

City of Syracuse Industrial Development Agency
201 East Washington Street, 6th Floor
Syracuse, NY 13202
(315) 473-3275

Finance Committee Minutes
Tuesday, October 14, 2020

Due to the declaration of a public health emergency and the social distancing requirements imposed at the Federal, State and local level, this meeting was held in accordance with Executive Order 202.1 by video/telephone conference that was made available to the public.

Committee Members Present: Kathleen Murphy, Rickey T. Brown, Kenneth Kinsey, Steven Thompson, Dirk Sonneborn

Staff Present: Judith DeLaney, Susan Katzoff, Esq., John Vavonese, Lori McRobbie

Others Present: Maarten Jacobs, Robert Sweet

I. Call Meeting to Order

Ms. Murphy called the meeting to order at 8:05 a.m.

II. Roll Call

Ms. Murphy acknowledged all Committee members present.

III. Proof of Notice

Ms. Murphy noted that notice of the meeting had been timely and properly provided.

IV. Minutes

Ms. Murphy asked for a motion approving the minutes from the September 15, 2020 Finance Committee meeting. Mr. Kinsey made the motion. Mr. Brown seconded the motion. **ALL COMMITTEE MEMBERS PRESENT UNANIMOUSLY APPROVED THE MINUTES FROM THE SEPTEMBER 15, 2020 FINANCE COMMITTEE MEETING.**

V. New Business

Syracuse Urban Partnership

Mr. Jacobs, a representative of the project, described the Salt City Market project. Syracuse Urban Partnership (SUP) is a 501(c)(3) working with the Allyn Foundation to create this project. The Allyn Foundation has been working on the project for 2 years. The project is located on the corner of West Onondaga Street and Salina Street. The site is a unique corner where all sectors of the City converge. The project will consist of a first floor food hall (24,000 ft), 2nd floor offices for Allyn Family Foundation, SUP and another not-for-profit tenant to be determined and the upper 2 floors will be dedicated to mixed-income housing (6 HUD Home funded apartments and 20 units being rent restricted on a sliding scale income basis not to exceed 30% of annual income).

The 1st floor food hall consists of 10 food vendors, a majority if not all are entrepreneurs of color or women owned businesses. These vendors participated in classes geared towards operating a business. It will also house the Syracuse cooperative market opening full-service grocery store which will feature organic and conventional products, affordable and accessible for all. In addition, the project will house 2,000 sq. ft. community space intended for community access as well as a teaching kitchen in the middle of the market.

Ms. Murphy noted that while the applicant is a not-for-profit, the assessor has declared the project to be a commercial project and will be taxed accordingly. Notwithstanding, the project is not being financed commercially. Unique. Lender is a NFP foundation, without whom the project would not be financeable.

Ms. Katzoff noted that the board was given a memo addressing the ability of the Board to provide financing to the project. The analysis is not focused on the owner but rather on the type of project. Assessor determined project is commercial and fully taxable. In addition, the Board had NDC (its consultant) perform an analysis of the project which also supports the commercial nature and community benefits/impacts. Given the commercial nature of the project it qualifies as a project SIDA can undertake.

Ms. DeLaney confirmed that Ms. Katzoff's memo as well as Mr. Sweet's (NDC) memo were included in the board's packet.

Mr. Kinsey asked Ms. Murphy to clarify that the project qualifies for benefits and Ms. Murphy said yes. Mr. Kinsey said it sounds like a good and worthy project.

Mr. Sonneborn asked if NDC usually gives a recommendation – Ms. DeLaney said no but because of the unique circumstances this project presents SIDA requested NDC's analysis under their existing contract with NDC. Mr. Sweet said NDC performs these types of analysis all over the State from time to time. He has never seen a project like this so it was very easy to make recommendation.

Mr. Thompson said normally NFPs are tax-exempt. Because of the structure of this project the applicant is seeking a 15-year PILOT. Mr. Thompson asked what happens after end of 15 years? Ms. Murphy said it becomes fully taxable after 15 years.

Mr. Brown asked why 15-year PILOT and not a 10-year PILOT? Ms. Murphy stated that the project as presented qualifies for a standard priority and commercial PILOT of 15 years under SIDA's policy. No exception is being given. Ms. Katzoff said that because of the housing components and other variables the project qualifies under SIDA's UTEP policy.

