



Auburn Industrial
Development Authority

SPECIAL MEETING MINUTES
AUBURN INDUSTRIAL DEVELOPMENT AUTHORITY
Wednesday, May 1, 2020 @ 4:00pm
Remote due to COVID-19

Board Present: James Dacey (Chair & Member of Business)
William Andre (Vice-Chair & Member of Labor)
Ron LaVarnway (Member at Large)
Roger Beer (Member at Large)
Brandon Gravius (Member of Industry)
Jeff Gasper (School Board Member)
Terry Cuddy (Council Member)
Jimmy Giannettino (Council Member)
Gwen Webber-McLeod (Member at Large)
Brandon Gravius (Member of Industry)

Excused:
Staff & Guests: Tracy Verrier, Executive Director
Samantha Frugé, Assistant Treasurer
Robert Poyer, Hancock Estabrook
Kevin McAuliffe, Barclay Damon LLP
Roland Beck, Tessy Plastics
Joseph Ranalli, Tessy Plastics
Jeremy Boyer, The Citizen

Mr. Dacey, Chair called the meeting to order at 4:00pm, noting the presence of a quorum.

NEW BUSINESS

Initial Resolution: Tessy Plastics: Ms. Verrier said that they received a revised application from Tessy Plastics, which she then distributed to the board members for review. Mr. McAuliffe thanked the Board for their time and provided an overview of their project. He explained that Tessy Plastics was approached by a major medical supplier and other government officials about its capability to provide complete test kits for the COVID-19 situation. He noted that they were under a non-disclosure and may not be able to answer certain questions but would do their best to provide information to the Board about the project. He explained that when they were first approached they were told to be operational within 15 weeks, and were now down to 13 weeks. He said that they are planning to use the facility in the Auburn Tech Park to manufacture the testing kits. Mr. McAuliffe explained that Tessy Plastics has been asked to create complete products, similar to what they manufacture currently. The application is a two-part application where the owner of the building is Tessy Auburn which leases the facility to Tessy Plastics, who in turn is looking to assign all of its rights including the lease-leaseback and PILOT agreement to Tessy Medical Products, LLC. This would require the IDA to amend and restate the existing lease, lease-back, and PILOT agreement should they pass an inducement resolution on the project. Mr. McAuliffe reviewed the modifications to the application, noting that due to the rapid timeframe of the project, their original application described job creation of 200 jobs that would drop to 50 jobs over time. He explained that this was no longer

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the case and the updated application included a payroll of \$9.2 million for three years. The product demand Tessy is facing is to produce 10 million test kits per month and is assumed to continue for at least a year. He is hopeful that the employment level continues beyond the current situation and that the company could find some other adaptive reuse for the facility or equipment should the test kits no longer be needed in the future. The project application describes about \$4 million worth of modifications to the facility itself and another \$14 million in special systems that are needed to support the tooling/equipment. They are not certain how much the tooling will end up costing, but in the previous application they estimated around \$100 million. He explained that due to the project being a high-risk rapid response situation and the fact that Tessy will be serving only a single client, they are asking the Board to waive the recapture policy which calls for a recapture of 100% of benefits up to six years, and then declining through year 10, if the project were to stop operations or substantially relocate employees to a different location. He explained that due to the current situation, they cannot guarantee that Tessy will be operating that facility at those levels continuously for 10 years. He noted that Tessy was also taking a risk because they did not have signed agreements from the client yet but were willing to move forward due to the time-sensitive nature of the situation. Mr. McAuliffe also noted that the proposed PILOT schedule had a base level of \$8 million that built up to a set assessment of \$12 million over 10 years. The actual assessment of the facility currently is \$13 million, however the true value of the building is closer to the \$8 million that Tessy purchased it for in an arms-length transaction. He added that if it weren't for the existing PILOT in place, they would have contested the assessment long ago.

