

**Watertown Local Development Corporation
Meeting Minutes
Thursday, August 17, 2017**

The Watertown Local Development Corporation (WLDC) Board of Directors meeting was held on Thursday, August 17, 2017 in the WLDC Office, 82 Public Square, Watertown, New York.

Present: Mayor Joseph M. Butler, Jr., Erika Flint, Jeffrey Fallon, Michael Lumbis, Stephen Hunt, David Zembiec

Excused: RoAnn Dermady, Donald Alexander, Jennifer Voss, James Mills

Others Present: Joseph Russell, Legal Counsel, Craig Fox, Watertown Daily Times

Staff: Donald Rutherford, CEO

Call to Order: Mr. Butler called the meeting to order at 8:34 a.m.

Financial Report: Mr. Fallon presented the financial report for the months of June and July. He began by reviewing the Balance Sheet for the month of June followed by the Profit & Loss YTD Comparison. Mr. Butler questioned \$8,313.05 in income listed under Interest Earned on Investments-Other. Mr. Rutherford stated that he was not sure what the entry was for but would check with Mrs. Taylor once she was back in the office. Mr. Fallon then reviewed the Balance Sheet for the Month of July. He noted that the investment income was not shown which resulted in the overall numbers being skewed for the month. He said the income would be listed next month. He also called the Board's attention to a one-time expense of \$8,840. He said that this was for the Employer HSA Expense. Mr. Butler questioned why there was a delay in obtaining the investment income numbers for the month. Mr. Rutherford explained that the monthly statement is emailed to the accountant and then the investment income numbers then get sent to WLDC Staff. Mr. Butler stated that he would like Mr. Rutherford to request that our Financial Advisor send a third party copy of the investment account statement directly to our accountant by email so that there is no delay in the future. Mr. Lumbis stated that he thought that since the July Financial Report was incomplete, that we should wait until the September meeting to approve it. Mr. Rutherford concurred.

Mr. Rutherford then reviewed the customer loan report. Regarding Loan # 4, Sandra Amo, Mr. Rutherford stated the customer was 150 days behind in payments and suggested that the Board write off the loan and send a demand in full letter. He said that it was a generally accepted practice to write it off once it was that far behind. He said that this was an accounting exercise and that he would continue to work with the owner to collect the debt. Mr. Fallon then moved to write off the balance of the loan to Sandra Amo in the amount of \$1,863.26. Mr. Zembiec seconded and all voted in favor.

Regarding loans # 34 and # 35, Mr. Rutherford said that he gave the owner, Fun Xcape, LLC a deadline of last Friday to bring the loans current, which are 120 days past due. He said that he sent an email giving a warning that the loans would be sent to collection if the past due amount was not paid. He said the owner called him promising to pay and bring the loans current and asked for an extension of two weeks. He said the owner had recently rented a space in her building which would increase her cash flow and allow her to pay. Improvements to the rented space would be complete soon and the tenant would be moving in and paying rent. Mr. Rutherford suggested that we hold off on collection for two more weeks

as it would be an added expense to the WLDC. Mr. Butler asked Mr. Rutherford to communicate the status of this loan to the Board in two weeks.

Regarding loan # 60 and # 61, Mr. Rutherford said this was a participation loan with DANC and that Watertown Savings Bank is also involved and that he is waiting to hear from Mark Lavarney. Mr. Butler asked if there was any state funding involved in the project. Mr. Lumbis responded that there was a Restore NY grant that was awarded to the project for the building restoration. Mr. Butler asked what would happen regarding the grant if the loans were foreclosed on. Mr. Hunt stated that the grant was for the restoration of the building only and that once the building project was complete, the project is considered over and the owner's obligation would be fulfilled. Mr. Lumbis noted that to his knowledge, the first floor retail space has never been occupied since the project was complete and he questioned whether the owner has done anything to try and fill that space. He said if the available retail space was rented it could help with the cash flow if the apartments were not filled. Mr. Fallon said he would discuss the issue with Mr. Lavarney.

Regarding Loan # 63, Romalato's Delicatessen, Inc., Mr. Rutherford noted that this loan was 90 days past due and he is recommending that we send it to the attorney for collection. He noted that the owner has not been responsive to repeated letters, calls and emails regarding making payments to keep the loan current.

