Onondaga County Industrial Development Agency
Regular Meeting Minutes
July 22, 2014

The regular meeting of the Onondaga County Industrial Development Agency was held on Tuesday, July 22, 2014 at the 333 West Washington Street, Syracuse, New York in the large conference room on the first floor.

Chairperson Donna DeSiato called the meeting to order at 8:00 am with the following:

PRESENT:
Daniel Queri
Jessica Crawford
Patrick Hogan
Janice Herzog

ABSENT:
Donna DeSiato
Victor Ianno
Lisa Dell

ALSO PRESENT:
Julie Cerio, Office of Economic Development
Kristi Smiley, OCIDA, Secretary & Treasurer
Karen Doster, Recording Secretary, Agency
Honora Spillane, Office of Economic Development
Linda McShane, Office of Economic Development
Tony Rivizzigno, Gilberti Law Firm
Stephen Chabot, Inficon
Peter Muserlian, PEMCO Group
Chris Montante, PEMCO Group
Stephen Chabot, Inficon
Katie Aumijo, Pioneer Companies
John O'Brien, Pioneer Companies
Sarah Wisnewski
Jeff Murry, Carpenter's Local 252

APPROVAL OF REGULAR MEETING MINUTES – JUNE 12, 2014

Upon a motion by Janice Herzog, seconded by Patrick Hogan, the OCIDA Board approved the regular minutes of June 12, 2014. Motion was carried.

TREASURER'S REPORT

Kristi Smiley gave a brief review of the Treasurer's Report for the month of June 2014.

Upon a motion by Janice Herzog, seconded by Patrick Hogan, the OCIDA Board approved the Treasurer's Report for the month of June 2014. Motion was carried.

PAYMENT OF BILLS – SCHEDULE #376

Kristi Smiley gave a brief review of the OCIDA Payment of Bills Schedule #376.

Upon a motion by Janice Herzog, seconded by Patrick Hogan, the OCIDA Board approved the Payment of Bills, Schedule #376 with General Expenses being $66,288.33. Motion was carried.

CONFLICT OF INTEREST DISCLOSURE

The Conflict of Interest Statement was circulated and there were no comments.

INFICON, INC. – SEQR AND INDUCEMENT

Kristi Smiley stated that there were no comments at the public hearing but there was written correspondence from a gentleman asking more about how the IDA handles the policies and procedures in terms of the Inficon project.

Stephen Chabot stated that Inficon continues on track and they are in the detail design phase. He stated that starting at the end of week they plan to go out for construction bids. He stated that one of the big items for them is a potential with National Grid permanent easement on property located behind them. He stated that in this point in time they have a permanent easement agreement National Grid and they are in the 90 day public service commission review period and that ends in early September. He stated that their goal is to break ground the third week in September if everything continues to move forward. He stated that they are excited and business continues to grow. He stated that they are seeing growth in the US which is actually surprising and is great. He stated that they are continuing to see growth in Korea and China. He stated that they are looking at

69,000 square feet. He stated that they are going to have a good clean room space and added growth in jobs mostly in engineering and scientist standpoint.

Janice Herzog asked where they think they will pull most of their new employees from. She asked if they will do a national search. Stephen Chabot stated that they start locally and end up in some cases doing national searches. He stated that it is interesting that looking back 2 to 4 years a lot of their technical people are coming from outside the year but seems like over the past 12 to 14 months they have got more local people. He stated that their goal is to hire local because there is less risk to hiring local but if not they will go national and international as well.

Jessica Crawford asked if they are entry level. Stephen Chabot stated that they are mid to senior level. He stated that they will be mechanical engineers, software engineers, electrical engineers and they do hire a handful of people right out of school.

Janice Herzog asked if they partner with the University in terms of students. Stephen Chabot stated that they do and they have been lucky from RIT and Clarkson standpoint. He stated that the challenges they face locally is that a lot of people don't want to stay in Syracuse when they are done. He stated that they try to find a good match that may potentially want to stay.

