

**BINGHAMTON LOCAL DEVELOPMENT CORPORATION
REGULAR MEETING MINUTES
THURSDAY, APRIL 30, 2015**

ATTENDANCE												
Directors	1/22	2/26	3/26	4/30	5/28	6/25	7/23	8/27	9/24	10/22	11/19	12/17
Berling, Juliet	NA	P	P	P								
David , Rich	P	P	EX	EX								
Frank, Kenneth	P	P	P	P								
Jacyna, Mary	P	P	P	EX								
Papastrat, Chris	P	P	P	P								
Sall , Ron	EX	P	P	P								
Shager, Chuck	P	P	P	P								
Saraceno, John	P	P	P	P								
Smith, Art	P	P	P	P								
Stromhaug, Per	P	P	P	P								
Webb, Lea	EX	EX	EX	EX								
Staff												
Robert Murphy	P	P	P	P								
Joel Boyd	P	P	P	P								

President John Saraceno called the meeting to order at 9:00 AM.

APPROVAL OF THE MINUTES OF THE MARCH 26, 2015 MEETING

C. Papastrat moved, A. Smith seconded to approve the minutes of the March 26, 2015 regular meeting as presented. The Directors voted unanimously in favor and the motion carried.

R. Murphy requested that the presentation of the monthly Financial Report be delayed until Comptroller Chuck Shager could return from a concurrent meeting and that the Board review New Business. The group agreed to proceed to New Business.

NEW BUSINESS:

Resolution 15-08:

J. Saraceno overviewed the loan, a request for \$95,000 to assist with the equipment purchase and leasehold improvements of the property at 211 Washington Street, the former Metro Garage, to convert it into a new retro-garage American theme bar and restaurant. Restaurants are risky ventures and when the Finance Committee reviewed the loan it seemed that cross-collateralization for the new entity was available from the owners' company, SharpTech. The

Finance Committee thought this was important due to the fact that neither the father nor son had ever been in the restaurant business. The morning of the meeting it was learned that the borrower was not willing to cross-collateralize with his business SharpTech. The BLDC would have UCC filings on the FF&E and 2nd mortgages on the residential properties as well as personal guarantees; the concern was there was not a lot of equity in the homes. C. Papastrat asked if they were still buying the property from John Burns; R. Murphy confirmed that it had been purchased. J. Saraceno explained that there was a separate real estate LLC distinct from the operating LLC. The group discussed the nuances of a personal guarantee of one of the owners vs. cross-collateralization of the owner business. C. Papastrat noted that the narrative said they were going to be located next door to the Lost Dog Café planning to appeal to a similar clientele at lower prices. He questioned the merits of a public-financed low-interest loan to fund a business that would compete with an established enterprise. A. Smith said he thought place has potential with 2,000 students downtown; concerned that borrowers are relying on public lenders too much to make enterprise happen. C. Papastrat said student audience was limited to 8-9 months a year. R. Murphy said it would draw younger locals back from college for a beer garden experience. R. Sall said when he has gone to Burger Mondays he has seen younger people hanging out but not patronizing, that there was not much turnover. J. Saraceno and R. Murphy said the new restaurant would draw a younger crowd but not necessarily compete with the Lost Dog Café, maybe cater to a little more price-sensitive clientele. R. Sall moved to table discussion considering C. Shager needed to leave (to return to a concurrent meeting) and otherwise a quorum would not be possible. P. Stromhaug said that the renovation of the building into a restaurant could help with the redevelopment of the immediate neighborhood. K. Frank seconded and the group agreed to table the resolution pending further analysis.

Resolution 15-09:

J. Saraceno discussed a Microenterprise Loan request of \$24,500 for 73 Court Street to Sayed Ali and Adam Ibrahim of Fortress Development Group to assist with the redevelopment of this mixed-use 19th century commercial structure that once hosted McDonald's as a first floor tenant (now Merlin's Bar). The building is under contract with these Binghamton University graduates who were working on a plan for some high-tech loft apartments. The prior owner gutted the upper stories of the back section in order to rent to students. He had a fire and was unable to move ahead with plans resulting in this section not being particularly well maintained. Recently he was about to lose the building to Broome County for failure to pay back taxes. This caused the buyers to hasten their purchase plans. Tioga State Bank gave them a letter of intent. The purchase price was \$600,000 and the buyers had to put \$150,000 down; the expedited closing put them in need of financing to cover soft costs – building surveys and architectural plans, so the Microenterprise loan will help them through this funding period. J. Saraceno said the building cash flows as it is with Merlin's as a first floor commercial tenant and four floors of the Court Street section presently leased to university students. The new owners want to renovate the back Commercial Alley section first. It is a historic building with 64 windows in the back section. J. Saraceno said Syed Ali, one of the graduates, is a banker at Flushings Bank in Manhattan; Adam Ibrahim has extensive experience managing residential real estate properties

in NY, Syracuse and throughout the upstate region. Ron motioned and Chris Papastrat seconded and the motion carried unanimously.

