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MEETING MINUTES
AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY
Tuesday, November 8, 2016
Cayuga County Chamber of Commerce
2 State St., Auburn, NY 13021

Board Present: James A. Dacey (Chair & Member of Business)
Robert Byron (Member of Industry)
Michael Quill (Council Member)
William Andre (Vice- Chair & Member at Labor)
Tricia Kerr (Member at Large)
Monica Salvage (Secretary & School Board Member)
Terry Cuddy (Council Member)
Frank DeRosa (Member at Large)

Board Excused:

Staff & Guests: Ed Pietruniak, VP of Finance and Admin, Tessy Plastics
Karen S. D'Antonio, Senior Projects Coordinator, Barclay Damon LLP
Robert Poyer, Hancock & Estabrook
Tracy Verrier, Executive Director
Joseph Sheppard, Assistant Treasurer

Mr. Dacey, Chair, called the meeting to order at 5:02 pm noting a quorum was present.

NEW BUSINESS
Ed Pietruniak, VP of Finance and Administration from Tessy Plastics met with the Board to inform them that Tessy Plastics Corp. was seriously considering the purchase of the McQuay building. Mr. Pietruniak explained that Tessy has looked into the facility in the past, but at that time purchasing the property was not feasible. He continued that at present time Tessy has leases for warehouse space that will be running out at the end of December. They are considering the purchase of the McQuay facility to be utilized for warehousing, with the hope that manufacturing would be added to the facility in the future dependent upon the expansion of their current business. He noted that at present they are exceeding the capacity of most of their manufacturing facilities and the McQuay facility would be large enough to allow for continued expansion.

Mr. Dacey asked about anticipated employment levels. Mr. Pietruniak explained that Tessy currently does not staff warehouse facilities on a full-time basis, rather employees go to the warehouse facilities on an as needed basis. However, he stated that as a manufacturing facility there would be a much greater employment impact.

Ms. Salvage questioned what the anticipated time frame for adding manufacturing to the facility. Mr. Pietruniak stated approximately 2-3 years, noting that it was dependent upon increased production as well as anticipated new business.

Mr. Poyer asked what spaces Tessy currently leased and what the plans were for leaving those spaces. Mr. Pietruniak stated that they currently lease space from Carrier, Johnston Paper and others. He stated that if they were to move forward with the purchase of the McQuay facility they would renew the leases on a month to month basis, adding that the AIDA incentives will help to make that decision.

Ms. Kerr asked what type of incentive Tessy was looking for and an estimate of their investment. Mr. Pietruniak stated that they would be looking for Sales and Use Tax exemption on expenses related to the initial maintenance and equipping for warehousing, as well as some sort of relief on the property taxes. He continued that the initial investment would be an estimated $10.8 million to get the facility operational for warehousing and then another estimated $8.1 million in upgrades and equipment to allow for manufacturing.

Mr. DeRosa asked what upgrades the facility would need. Mr. Pietruniak stated that the largest expenditures would be the replacement of the roof, the expansion of the sprinkler system, and cleaning the facility. He continued to note that the major benefit would come into place when the facility became a manufacturing facility, which would lead to a great deal of expenditures that would be subject to sales tax. Ms. Salvage asked what amount of purchases he felt would be eligible for Sales Tax exemption. Mr. Pietruniak stated that he expected between $1-1.5 million of expenses to be subject to sales tax.

Ms. Verrier explained the structure of the current PILOT agreement. Mr. Dacey noted that the assessment would likely change between when the building would be a warehousing facility compared to manufacturing, expressing concern that two different time frames were being discussed. He also expressed concern about committing to a benefit for just a warehousing facility with no new employment levels, stating that there would need to be an employment commitment for a long term PILOT.

Ms. Salvage questioned the current funding structure for the existing PILOT. Ms. Verrier noted that the current PILOT is based on a set assessment level, which is higher than the expected purchase price and the current assessment. She explained that an adjusted PILOT based on an $8 million assessment would lead to a reduction in PILOT payments of approximately $160,000 per year amongst the three taxing jurisdictions.

Ms. Kerr asked if a PILOT would still be necessary if the building were to be purchased at $8 million and the assessment were to come down to that price. Mr. Pietruniak expressed that the PILOT would provide some certainty and would make the purchase of the property more appealing, noting that a 10-year PILOT would be ideal.

Ms. Kerr asked about the other properties currently leased and owned by Tessy and if they were all operating at maximum capacity. Mr. Pietruniak explained that most of their facilities were at or exceeding capacity, with the exception of the Skaneateles facility, which is anticipated to reach capacity soon depending upon the arrival of new business.

Mayor Quill asked what the time frame for a decision was. Mr. Pietruniak explained that it was very tight and that they were trying to make a decision by the end of the month.

Ms. Salvage asked Mr. Pietruniak what their plan "B" would be if they were to not go through with the purchase of this facility. Mr. Pietruniak explained that they would likely continue to lease space and eventually expand the Van Buren facility as there is an additional 40 acres there to develop. Mayor Quill asked what the ability to expand at the present McQuay facility would be. Ms. Riester stated that the facility currently sits on 30 acres and that there is not much room to expand, noting that there are city owned parcels to the east that would potentially be available for purchase and allow for expansion.

Ms. Kerr asked about the plastics program at CCC. Mr. Pietruniak explained that he had heard that some of the engineers are working on a program and that they are anxious to get the program going to get a better trained workforce on the production side.

The Board thanked Mr. Pietruniak and Ms. D'Antonio for their time and they departed at 5:45pm.