Kristi Smiley stated that the Town of DeWitt took lead agency position on this project and the Agency will adopt their resolution.

Upon a motion by Janice Herzog, seconded by Patrick Hogan, the OCIDA Board approved a resolution for SEQRA purposes concerning the environmental significance of the Inficon, Inc. project and the project being a Type II action and no further environmental review is required under SEQR. Motion was carried.

Upon a motion by Patrick Hogan, seconded by Janice Herzog, the OCIDA Board approved an inducement resolution for a straight lease transaction for the Inficon, Inc. project consisting of a 65,000-75,000 sq. ft. expansion on its current 140,000 sq. ft. building located in the Town of DeWitt. Motion was carried.

Upon a motion by Patrick Hogan, seconded by Jessica Crawford, the OCIDA Board approved a closing resolution authorizing the execution and delivery of certain transaction documents with respect to the Inficon, Inc. project. Motion was carried.

6593 WEIGHLOCK, LLC – REVIEW AND PUBLIC HEARING

Peter Muserlian stated that this is the final site that they have in Weighlock Park that was started back in 2006. He stated that four years ago they built a new Marriott Springhill Suites hotel which is 119 rooms and is mostly suites. He stated that at the time they had the Empire zone for that site which helped with feasibility of building the project. He stated that they are here to today to talk about the second phase of the project which would be the Marriott Fairfield hotel which they want to look for a sales tax exemption and mortgage tax exemption. He stated that they are not looking for a PILOT.

Chris Montante stated that they're recent experience with the 119 room Springhill across the street and from that they were able to provide some empirical support for this project being a net wealth generator. He stated that in 2013 the Springhill generated 475,000 in sales and there is a 5% county occupancy tax. He stated that they had 25 staff employees, spent $400,000 to local vendors and paid $105,000 in local property taxes. He stated that there is no PILOT. He stated that Marriott Corporate manages the facility for them and they did some statistics which supported the following: 94% of the sales from the proposed Fairfield are expected to be from outside Onondaga County, 68% of those sales are from outside New York State. He stated that they also looked at the jobs. He stated that they employ 25 people at the Springhill and the Fairfield will also employ approximately 25 people. He stated that there are construction jobs which could be over 100 people working on this this but he condensed it to 50 near full time equivalents. He stated that the construction project is 12 to 14 month process. He stated that he assumes that there will be several construction related jobs. He stated that the third project benefit is the contribution to tourism. He stated that they believe that the new Fairfield will enhance the market performance by providing new and quality branded hotel in this area. He stated that Carrier Circle was once a concentration of high quality hotel rooms over the years the functionality of those buildings have dissipated and there is now a need to maintain competitiveness in this submarket and regionally to have quality hotel rooms that have good reservation systems and good points. He stated that is why Marriott and the Hilton tend to be the best because they attract people who use those points to come to the region to shop, dine and do things that we would like them to do from a tourism prospective. He stated that they believe there will be a net financial gain estimated at $240,000 in annual sales tax of which $120,000 is County sales tax and $120,000 State sales tax. He stated that in year one they anticipate sales of about $3,000,000. He stated that there is a County hotel occupancy tax so the County will receive $120,000 in year one, $150,000 in occupancy tax, not using a PILOT and that is about $100,000 in annual property tax. He stated that based on the performance at the Springhill they anticipate $400,000 going to local vendors. He stated that looking at the statement of need they do have a financing gap. He stated that the gap can be closed if they can reduce the sales tax and mortgage tax on this. He stated that the net project benefits will be $367,000 from those inducements if the Board is inclined. He stated that they think the payback is excellent given the benefits in terms of the number and then some of the intangible benefits explained. He stated that they do have another site in Manassas, Virginia that they are considering that is approved for a new Springhill Suites. He stated that the market economics are different here in Syracuse and not quite achieving the 70% occupancy which is kind of the magic numbers to get to feasibility. He stated this this will go a long way to close the gap and will make the project feasible in lieu of the empire zone benefits that have expired in that area. He stated that one of the things that Kristi Smiley pointed out was is the project competing with the others out there. He stated that the Fairfield offers a slightly wider range of hotel guests. He stated that this particular hotel is being tailored to host more group, more travel and leisure. He stated that they have smaller rooms and more meeting spaces. He stated that Carrier Circle doesn't have a lot of meeting spaces in the select service categories.