Mr. Dacey asked if there was a motion on the initial project resolution to open the floor for discussion. Mr. LaVarnway motioned to approve the initial project resolution, seconded by Mr. Beer. Mr. Dacey noted that the initial resolution presented did not have Mr. Gravius listed and that he should be added. He recommended that Tessy only commit to 50 job, with employment being higher at the 200 level during the emergency period. Mr. Poyer explained that Tessy did not have a signed contract yet so they don't know how long the procurement was going to be at this point, and won't be able to commit accordingly between this meeting and the time the closing documents are executed. Mr. Poyer asked Mr. McAuliffe if that was the correct understanding? Mr. McAuliffe said it was correct, and then described that the PILOT starts at \$8 million (the amount they bought the building for) and then adds the additional \$4 million of building improvements, so the PILOT is increasing Tessy's taxable value from \$8 million to \$12 million over 10 years. Ms. Verrier clarified that Mr. Dacey's question was if the project could commit to 50 jobs as the basis of the recapture, and that based on the information provided the project was not necessarily able to commit to having that facility functioning non-stop for 10 years and thus did not want to face full recapture in that case. She asked Mr. McAuliffe if that was correct? Mr. McAuliffe said it was. Mr. Giannettino asked if the 13-week timeframe was reasonable and if there was anything in their pending contract that would nullify the contract if they don't meet the timeframe? Mr. Beck said that the timeframe was barely feasible and that they would have to meet the timeframe in the contract. Mr. Giannettino asked if the project was seeking any other type of assistance in the form of State or Federal grants? Mr. Beck said that they were not seeking any other assistance. Mr. Giannettino asked what the long-term plan was for this product? Mr. Beck said that was unknown, but that the product could be modified for other use but could not speak on the future demand of any modified products. Mr. Beer asked what the \$100 million in tooling/equipment was for? Mr. Beck said that it was primarily for the automation molding machines and the product molds which were a tremendous investment. Mr. Beer asked when the project anticipated to have 200 employees? Mr. Beck said that would be right away in July/August. Mr. Beck clarified that the \$100 million of equipment and tooling was customer-owned and not an investment made by Tessy. As such, it is not included in the application budget. He added that they were confident the

employment levels would continue around 200 employees. Mr. Beer asked if the proposed PILOT schedule of 10% over 10 years was their standard structure? Ms. Verrier said that it was. Mr. Beer asked if they were applying for the PILOT and \$720,000 in sales and use tax benefits? Ms. Verrier said that was correct. Ms. Verrier noted that the project was also requesting a waiver to the local labor policy. The need was based on the speed of the project and needing to use existing employees to perform the construction services, where contractors and sub-contractors would advertise available positions in compliance with the Authority's requirements but with flexibility for the first available satisfactory candidates. Mr. Beer asked if the expectation was the permanent employees would be hired locally? Mr. Beck said that was correct. Mr. LaVarnway asked if the employment level was going to start at 200 and potentially drop down from there? Mr. Beck said that they planned to start with 200 but it was uncertain if it could go up or down depending on the success of the project and other factors relating to the COVID-19 situation. Mr. Gasper asked if the project did not go through would the proposed PILOT become nullified? Mr. McAuliffe said that was correct and that Tessy would simply not make the improvements and the new PILOT would not go into effect, but that the original existing PILOT would continue until its end. He added that the odds of this project falling through are very small. Mr. Ranalli said that they went through the effort of asking a very good tenant to vacate to make this project go through, indicating their confidence that the project will go through. Mr. Dacey asked if there were any more questions? The Board had none. Mr. Poyer noted that he would add Mr. Gravius's name to the resolution and that they were going to add authorization for the Executive Director to sign and send out the notice of the public hearing. Mr. Beer asked if the resolution was to both approve the PILOT and waive the requirements for recapture? Ms. Verrier clarified that the initial resolution allows the IDA to schedule a public hearing. The Authorizing resolution would be scheduled at the meeting following the public hearing. Ms. Webber McLeod asked if the project had to wait until the Authorizing resolution before beginning work on the building? Ms. Verrier said that the project won't be able to realize the sales tax exemption until an Authorizing resolution has been approved. State law requires the IDA to provide a 10-day notice of a public hearing, so May 15th is the first reasonable date they could do an Authorizing resolution while adhering to State law.

The resolution was put to a roll call vote as follows:

NAME	Yes	Nay	Absent	Abstain
JAMES DACEY	X			
WILLIAM ANDRE	X			
JEFF GASPER	X			
ROGER BEER	X			
TERRY CUDDY	X			
JAMES GIANNETTINO	X			
GWEN WEBBER-MCLEOD	X			
RON LAVARNWAY	X			
BRANDON GRAVIUS	X			

Motion passed.

The Board discussed dates and times to hold the public hearing and finalized May 15th at 2:00pm with a Special meeting scheduled to follow directly after.

ADJOURNMENT

Motion to adjourn made by Mr. LaVarnway, seconded by Mr. Andre. All members present voted in favor; meeting adjourned at 4:34pm.

Next regularly scheduled meeting Wednesday, May 20th, 2020 @ 5:00pm.