

**Jefferson County Industrial Development Agency
Loan Review Committee Meeting Minutes
November 23, 2022**

Present: David Converse (Chair), Rob Aliasso, Christine Powers, John Jennings, Kent Burto

Excused: None

Also Present: David Zembiec, Marshall Weir, Lyle Eaton, Peggy Sampson, Joy Nuffer, Robin Stephenson, Bill Johnson, W. Edward Walldroff, Alex Morgia (via phone), Lisa L’Huillier

- I. Call to Order:** Chair Converse called the meeting to order at 8:00 a.m.
- II. Pledge of Allegiance**
- III. Colleen’s Cherry Tree Inn (CCTI) Loan Modification Request** – A request for a loan modification to the existing MICRO loan. In the written request, Ms. Bellinger cited the ongoing coronavirus pandemic and personal setbacks for the reason for falling behind on the loan payments. The current balance on the \$40,000 loan made in 2019 is \$23,626.53 which includes late fees and interest as of November 30, 2022. Staff recommended re-amortizing the outstanding balance of \$23,626.53 for 10 years at 5% with an option for a 5-year call, at which time staff will review the situation to see if they are in a position to pay the balloon in full. The modification will be contingent upon CCTI bringing their JCLDC COVID loan current. Ms. Nuffer said that she has is halfway there on bringing that account current.

Ms. Powers asked how far behind they are (dollar amount). Ms. Nuffer said approximately \$3,500. Ms. Powers asked if they would be able to catch up. Staff does not believe that they can with their current loan structure (winter months are interest only [\$120/mo.] and summer months are full P&I[\$1,400/mo.]). Ms. Nuffer said that staff is recommending level payments year-round.

Chairman Converse pointed out that they have been responsive. He asked if there is other financing. Mr. Eaton said that they have a loan with Watertown Savings Bank and indicated that he thinks they are current with them. Ms. Powers confirmed.

Ms. Powers asked if staff had requested 2022 interim statements. Ms. Nuffer said no, but indicated that she will request them.

A motion was made by Mr. Aliasso to recommend the request to the full board of directors, seconded by Mr. Burto. Mr. Jennings asked if this would set precedent. Mr. Eaton said we’ve done this before. All in favor.

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- IV. 103 General Smith Drive LLC RLF Request** – A request for a \$200,000 RLF to be used as a bridge loan to purchase Ontario Place Hotel in Sackets Harbor, NY. It was noted that Mr. Morgia is not putting in any money and the 10% down payment required by the seller will come from the bridge loan. It was noted that Mr. Morgia's intent is to keep operating as a hotel.

Alex Morgia joined the meeting via phone at 8:13 a.m.

Mr. Morgia said he plans to purchase the hotel in Sackets Harbor. He said that other prospective buyers want to turn the hotel into apartments. The current owner is John Maxon. Mr. Morgia indicated that the family has not been running the hotel in the winter or around holidays. He said that Mr. Maxon's brother and his wife drive up from Rochester a few days a week to run the hotel.

Mr. Morgia said the purchase price is \$1,700,000 for the hotel and vacant lot. There are 18 modernized rooms and 10 rooms that need updates. He said the seller is financing the sale. He is requiring 10% down, interest only at 3.5% for five years. Mr. Morgia, his fiancé and her sister will be the buyers. Mr. Morgia said the fiancé's sister will run the day-to-day. He believes the hotel can be run more profitably, and said that they will actively market the hotel and hold special event deals.

Mr. Morgia said the reason he is requesting the bridge loan is because he recently purchased a building in Ogdensburg with other partners that has depleted his cash. He said that he has already signed the purchase and sale agreement (PSA) with the seller which stipulates a closing date by December 15th.

Mr. Morgia said that he spoke to Steve Hunt (Empire State Development) about applying for a tourism loan/grant. He was notified that it will be a three-month process. Mr. Burto asked if Mr. Morgia plans to use the state loan to repay the bridge loan. Mr. Morgia said yes. Mr. Burto asked what will happen if they don't receive the loan/grant. Mr. Morgia said that he has approximately \$125,000 coming in per month and will be able to repay the bridge loan. He said that if the bridge loan/purchase does not happen in December, that will give him time to build up more cash.