Mr. Brown also asked how long are leases for the restaurant holders? Mr. Jacobs said leases are for 3 years. Shorter term is because they are start-up and gives them the ability to exit if in their best interest. Incubator in a sense, so they can reevaluate after 3 years and they can stay or leave. Mr. Sweet said the respective terms of all tenants (commercial and residential) is on page 5 of the report.

Mr. Thompson said this is a wonder full project on a corner that has been vacant for many years. A lot of challenges will be faced – diversity of the area, bus station across street, Rescue Mission in the backyard. One of those connecting projects, very necessary for the City. He is supportive of the project and recognizes the challenges.

Mr. Murphy said there is one more request by the applicant regarding SIDA's administrative fee – to either waive the fee, reduce the fee or reinvest the fee back into the project. In particular, the public use and public good pieces of the project (sidewalk, curbing, granite work, lighting that will benefit external ring of the property).

Ms. Murphy noted that this project provides numerous benefits to community – checks almost every box in terms of community benefits. She also noted that financing of the project is tricky, at best (and impossible without the Allyn Foundation) making it all that more important for the project and the applicant to use every single dollar inside the four walls.

Ms. DeLaney – fee would be approximately \$291,000. SUP is only asking for a PILOT. No mortgage or sales tax exemptions. PILOT savings over 15-year period will be \$963,000. Based on that the community benefits, landscaping, curbs, sidewalks approximately \$275,000 in improvements to general community. SIDA has done this in the past.

Mr. Brown said only reservation is that there have been a number of projects that would fit into the same definition that struggled on the financial end. Access Dental, Laura Cueva's project. We did not offer the same opportunity to those projects. They have the same exact same community benefits as this project. Not offered to others so he is uncomfortable.

Ms. Murphy said that the applicant requested this. The Agency does not offer it.

Mr. Brown said there is a knowledge gap – social applicants struggle

Ms. DeLaney – both of those are commercial and cost benefit analysis showed those projects saved thousands and thousands of dollars from the benefits received.

Mr. Brown – wealth gap in US – these are the things that exasperate the wealth gap. SIDA needs to spend more time on this consideration.

Mr. Sonneborn asked if we don't do this now, we don't get to do it down the road? Can't wait to see how much they need down the road for exterior work.

Ms. Katzoff stated that this is not a recommendation, it is a request from the applicant based on their proforma. They are not able to get commercial financing. If not for the financing from the Allyn Foundation, this project would not be financeable. The applicant asked based on these factors and the enormity of the community benefits this project provides. Applicant only seeks a PILOT as they are being taxed as a for profit entity. The applicant has requested that the Agency consider reducing or waiving their fee given the financing structure of this transaction coupled with the enormity of the community benefits. The Agency has the ability to waive 100% of its fee, but in accordance with the ABO's best practices, the decision should be reflected in the minutes.

Finally, Mr. Sonneborn asked about funds the Agency may have set aside to make improvements. Ms. DeLaney said any such funds were from prior PILOTs and restricted to certain areas. Ms. Katzoff said that the statute used to allow the Agency to retain PILOT payments but changes in legislation has require IDAs to distribute PILOT payments to the appropriate taxing jurisdictions. Any remaining PILOT payments the Agency may have under the prior legislation (from many years ago) are restricted for specific geographical regions.

Ms. Murphy asked Mr. Jacobs if he is comfortable to go back to his team regarding the request and letting staff know.

Mr. Jacobs said yes, he will go back to his team. Ms. DeLaney said she will speak with Mr. Jacobs further. Mr. Brown asked that Mr. Jacobs discuss with his board – consider offsetting fee in some way. If a portion of the fees waived could be spent towards another project

geographically close. Suggested \$25,000. He feels it is a disservice to other entrepreneurs to waive this fee for a not-for-profit over fees for other applicants.

Ms. Murphy noted that Mr. Brown is speaking about conditioned PILOTs structured over 20 years ago for Carousel and the Lakefront. She is not aware of any other conditioned PILOTs and would prefer to avoid creating another concern of historical precedent. She thinks the applicant gets there the same way with their reinvestment in the exterior neighborhood.

Ms. Murphy clarified that she would like Mr. Jacobs to go back to his team to see if the financing will work by paying the fee to the IDA.

Mr. Jacobs said that big challenge is the size of the fee. If the benefit received is close to \$1M and $\frac{1}{4}$ of it goes to the IDA for its fee. Investing already make improvements at the intersection, neighboring Whitlock Building, sewer lining, light posts and other things. He would like to go back to his team and speak with Ms. DeLaney to see if the fee is not waived, what a reduced fee will look like.

