

# Statewide Local Development Corporation Meeting

36th Floor Conference Room

Monday, 7/30/2018

1:30 - 2:00 PM ET

## I. Corporate Action

### A. Approval of the Minutes of the June 20, 2018 Directors' Meeting

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## II. For Consideration

### A. Rome (Mohawk Valley – Oneida County) – JDA Loan to Cold Point Corporation

Authorization to Make a Real Estate Loan with New York Job Development Authority Proceeds and Take Related Actions

*Final Cold Point Statewide Materials 7-30-18 NF - Page 9*

**DRAFT – SUBJECT TO REVIEW AND REVISION**

**STATEWIDE LOCAL DEVELOPMENT CORPORATION**

Meeting of the Directors  
Held at the New York City Regional Office of  
Empire State Development  
633 Third Avenue  
New York, New York 10017

with video conferencing to:

Empire State Development – Albany Offices  
625 Broadway – Conference Room 812  
Albany, New York 12245

June 20, 2018

**MINUTES**

**In Attendance  
Directors:**

Kevin Younis (Acting Chair – via videoconference)  
Edwin Lee  
Kathleen Mize

**Present for Statewide:**

London C. Cruz, Acting Corporate Secretary  
Antovk Pidedjian, Assistant Secretary  
Rafael Salaberrios, Senior Vice-President

**Present for ESD:**

Jonevan Hornsby, AVP-Portfolio Management & Project  
Finance  
Elaine A. Kloss, Chief Financial Officer  
Robert Kwon, VP-Portfolio Management & Project Finance  
Sean Malone, Project Associate  
Benson Martin, Director of Compliance

**Also Present:**

The Public  
The Press

The meeting of the Statewide Local Development Corporation, a local development corporation created under New York State law (the “Corporation”), was called to order at 10:32 a.m. by Acting Chair Younis. It was noted for the record that notices to the public and news

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media of the time and place of the meeting had been given in compliance with the New York State Open Meetings Law.

Acting Chair Younis noted that the public is free to comment on any matters on the Agenda.

The Acting Chair then asked the Directors if any of them had a potential conflict of interest with regard to any of the items on the Agenda and if so, to make that information known at this time. He said that the Directors would be reminded, at the appropriate time, to recuse themselves from the vote on any such item if any potential conflict exists. No conflicts were noted.

The Acting Chair then called for a motion to approve the Minutes of the February 21, 2018 Directors' meeting.

There being no edits or corrections and upon motion duly made and seconded, the following resolution was unanimously adopted:

**APPROVAL OF MINUTES AND RATIFICATIONS OF ACTIONS TAKEN AT THE FEBRUARY 21, 2018 DIRECTORS' MEETING OF THE STATEWIDE LOCAL DEVELOPMENT CORPORATION**

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RESOLVED, that the Minutes of the meeting of the Corporation held on February 21, 2018 as presented to the meeting, are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such Minutes, are hereby in all respects ratified and approved as actions of the Corporation.

\* \* \*

**DRAFT – SUBJECT TO REVIEW AND REVISION**

Acting Chair Younis then called on Sean Malone to present the next Agenda item which related to the New York Job Development Authority (“JDA”) loan to Intergrow Holding Company. Acting Chair Younis explained that the item was being presented for informational purposes only.

Mr. Malone explained that in June 2017, the JDA Members and the Statewide Local Development Corporation (“SLDC”) Directors approved a change in the location of the Intergrow project from the Town of Webster to the Town of Ontario. He further explained that the move stemmed from zoning issues that would have delayed the site review required for the project to proceed in Webster. Moreover, Mr. Malone stated that the project’s loan amount will remain the same.

Next, Mr. Malone stated that the project’s construction leader, Farm Credit East (“FCE”), contacted JDA staff to request that JDA accept a previously negotiated provision between Farm Credit East and Intergrow. He explained that the provision requires that Farm Credit East agree to accept four personal guarantees, each guaranty being 25% of the total amount, with a stake of 20% or more in the company.

