

KLDC

KINGSTON LOCAL DEVELOPMENT CORPORATION

Hon. Shayne R. Gallo, President

Amanda L. Bruck-Little, Executive Director

Brenna L. Robinson, Portfolio Manager

MEMORANDUM

BOARD OF DIRECTORS - KINGSTON LOCAL DEVELOPMENT CORPORATION

JAMES NOBLE, CITY OF KINGSTON ALDERMAN AT LARGE

CARLY WILLIAMS, CITY CLERK

AMANDA L. BRUCK-LITTLE, KLDC EXECUTIVE DIRECTOR / KLDC RECORDING SECRETARY /COMMUNITY DEVELOPMENT FINANCIALS

BRENNA L. ROBINSON, KLDC PORTFOLIO MANAGER / COMMUNITY DEVELOPMENT DIRECTOR/ ZONE COORDINATOR EZ

GEORGE W. REDDER, ESQ., COUNSEL KLDC

HOWARD KOHN, THE CHESAPEAKE GROUP, INC.

SUZANNE CAHILL, CITY PLANNER

GREGG H. SWANZEY , DIRECTOR OF ECONOMIC DEVELOPMENT

DAILY FREEMAN, 79 HURLEY AVENUE, KINGSTON, NY 12401

WKNY, PO BOX 1398, KINGSTON, NY 12402

WWBWZ, WPKF, WRNQ & WRWR-FM, 20 TUCKER DRIVE, POUGHKEEPISE, NY 12601

WPHD/WCZX/WEOK/WRRV, PO BOX 416, POUGHKEEPSIE, NY 12602

WDST, PO BOX 367, WOODSTOCK, NY 12498

POSTMASTER, KINGSTON PO BOX 9998, KINGSTON, NY 12402-9998

FROM: SHAYNE R. GALLO, MAYOR/PRESIDENT OF KLDC BOARD OF DIRECTORS

RE: KINGSTON LOCAL DEVELOPMENT CORPORATION BOARD MEETING

Please be advised that a meeting of the Kingston Local Development Corporation will be held at **8:00 a.m., Thursday, August 20, 2015**. Said meeting will be held in the Mayor's Conference Room, City Hall, 420 Broadway, Kingston, NY 12401.

AFFIDAVIT OF MEETING:

I, Bradley Jordan, Secretary for the Board of Directors of the Kingston Local Development Corporation, did on the **10th day of August 2015** mail this notice to the individuals listed above. Mailing was accomplished by sealing said notice in an envelope and depositing same, with postage thereon, full pre-paid, with the United States Post Office.

Bradley Jordan

BRADLEY JORDAN, SECRETARY

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AGENDA

Thursday, August 20, 2015 @ 8:00 a.m.

1. Call to Order
2. Portfolio Review & Updates – Counsel Redder
 - a. Seven21 Media
 - b. CB Developers
3. Marketing of Kingston Business Park
4. Approval of Minutes of Previous Meeting from July 16, 2015
5. Adjournment

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August 20, 2015

PRESENT:

BOARD MEMBERS - President Gallo, Turco-Levin, Fitzgerald, Potter, Mathews, Taylor, Berardi & Teetsel
KLDC PORTFOLIO MANAGER & COMMUNITY DEVELOPMENT DIRECTOR - Robinson
KLDC COUNSEL - Redder
GUESTS - Jeremy & Henry Ellenbogen
PRESS - Nani

ABSENT:

BOARD MEMBERS - Vice President Dwyer, Secretary Jordan, Treasurer Feeney & Clement
KLDC EXECUTIVE DIRECTOR/KLDC RECORDING SECRETARY - Bruck-Little
PLANNING - Cahill
ECONOMIC DEVELOPMENT DIRECTOR - Swanzey
COMMON COUNCIL LIAISON - Seche
CONSULTANT - Kohn

Meeting was called to order by President Gallo at 8:04 am.

Motion to enter into Executive Session made at 8:05 am by Mr. Berardi, seconded by Mr. Fitzgerald. Motion carried unanimously.

Motion to leave Executive Session made at 8:23 am by Mr. Mathews, seconded by Mr. Berardi. Motion carried unanimously.

Mr. Teetsel was introduced as the newest member of the KLDC Board of Directors.

President Gallo invited Messrs. Jeremy and Henry Ellenbogen to rejoin the meeting to make their presentation to the Board regarding the status of their business and loan.

