



To: SEDCO Board of Directors
From: Eric Ennis
Date: May 9, 2018
Re: SEDCO Board of Directors Meeting Agenda – May 10, 2018

The City of Syracuse Economic Development Corporation (SEDCO) Board of Directors Meeting on **Thursday, May 10, 2018 at 8:30 AM** in the **Syracuse Innovation Lab 'iLab'** 233 East Washington Street, Syracuse, NY 13202.

I. Call Meeting to Order – Honora Spillane

II. Roll Call –

III. Proof of Notice – 1

IV. Minutes – 2

Review and vote on the minutes from the April 5, 2018 Board meeting

V. New Business –

CNY Arts, Inc. – Eric Ennis – 3

Request for a bridge loan to finance an Arts & Entertainment District Planning grant from Empire State Development.

Attachment:

1. *Memo to Board*

SEDCO Agreement with SIDA re: Dey's Plaza – Eric Ennis – 4

Review and vote to formalize the agreement with the Syracuse Industrial Development Agency regarding the loan repayment from Dey's Plaza LLC.

Attachment:

1. *Agreement between SEDCO and SIDA*

Legal Services Review – Eric Ennis – 5

Report on the proposals solicited for contracted legal services for the organization.

VII. Adjournment



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THE SYRACUSE ECONOMIC DEVELOPMENT CORPORATION

BOARD OF DIRECTORS HAS SCHEDULED

A

MEETING

FOR

THURSDAY MAY 10, 2018

AT

8:30 AM

IN

**Syracuse iLab
Room 215 City Hall
233 E. Washington St
Syracuse, NY 13202**



FOR MORE INFORMATION PLEASE CALL 473-3275



Minutes
Syracuse Economic Development Corporation
Board of Directors Meeting
Thursday April 5, 2018 8:30 A.M.
City Hall Rm. 215 Innovation Lab Room
233 East Washington St
Syracuse, NY 13202

Board Members Present: Honora Spillane, Steve Gross, Michael Quigley, Richard Driscoll, Nick Petragnani, David Mankiewicz, Hon. Michael Greene.

Board Members Excused: David Bottar, Sheena Solomon, Ben Bunting

Staff Present: Eric Ennis, Meghan Ryan, Esq., John Vavonese, John Black, Esq. Judy DeLaney

Guests: Bob Doucette, Richard DeVito, Michael Lisson

I. Call Meeting to Order

Ms. Spillane called the meeting to order at 8:40 A.M.

II. Roll call

Ms. Spillane acknowledged all Board Members present, with the exception of Mr. Bottar, Ms. Solomon, and Mr. Bunting who were excused.

III. Proof of Notice

Ms. Spillane made note acknowledging proof of notice was out in a timely manner.

IV. Minutes

Approval of minutes from March 1, 2018 Board of Directors meeting.

Ms. Spillane asked for a motion to approve the minutes from the March 1, 2018 Board of Directors meeting.

Mr. Greene made the motion. Steve Gross seconded the motion. **ALL BOARD MEMBERS PRESENT UNANIMOUSLY APPROVED THE MINUTES FROM THE MARCH 1, 2018 BOARD OF DIRECTORS MEETING.**

Mr. Mankiewicz shared with the board a request to acknowledge a potential conflict of interest with the Dey's Plaza LLC, while Mr. Petragnani wished to address a potential conflict of interest with the same borrower.

The board formally voted Mr. Petragnani would abstain from any vote while Mr. Mankiewicz would be deemed eligible to vote on any loan matters with Dey's Plaza LLC.

V. New Business

The Cookie Connection

Mr. Ennis explained the loan request for a gluten free bakery that is seeking to relocate to a larger space on Spencer Street in the Lakefront Neighborhood. The request would allow for financing to complete leasehold improvements and pay for new HVAC improvements and structural repairs.

He also noted the Loan Committee met prior to the board meeting and was supportive of the loan request as presented.

ALL BOARD MEMBERS PRESENT UNANIMOUSLY APPROVED THE LOAN REQUEST OF \$27,500.