Furthermore, Mr. Malone stated that FCE informed JDA that the decision to allow limited personal guarantees is long-standing and based on Intergrow’s operating history and financial strength.

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Mr. Malone stated that JDA staff determined that accepting the request would have no material effect on the quality of the credit nor would it impact the overall collateral assessment.

Acting Chair Younis asked for clarification regarding the material change.

Mr. Malone responded that as opposed to JDA's normal requirement of 100% personal guarantees from each borrower or each stakeholder with more than 20% ownership in the company, JDA is accepting 25%.

Acting Chair Younis asked if the 25% from the four owners was equal to 100%.

Mr. Malone answered yes and explained that JDA was initially reticent regarding granting this request; however, upon discussion with FCE, Intergrow and the New York State Department of Agriculture and Markets, JDA determined that it was acceptable to proceed.

Acting Chair Younis stated that typically, JDA requires that the company guarantee 100%; however, in this case, JDA stated that four private owners of the company are each guaranteeing 25%.

Mr. Malone responded that each guarantor or each stakeholder in the business with more than 20% ownership would be required to provide a 100% personal guarantee.

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Mr. Malone reiterated that each guarantor or stakeholder will guarantee 25%, and added that there are three buildings where there is collateral.

Acting Chair Younis asked if typically, there would be four owners with a 100% guarantee as opposed to this case where each personal guarantee will be 25%.

Mr. Malone answered yes.

Acting Chair Younis asked the Directors if they had any questions and asked the public if they had any comments.

Hearing none, Acting Chair Younis called on Mr. Malone to present the next item on the Agenda, which related to the JDA loan to the United New York Sandy Hook Pilots' Benevolent Association and United New Jersey Sandy Hook Pilots' Benevolent Association. Acting Chair Younis explained that the item was being presented for informational purposes only.

Mr. Malone stated that in August 2014, the SLDC Directors and JDA Members approved a \$3.435 million JDA loan for the benefit of the United New York Sandy Hook Pilots' Benevolent Association and the United New Jersey Sandy Hook Pilots' Benevolent Association.

Mr. Malone further stated that the original approved total project cost was \$5.725 million; however, in June 2017, the Statewide and JDA board approved a \$6.475 million increase in the total project costs, which resulted in a total project cost of \$12.2 million.

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Mr. Malone explained that the increase was due to remediation needed for portions of the building due to mistakes made by the original contractor who was terminated and replaced with a new contractor. Mr. Malone further explained that the JDA loan amount remained at \$3.435 million.

Mr. Malone stated that the Associations offered their four vessels, collectively valued at \$3.9 million as additional collateral.

Mr. Malone further stated that additional project changes and delays, after the hiring of the new contractor, resulted in further cost overruns totaling \$440,019, and raised the new total project cost to just over \$12.6 million. Mr. Malone explained that the increase was all comprised of borrower equity.

Mr. Malone stated that the JDA loan amount and position remains unchanged.

Next, Mr. Malone stated that the March 2018 appraisal report valued the building at \$12.275 million, which is more than sufficient to cover the loans and meet the required loan valuation. Mr. Malone further stated that JDA staff is comfortable with the additional increase in total project cost.

Acting Chair Younis thanked Mr. Malone for his presentation and asked if there were any questions from the Directors.

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Director Mize asked Mr. Malone if he believed that the project is complete.

Mr. Malone answered that the project is complete.

Director Mize commented that the 440 is satisfactory and stated that Mr. Malone's response was consistent with what she was thinking.

Acting Chair Younis asked if there were any further questions from the Directors or if there were any comments from the public.

Hearing none, and there being no further business, the meeting was adjourned at 10:38 a.m.