Mr. Fallon asked if we adjust the risk rating on these delinquent loans as soon as they start to get into trouble or if we wait until we evaluate all of the loans on an annual basis. Mr. Rutherford noted that it is conducted at 12/30 on an annual basis.

Hearing no further discussion, Ms. Flint moved to approve the June 2017 financial statement and the July 2017 customer loan report. Mr. Lumbis seconded the motion and all voted in favor.

COMMITTEES

Loan Review Committee

Mr. Fallon said that the Loan Review Committee considered several requests this month and has recommendations for the Board. He then reviewed a proposed project by the Modinger Group LLC. Mr. Fallon reviewed the scope of the proposed project with the Board. He said that the \$50,000 loan had a rate that was a little different than usual in that it would be fixed at 5% for five years and that the rate would adjust every five years. He said the floor rate would be 5% but would never go lower than that. Mr. Butler asked why the rate was adjustable. Mr. Rutherford stated that was standard for mortgages and noted that the upside was that it would never be lower than 5% but could possibly be higher if prime interest rates increase. Mr. Rutherford noted the WLDC would have a second position on the mortgage. Mr. Butler asked how we verify the cash equity in the project. Mr. Rutherford stated the applicant would have to bring a check to the closing. Hearing no further discussion on the project, Ms. Flint moved to approve a \$50,000 loan to the Modinger Group, LLC for the purchase of property at 1035-1041 Arsenal St., 15-year amortization, 5% fixed for five years adjusted to the prevailing prime rate minus 1% with a floor of 5% at the end of the 5th and 10th year, second position mortgage. The motion was seconded by Mr. Zembiec and all voted in favor.

Mr. Fallon then reviewed a proposed project by Boots Brewing Company, Inc. Mr. Fallon began by providing an overview of the project, stating that the applicant was requesting a \$44,000 loan for the business that would be located in the Lincoln Building. He said that 4 jobs would be created in year one. He asked what the collateral would be for the loan. Mr. Rutherford said that the WLDC would have a second position on all business assets including equipment and other improvements. Mrs. Flint then moved to approve a \$44,000 loan to Boots Brewing Company, Inc., 10 year term, 5% fixed for years 1-5, then prime minus 1% with a floor of 5% for years 6-10, second position on all business assets and equipment. Mr. Lumbis seconded the motion and all voted in favor.

The Board then considered a principal moratorium request submitted by Robert Dalton, owner of 9 Chandeliers Corp. Mr. Fallon stated that Mr. Dalton is requesting a 6-month principal moratorium on his term loan. The business opened in the spring of 2016 and through the first year of operation business has been slower than Mr. Dalton anticipated. Mr. Fallon said that Mr. Dalton has a pretty extensive business plan and a marketing plan that he presented to the loan review committee to turn the business around. Mrs. Flint then moved to approve a 6-month principal moratorium on the term loan for the 9 Chandeliers Corp. The motion was seconded by Mr. Hunt and all voted in favor.

The Board then considered a principal moratorium request submitted by John Palmer of Computer Doc., Inc. Mr. Fallon stated that Mr. Palmer is requesting a 6-month principal moratorium on the four term loans that he has with the WLDC. Mr. Fallon said that Mr. Palmer has a good repayment history with his loans but that sales have recently declined. He noted that one of Mr. Palmer's main competitors recently closed and he hoped to capitalize on that and grow his customer base. Mr. Palmer plans to use the savings from the principal moratorium to develop a marketing plan. Mrs. Flint noted that this is the right step for now and added that the board may want to consider consolidating the loans in the future. Mrs. Flint then moved to approve a 6-month principal moratorium on the four term loans for Computer Doc., Inc. The motion was seconded by Mr. Hunt and all voted in favor.

The Board then considered a principal moratorium request submitted by Edirin Igho-Akiti on the four term loans that he has with the WLDC for Eddy's Caribbean, Mr. Biggs, Tropical Foods Express and U-Mart City Foods. Mr. Fallon stated that Mr. Rutherford mentioned the possibility of a principal moratorium at the last meeting. He said that Mr. Rutherford had met with the owner who has taken us up on the offer. Mr. Rutherford added that Mr. Igho-Akiti has agreed to provide a plan for how to make changes regarding the restaurant. Mrs. Flint then moved to approve a 6-month principal moratorium on the four term loans held by Edirin Igho-Akiti. The motion was seconded by Mr. Fallon and all voted in favor.