Dey's Plaza LLC

Ms. Spillane introduced Mr. Doucette and Mr. DeVito who provided an update on the status of the Dey's Centennial Plaza building at 401 South Salina Street. They noted today's request to the SEDCO Board to extend the interest-only period for an additional six months in order to allow more time to stabilize the building and continue the redevelopment of the 2nd and 3rd floors in residential and commercial space.

Mr. Doucette noted they have tried to recruit commercial tenants and have been unable to fill the space. They also had a potential sale on the building that fell through and did not go forward. The interest only extension would allow time to proceed with finding additional lenders alongside Pathfinder to refinance the building and complete the conversion of the vacant space.

ALL BOARD MEMBERS PRESENT, WITH THE EXCEPTION OF NICK PETRAGNANI WHO ABSTAINED, APPROVED THE SIX MONTH INTEREST-ONLY EXTENSION OF THE LOAN WITH DEY'S PLAZA LLC.

2017 FINANCIAL AUDIT REVIEW

Ms. Spillane introduced Michael Lisson who presented the latest 2017 financial audit for SEDCO. The financial reporting noted the interest-only period with Dey's Plaza LLC which was less income received than in years with full principal payments included.

Mr. Lisson also provided a random selection of three loans in the portfolio and an analysis of the current financial position for the organization.

Mr. Gross noted that a revision is needed to the presented draft due to an incorrect summary that stated the interest only period for Dely's Plaza LLC. Mr. Lisson assured the revision would be addressed and a new draft would be sent to SEDCO staff.

ALL BOARD MEMBERS PRESENT APPROVED THE 2017 FINANCIAL AUDIT WITH REVISION.

Alibrandi Enterprises, Inc.

Mr. Ennis explained the loan that was approved at the last board meeting is requesting to increase the initial disbursement amount from \$4,000 to 15,000 in order to accommodate new plans to renovate the interior before the exterior of the restaurant.

Mr. Quigley made the motion. Mr. Driscoll seconded the motion.

BOARD MEMBERS PRESENT UNANIMOUSLY APPROVED THE LOAN REVISIONS FOR ALIBRANDI ENTERPRISES, INC.

Dey's Plaza LLC Interest Only Extension

Ms. Spillane introduced Mr. Doucette and Mr. DeVito who provided an update on the status of the Dey's Centennial Plaza building at 401 South Salina Street. They noted today's request to the SEDCO Board to extend the interest-only period for an additional six months in order to allow more time to stabilize the building and continue the redevelopment of the 2nd and 3rd floors in residential and commercial space.

Mr. Doucette noted they have tried to recruit commercial tenants and have been unable to fill the space. They also had a potential sale on the building that fell through and did not go forward. The interest only extension would allow time to proceed with finding additional lenders alongside Pathfinder to refinance the building and complete the conversation of the vacant space.

ALL BOARD MEMBERS PRESENT, WITH THE EXCEPTION OF NICK PETRAGNANI WHO ABSTAINED, APPROVED THE SIX MONTH INTEREST-ONLY EXTENSION OF THE LOAN WITH DEY'S PLAZA LLC.

V. Adjournment

Ms. Spillane said if there is no further discussions can I have a motion to adjourn the meeting.

Mr. Gross made the motion. Mr. Petragani seconded the motion. **ALL BOARD MEMBERS PRESENT UNANIMOUSLY APPROVED TO ADJOURN THE MEETING AT 9:35 A.M.**



May 9, 2018

Memorandum To: SEDCO Board of Directors
From: Eric Ennis
Re: CNY Arts, Inc.
Arts & Entertainment District Planning
SEDCO Bridge Loan Request - \$100,000.00

Background:

CNY Arts, Inc. is a regional arts organization dedicated to planning and marketing for arts initiatives in Central New York. The organization has been awarded \$100,000 from Empire State Development to be used for planning and development of arts and entertainment districts along main street corridors in urban centers throughout the region – specifically targeting the cities of Auburn, Cortland, Oneida, Oswego, and Syracuse.