Mr. Sweet said the financial impact – fee of \$291,000 cuts in the PILOT savings by one-third. Unprecedented project. No corporate developer would do this project.

Ms. Katzoff noted that the Agency charges 1% of its fee because in almost every instance the IDA is conferring sales and use tax exemption, mortgage recording tax exemption and the PILOT savings. Benefits far outweigh the fee. In this case all the IDA is conferring is a PILOT but continuing to charge 1% on the total project cost.

Ms. Murphy wants to work over the next few days on percentages in this project and look back at other community benefit projects. She asked that Mr. Jacobs speak to his team about the feasibility of paying the fee. Ms. Murphy said she thinks we can recommend that that Board of Directors approve the PILOT and then have a further discussion or proposal regarding the fee at the next board meeting.

Mr. Sonneborn said he would be inclined to consider a fee between \$0-\$291,000. Mr. Brown agrees.

Ms. Murphy asked for a motion to recommend to the Board of Directors that the project to be positively considered for the PILOT and a further discussing pending on the fee.

Mr. Sonneborn made the motion. Mr. Kinsey seconded the motion. **ALL COMMITTEE MEMBERS PRESENT UNANIMOUSLY APPROVED A MOTION TO MAKE A RECOMMENDATION TO THE BOARD OF DIRECTORS THAT THE PROJECT BE**

POSITIVELY CONSIDERED AND FOR FURTHER DISCUSSION REGARDING THE IDA FEE.

The Syracuse Flatiron LLC

Ms. DeLaney said this project first came before the Board in March 2020. The application was withdrawn because the owner was substantially tax delinquent on the building. Applicant has been working on the project and has brought the taxes current. He has come back to the IDA to ask the IDA to consider the project for benefits.

The project is located on North Salina St. and involves the Flatiron Building. In reviewing the application, Ms. DeLaney was concerned that at one time the applicant's owner intended that the penthouse of the building was to be renovated and used for his personal residence. In addition, while the first floor is to house 2 commercial units the applicant did not indicate a commitment to job creation.

Ms. Delaney spoke to the project manager who confirmed that no portion of the project would be used for the owner's personal residence but rather would be leased to a third party tenant. Flatiron building is on North Salina Street has been vacant and an eyesore for years. The community is in favor of the project and Northside Up is helping.

The project qualifies for a 15-year priority PILOT because it is in the NRSA.

Ms. Delaney said this project has been going on for close to 3 years. Applicant has had issues with zoning and permitting but Ms. DeLaney thinks those issues will be resolved.

Mr. Brown said he would recommend the project.

Ms. Katzoff spoke about the analysis. The applicant believes the commercial space will create jobs but is not able to guaranty job creation. If no jobs created, IDA need to see if project has other community impacts worthy of benefits. Applicant may be willing to limit rents for mixed or workforce housing (which would be worthy of benefits).. Other impacts might be the elimination of blight or improving recreation or other opportunities for residents. This is the analysis to be undertaken if no jobs are created.

Mr. Thompson – 15-years of tax breaks. Does not qualify if applicant is going to live there.

Mr. Sonneborn said we need to know what he is doing with the top floor.

Ms. DeLaney said she will get that information by the Board meeting. Mr. Sonneborn asked if he is getting public support? Ms. Murphy said he is receiving Restore NY money.

Ms. Murphy said we would like more information regarding the top floor 22,000 sq. ft. and request further information regarding commercial spaces on the first floor.

Ms. Katzoff said you may also want to inquire if he will commit to rental rates – sign a commitment so you know it meets the requirements for the PILOT aside from being in the NSRA.

Ms. Katzoff recommends you need to look at the community benefits since it is a zero job creator so what else is there – maybe keeping rents at stabilized rates to get you to through your GML analysis.

There being no further discussion, Ms. Murphy asked for a motion to recommend the Board of Directors to approve consideration for assistance, in addition they would like more information on the use of the space on the top floor, detail on commercial space and have a conversation regarding rents.

Mr. Brown received an email from Ms. Stevens regarding rental of the commercial space. Applicant is planning on having a commercial tenant with 5 employees.

Ms. Katzoff said that he would need to revise his applicant and commit to those jobs. Ms. Delaney said she will speak to Ms. Stevens.