Mr. J. Ellenbogen thanked the Board for allowing them to attend the meeting and to speak with the Board. He informed the Board that, as of September 1st, Seven21 Media was at 95% occupancy with 25 companies as tenants in the building, which has helped the overall stability of Seven21. He informed the Board that Seven21 was in its ninth year in business, ten years in March of 2016, and that it is a company that will remain in Kingston for a long time. He reminded the Board that the business has a really good track record of stability both with the production company, Ellenbogen, Inc., and with Seven21 Media. Although there have been some tough times, Mr. J. Ellenbogen stated that his companies' commitment to the City has not changed and that it has continued to assist with things like helping out the fire department, police and traffic study by letting the groups use their facility for free. Mr. J. Ellenbogen indicated that, after five years of losses, Seven21 is now profitable and current on all City and School taxes, as well as current on its Ulster Savings mortgage and, as far as he knew, up to date with its KLDC loan. He explained that he understood that the past due balance had to be addressed, but that, although for various reasons it was difficult each month, they had been making regular monthly payments on the KLDC loan. Mr. J. Ellenbogen mentioned that they had to

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decrease tenants' rents due to how competitive Kingston's rental market is and that all costs are increasing including the property taxes, which have increased \$550.00 per month. He explained that although they had hoped to make extra payments to come current on the KLDC loan, they had not been able to double the payments as they had hoped to do last year. He explained that an offer had been made to KLDC counsel, Mr. Redder, which was to refinance the current mortgage that the business has with Ulster Savings, the balloon payment of which is coming due in January. This refinancing would include a lower interest rate which will give us a little extra cash and would also allow the company to borrow enough above the mortgage amount in order to pay the full amount that is owed to the KLDC. Mr. J. Ellenbogen believed that amount to be close to \$25,000.00.

Mr. Feeney said it was closer to \$28,000. Ms. Robinson indicated the amount is slightly over \$29,000.00.

Mr. J. Ellenbogen indicated that whatever the past due amount is, the company plans pay all of it. He indicated that a commitment letter from Steve Hack at Ulster Savings Bank stated that, "...Ulster Savings will provide additional proceeds necessary to cover the arrears on the loan that [Seven21 has] with the KLDC..." He stated that this transaction is taking longer to close due to the situation of the sale of a smaller company and having to submit the company's most recent income tax filings.

Mr. Teetsel asked if all of the tenants' rents were current.

Mr. J. Ellenbogen stated that although there are a couple tenants who or not significantly behind, the majority are current in their rent payments and that they have many more stable tenants than previously, including the offices of U.S. Congressman Gibson and NY State Senator Amedore. He also stated that most of their tenants have longer-termed leases which also increases the stability of revenue. He lamented that the one thing that they hadn't been truly successful with was more use of the television studio, which they had hoped to use to create more revenue. He explained that the majority of their revenue is coming from tenant leasing. He claimed that in the past six months they have had five new companies move in from outside of the county.

Mr. Fitzgerald asked how much space Ellenbogen, Inc. occupies at Seven21 and Mr. J. Ellenbogen indicated that it was approximately 1/15th of the available space.

Mr. Fitzgerald asked if Ellenbogen pays rent to Seven21 and Mr. J. Ellenbogen stated positively that, yes, Ellenbogen pays \$5,000.00 per month rent to Seven21.

Mr. J. Ellenbogen reminded the Board that, originally, they had only a few relatively large companies as tenants and that when 33Delivered, which represented about one quarter of their income, went bankrupt in 2011 it caused great difficulty with maintaining operations. He explained that with 25 smaller companies, the risk of one failing significantly decreases the risk to the success of Seven21 itself. He further stated that he believes they have "tightened up and smartened up" on their operation of the business.

Mr. J. Ellenbogen pointed out to the Board that Seven21 is not like other companies that have not repaid their loans from the KLDC and that they understood their liability to the KLDC. He explained that they did not want to make decisions or take steps that would "bankrupt" their company as that would affect a great deal of people. He explained that Seven21 and Ellenbogen, Inc. employed twelve people, themselves, and that

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there was a total of 122 people employed at the facility. He also stated that the refinancing would be important to both lowering their monthly payments by lowering the interest rate, as well as allowing the company to pay off the past due amount to the KLDC.

Mr. Mathews reminded Messrs. Ellenbogen that when they originally received the KLDC loan they knew what the requirements were and through all of the financial difficulties that Seven21 claimed to have experienced, the Board has been more than understanding. He explained that in order for the KLDC to continue to make loans and help create jobs, it had to pursue repayment of its loans in a timely manner. He further explained that Seven21 had been sent a communication stating the terms of the loan being placed into permanent financing and that Seven21 had to respond by a certain date, but that there was no plan put forth to the Board on how Seven21 would come current on their loan and help place the loan into permanent financing. He indicated that the Ellenbogens had appeared before the Board in previous years to ask for leniency in repayment and had made commitments that they had not kept.

Mr. H. Ellenbogen asked Mr. J. Ellenbogen if he had seen such letter and Mr. J. Ellenbogen stated that he had not.

Ms. Robinson indicated that when the Executive Director, Ms. Bruck-Little, returned to the office, they could receive verification of the letter and the date on which it was sent.