Proposed Project:

CNY Arts, Inc. will hire two consultants to create a plan for the development of Arts and Entertainment Districts in five CNY downtown areas. One expert will be a main Street Revitalization Consultant (Master Planner) and the second will be a resource development strategist (Development Planner). Deliverables include: 1) a master plan revitalization of each of the targeted downtown districts and 2) a development strategy that will identify and cultivate regional, state, and national resources, funders, and investors to sustain these districts.

Loan Request:

CNY Arts, Inc. is requesting that SEDCO provide bridge loan financing be made available in the amount of \$100,000 with payback of the loan upon disbursement of the grant, which has a deadline of funds requested for disbursement by April 1, 2022.

Sources & Uses:

Project Budget:

a. Personnel Services (Salary + Fringe)	\$ 49,800
b. Economic Development re-grants	\$ 125,000
c. Consulting Services	\$ 74,000
d. Website and Web Design enhancements	\$ 25,000
e. Marketing Services	\$ 20,000
f. <u>Other (Operating, Utilities, Space):</u>	<u>\$ 29,200</u>
	\$ 323,000

Project Funding Sources:

a. Onondaga County	\$ 184,000
b. New York Council for the Arts (NYSCA)	\$ 14,000
c. CNY Community Foundation	\$ 25,000
d. <u>SEDCO Bridge Loan</u>	<u>\$ 100,000</u>
	\$ 323,000

Borrower:

CNY Arts, Inc. is a well-respected arts organization and a direct partner with Onondaga County. The organization has four full time staff and one part time position. The total budget in 2018 for the organization is \$2.35 million in income and operated largely through grant funding, program revenue, and contributions from corporate/foundation partners and in-kind services. The organization shows projected financials remaining consistent with total income remaining approximately \$2.3 million, and total expenses at approximately \$345,000 through 2020.

Recommendation:

Staff is recommending that the Board of Directors approve this request as presented. The project will result in new tools and strategies to further development Syracuse's urban core and commercial corridors with arts and entertainment opportunities. The funds have been committed by ESD and SEDCO has the ability to provide the necessary capital for the project to begin immediately.

Staff is recommending an interest rate of 3% be considered for this loan, and the maturation date of the loan be one year from the date of closing, or June 1, 2019 (whichever is sooner). SEDCO could structure the loan in disbursements when invoices are received to pay for the consulting services over the course of the project.

Attachments:

1. Project Description
2. SEDCO Loan Application
3. ESD Commitment Letter / Incentive Proposal
4. 2018-20 Budget Projections (Profit & Loss)
5. 2016 990 Tax Form for CNY Art's, Inc.
6. 2017 Financial Audit

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“*MOU*”), dated April __, 2018 is between the City of Syracuse Industrial Development Agency, a body corporate and politic and a public instrumentality of the State of New York, having its office at 201 East Washington Street, 7th Floor, Syracuse, New York 13202 (the “*Agency*”) and the Syracuse Economic Development Corporation, a New York not for profit corporation with an office located at 201 East Washington Street, 6th Floor, Syracuse, New York 13202 (“*SEDCO*”). The Agency and the SEDCO are each referred to as a “*Party*” and collectively the “*Parties*”.

RECITALS:

WHEREAS, the Agency is a New York public benefit corporation is authorized and empowered by Title I of Article 18-A of the General Municipal Law of the State of New York (the “*State*”), as amended, together with Chapter 641 of the Laws of 1979 of the State of New York, as amended from time to time (collectively, the “*Act*”) to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of civic facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration.

