county.

After further discussion and;

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

RESOLVED, to approve the request to amend documents to pay the actual tax amount.

Unanimously carried 5/0.

575 Broadhollow Energy LLC: Request to consent and ratify a change in the internal ownership entity of the parent company.

Mr. Catapano presented Exhibit D. 575 Broadhollow Energy LLC Generate is the parent company of 575 Broadhollow Energy LLC. Generate is a leading, diversified, sustainable infrastructure company. The Company owns, builds, operates and finances affordable and reliable infrastructure solutions for clean energy, water, waste and transportation. Generate has collaborated with Edgewise Energy, a Long Island based clean energy developer. Edgewise Energy will oversee the construction and subscription of a PSEG Long Island electric grid, providing benefits for all ratepayers and the host community.

Mr. Catapano stated this project closed with the Agency in July 2021. There is an office building located on the property already, they are using an unused portion of the parking lot. The parent company Generate Capital is asking for consent for a change of ownership entity internally, it is an intra company. 575 Broadhollow Energy LLC is one of their companies the owning entity for this project. The next level up in the corporate world of the Company would like to change that entity to another entity within their organization. This is an administrative change in hindsight, we probably should have had the documents stating if any internal change like this was needed all they would have to do is notify the Agency we did not write it that way. Mr. Weir stated the way the documents are drafted it designated the name of the entity that the tax credits will go into Generate C & I Warehouse II LLC and that was changed to Generate CDG Fuel Cell I LLC. The structure is the same it is basically just changing the name of the LLC. Mr. Catapano stated the Company needed to do these tax credits prior to this meeting in consultation with transaction counsel Bill Weir we felt comfortable enough and Mr. Catapano signed the consent. Mr. Catapano stated today the Board just has to consent and ratify his signature of it.
After further discussion and;

Upon a motion by Mr. Harvey, seconded by Ms. Lansdale, it was:

    RESOLVED, to consent and ratify a change in the internal ownership entity of the parent company.

Unanimously carried 5/0.

**NYS Open Meetings Law:** Amendments allowing “public bodies” remote attendance via videoconferencing.

Ms. Lansdale stated this was discussed in the Governance and Compliance Committee Meeting prior to the regular Board Meeting. The Committee is recommending moving this to the full Board for consideration of the NYS Open Meetings Law.

After further discussion and;

Upon a motion by Mr. Slaughter, seconded by Mr. Damianos it was,

    RESOLVED, to approve amendments allowing “public bodies” remote attendance via videoconferencing.

Unanimously carried 5/0.

**MINUTES**

The Minutes of the October 27, 2022 meeting were accepted by Board Members.

After further discussion and;

Upon a motion by Mr. Damianos, seconded by Mr. Harvey, it was:

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

Unanimously carried 5/0.

The Meeting adjourned at 2:00 p.m.

The next Regular Meeting of the Suffolk County Industrial Development Agency is tentatively scheduled for December 15, 2022.