Jessica Crawford asked where Weighlock Drive is. Peter Muserlian stated that it is along Route 298 going out toward Pioneer Park. He stated that two years ago they built the Aspen Dental Call Center for 300 people. He stated that this is the last site there they would like to develop.

Janice Herzog asked if the property is accessed from Route 298. Peter Muserlian stated yes at Kinne Street. He stated that it exits out to Court Street Road where there is another light going to Route 298.

Patrick Hogan asked who the general contractor is. Peter Muserlian stated that the general contractor is Parsons and McKenna.

Patrick Hogan asked if there will be 25 employees. Peter Muserlian stated that there will be 25 employees for the hotel.

Patrick Hogan stated that despite not beating the benchmark they are confident it will be a profitable venture. Chris Montante stated that they can and that is the reason they are not requesting a PILOT. He stated that the project can operate; it's the building that is expensive. He stated that they have to get over that hump and once they are operating, it is good. He stated that since the Springhill was built they have had four consecutive years of increased measure of success. He stated that Carrier Circle has been doing well. He stated that it is not directly correlated directly to the Springhill but it lost a Fairfield brand, Holiday Inn brand and a Hampton brand in recent years so they are reconstituting the area to maintain its competitiveness.

Janice Herzog asked what other hotels are existing there now. Chris Montante stated that the Marriott is represented. He stated that the corporate managed Marriotts will account with this hotel for over 400 rooms at Carrier Circle. He stated that they have a 20-30% share so could they have 800 to 1,000 rooms in Carrier Circle. Peter Muserlian stated that without replacing with a quality hotel the market/submarket is going to decrease.

Jessica Crawford asked if they will do the project if they don't receive the financing. Chris Montante stated that it's marginal. He stated that they have the project out in Manassas and they are looking at that site closely. He stated that right now the numbers don't play out. He stated that they need to pare back some costs somewhere so they need this or they can't get on the ground. He stated that they have the site plan approval. He stated that they have everything but the cost budget is coming in high and they are trying to chop it down.

Jessica Crawford stated that they are estimating a little over $500,000 and they are looking for sales tax and mortgage tax. Christ Montante stated that he netted $367,000 after fees and things.

Jessica Crawford asked if without the $500,000 they are not sure they can do the project. Chris Montante stated that is correct. He stated that they are trying to balance that in equity so that the hotel can operate successfully, maintain employment numbers and be a financial success. He stated that they have a value issue because of the occupancy levels are a little down in Syracuse making other markets a bit more attractive for development. He stated that because they are not driving it on the revenue side but they believe this will pick up a wider breadth of guests, they will make up for it and they will increase the occupancy into the high 60's. He stated that to get the kind of leverage they need on the mortgage they need 72-74% occupancy which is market.

Dan Queri asked if Marriot going to manage the hotel. Chris Montante stated yes.

Dan Queri asked if they will have their whole CRO, benefits and marketing. Peter Muserlian stated yes and it is a 45 year management contract.

Dan Queri asked Kristi Smiley to talk about the criteria that qualifies the hotel as tourism. Kristi Smiley stated that back in March of 2013 the State put back into place the retail restriction for IDAs prohibiting them from doing any retail development unless they could prove that they were a tourism destination or distressed area. She stated that that we have been asking all hotels that are looking to do projects with the IDA to prove a tourism destination based NYS' definition. She stated that the Agency has a net wealth generator where 51% of revenue has to come from outside Onondaga County but on top of that they need to prove that a significant amount of their income and revenue source will be from outside the economic development area and in our case it is considered the Central New York region which includes Madison, Cayuga, Cortland, Oswego and Onondaga County. She stated that it does prove that this project would be a tourism destination based on definition. She stated that we have also been asking any hotel to prove what the economic benefits are to the community in terms of sales tax room occupancy, supply from vendors and will they just be taking rooms that people would be staying at from other local hotels. She stated that they have said that they have seen an increased demand. She stated that these are all things that the Board needs to take into consideration when looking at this project.

