

City of Port Jervis
IDA
Minutes for Meeting December 6, 2012

Present: Robert Eccelston, Robert Schultz, James Hinkley, and Frank Bell. Also in attendance were: Council Liaison Robert Ritchie, City Corporation Counsel Damian Brady and City Clerk Treasurer Robin Waizenegger

Meeting opened at 7:10 p.m. by Robert Eccelston

Pledge of allegiance was not done due to lack of American Flag in the meeting room.

Members of Future Home Technologies (FHT), operating partner Mr. Jim Pendry and Mr. Fotis Boliakis, shared their backgrounds in real estate and finance with the Committee.

Mr. Pendry spoke about financial challenges that FHT has been experiencing over the last five (5) years and changes the company has made to reposition itself to meet demand. Mr. Pendry invested approximately \$1 million to facilitate that transition, but he feels the company had not yet become sustainable for 2012. He stated that, although there has been investment with private equity, FHT still needs additional investments and is coming to the IDA for assistance. He feels the company now has strong strategic vision and contacts. FHT needs a working capital infusion to create more jobs and needs help from the government to build a job base to return to being a strong, efficient company that can meet the needs of 2012. Mr. John Longabuco discussed basis points, interest rates, and amortizations for borrowing.

Mrs. Waizenegger summarized the status of the PILOT with the company from 2011 to current, including payments made and other payments that remain open. Mr. Pendry added that he anticipates payment to be made shortly. Mr. Longabuco shared number of employees and the amounts paid for wages, property taxes, and sales taxes paid since the company began. Mrs. Waizenegger and Mr. Longabuco discussed a potential \$2 million bond issue for the company. Mrs. Waizenegger reviewed changes in municipal finance since 1999, including the lowering of rates due to re-rating and GASB 45.

Mr. Pendry discussed types of housing being provided for those displaced due to Hurricane Katrina and the opportunity for the company to provide replacement housing for this area. Mr. Boliakis discussed the types of other housing that FHT wish to have as part of their strategy and their ability to accommodate the increased workload.

Mr. Eccelston stated that the IDA is a facilitator only, not a guarantor, and added that the City also will not guarantee the bond. Mr. Brady clarified a lease-back agreement. Mr. Schultz asked if FHT has contacted brokers concerning underwriting. Mr. Pendry stated that he had contacted Hudson Valley Bank and clarified that the bank would guarantee payment on the bond.

Mr. Longabuco stated that FHT is requesting that the IDA support an IDA bond offering, and it will be the company's burden to execute the bond. Mr. Eccelston requested that Mr. Brady ensure the IDA and City of Port Jervis not be held responsible for this debt. Mr. Hinkley asked if the IDA had an inducement letter and explained the basics of this letter. The company has not yet submitted this letter to the IDA.

Mr. Pendry discussed the possible uses for the funds, including improving technology and efficiency, and commented that their issue is focusing on retaining jobs and growing the business. The business anticipates increasing the number of employees to one hundred (100), an increase by fifty (50), to meet the demands of the multi-family and retail modules markets. The company and the Committee discussed winter builds, seasonality of housing construction to maintain employees, building construction, and competitiveness.

Mr. Eccleston detailed the requirements of an inducement letter, which should include a request for a meeting with the IDA, what the company is seeking, and what incentive the company is giving to encourage the IDA to assist them with financing. Mr. Brady spoke about the changes in the law in 2005 such as a cost-benefit analysis that must be done by the Committee and possible consequences of not realizing the benefits proposed in the inducement letter. He also noted that the State Senate and Assembly have been shutting down IDAs that are dormant and/or not properly reporting. Mr. Pendry asked for clarification of the information the Committee may focus on when considering their request. Mr. Brady detailed items that may be considered.

Mr. Eccleston asked if the company would be refinancing current debt or adding additional debt. Mr. Pendry stated that they would be adding additional debt.

The Committee, Mrs. Waizenegger, and Mr. Brady discussed the timeframe for the approval process.

Mr. Eccleston recommended that the inducement letter include the company's acknowledgement of the City as only the guarantor for the loan, and Mrs. Waizenegger recommended listing the company's private market financing. Mr. Pendry stated they could create a draft of the inducement letter that can be reviewed by the Committee.

Mr. Ritchie added that one positive note will be the company working with HUD and FEMA for housing for those displaced by the hurricane. Mr. Brady noted that is important to have a principal, who has his own funds invested, involved in the process and also to be in good standing with the City. Mr. Brady stated that he will contact the Office of the State Comptroller to ensure all reporting requirements are met and noted that the IDA may have to consider adopting a standard operation procedure.

Mr. Bell, Mr. Schultz, and Mr. Brady discussed the company's financing possibilities in regards to refinancing current debt or adding additional debt. Mr. Brady asked if it would be helpful for future discussions, and as part of due diligence, for members of the Committee to take a tour of the facility. Mr. Schultz stated that he supports the IDA assisting them. Mr. Brady inquired if the company had contacted the Community Development Agency (CDA) for assistance. Mrs. Waizenegger noted that Mr. Pendry had met with the Mayor and Ms. Kathy Hendrickson, Director of the CDA.

Mr. Eccleston and Mr. Brady spoke about a Brownsfield Revolving Loan Fund and possible IDA involvement. Mr. Ritchie added that the Mayor preferred the IDA not be used, but the information was included as a part of a project application for a million dollar grant. Mr. Bell noted that the CDA guaranteed the twenty percent (20%) match, \$200,000, necessary for the grant.

Motion by Mr. Bell, seconded by Mr. Hinkley, to approve a zero budget for 2013. Members present unanimously approved the motion. Motion carried.

Motion by Mr. Eccleston, seconded by Mr. Hinkley, to adjourn the meeting at 8:40 p.m. Members present unanimously approved the motion. Motion carried.