Mr. Burto asked why the seller won't give Mr. Morgia a six month note. Mr. Morgia said that he asked, but the seller feels that he has been more than generous in the purchase and sale agreement.

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Mr. Weir noted that the seller could entertain other offers if this deal does not close this year. Mr. Aliasso said that hitting the closing date might be impractical. Mr. Morgia said that he could ask the seller for an extension beyond December 15th, which he believes is more likely if the process is underway.

Mr. Aliasso asked if we will have a lien on the property. Mr. Eaton said there will be a second mortgage and we'll have to engage our legal counsel for this transaction.

Ms. Powers asked if staff has a copy of the PSA. Mr. Weir said yes.

Mr. Aliasso asked if it could be a possibility to put equity in, so the loan is not completely funded with public money. Mr. Morgia said that he would be willing to put in a small amount and indicated that it could be larger if the closing occurs after this year.

Chairman Converse said that he has not had enough time to review the financials since this request was sent yesterday afternoon.

Mr. Zembiec said acknowledged the short notice and said staff had debated whether to even bring it to committee. Had it been for long-term financing, they would not have done so. However, given the request is for a short-term bridge loan, the importance of keeping an operating hotel in Sackets Harbor, and Mr. Morgia's business track record, staff felt it warranted consideration.

Ms. Powers noted that there is an overview, but indicated that she didn't see specific assumptions. Mr. Morgia said that he doesn't have specifics, and was basing off his knowledge of monthly stays, special events, etc. He indicated that if nothing changes then it will be a break-even deal.

Mr. Aliasso asked Chairman Converse if the Loan Committee can move the request to the full board without a recommendation since the request was just sent out yesterday and will allow more time to collect more information. Chairman Converse said yes and indicated that he personally can't make a recommendation at today's meeting.

Ms. L'Huillier entered the meeting at 8:45 a.m.

Ms. Powers said that she doesn't see debt service in the proforma. Mr. Morgia said he will supply the information.

Mr. Morgia ended his phone call from the meeting at 8:47 a.m.

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Ms. Powers said that she is in favor of the deal because it is a short-term bridge loan. However, she is not sure the whole deal will close this year. Mr. Aliasso said that he is slightly in favor of the bridge loan, but would like to see some equity contribution. Chairman Converse said that he has a hard time with the deal since there is no equity contribution at all. Chairman Converse and Mr. Burto both agreed that the committee has a fiduciary duty while considering use with public money.

Ms. Powers asked if we will request and wait for an appraisal. Mr. Zembiec said in a typical request for long-term financing there would be a bank involved and there would already be an appraisal.

Ms. Powers suggested that the interest rate should at least be prime. Mr. Aliasso agreed that it shouldn't be 5%.

Committee members agreed that the bridge loan is for tourism since it's the only hotel in Sackets Harbor. They suggest lowering the loan amount to \$150,000 at 10% interest for six months. They also want to see the P&L that includes debt service and ask for an appraisal.

Mr. Aliasso wondered if the Sackets Harbor LDC would be willing to lend money in this transaction. Mr. Zembiec said that there might be a timing issue and said that he thinks Mr. Morgia is on their board of directors, creating a conflict, which is why he probably came to us.

Ms. Powers asked if we know the assessment. Ms. Nuffer looked up the information on the County Real Property website. Ms. Powers said the Fair Market Value is \$1,200,000 and the assessment is listed as \$1,000,000.

Mr. Converse said there should be a stipulation that the bridge loan will not exceed 6 months and will not have an option for extension. He said that we could also have a stipulation that we would be paid if the tourism loan/grant is awarded.

A motion was made by Mr. Aliasso to move the request to the full board of directors without a committee recommendation, seconded by Mr. Jennings.

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V. Other/Unfinished Business – None.

VI. Adjournment: With no further business before the committee, Mr. Aliasso made a motion to adjourn the meeting, seconded by Mr. Jennings. The meeting adjourned at 9:08 a.m.

Respectfully submitted,

Peggy Sampson