Jessica Crawford asked if Kristi Smiley is saying that this project meets the criteria. Kristi Smiley stated that based on the information it meets the tourism destination.

Jessica Crawford stated that she needs a compelling case that it meets that criteria and what is that. Kristi Smiley stated that based on the definition they have proven that more than 50% will come from outside the region. She stated that is the criteria and whether it makes a compelling case for the Board in terms of providing benefits is the Board's decision. She stated that the one piece of information to be even eligible to present to the Board was met.

Julie Cerio stated that hotels are probably not going to have a hard time proving that because in general you don't stay in a hotel in your own back yard. She stated that they met the threshold to come before the Board and what the board decides to do is up to board.

Patrick Hogan stated that the demographically the employment opportunities offered by hotels are an issue that always struck him and people he represents because they afford employment opportunities to people that are not normally available to a lot of people. Chris Montante stated that Marriott Corporate does a great job and they fly the employees in and do onsite training which is top rate. He stated that from that standpoint it is nice that it has the corporate management because it brings the outside expertise to the market.

Patrick Hogan stated that there are people that he knows that started working in the hotel business as dishwashers and 20 years later they run the place. Chris Montante stated that has happened regularly at the Springhill. He stated that people work their way through the system and move on.

Janice Herzog asked what type of marketing strategy will there be for the Marriott in terms of attracting conferences to the area or are the doors just opened. Chris Montante stated that there is the onsite sales force which usually the Assistant Manager or a sales person is hired for that role and then there are the corporate sales in Bethesda where there are people dedicated to attracting larger groups to areas where there are hotel rooms.

Jessica Crawford stated that it sounds like most customers would prefer at the Marriott versus some of the hotels in Carrier Circle so what happens to these hotels when quality has already gone down. Chris Montante stated that there is a certain clientele that will stay at those hotels that are looking for price.

Jessica Crawford stated that they are already questioning the market demand now. Peter Muserlian stated that it has to do with the cost of the product. He stated that once the operation is up and running they will raise the market out there. Chris Montante stated that there seems to be two different tiers of demand. He stated that where they are finding the most demand is through corporate travel and then the best flags through the points so people travel through corporate, earn their points and take their family out on the weekend. He stated that it is the tale of two markets where there is on that has an abundance of hotel rooms and the Springhill doesn't compete with those at all. He stated that the Fairfield will offer a higher end version of that for a slightly higher price but it is a unique market niche and will not compete with Courtyard which is a top of the chain extended stay. He stated that they don't compete directly with the lower tier brands. H He stated that it is not that there aren't enough hotel rooms; it is not enough hotel rooms with quality and branding that people coming outside in deciding whether they want to go.

Patrick Hogan stated that the other hotels out there can improve themselves also. He stated that they can up their level too and it is not a disadvantage. Chris Montante stated that it is raising the tide

Jessica Crawford asked if the Board is just approving a public hearing and not necessarily the project. Kristi Smiley agreed and stated that it will come back before the Board again for any inducement and any benefits. She stated that at this point the Board is just reviewing the project and allowing a public hearing to be set.

Upon a motion by Patrick Hogan, seconded by Janice Herzog, the OCIDA Board approved a resolution describing the proposed 6593 Weighlock, LLC project and the financial assistance the Agency may provide and authorizing a public hearing for the project. Motion was carried.

Upon a motion by Patrick Hogan, seconded by Janice Herzog, the OCIDA Board approved a resolution authorizing the execution of the Agent Agreement outlining the responsibilities of the Developer and Agency for the 6593 Weighlock, LLC project. Motion was carried.

