
City of Syracuse
Industrial Development Agency
City Hall Commons, 6th Floor
201 East Washington Street
Syracuse, NY 13202
Tel (315) 473-3275 Fax (315) 435-3669

August 20, 2019

Sage Teall Properties, LLC
6146 East Molloy Road
East Syracuse, New York 13057
Attn: Scott Gerharz, Manager

Re: City of Syracuse Industrial Development Agency
Sage Teall Properties, LLC
Gerharz Equipment Project
Sales Tax Appointment Letter

Dear Mr. Gerharz:

Pursuant to a resolution duly adopted on August 21, 2018, the City of Syracuse Industrial Development Agency (the “**Agency**”) appointed Sage Teall Properties, LLC (the “**Company**”) the true and lawful agent of the Agency to undertake a project (the “**Project**”) consisting of: (A)(i) the acquisition of an interest in approximately 4.5 acres of improved real property located at 220-22 Teall Avenue, in the City of Syracuse, New York (the “**Land**”); (ii) the renovation of an existing approximately 85,000 square foot building for use in the wholesale and retail sale of foodservice equipment, supplies and design solutions primarily to restaurants and food service operators, including but not limited to the installation of a new roof, lights, windows, HVAC, painting, landscaping and resurfacing of parking lot, all located on the Land (the “**Facility**”); (iii) the acquisition and installation in and at the Land and Facility of furniture, fixtures and equipment (the “**Equipment**” and together with the Land and the Facility, the “**Project Facility**”); (B) the granting of certain financial assistance in the form of exemptions from real property tax, State and local sales and use tax and mortgage recording tax (in accordance with Section 874 of the General Municipal Law) (collectively the “**Financial Assistance**”); (C) the appointment of the Company or its designee as an agent of the Agency in connection with the acquisition, construction, reconstruction, renovation, equipping and completion of the Project Facility; and (D) the lease of the Land and Facility by the Agency pursuant to a lease agreement and the acquisition of an interest in the Equipment pursuant to a bill of sale from the Company to the Agency; and the sublease of the Project Facility back to the Company pursuant to a sublease agreement.

On November 1, 2018, the Agency issued a Sales Tax Appointment Letter (the "*Appointment*"), appointing the Company its agent for the purposes set forth therein and reflecting the approval of State and local sales and use tax exemption benefits in an amount not to exceed \$96,000 (the "*Original Sales Tax Exemption*"). The Appointment is set to expire by its terms on April 1, 2020.

On or about June 14, 2019, the Company requested, and on August 20, 2019 the Agency approved an extension of the Company's sales tax appointment agent status through and including September 30, 2020 and an increase in the amount of the Original Sales Tax Exemption from \$96,000 to \$220,800 due to their receipt of significantly higher than expected budgets and estimates from contractors and design professionals following the purchase of the property, in addition to their need to take an additional 10,000 sq. ft of the space for their own use. In addition, unforeseen mechanical and demo/abatement issues required a significant increase in engineering expertise coupled with under-budgeting on the FFE costs resulted in a substantial increase in the Project costs. Finally, the Company advised that while the scope of the Project has not changed significantly, it originally estimated that 30% of construction costs to be attributable to taxable materials however has since realized the estimate is closer to 40%.

This appointment includes, and this letter evidences, authority to purchase on behalf of the Agency all materials to be incorporated into and made an integral part of the Project Facility and the following activities as they relate to any reconstruction, renovation, improvement, equipping and completion of any of any buildings, whether or not any materials, equipment or supplies described below are incorporated into or become an integral part of such buildings: (1) all purchases, leases, rentals and other uses of tools, machinery and equipment in connection with reconstruction, renovation, improvement and equipping; (2) all purchases, rentals, uses or consumption of supplies, materials, utilities and services of every kind and description used in connection with reconstruction, renovation, improvement and equipping; and (3) all purchases, leases, rentals and uses of equipment, machinery and other tangible personal property (including installation costs), installed or placed in, upon or under such building or facility, including all repairs and replacements of such property, and with respect to such specific purchases or rentals, are exempt from any sales or use tax imposed by the State of New York or any governmental instrumentality located within the State of New York. The total aggregate amount of State and local sales and use tax exemption benefits comprising the Financial Assistance approved by the Agency for the Project Facility shall not exceed **\$220,800**.