WHEREAS, SEDCO is a not for profit corporation, incorporated under Section 402 of the New York Not-for-Profit Corporation Law (the “*NFP Law*”) as a Type C corporation (as defined in Section 201 of the NFP Law) to, among other things, encourage and retain business and industry, expand residential, commercial, industrial and manufacturing in the City of Syracuse, New York (the “*City*”), create employment opportunities and develop programs to advance economic development in the City; and

WHEREAS, SEDCO (through two related entities) held fee title to certain property, commonly known as the Dey’s Brothers’ Building, located at 401 South Salina Street (the “*Building*”) which required significant renovations (the “*Renovations*”); and

WHEREAS, in order to undertake the Renovations, in 1996, SEDCO requested the Agency lend SEDCO approximately \$14,045,000 which funds were secured through the HUD-108 guarantee loan program (24 CFR 570 Subpart M, Loan Guarantees) offered by the US Department of Housing and Urban Development Agency (the “*HUD 108 Loan*”); and

WHEREAS, In consideration for the Agency agreeing to loan SEDCO the funds necessary to undertake the Renovations, SEDCO agreed to repay the HUD 108 Loan by remitting payments equal to debt service on the HUD 108 Loan to the Agency (the “*HUD 108 Loan Receivable*”); and

WHEREAS, in or about December 2009, SEDCO sold the Building to Dey's Plaza LLC, a private developer (“*Deys*”) for a total of approximately \$6,700,000; of which approximately \$1,200,000 was paid in cash and the remaining approximately \$5,500,000 was financed through SEDCO and secured by two subordinate mortgages from Deys or an affiliate; one in the amount

of \$2,500,000 and the second in the amount of \$3,000,000 (collectively, the “*Deys Mortgages*”); and

WHEREAS, the financing terms associated with the Deys Mortgages included aggregate monthly payments of principal and interest in the amount of \$23,188.22 amortized over 15 years with an aggregate balloon payment due on January 1, 2025 in the amount of \$3,711,228.12 (collectively, the “*Payments*”); and

WHEREAS, upon information and belief, based upon a review of meeting minutes, resolutions and recollections of those working for either the Agency and/or SEDCO at that time, an agreement was made between SEDCO and the Agency to pass the Payments received by SEDCO onto the Agency in order to pay SEDCO’s debt service on the HUD 108 Loan Receivable (the “*Deys Terms*”); and

WHEREAS, in June 2012 the Agency agreed to forgive a portion of the HUD 108 Loan Receivable from SEDCO in the approximate amount of \$10,425,650.00 (the “*Loan Forgiveness*”) in consideration of a one-time payment of approximately \$430,000.00 from SEDCO, leaving a loan receivable due from SEDCO to the Agency in the amount of \$5,500,000¹ plus any and all accrued interest and penalties through the HUD Maturity (as defined herein) (the “*SEDCO Receivable*”). This action was taken in recognition of SEDCO’s inability to support the debt service on the HUD 108 Loan Receivable coupled with the sale of the Building at a loss; and

WHEREAS, since 2009-2010, upon receipt from Deys, SEDCO has transferred the Payments to the Agency to pay down the SEDCO Receivable. SEDCO will continue to transfer funds until such time as the SEDCO receivable is satisfied; and

WHEREAS, the Payments, which have totaled approximately \$1,659,866, coupled with the use by the Agency of its own funds, has reduced the HUD 108 Loan Receivable. The current HUD 108 Loan Receivable is approximately \$351,000.00² plus interest. The HUD 108 Loan has a final maturity of August 1, 2021(the “*HUD Maturity*”) with the following payments due as indicated below:

Year	Principal	Interest	Total
2018	154,000	10,945	164,945
2019	165,000	6,746	171,746
2020	16,000	1,931	17,931
2021	16,000	971	16,971

; and

¹ Notwithstanding the Loan Forgiveness, the Agency remained liable for the full HUD 108 Loan Receivable.

² Since 2009, the Agency has paid, at a minimum, approximately \$10,425,650.00 of its own funds, exclusive of any monies received from SEDCO as Payments or otherwise, towards the debt service on the HUD 108 Loan Receivable.