President Gallo clarified that Seven21 was put on notice of the circumstances and that there was a time frame in which it had to act and it did not and now it must be managed by the attorneys. He stated that the U.S. Department of Housing & Urban Development (HUD) required the loans to be placed into permanent financing and that the KLDC has no control over that. He further clarified that a major concern of the Board is the ability or willingness of Seven21 to give assurances to the Board that there would be some kind of personal collateral to be able to give the Board a level of comfort that the terms of the refinancing would be complied with. He further stated that a concern that the Board has is that that was not the case with all of the KLDC's previous loans that did not provide sufficient collateral.

Mr. J. Ellenbogen suggested that his was not one of those loans.

President Gallo agreed, but pointed out that due to insufficient collateralization in prior years, the Board is now acting pro-actively and responsibly to ensure that any refinancing and new loans are appropriately collateralized and that the Board desires assurances that no other KLDC loans will fail.

Messrs. Ellenbogen desired assurances that the City would maintain its economic viability, pointing out that they have attempted to get two trees in front of Seven21 healed or replaced for two years, but they still pay their taxes. Mr. J. Ellenbogen said he was concerned about the economic development of the City.

President Gallo illustrated the millions of public and private dollars being invested in the Broadway corridor including the Bring Back Broadway initiative, LED streetlights installations, the sale of the Bank of America building for a \$250,000 profit, the Green Line development with the partnership of the Kingston Land Trust, the BEAT initiative, the creation of the Ulster County Community College satellite campus and Westchester Medical joining with the Health Alliance of the Hudson Valley as just a few examples of what the City is doing

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to ensure that businesses have an environment to be productive and to profit.

Mr. J. Ellenbogen stated that the development of their business is helping with the Broadway corridor improvements and President Gallo agreed, reiterating the number of employees and investments made at Seven21, however he took exception to the fact that Messrs. Ellenbogen wanted assurance of the viability of the Broadway corridor when in the past four years, he submits that the City has given assurances by assisting all of the investment made in the area.

Mr. J. Ellenbogen explained that they had invested one half million in their business, personally, to which President Gallo responded that the Board respects that but, ultimately, it must be responsible and ensure that loans are paid and HUD requirements followed accordingly, which includes demand of sufficient collateralization of loans and placement into permanent financing, among other items, to which Mr. J. Ellenbogen indicated his disinclination and that it was not likely to happen.

Ms. Potter suggested that the discussion only speak to the loan specifically. As a [Finance] Committee, they had met on the loan. She stated that, at this point, Seven21's proposal to pay back the past due amounts and expedite the permanent financing should be sent to the KLDC's counsel, George Redder, and that although the Board recognizes the hard work and effort put into Seven21, its building and its tenants, the fact was that Seven21 was aware that permanent financing would be required and repayment of the loan was also required. Before the permanent financing can be put in place and payments can begin, the past due \$29,000.00 must be paid off and the proposed timeline of refinancing the Ulster Savings loan, waiting until January, does not work with putting the permanent financing into place.

Ms. Potter further clarified permanent financing by explaining that the KLDC does not own the loan. HUD owns the loan. Seven21 pays the KLDC. The KLDC pays HUD. However, even that is too simple. The KLDC pays even if Seven21 does not pay the KLDC. Therefore, the KLDC is demanding the past due \$29,000.00 in order to close out the loan

Mr. H. Ellenbogen assured Ms. Potter that that was the intention of Seven21, however, Ms. Potter explained that the timeline is what is unacceptable as the permanent financing must be completed far before January, which is the anticipated closing time for the Ulster Savings refinancing. She further explained that, at this time, it was approximately thirty days into a ninety-day period to complete the permanent financing. Henry - Which we're going to do.

Mr. J. Ellenbogen reiterated that the attorneys had been in communication and Seven21 had presented their proposal, as described earlier, to Mr. Redder, but with no response.

Ms. Potter explained that nothing had come to the Board in writing, as was required.

Mr. J. Ellenbogen provided information on the appraisal from Ulster Savings indicating an increase in equity in the building with the hope that it would provide more assurance to the Board to secure the refinancing agreements.

Ms. Potter asked about the assignment of rents as a guarantee of the mortgage at Ulster Savings, but no clear

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answer was provided by either of the Ellenbogens.

Mr. H. Ellenbogen indicated that they should have approached the Board to discuss the loan before then, but Mr. Mathews stated that the dialogue is now between the counsels for each party.

Mr. Fitzgerald urged the Ellenbogens to reconsider providing personal guarantees to the KLDC upon refinancing, but Mr. J. Ellenbogen was not inclined to agree to that and stated, "All right. I'll let the lawyers handle it, then."

The Ellenbogens then left the meeting.

Motion to enter into Executive Session at 8:52 am by Mr. Mathews, seconded by Mr. Berardi. Motion passed unanimously.

Motion to leave Executive Session at 9:15 made by Mr. Mathews, seconded by Mr. Berardi. Motion passed unanimously.

Motion to adjourn made at 9:18 by Ms. Turco-Levin, seconded by Ms. Potter. Motion passed unanimously.

Respectively Submitted,



Brenna L. Robinson on behalf of
Amanda L. Bruck-Little
Executive Director/Recording Secretary