Respectfully submitted,

London C. Cruz  
Acting Corporate Secretary





FOR CONSIDERATION

July 30, 2018

**TO:** The Directors

**FROM:** Howard A. Zemsky

**SUBJECT:** Rome (Mohawk Valley – Oneida County) – JDA Loan to Cold Point Corporation

**REQUEST FOR:** Authorization to Make a Real Estate Loan with New York Job Development Authority Proceeds and Take Related Actions

JDA Loan Terms	
<b>Borrower:</b>	Cold Point Corporation
<b>Economic Region:</b>	Mohawk Valley (Oneida County)
<b>Total Loan Amount Requested:</b>	\$2,231,010
<b>Rate:</b>	5.20% fixed
<b>Term:</b>	20 years
<b>Classification:</b>	IA+
<b>Distressed Area:</b>	Yes
<b>Initial Payments:</b>	\$14,822.45

JDA Budget					
Uses			Sources		
Construction of New Building	\$ 3,758,000	84.1%	JDA Loan <sup>(1)</sup>	\$ 2,231,010	49.9%
Site Preparation	300,000	6.7%	Shore United Bank Loan <sup>(2)</sup>	1,040,505	23.3%
Construction Contingency	202,900	4.5%	ESD - DRI Grant	450,000	10.1%
Soft Costs	207,450	4.6%	Cold Point/Whalen Equity	446,835	10.0%
			EDGE - RIDC	300,000	6.7%
<b>Total Project Costs</b>	<b>\$ 4,468,350</b>	<b>100.0%</b>	<b>Total Project Financing</b>	<b>\$ 4,468,350</b>	<b>100.0%</b>
<small>(1) Second mortgage; 20-year term at 5.08% (fixed).</small>					
<small>(2) First mortgage; 20-year term at 5.00%.</small>					

**Security:** A second lien on the real estate located at the northwest corner of Henry and South Jay Streets in Rome, New York. The property will be a newly constructed 50,000 square foot manufacturing facility on an approximately 3 acre parcel of a remediated brownfield site (former Rome Cable Complex 3). The appraised value of the real estate collateral in Rome, New York is expected to be \$4.47 million.

**Guarantors:** Repayment of the JDA loan shall be guaranteed by The Whalen Company.

**Existing Jobs:** 37 full-time

**New Jobs Projected:** 18 full-time by three years after loan disbursement

**JDA Loan Amount per job:** \$40,564

**Project Summary:**

**Borrower:** Cold Point Corporation  
7500 Cold Point Drive  
Rome, NY 13440

**Contact:** Craig Wanner, President and CEO  
The Whalen Company  
Phone: 443-258-2763  
Email: cwanner@whalencompany.com

**Ownership:** Cold Point Corporation is wholly-owned by The Whalen Company.

**Nature of Business:** Cold Point Corporation (“Cold Point” or the “Company”) was founded in Rome, New York in 1999. The Company specializes in the design and manufacture of water source heat pumps, packaged terminal air conditioners, condensing units, as well as packaged heat pumps and air conditioners for direct replacement, renovation, and new construction applications. Units are manufactured under the Cold Point and Adirondack-Airebrand names.

In 2017, Cold Point was acquired by The Whalen Company (“Whalen”) of Easton, Maryland. Established in 1962, Whalen is a leader in the commercial heating and air conditioning industry, providing solutions for new and replacement air conditioners. Together, Cold Point and Whalen are able to offer a full spectrum of design, engineering, and products to developers and builders across the United States and Canada.

This report concerns a proposed New York Job Development Authority (“JDA”) real estate loan for the amount of \$2,231,010 (the “JDA Loan”). The JDA Loan is to be used towards the construction of real property (the “Facility”) located in Rome, New York. The total cost of the project is \$4,468,350.