WHEREAS, as a result of continuing conversations with Deys and staff from both the Agency and SEDCO, it has come to the Parties' attention that the agreement between SEDCO and the Agency reflecting the Deys Terms at the time of the December 2009 sale of the Building was never memorialized; and

WHEREAS, the parties are desirous of memorializing the history of the HUD 108 Loan, the HUD 108 Loan Receivable, the Loan Forgiveness, SEDCO's Receivable, the Deys Terms and the current status of the obligations of the Parties.

NOW, THEREFORE, in consideration of the promises and the mutual covenants and undertakings contained herein and for other good and valuable consideration, the receipt and sufficiency of which the Parties acknowledge, the Agency and SEDCO, each hereby agree as follows:

ARTICLE I RECITALS AND DEFINITIONS

Section 1.01 Incorporation of Recitals. The foregoing recitals are incorporated herein by reference, as if fully and completely set out, and are subject to the actual terms of this document.

Section 1.02 Defined Terms. All capitalized terms shall have the meanings ascribed herein.

ARTICLE II GENERAL TERMS, CONDITIONS AND OBLIGATIONS

Section 2.01 Terms of Agreement. The Parties agree that the following terms are accurate and correct to the best of the Parties' ability to discern based upon all of their respective records; and the Parties further agree and acknowledge that these terms reflect the agreement and obligations between the Parties as they relate to the HUD 108 Loan, the HUD 108 Loan Receivable, the Loan Forgiveness, SEDCO's Receivable, the Deys Terms and the current status of the obligations of the Parties; and same shall be binding upon the Parties, notwithstanding any later discovered materials or documents:

1. SEDCO was originally obligated to pay the Agency debt service on the HUD 108 Loan based upon a principal amount of \$14,045,000 plus interest (the HUD 108 Loan Receivable); and
2. At the request of SEDCO, the Agency forgave \$10,425,650.00 of the HUD108 Loan Receivable owed by SEDCO (the Loan Forgiveness); and
3. Following the Loan Forgiveness, SEDCO remained obligated to repay the Agency \$5,500,000 plus any and all accrued interest and penalties through the HUD Maturity (the SEDCO Receivable); and

4. Since 2012, SEDCO has remitted \$1,659,866 towards the SEDCO Receivable; and
5. Notwithstanding the Loan Forgiveness, the Agency remained obligated to pay 100% of the HUD 108 Loan Receivable; and
6. The Agency agreed to accept, and SEDCO agreed to remit, the Payments received from Deys on the Deys Mortgage to be used toward the payment of the SEDCO Receivable on the HUD 108 Loan in the amounts set forth herein; and
7. The Agency has continued to utilize its own funds to timely meet the obligations under the HUD 108 Loan, including but not limited to, the Payments transferred from SEDCO; and
8. At a minimum, the Agency has dedicated approximately \$10,425,650.00 of its own funds to the repayment of the HUD 108 Loan; and
9. Notwithstanding the use by the Agency of its own funds to repay the HUD 108 Loan Receivable, or the actual HUD Maturity, SEDCO remains liable to the Agency for the repayment, in full, of the SEDCO Receivable.

ARTICLE III REPRESENTATIONS AND COVENANTS

Section 3.01 Agency's Representations and Covenants. The Agency makes the following representations to SEDCO as the basis for the undertakings on its part herein contained:

(a) The Agency is duly established under the provisions of the Act and has the power to enter into this MOU and to carry out its obligations hereunder. By proper official action, the Agency has been duly authorized to execute, deliver, and perform this MOU.

(b) Neither the execution and delivery of this MOU, the consummation of the transactions contemplated thereby, nor the fulfillment of or compliance with the provisions of this MOU by the Agency will conflict with or result in a breach by the Agency of any of the terms, conditions, or provisions of the Act, the By-Laws of the Agency, or any order, judgment, restriction, agreement, or instrument to which the Agency is a party or by which it is bound or will constitute a default by the Agency under any of the foregoing.

(c) This MOU constitutes, or upon execution and delivery in accordance with the terms hereof will constitute, valid and legally binding obligation of the Agency, enforceable in accordance with its terms.

