

SARATOGA COUNTY CAPITAL RESOURCE CORP.
Meeting Minutes - April 26, 2016
Stewart's Office Plaza, Route 9, Malta, NY 12020

Members Present: Chairman Anita Daly, Arthur Johnson, Eugene Zeltmann, John Wyatt.

Staff Present: Raymond O'Connor, CEO; Jeff Reale, CFO, Jim Carminucci, Counsel, Lori Eddy, administrative secretary.

Guest: John Hartzell.

Absent: Matthew Veitch, Valerie Muratori.

Vice Chairman Johnson called the meeting to order at 4:00 p.m.

Vice Chairman Johnson stated Chairman Daly would be about 10 minutes late.

Mr. O'Connor stated that the audit contained no exceptions to policy and deferred to Mr. Reale for discussion. Mr. Reale stated it was a pretty straightforward year, with about \$286,000 in the bank at the end of the year. The only income was interest income and we had approximately \$40,000 in expenditures. The Audit was clean, there were no findings. Vice Chairman Johnson asked if there are any questions of Mr. Reale on the Audit. There were none.

Vice Chairman Johnson asked for a discussion on the PARIS filings. Mr. O'Connor stated the reports were filed. The Annual Report was distributed to the board members.

Vice Chairman Johnson stated the next agenda item was the Ethics Disclosure forms to be filed with the County Attorney's Office. Everyone should have received those. Mr. Wyatt stated he did not receive his disclosure form. Mr. O'Connor stated he would make sure one was sent to Mr. Wyatt.

Vice Chairman Johnson asked Mr. Reale to discuss the financial and budget reports as of March 31, 2016. Mr. Reale stated we had an account balance of \$286,208.87 as of March 31st. We had interest income of \$35.63 and expenditures of \$454.25. There was no further discussion.

Chairman Daly joined the meeting and asked for a motion to approve the organizational meeting minutes of January 26, 2016. A motion was made by Mr. Johnson to approve the minutes and it was seconded by Mr. Zeltmann. There was no further discussion. All board members voted in favor.

Chairman Daly asked for a motion to approve the minutes of the Audit Committee meeting of March 7, 2016. A motion was made by Mr. Johnson to approve the Audit Committee meeting minutes and it was seconded by Mr. Wyatt. There was no further discussion. All board members voted in favor.

Chairman Daly asked for a motion to approve the financial and budget reports. A motion was made Mr. Wyatt, seconded by Mr. Johnson. There was no further discussion. All board members voted in favor.

Chairman Daly stated we have the Audit Committee Report. Mr. Wyatt made a motion to approve the Audit Committee Report and it was seconded by Mr. Zeltmann. Chairman Daly asked if there were questions on the Audit Report. Mr. Johnson stated that the Audit Committee had met and recommended acceptance of the Audit Report. There was no further discussion. All board members voted in favor.

Chairman Daly asked for a discussion on the engagement renewal of Cusack & Company, 2016 – 2018 Audits. Mr. O’Conor stated the current three year engagement ends with the 2015 Audit and their fee increase for each of the next three years is only \$100 per year. Mr. O’Conor stated that Mr. Reale is very familiar with Cusack & Company and they are very good to work with. Mr. O’Conor further stated that when we sent out a RFP three years ago to multiple CPA firms, Cusack & Company was not only the least expensive, but one of the most experienced firms that responded. Given their level of expertise, the high quality of service, and a very small fee increase, he made a recommendation to approve their engagement for Audits for the period of 2016 – 2018. Mr. O’Conor asked Mr. Reale to comment on this recommendation. Mr. Reale stated he has been working with Cusack & Company for 14 years. They are very good. The Board members agreed with these assessments. A motion was made by Mr. Johnson to approve the engagement of Cusack & Company for the Audit function for the years 2016 – 2018 and it was seconded by Mr. Wyatt.