**Project location:** The northwest corner of Henry and South Jay Streets  
Rome, NY 13440

**Project Completion:** 1st Quarter 2019

**1) PROJECT OVERVIEW AND RECOMMENDATION**

**a) Background**

The Whalen Company, located in Easton, Maryland, was founded in 1962 by James Whalen. Mr. Whalen designed and patented the first vertical stack fan coil unit back in 1963 and sold these units in the Washington DC/Baltimore area from a factory located in Laurel, Maryland. In

1965, Whalen moved its operations to Eaton, Maryland where it currently has three facilities with 190,000 square feet for manufacturing. From these facilities, Whalen manufactures vertical stack fan coils, water source heat pumps and packaged water source heat pumps. Besides new construction projects, Whalen also manufactures aftermarket products to replace existing Whalen and Original Equipment Manufacturer (OEM) water source heat pumps. In June of 2017, Whalen acquired Cold Point Corporation in Rome, New York. Cold Point is the manufacturer of OEM replacement water source heat pumps and Packaged Terminal Air Conditioner (PTAC) units. Cold Point currently leases 30,000 square feet of space in Rome, New York.

Whalen has recently released a new packaged water source heat pump product which it will begin manufacturing in a new 50,000 square foot facility in Easton, Maryland later in 2018. Cold Point is at maximum capacity in its leased space in Rome, New York. Whalen would like to build a 50,000 square foot facility in Rome, New York to increase Cold Point's capacity and add up to 18 new jobs over the next three years. The opportunity to double sales for Cold Point over the next 5 years is possible if Cold Point has the capacity for growth. Whalen's rep network will be available to sell the Cold Point product which would enable sales to increase.

### **Management**

#### **Craig Wanner – President and CEO, The Whalen Company**

Mr. Wanner has over 20 years of HVAC manufacturing experience. In 1998, Mr. Wanner started at Whalen in the role of Human Resources Manager and was promoted to IT Manager in 2002. In 2006, he became the Material Planner and later held the role of Operations Manager. In 2014, Mr. Wanner was promoted to Vice President of Operations and then became Chief Operating Officer the following year. In his expanded leadership role as President and CEO, Mr. Wanner is focused on building a first-class management team and positioning the company for long-term growth.

Mr. Wanner's father, Ronald Wanner, began working at Whalen in 1968, became CEO in 1995, and continued in that position until his retirement in 2005.

#### **Dennis Kloster – Vice President of Operations, The Whalen Company**

Mr. Kloster has over 35 years of HVAC manufacturing experience. At Whalen, Mr. Kloster optimizes the existing manufacturing operations and works with the Vice President of Sales and Marketing, Tony Landers, to streamline the internal processes from the initial sale to shipping.

Prior to Whalen, Mr. Kloster served as President of DK Consulting. Prior to DK consulting, he was the president of International Environmental Corporation for eight years. Mr. Kloster obtained a bachelor's degree from SUNY Polytechnic and obtained an MBA from the University of Rochester. He has held positions at Carrier, York, Familian Northwest, Nordyne and StrionAir.

**Michael Colletti – Vice President of Engineer, The Whalen Company**

Mr. Colletti joined Whalen in October of 2016 as Vice President of Engineering. He holds B.E. and M.S. degrees in Mechanical Engineering from Vanderbilt University. His experience in the HVAC industry spans 30 years and includes Engineering Management positions at Amana, Trane, and Enertech. He also served as Design Engineer for a variety of products including residential split systems, PTAC/PTHP, room air conditioners, and heat pump pool heaters for Inter-City Products, Whirlpool, and Hayward Industries.

**Tony Landers – Vice President of Sales and Marketing, The Whalen Company**

Mr. Landers began his career in 1995 as a Mechanical Engineer designing water source equipment for International Environmental Corporation. In 2000, he went to work for York International designing packaged rooftop units. After spending time in Engineering and Product Management, he moved into the marketing side of the business where he managed commercial products for North America and Europe. In 2008, Mr. Landers joined ClimateMaster where he managed the marketing of commercial water source heat pump products for domestic and international sales.

In 2014, Mr. Landers moved to Maryland and joined Whalen as Director of Sales and Marketing. In 2015, he was promoted to Vice President of Sales and Marketing. Mr. Landers has been a member of the Air Conditioning, Heating, and Refrigeration Institute since 1997. Mr. Landers received his Master of Science in Engineering Management with an emphasis in Marketing from Oklahoma State University.