Mr. Brown made the motion. Mr. Thomson seconded the motion. **ALL COMMITTEE MEMBERS PRESENT UNANIMOUSLY APPROVED A MOTION TO MAKE A RECOMMENDATION TO THE BOARD OF DIRECTORS WITH REGARDS TO APPROVAL TO HOLD A PUBLIC HEARING PENDING RECEIVING ANSWERS TO THE COMMITTEE'S QUESTIONS OF TODAY.**

2021 Proposed Budget

Mr. Vavonese said the budget is conservative given the uncertainty of the times. Expenses - monies previously received for extension fees relative to certain Destiny agreements (\$100,000) is discretionary. Some of these funds were previously dedicated to the Rezone Syracuse project expenses and related software to help facilitate businesses undertaking economic development in the City. Lakefront expenses are down because an agreement was reached with the City to have its Park's department take over the work. The property maintenance budget was reduced by \$115,000 due to the planned acquisition of certain parcels in 2020 that did not materialize.

Hiawatha Blvd. project is receiving the balance of monies received by SIDA from the Destiny transaction earmarked for use in the Lakefront Improvement area.

Grant distribution for the COVID emergency program. All funds will be expended this year. Crossroads – slowly progresses. We are committed and spent \$2,600. Office expenses are fairly static. Staffing costs are reduced. Syracuse Surge - \$60,000 total (\$30,000 this year, \$30,000 next year and \$20,000 from Centerstate to off-set).

HUD 108 debt is maturing next year and down significantly, less than \$1,000 of interest to go and one more principal payment.

Mr. Sonneborn asked about grant distribution line. Ms. Murphy said \$283,000 will be distributed in grants in 2020 under the COVID grant program.

Ms. DeLaney said initially \$1.5M was approved for AXA Garage project. \$525K of that was allocated to an engineering study. Out of that \$525K, it is estimated that we would have paid all but \$150K. The difference of \$975K will not be used for AXA Garage project as originally intended. Any additional use would need a new approval.

Ms. Murphy asked if the resolution authorizing the \$950K needs to be terminated. Ms. Katzoff said no, because the obligations go away when contingencies in the resolution not met.

Mr. Sonneborn asked for clarification. Ms. Murphy said the board authorized a total of \$1.5M for AXA garage project of which \$525K went for engineering report. \$150,000 balance being rolled to next year. Bills will come in and have to be paid.

Mr. Sonneborn asked what is the board being asked to approve with regards to the 2021 budget.

Ms. Murphy motion is to approve 2021 Budget as presented in the agenda packet.

Mr. Sonneborn said to be clear, committee is being asked to recommend a budget that shows a \$681,000 shortfall? He is not comfortable.

Ms. DeLaney said we have budgeted \$1M as fees in 2021, which is an estimate.

Mr. Sonneborn asked Mr. Vavonese which expenses are variable and which are fixed and with \$1.7M in expenses, where does shortfall come from. Judy said the Agency has cash reserves. Mr. Vavonese said \$520K in restricted cash being held that is committed to Hiawatha Blvd. Another \$100,000 budgeted from the Destiny extension fees is the only discretionary item.

Ms. DeLaney said if you look at the 2020 budget, that was approved, it showed a negative \$1.1M. But 1/1/20 through 9/30/20 the Agency actually has a surplus of \$1,048,000. She anticipates additional fees before year's end.

Mr. Sonneborn said he is uncomfortable with the budget. Ms. Murphy said we will hold voting on this matter until Mr. Vavonese, Mr. Sonneborn and Ms. DeLaney are able to address Mr. Sonneborn's concerns and share results with rest of Committee. She asked that they reflect for the board exactly where reserve accounts and surplus lays for historical data so everyone is comfortable.

Ms. DeLaney had a few housekeeping items to discuss. She said that Gail Cawley invited the board members to tour JMA properties. Also, the November board meeting is set for Friday, November 20th to coincide with Planning Commission's calendar.

Ms. Murphy said it would be nice if all could go to tour JMA, as it is reaffirming and important.

VI. Adjournment

There being no further business to discuss Ms. Murphy asked for a motion to adjourn the meeting. At 9:55 a.m. Mr. Kinsey made a motion to adjourn. Mr. Sonneborn seconded the motion. **ALL BOARD MEMBERS PRESENT UNANIMOUSLY APPROVED A MOTION TO ADJOURN THE MEETING AT 9:55 AM.**