Resolution No. 3-2016

Resolved, to approve the engagement of Cusack & Company for the audit years 2016 – 2018.

Ayes – 4

Noes – 0

Adopted 4-0

Mr. Wyatt questioned if we were required to get a second bid. Chairman Daly stated not for professional services. Mr. Zeltmann stated it does make sense at some point to rotate that function. Mr. O’Conor stated he believes we do not have to change accounting firms, but may change the partner on the Audit, so at some point someone else from the firm will handle the audit.

Chairman Daly asked for a motion to approve the invoices listed on the agenda. Mr. O’Conor stated he had an item to add to the list which is an insurance bill from Great American Insurance in the amount of \$1,053.25. Chairman Daly asked for a motion to approve the invoices listed on the agenda as follows:

- A) L. Eddy \$100.00 (secretarial services)
- B) R. O’Conor, \$103.09 (security software - \$96.29, postage \$6.80).
- C) Cusack & Company \$3,200 (2015 Audit)
- D) Great American Insurance \$1,503.25 (2 policies).

A motion was made by Mr. Wyatt to approve the invoices as submitted. The motion was seconded by Mr. Zeltmann. There was no further discussion. All board members voted in favor.

Chairman Daly asked for a motion to approve the Financial and Budget Reports as presented. Mr. Wyatt made a motion to approve the Financial and Budget Reports as presented and the motion was seconded by Mr. Johnson. There was no further discussion. All board members voted in favor.

Chairman Daly discussed that we have an application for review for the Raymond Watkin Senior Apartments located in Saratoga Springs. Chairman Daly introduced Mr. John Hartzell, the applicant’s counsel, to present the application and tell us about the project.

Mr. Hartzell distributed handouts to the board members. The first handout are resolutions adopted by the Saratoga Springs City Council in support of the project. The second handout is a briefing of what the property is. The last handout is a guide to give a view of what the situation is for the property. He stated

the short history of the property. Raymond Watkin identified back in 1970 an increasing demand for affordable senior housing and spearheaded this project. It was constructed as a 112 unit affordable senior housing facility and it was financed similar to what is being requested here with a conduit bond issue by a local non-profit. The City of Saratoga Springs supported creation of the entity that owns it and also supported a PILOT Agreement which is available under the State and Private Housing Finance Law. At that time, one of the pieces to make it work was a 30 year Section 8 Agreement with HUD. The 30 years has gone by. The proposal is to make an investment of about \$3,000,000 into updating it and continuing it in a fashion to the way it's performed in the first phase of its life. We all know what has happened to housing prices, apartments, rental prices. Senior citizens in particular on fixed incomes are least able to increase their income to keep pace with the growing cost of housing. This project is quite unique in that it is in the walkable portion of the City of Saratoga Springs near amenities for seniors and it has been recognized as a quality facility. The recent HUD scorings on it have been 97 and 98 out of 100. The owner has made a concerted effort to make sure that it is a quality project.

The owner wants to preserve the property in that traditional role and invest in it and redevelop it, using low income housing tax credits. Those tax credits can help bring in the injection of equity to invest back into the project. The model that is envisioned here is that the City of Saratoga Springs has approved the formation of a new entity that would acquire ownership. The transaction would involve both the transfer of ownership and a construction loan. The owner must use tax exempt bonds as part of the financing mechanism. That is why we are here today.

There is a process where you have to go to the State of New York and obtain a bond cap allocation. Mr. Carminucci stated this would be our first one. For you to do this issue, we have to obtain an allocation through the Regional Economic Development Council. The issue is envisioned to be \$13 million. The owner has been in discussions with Citigroup as the bond buyer. There is a little bit of uncertainty about the length and the term of the bonds. The application shows 24 months, the thought being that the permanent financing may not be tax exempt. That is still up in the air. They would like, as they get closer to closing the transaction, have the latitude for the bond issue to do the permanent financing instead of just the construction financing. That will come into focus as we get closer to closing and know what the markets are doing and what rates are.