Mr. Rutherford then stated that he had just received a request from Watertown Savings Bank (WSB) to subordinate our first position to the bank on the WLDC's loan to Tree House Hourly Child Care, LLC. He said that he would normally bring this request to the Loan Review Committee first, but the timing is critical in order for the child care to have financing in place before the start of school. Watertown Savings Bank is considering a loan that would allow the business the availability to a working capital line of credit in the amount of \$28,000 that will fund a timing gap the business has with a contract with the Watertown City School District (WCSD). Mr. Rutherford added that the WLDC typically will allow a client to do this so that they can establish a relationship with the bank and allow the business to continue to

grow. Mrs. Flint asked if the bank had a thorough knowledge of Tree House's contract with the WCSD. Mr. Fallon said that he could call Charles Capone of WSB who could answer questions and provide an overview of the project. Mr. Butler noted that he did not have a problem with the request but the WLDC needed to complete its due diligence.

Mr. Capone then joined the discussion via conference call. He said that Tree House had three separate contracts with the WCSD covering the time period of September 1 to June 30 for pre Kindergarten child care. He said one contract was for \$72,000 that was for full day for 4 year olds. Another contract was for \$54,000 for ½ day for 4 year olds and the third contract was for \$119,000 for full day for pre-K. Mr. Zembiec asked if the child care was performed at the Tree House facility or at the school. Mr. Capone said that it was at her facility which has two locations, one near Planet Fitness and one near the New Life Church. Mr. Butler asked if the contract was for one year. Mr. Capone said that it was but the WCSD would not pay in advance for services, which is why she needs the loan to cover the month to month billing cycle. Hearing no further discussion Mrs. Flint moved to approve the request submitted by Watertown Savings Bank to subordinate its existing lien position on the business assets on the existing loan to The Treehouse Hourly Child Care, LLC. The motion was seconded by Mr. Zembiec and all voted in favor.

OLD BUSINESS

Downtown Block Party Update: Mr. Rutherford stated that the first two block parties have been a big success with approximately 2,500 people attending. The third block party will be held on August 25, 2017 and will include fireworks. Mr. Butler asked how things were regarding the budget. Mr. Rutherford said that he was close to keeping the three events within budget but he did have extra costs for items such as extra security. He also said that if it were not for the City and their resources from DPW, Parks and Recreation and the Police Department, the events would not have happened. He said the total cost could approach \$50,000 if you added the in-kind support from all the various parties. He said that Channel 7 has also been a big supporter and promoter of the events. Mr. Hunt suggested that we conduct a survey of the businesses after as part of the after action work to see whether or not the events helped the businesses.

Retail Coach: Kelly Cofer of the Retail Coach provided the board with an update on the project via conference call. Mr. Cofer said that they have been completing a lot of work and are ready to share what they have accomplished with the public. A meeting has been scheduled for September 18 at 5:00 p.m. at the Best Western to share results of the work done to date. He said the presentation will cover the retail trade area, discuss where there is a retail need, opportunity zones, potential for success, and issues that have been raised. Mr. Cofer continued by saying that he had spent time last month in Syracuse talking with various businesses about adding another location in Watertown. He will be doing the same later this summer in smaller communities such as Potsdam, Canton, Lowville and Carthage. Mr. Cofer said getting the word out about the meeting will be important.

Mr. Cofer said his firm has also been looking at national retailers that may also be interested in locating in Watertown. He said he is working on creating site profiles for various sites that he can get in front of the national brands.

Discussion followed regarding promoting the September 18 workshop. Mr. Hunt suggested that we have potential project partners at the meeting such as the WLDC, DANC and the JCJDC to discuss and answer questions about how to start and grow businesses and provide information about programs that are available to assist with projects.

In an effort to promote the event, Mr. Rutherford suggested that Mr. Cofer brief the Advantage Watertown Committee (formerly the Citizens Advisory Board) at their September 14th meeting, starting at 8:30 a.m.

There was no further discussion. Mr. Hunt moved to adjourn the meeting. The motion was seconded by Mr. Lumbis and all voted in favor. The meeting adjourned at 10:16 a.m.

Respectfully submitted,

Michael A. Lumbis

Secretary Pro-Tem