JOHNSON LIVERPOOL – REFINANCE

Tony Rivizzigno stated that this is a situation where the Agency is in title as a result of a lease. He stated that Johnson Liverpool started with the IDA in 1995 with a PILOT and lease. He stated that they amended their PILOT in 2008 and now they are just refinancing with no additional lease going on. He stated that they Agency approval because we are on the lease.

Upon a motion by Janice Herzog, seconded by Jessica Crawford, the OCIDA Board approved a resolution authorizing the Executive Director to execute any and all necessary documents to permit the refinancing of the Facility known as Johnson, Liverpool LLC. Motion was carried.

SCANELL PROPERTIES (FEDEX) – REFINANCE

Tony Rivizzigno stated that this is a similar situation as Johnson Liverpool. He stated that Scanell properties started with the Agency a while back and has been taken over by Transportation Investor Group. He stated that the lease and so forth was assigned to Transportation Investor Group and they are now consolidating their financing. He stated that the Agency just needs to consent. He stated that there is no money on the Agency's part or liability.

Upon a motion by Patrick Hogan, seconded by Jessica Crawford, the OCIDA Board approved a resolution authorizing the Executive Director to execute any and all necessary documents to permit the refinance of the Facility known as Scanell Properties, 301 Canada Drive, Town of DeWitt, currently owned by Transportation Investor Group, LLC, successor in interest to Scanell Properties. Motion was carried.

REVIEW OF PROPOSED OCIDA 2015 BUDGET AND 2015 COUNTY CONTRACT EXPENSE

Kristi Smiley stated that part of the Office budget that is presented to the County Legislature in September has the revenues expected from the agencies based on the work that we do for each board. She stated that OCIDA, OCDC and CRT all contribute to the office budget so she would like to present to the Board and get consent in terms of the dollar amount before presenting to the Legislature. She stated that it has gone up about $8,000 since last year and a majority of that is the increase in wage and benefits that typically go. She stated that there is a slight increase in the marketing budget. She stated that it is split between the County, OCIDA and OCDC. She stated that it is a total increase of $10,000 spread across all three agencies so it is about $3,000 difference. She stated that no change in positions and same staff as before. She stated in terms of the actual budget you will see a lot of things last year obviously with White Pine and there were some delays in the GIS and shovel ready so we are still waiting for our shovel ready certification which will allow us to draw down the grants from the State and National Grid. She stated that you will see a lot of the same dollar amounts from last year because we did have to shift money where we thought it was coming into the Agency. She stated that some of our insurance has come down some and as we move forward there were a couple things that we had extra insurance so there is slight decrease there. She stated overall we are relatively flat but she wanted to make sure the Board consents before moving forward. She stated that she will go over this in more depth before October and will be happy to answer any questions. She stated that in the revenue line we expected just under $1,000,000 and expected a bigger increase but the ICM project didn't go through and Byrne Dairy moved a little slower than we thought so Agency fees has not been received. She stated that she believes that they will come in but just timing.

Jessica Crawford asked for an update on White Pine. Kristi Smiley stated that everything has been submitted to the State. She stated that shovel ready is a program of the State but it is done on a volunteer basis. She stated that she has had several conversations with them and they are going through the different agencies and reviewing the projects for shovel ready. She stated that it was submitted about a month ago. She stated that there have been RFPs drafted for the road work and sewer design that was discussed. She stated that hopefully they will go out in the fall.

Jessica Crawford asked what happens when that is done and is there marketing going on. Kristi Smiley stated that there is a little bit of marketing being done now but once we receive the shovel certification, we will be marketing and New York State will be marketing it on our behalf. She stated that we will have an update and we have asked our consultants to put together a plan and they are working on it so once shovel ready it will be more appropriate.

Upon a motion by Jessica Crawford, seconded by Janice Herzog, the OCIDA Board approved a resolution approving the Agency share of the Office of Economic Development Budget for fiscal year 2015. Motion was carried.

Upon a motion by Jessica Crawford, seconded by Janice Herzog, the OCIDA Board adjourned the meeting at 8:52 am. Motion was carried.

Kristi Smiley

Kristi Smiley, Secretary