The owner is watching the rates to decide whether to lock in permanent financing with tax exempt financing, or do short term tax exempt financing to qualify for the local housing tax credits. The owner has to enter into another long term Section 8 Agreement for the project with HUD and then has to enter into a Regulatory Agreement with the State Division of Housing and Community Renewal, which allocates the tax credits. If this Board approves the bond issuance, the next step is to contact the Regional Economic Development Council to obtain a bond cap allocation. Afterward, we contact the State Division of Housing and Community Renewal and make an application for the local housing tax credits. Citigroup would then purchase the bonds. The owner has developed the renovation design work. There are some items, the roof being one, that is a required replacement. A lot of the money, will be put back into the units themselves, which are 1978 vintage and starting to look old. It is recognized as a well-run facility and important to the City of Saratoga Springs. There will be some construction jobs from the \$3,000,000 in construction.

Mr. Zeltmann asked what we are approving today? Mr. Carminucci stated we would just be issuing an inducement resolution after the public hearing which describes the issuance of tax exempt bonds for this project up to an amount of \$13,000,000 and none of the other specifics regarding interest rate, maturity, even get addressed until further down the road. Mr. Zeltmann questioned in no case are we on the hook for any money if decisions are made that change what they originally asked for. Mr. O'Connor stated the transaction was non-recourse.

Mr. Hartzell stated the occupancy rate has been running about 99% occupancy. The location and the quality is good and the demand for senior housing so strong. Chairman Daly questioned if there was a preference for Saratoga County residents. Mr. Hartzell stated he did not know. Mr. Wyatt questioned if at the end they will have to transfer their ownership over. Mr. Hartzell stated right now the property is owned by SNS Development Company which is a limited partnership that was originally set up in 1978. It is a re-development company. The City of Saratoga Springs had to approve the creation of that entity. That entity had certain restrictions on how it operated, what it could do with its money and certain financial reporting requirements to the City of Saratoga Springs as a sponsor. The City just approved creation of a similar entity, a housing development fund company, which is created under the same statutes as the first entity was, so ownership would transfer from the re-development company to the housing development fund company.

Mr. Wyatt asked if the current principals are still involved. Mr. Hartzell stated they are related. The entity that was created by the City of Saratoga Springs is the legal owner, there is a development entity which will bring in the tax credit purchaser and be a member of that entity. When they buy the tax credits, they are going to become a member. That entity will have ownership similar to the ownership of the current owner. In the presentation binder there is a diagram of what the structure would look like after the transaction takes place.

Chairman Daly asked if there were any further questions of Mr. Hartzell. Chairman Daly stated you are looking for a Resolution to accept this application at this time. Mr. Hartzell stated yes. Mr. Zeltmann questioned if there has been any opposition to this project. Mr. Hartzell stated they have received unanimous support from the City Council. It is recognized in the community as well run and is an asset.

Chairman Daly asked for a motion to accept the application.

The following resolution was offered by Mr. Johnson and seconded by Mr. Zeltmann:

Resolution No. 4-2016

Resolved, to accept the application of Raymond Watkin Apartments (Senior Housing – Saratoga Springs).

Ayes – 4

Noes – 0

Adopted 4 - 0

Mr. Johnson asked Mr. Carminucci if the public hearing for this project needs to be held in the City of Saratoga Springs. Mr. Carminucci stated no. Chairman Daly stated that Tuesday, May 24th would be the date for the public hearing at 4:30 p.m., at the Stewart's Office Plaza, Route 9, Malta, NY.

Chairman Daly stated the next regularly scheduled meeting would be held July 26, 2016.

A motion to adjourn was made by Mr. Johnson, seconded by Mr. Wyatt. All were in favor and the meeting was adjourned at 5:00 p.m.

Respectfully submitted,

Lori A. Eddy, Administrative Secretary

Approved _____ Date _____