

Minutes of the meeting of City of Newburgh Industrial Agency, 29 September 2008

Present: Richard Bedrosian, Spencer Gulliver, John Penny, Joshua Smith, Robert McKenna

By telephone: Michael Curry, Jerry Maldonado

Absent: Sean O'Shea

The meeting was called to order at 7:08 p.m. by Spencer Gulliver. He noted that both Michael Curry and Jerry Maldonado would call in by telephone.

We were joined by Edmund F. Schorno of CIDC and by Jeffrey Chanin, Corporation counsel to the city of Newburgh. Mr. McKenna briefed the board that \$8,000 remains in the contract with CIDC and he handed out a list of the Klein properties whose owner is being assisted by CIDC.

Mr. Schorno, former assistant director of economic development for the City of Newburgh and City Manager in Peekskill New York explaining that CIDC has contracts and Reading Pennsylvania Palm Beach Florida, the state of New Jersey, Sleepy Hollow New York, and a number of cities in California to assist with economic development. CIDC helps its clients develop structures for economic development and also assists them in getting government contracts. Finally, CIDC helps to structure loan applications to the federal Small Business Administration (SBA).

He further explained that the relationship between CIDC and the City of Newburgh. He said that the city staff finds the businesses needing assistance and arranges meetings with CIDC which in turn works with them to write a package tailored for their business. For example they teach them how to borrow money, and to delineate the size and scope of their projects; CIDC helps them to examine their tax records and to lay out performance projections. He admitted that some of the projects had failed and that job losses rather than job increases have occurred. He further explained that typically the work is for expansion projects and not for the development of new businesses. The leads come from the City Council, IDA board members and citizens of Newburgh. In response to a question from Spencer Gulliver concerning what filters CIDC uses to determine with whom they will work, he said, "Anyone the city wants us to talk to." When Mr. Gulliver said that he did not see any successful enterprises on the lists which had been presented to us, Mr. Schorno responded that 20% work; two which looked good encountered odd circumstances and were unable to carry out their projects.

Mr. Maldonado asked why there was a necessity to contract out for this work and Mr. McKenna responded that the complexity is often a big obstacle and that CIDC had contacts at the SBA and the Home Loan Bank, and therefore knows how to handle all of the paperwork. But Mr. Gulliver indicated that the IDA board has some concerns about what has been done and that it needed to decide its own business plan. Mr. McKenna responded by giving some examples of complex projects as required outside expertise

and he pointed to the Unitex (laundry) project. He questioned whether the IDA wants to have a role with small "mom-and-pop" businesses and whether it wishes to continue the family loan program which assists startups with unsecured loans. Mr. Gulliver and Mr. Bedrosian responded that the board wants successful projects which would be beneficial for the city. Mr. Maldonado expressed the opinion that small businesses ought to be looking to some other sources for assistance and Mr. Smith raised a question about the availability of assistance from Orange County Community College. Mr. Shorno indicated that there is a small business development Center at Orange County Community College but that it is located in Middletown. Mr. McKenna added that in the past the small business center one day a week in Newburgh but that that no longer is the case. Going further Mr. Shorno said that the Center at the college does help to teach people who wish to establish new small businesses what is involved and familiarizes them with the language of developing new projects and the availability of various resources that might assist them. It would appear from the discussion that there is a consensus among the board members that it might make sense for those small projects to seek assistance elsewhere before they used the services of CIDC which bills the IDA at the rate of \$200 an hour.

We then had a lengthy discussion about the Klein Project which involves a developer who had been purchasing empty or substandard buildings for investment purposes. This led to a joint meeting last June that involved the city manager, Code Enforcement and Economic Development and the following issues were raised:

1. The city was concerned about boarded up buildings and occupied buildings and code violations; its principal concern was with occupied buildings where they wished to focus on health and safety items. This concern has led to weekly meetings with both code enforcement and the fire department and the developer.
2. Back taxes (\$300K) were raised as a city concern; the city explained the process through which properties are taken by the city for non-payment; the developer was advised to make a minimal payment and he paid \$280,000.
3. This developer has 30 properties, and 97 residential, and three commercial units. This project will involve historic tax credits and may become an investment of as much as \$13-\$14000000 to be financed by an FHA direct loans or an IDA bond issue guaranteed by the IDA.
4. A meeting was arranged for the developer by CIDC with the Oppenheimer investment company which has expressed interest and offered to contact the FHA to determine whether or not a loan guarantee would be forthcoming. Oppenheimer made the proposal and the FHA has required that Mr. Klein conduct a marketing study to see what market rents should be, an environmental study, and then the specifications and cost estimates. This study will cost this Mr. Klein \$7,000. After this work is done the project will require approval from the Department of Housing and Urban Development (HUD). If HUD approves, the FHA will guarantee the loan. It is likely that Mr. Klein will ask the IDA for a bond issue. If that occurs the

IDA is likely to earn \$400,000 from the project. Approval from HUD is expected within six months; the 30 days after that the IDA could issue bonds; and construction to begin immediately. Note: the developer would pay all the costs for blonde Council and other related costs of marketing and the bonds.

Board members raised a number of questions about whether the developer has been cooperative. Mr. Chanin responded that the developer has been in the city court several times and is paid fines and is under court order to fix the violations. He is also hired a property manager who will be meeting regularly with code enforcement. Mr. McKenna explained that Klein is delinquent but that he does want to rehabilitate the properties.

Some skepticism was expressed by Mr. McKenna who said that the developer is not "sophisticated." But he did say that in this case CIDC has been a good mediator which brought him to the table with various city agencies so that things were made clear to everyone and so that perhaps a difference could be made with these properties.

The next topic was meeting procedures with special emphasis all on the holding of meetings through teleconferences. Since it is in the bylaws that currently exist, it was decided that it is possible for members to participate via telephone, but that they could not participate in executive sessions because it could not be determined whether or not they were in a private space. Mr. McKenna then explained the cost of a clerk take the minutes and said that it would probably cost a stipend of at least \$3500 and perhaps more. He stated that the meetings are being recorded and he handed out copies out the open meetings law.

By-Laws: The board was told that it cannot set terms of office in new bylaws since the law states that the members serve at the pleasure of the City Council.

Code of Conduct: Mr. McKenna reported that the issue is being studied by the corporation counsel and that the board is bound by the city code.

Records: Mr. McKenna stated that the records are in the Economic Development Office and are available for any of us to see. He recommended that we call ahead so that we can be directed to the appropriate records in a timely manner. Other records await transfer from the office of the former counsel. Three locked file cabinets will be transferred to the Economic Development Office; any member of the board who wishes to accompany the records may do so. Some of these records will be archived in the city archives.

Audits: past audits will be discussed at the next meeting with a particular emphasis on current resources are available. The RFQ for a new counsel and for a new audit firm will also be circulated by week's end.

Mr. McKenna distributed the Live/Work/Play Report and invited comments from board members to be forwarded to him to him so that he might distribute them to the contractor. The contractor will return in early November for a final public report.

The board went into executive session to discuss real estate.

The meeting adjourned at 9:00p.m.

Submitted by Joshua L. Smith