Ms. Verrier asked if there was an interest in doing Real Property Tax relief and if there was what would the schedule look like. Mr. DeRosa expressed concern about the current agreement and the set value. Ms. Verrier explained that their agreement has them paying on a set assessment and that they are signed into that agreement until 2022. Mr. Poyer noted that they could attempt legal action to lower their payments, but that the agreement is what it is. Mr. DeRosa also expressed concern over the current condition of the facility, noting that it is going to become more difficult to sell as time goes on.

Ms. Salvage expressed her desire to assist Tessy, noting the need for more manufacturing in the area. She stated that she understood the Sales and Use Tax exemption but was unsure of how to make a PILOT work based on the lowered payments and the lack of employment commitment. Mr. Dacey asked if there could be a caveat placed into the PILOT stating that if manufacturing were to be brought in then the agreement could be renegotiated. Mr. Poyer noted that they could either ask them to commit to employment numbers or place a clause in the agreement stating that if they bring manufacturing Tessy would need to negotiate in good faith. Ms. Kerr expressed concern that such language could be a deterrent to manufacturing.

Ms. Salvage and Mr. Dacey both asked if the PILOT could be done in phases. Mr. Poyer explained that it could be and that Tessy should have projections of manufacturing capabilities and employment, and that language could be placed in the PILOT that states a portion comes into play contingent upon them reaching projected numbers.

Mayor Quill asked whether it was believed that Tessy would come back to AIDA in 2-3 years for help purchasing manufacturing equipment. Ms. Verrier explained that there is not sales tax on the purchase of manufacturing equipment and that the potential benefit would be for office equipment and peripheral purchases incurred during the expansion.

Mr. Andre expressed his belief that we needed to tread carefully with this project and not load the PILOT with too many stipulations that would stop Tessy from locating here, noting that they are a reputable company that has been extremely successful and it would be a great thing for the community. Mayor Quill also noted that their locating here could lead to other opportunities. Mr. Dacey noted that Tessy would be a great anchor.

Mr. Poyer made the board aware of a law having to do with moving employment from one portion of the state to another, but since this would be creating additional manufacturing positions it should be allowable. He also noted that Tessy expressed concern over the first year assessment and the first year taxable status. He believed that they would have until the 31st of January for a renegotiated PILOT to be complete but would confirm. Ms. Verrier questioned if the transfer of the facility would make a difference with the tax rolls as it is already in a PILOT and exempt. Mr. Poyer stated that it shouldn't but would confirm.

Ms. Salvage asked if there had been any specific numbers given as to what level of benefit Tessy was looking for. Ms. Verrier stated that there had not been any specific benefit levels given, except for what had been discussed- no taxes for the first year and increasing by 10% per year after.

Ms. Kerr asked how long discussions had been going on. Ms. Verrier and Ms. Riester stated that Tessy had contacted them last week. Ms. Riester noted that there may be another interested party in the property but that they are unsure if the interest is real or just an attempt to get a better deal elsewhere.

Ms. Kerr asked if there had been any conversations with the City Assessor regarding the property and what the likelihood would be of the assessment dropping down to the $8 million level. Ms. Verrier stated that she believes Tessy would like an additional abatement at the $8 million level along with some assurance that they will be paying on an $8 million assessment regardless, noting that the assessment may not go all the way down to the purchase price. She will contact the assessor's office for more information.

Ms. Verrier asked to discuss with Tessy something in the range of a 10-year PILOT that does not contain a complete decrease in taxable value to zero. Ms. Kerr noted that the document provided by Tessy states that it is critical that any agreement recognize the $8 million purchase price as the maximum fair market value. Ms. Verrier stated that an agreement could start at a percentage of the purchase price and then increase to the purchase price or assessed value. Mr. Poyer noted that the agreement could state rates as being based upon the lesser of the current assessed value or the purchase price.

Ms. Salvage expressed concern over the impact that the taxing jurisdictions are going to experience, noting that even at $8m there is a significant decrease in assessed value compared to what is being paid now. She added that any agreement we enter should minimize losses to the taxing jurisdiction.

Mr. Poyer noted that Tessy would need to have an application completed and submitted within the next week for it to be possible to have an agreement completed prior to the taxable status date of January 31st.

Mr. DeRosa questioned what would happen to the current PILOT agreement with McQuay. Ms. Verrier stated that technically it would carry over, noting that it would be a disincentive as the set payment level is so much higher than the purchase price and actual assessment. Mr. Poyer stated that from a legal standpoint it would be easier to dissolve the current PILOT than to amend it.

The board and staff discussed and were not totally clear on exactly what Mr. Pietruniak had requested. Mr. Cuddy asked if the Board was comfortable with Ms. Verrier continuing the conversation with Tessy to reach a better understanding of exactly what PILOT schedule they are looking for. The Board agreed that Ms. Verrier should continue the conversation. Ms. Verrier stated that she would reach out to Mr. Pietruniak.

Mr. Poyer stated that from a decisional standpoint everyone should be aware of the "but for" test (but for the benefits the project would not move forward) explaining his understanding that it would not be any different in this case than in any other case regardless of the existence of the current PILOT, stating that if the threshold of this test was met he didn't believe that anyone would question an agreement. Ms. Verrier asked if Tessy providing a cost benefit analysis of leasing property vs owning would meet the threshold. Mr. Poyer stated that he believed it would.

Mr. Dacey stated that this issue will be on the agenda to discuss at the next meeting. Mr. Poyer noted that there needed to be an application in hand as soon as possible to allow it to be placed upon the agenda for the next meeting and to ensure that timelines could be met.

ADJOURNMENT

Motion to adjourn was made by Mayor Quill, and seconded by Ms. Kerr. All members present voted in favor; meeting adjourned at 6:29pm.

Next regularly scheduled meeting to be held on November 16, 2016 at 5:00pm.