Chuck Shager left the meeting at 9:38 AM

Resumed Discussion About Resolution 15-08:

R. Sall expressed concern that if the owners of SharpTech were unwilling to cross-collateralize their BLDC loan they were not fully committed to the venture. R. Murphy said the Sharps had put considerable equity into the real estate acquisition. C. Papastrat said that the concept of bringing in experts to consult with aspects of the restaurant plan was OK, but that it could be very expensive. R. Murphy said the younger partner had a vision of Binghamton as a little more hip and trendy. R. Murphy said there is a payoff in restaurants. The biggest industry in downtown isn't going to be IBM, it's restaurants and entertainment venues and they are missionary to other business enterprises, they make Binghamton an interesting place – enough so that on a weekend people might opt to travel from Ithaca or Elmira knowing there are a number good places to eat. J. Saraceno noted that it is harder to forecast restaurant success and much easier to guess at what may go wrong with a restaurant business plan. J. Saraceno noted how the BLDC had seemingly been able to improve its collections in the past number of months and that it needed to concern itself with what recovery there might be if the restaurant failed. He said P. Stromhaug made an excellent point that the BLDC's mission was to help revitalize Binghamton, if not the downtown, and what else would one do with this site? C. Papastrat said he did not see City Council supporting a \$95,000 loan and questioned whether it was the BLDC's function to subsidize another restaurant and questioned whether the downtown had reached the saturation point with restaurants. He thought the BLDC's role was more to help a call center or back office operation that would employ low-middle income people in the downtown. Juliet Berling (arrived from another meeting at 9:52 AM) asked if questions raised in the Pre-Development Meeting had been answered about the ventilation system for the building. R. Murphy responded that they had been addressed. The group discussed whether the borrowers would be satisfied with a smaller loan and its likelihood of review and passage by City Council. It was decided to find out more about the owner's reasons for rejecting the cross-collateralization and if they could accept a smaller loan. J. Saraceno said he would be comfortable with a loan of \$75K (matching the owners' equity investment) with the requirement of cross-collateralization.

PRESENTATION OF THE MARCH 2015 FINANCIAL REPORT

Given the late point in the meeting, R. Murphy asked for any questions about the March report. K. Frank said Bubbles should be removed from the delinquencies and asked why Mountain Fresh Dairy was late paying? R. Murphy has been in contact with Rabbi Rothschild – they are currently behind 2 payments – and said he would redouble efforts. VMR is expected to be sending their first \$1,000 payment by May 1st. R. Murphy has put them in contact Sen. Schumer's office to provide any assistance with gaining small business set-aside contracts.

OLD BUSINESS:

Northside Grocery: J. Saraceno said the Mayor is working very diligently with the County on it and should have an update at our next meeting.

39 Munsell Street: R. Murphy contract is signed, waiting for funds.

COMMITTEE REPORTS: none

MAYOR'S REMARKS: Mayor David was absent.

EXECUTIVE DIRECTOR'S REMARKS:

R. Murphy talked about first fruits coming from an initiative to set up a Food & Beverage Institute and Food & Beverage Business Incubator. R. Murphy has been working with a natural foods company that is co-packing 12 different product lines currently in CA, OH, CT, MA and NY. George Slilaty, formerly of Hansmann's Mills has been serving as a consultant with the owner in conjunction with the BLDC, Cornell Cooperative Extension, VINES and SUNY Broome. The company would like to consolidate production in one location vs. presently shipping from multiple locations. This would reduce costs, increase control and improve convenience for wholesale customers by centralizing shipments. A letter of intent is being issued for 100,000 SF of manufacturing space in downtown Binghamton and there is a potential of 60 jobs over the next five years. Wegman's Grocery Store is indirectly involved and interested in the project. The company was initially interested in warehouse space in the Albany area, but R. Murphy, George Slilaty and the development team of partnering organizations were able to persuade the prospect business to consider locating in Binghamton. The company's products are currently sold in chains such as Whole Foods, Costco, Hannaford, Target and Wegman's. R. Murphy said this initiative is part of the City's application for the Upstate Revitalization Initiative and its Consolidated Funding Application. Separately R. Murphy talked about how NYS had determined that the business specialty of the Southern Tier is "transportation manufacturing" presumably due to companies such as BAE Systems, Alstom, Raymond and Lockheed; he said the designation of the region seemed to have come from the State rather than from a local level. Agriculture and food transportation are big business in our area, too.

C. Papastrat motioned for adjournment, A. Smith seconded.

Meeting adjourned at 9:58 AM



Ron Sall, Secretary
Binghamton Local Development Corporation