Section 3.02 SEDCO's Representations and Covenants. SEDCO makes the following representations to the Agency as the basis for the undertakings on its part herein contained:

(a) SEDCO is duly established under the provisions of the NFP Law and has the power to enter into this MOU and to carry out its obligations hereunder. By proper official action, the Agency has been duly authorized to execute, deliver, and perform this MOU.

(b) Neither the execution and delivery of this MOU, the consummation of the transactions contemplated thereby, nor the fulfillment of or compliance with the provisions of this MOU by SEDCO will conflict with or result in a breach by SEDCO of any of the terms, conditions, or provisions of the NFP Law, the By-Laws of SEDCO, or any order, judgment, restriction, agreement, or instrument to which SEDCO is a party or by which it is bound or will constitute a default by SEDCO under any of the foregoing.

(c) This MOU constitutes, or upon execution and delivery in accordance with the terms hereof will constitute, valid and legally binding obligation of SEDCO, enforceable in accordance with its terms.

ARTICLE IV MISCELLANEOUS

Section 4.01 Binding Effect.

This MOU shall inure to the benefit of and shall be binding upon the Agency and SEDCO and upon their respective heirs, successors and assigns.

Section 4.02 Execution of Counterparts.

This MOU may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 4.03 Entire Agreement.

This MOU contains the entire agreement between the Parties with respect to the HUD 108 Loan and its repayment and all prior negotiations and agreements are merged therein.

Section 4.04 Notice.

All communications, notices and disclosures required or permitted by this Agreement shall be in writing, shall be provided to the other Party and shall be deemed to have been given at the earlier of the date when actually delivered to the other Party or when deposited in the United States mail, certified or registered mail, postage prepaid, return receipt requested, by hand delivery, by overnight courier service with signed receipt or by facsimile transmission (with written confirmation of receipt thereof), and addressed as follows, unless and until either Party notifies the other Party of a change of address:

If to the Agency:

City of Syracuse Industrial Development Agency
201 E. Washington Street
7th Floor
Syracuse, New York 13202
Attn: Chairman

If to SEDCO:

201 E. Washington Street
6th Floor
Syracuse, New York 13202
Attn: President

Section 4.05 No Liability

No covenant, stipulation, obligation or agreement contained in this MOU shall be deemed to be the covenant, stipulation, obligation or agreement of any member, officer, agent or employee of either Party in his or her individual capacity.

Section 4.06 Governing Law and Jurisdiction

This MOU will be governed by and interpreted exclusively under the laws of the State of New York, without regard to its choice of law rules. The Parties will comply with all applicable federal, state and local laws and regulations with respect to this MOU. In case of any dispute concerning or arising out of this MOU that cannot be resolved by the Parties in good faith, such dispute shall be finally settled and venue shall be exclusively held in any appropriate state or federal court in the County of Onondaga, State of New York. Each Party consents to exclusive jurisdiction and venue of such courts.

Section 4.07 Miscellaneous

a. No amendment or modification of this MOU shall be valid or binding upon the Parties unless in a writing executed by both of the Parties.

b. This MOU may be signed in one or more counterparts, each of which shall be deemed to be an original and all of which when taken together shall constitute the same MOU. Any signed copy of this MOU made by photocopy, facsimile or Adobe PDF format shall be considered an original.

c. All agreements drafts, memoranda, if any, and other communications respecting the agreements or activities related hereto prepared or exchanged in the course of negotiations, even if signed by one or all Parties, shall be considered only preliminary and shall not be legally binding unless subsequently incorporated into an amended MOU.

d. Each Party has obtained the necessary and requisite approvals from each governing board of each Party prior to the execution of this MOU and has provided the other Party with a copy of such approving resolution.

IN WITNESS WHEREOF, each Party has caused this MOU to be signed on the date first written above by its duly authorized representative as follows:

**CITY OF SYRACUSE INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____
Michael Frame, Chairman

**SYRACUSE ECONOMIC DEVELOPMENT
CORPORATION**

By: _____
Richard Driscoll, Vice President