This agency appointment includes the power to delegate such agency, in whole or in part, to a Project operator, contractors, agents, subagents, subcontractors, contractors and subcontractors of such agents and subagents (collectively, "*Additional Agents*"). Additional Agents must be specifically appointed by the Company in accordance and compliance with the terms of the Agency Lease dated as of November 1, 2018 by and between the Agency and the

Company (the “*Agency Lease*”). The Company hereby agrees to complete “IDA Appointment of Project Operator or Agent for Sales Tax Purposes” (Form ST-60) for itself and each Additional Agent who provide materials, equipment, supplies or services to the Project Facility and deliver said form to the Agency within fifteen (15) days of appointment such that the Agency can execute and deliver said form to the State Department of Taxation and Finance within thirty (30) days of appointment. The Agency’s obligation to execute any Form ST-60 relative to an Additional Agent is subject to the satisfaction of the conditions in the Agency Lease relative to such appointments.

The Company agrees, whenever requested by the Agency, to provide, or cause its Additional Agents to provide and certify, or cause to be certified, such information regarding use of local labor, job creation, exemptions from State and local sales and use tax, real property taxes and mortgage recording taxes and other topics as the Agency from time to time reasonably considers necessary or appropriate, including, but not limited to, such information as to enable the Agency to make any reports required by law or governmental regulation, including but not limited to those required by §875 of the Act.

The Company acknowledges and agrees that pursuant to Section 875(3) of the Act, and in conjunction with the Agency’s Recapture of Benefits Policy (the “*Recapture Policy*”) dated as of June 21, 2016 and the Project Agreement between the Agency and the Company dated as of November 1, 2018, as amended as of August 20, 2019, the Agency shall, and in some circumstances may, recover, recapture, receive or otherwise obtain from the Company some or all of the Financial Assistance (the “*Recapture Amount*”).

Each supplier or vendor should identify the Project Facility on each bill or invoice and indicate thereon which of the Company or its Additional Agents acted as agent for the Agency in making the purchase.

In order to be entitled to use this exemption, you and each Additional Agent should present to the supplier or other vendor of materials for the Project Facility, a completed “IDA Agent or Project Operator Exempt Purchase Certificate” (Form ST-123).

In addition, General Municipal Law §874(8) requires you to file an Annual Statement with the New York State Department of Taxation and Finance (“*NYSDTF*”) on “Annual Report of Sales and Use Tax Exemptions” (Form ST-340) regarding the value of sales and use tax exemptions you and your Additional Agents have claimed pursuant to the agency we have conferred on you with respect to this Project. The penalty for failure to file such statement is the removal of your authority to act as our agent. In addition, you must provide a copy of the completed Form ST-340 to the Agency within ten (10) days of the date it is due to be filed with the NYSDTF.

The agency created by this letter is limited to the Project Facility and will expire on the earlier of: (i) sixty (60) days after the issuance of a certificate of occupancy or similar document by the applicable municipality in which the Project Facility is located; or (i) **September 30, 2020**

based on the schedule below¹; unless the Agency Lease is terminated early in accordance with its terms in which case this appointment shall terminate at that time.

This letter is provided for the sole purpose of evidencing, in part, the exemption from New York State Sales and Use Taxes **for this project only**. No other principal/agent relationship is intended or may be implied or inferred by this letter.

The Agency shall not be liable, either directly or indirectly or contingently, upon any such contract, agreement, invoice, bill or purchase order in any manner and to any extent whatsoever (including payment or performance obligations), and the Company shall be the sole party liable thereunder. By acceptance of this letter, the vendor hereby acknowledges the limitations on liability described herein.

Very truly yours,

CITY OF SYRACUSE INDUSTRIAL
DEVELOPMENT AGENCY

By: 
Judith DeLaney, Executive Director

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<u>Description</u>	<u>Estimated Completion Date</u>	<u>Estimated Costs</u>		<u>Estimated Sales Tax Exemption Needed</u>	
		<u>Construction</u>	<u>FF&E</u>	<u>Construction</u>	<u>FF&E</u>
Exterior work and Company-controlled space	September 1, 2020	\$3,000,000	\$600,000	\$96,000 (by 09/30/20)	\$48,000 (by 09/30/20)
Leased space	September 1, 2020	\$1,400,000	\$400,000	\$44,800 (by 09/30/20)	\$32,000 (by 09/30/20)
Total		\$4,400,000	\$1,000,000	\$140,800	\$80,000