**b) The Project**

The project includes the construction of a 50,000 square foot advanced manufacturing facility on the former Rome Cable Complex 3 brownfield site. The Company is currently located in the City of Rome, with approximately 37 employees. The Company has identified the need for a new facility to facilitate growth and the addition of a new manufacturing line and warehouse space. The new facility will house a more efficient industrial layout, add at least one additional manufacturing line, double warehousing and distribution capacity, and create up to 18 additional jobs in the near term.

Specific benefits associated with the project include:

- Increasing utilization of the site. Presently, the Rome Cable Complex 3 site is vacant, underutilized, and has a negative impact on the character of downtown Rome, surrounding residential neighborhoods and the Erie Boulevard corridor. The proposed development project will bring new jobs, investment, and people into the downtown core.
- Significant downtown investment. A project of this scale will have a significant impact on downtown, as it will quickly become one of the downtowns largest employers. The employees of Cold Point will bring new spending power into the downtown core.

- Economic returns. The investment on the Complex 3 site has the potential to catalyze other investment on surrounding development sites within the Rome Cable footprint. Complex 4, across the street, has been awarded a Downtown Revitalization Initiative (DRI) grant for work to be completed in 2018. The site is now well positioned for development and investment within 18 months.

**c) Conclusions**

- Based on the IA+ rating, Cold Point currently generates sufficient cash flow from operations to service the projected project debt, with a projected Debt Service Coverage Ratio (“DSCR”) that meets JDA’s minimum standard of 1.20, and default risk, based on the Company’s performance over the 3-year historical period, is low. Also, revenue growth has been strong and cash flow projections indicate that the Company will be able to service the debt going forward. In addition, JDA will have second lien position on the real estate collateral and will receive a corporate guarantee from Whalen; thus, there will be sufficient security for JDA to be completely collateralized.
- Cold Point meets JDA’s loan-to-value requirement of 90%.
- With the project, Cold Point expects to create at least 18 full-time permanent jobs within three years.

**2) COVENANTS AND CONDITIONS**

This Loan is predicated upon the following financial conditions:

- The Company must obtain firm commitments satisfactory to JDA from responsible financial sources for the total project cost exclusive of any loan requested from JDA.
- The Company must provide evidence of the subject property that indicates a loan to value not to exceed 90% at the time of closing.
- The Company must maintain a minimum debt service coverage ratio of 1.20 throughout the term of the loan.
- The Company cannot take on additional debt without JDA approval.
- The Company must meet all other standard JDA requirements as follows:
  - a. Completion of the Project to the satisfaction of JDA.
  - b. Procurement by the Company of funds which shall be used at or prior to the closing to pay the Project Cost, exclusive of the proceeds of the Loan.
  - c. Receipt by JDA of policies of insurance, including flood insurance if required, in amount, form and substance and issued by companies satisfactory to JDA.
  - d. Receipt by JDA of an itemized statement of Project Cost, satisfactory to JDA.
  - e. Receipt by JDA of financing documents of other lender(s) satisfactory to JDA.

- f. Satisfaction of such other conditions as JDA, with advice of counsel, deems necessary or advisable to effectuate the Loan, secure the interest of JDA and insure compliance with the JDA Statute and applicable provisions of the Internal Revenue Code.
- g. Execution of documents to permit monthly electronic debit of the Company's checking account to repay the Loan.
- h. Compliance with ADDITIONAL REQUIREMENTS stipulated in all Schedules, Exhibits and Riders, attached hereto and made a part hereof.
- i. Compliance with any other terms and conditions deemed to be necessary and appropriate in the opinion of the General Counsel of JDA.
- j. The Company or the Company's owners will contribute at least 10% in equity to the Project. Equity is defined as any non-debt source of capital and should be auditable through the Company's financial statements or bank accounts, if so requested by JDA.
- k. Subordination of any loans to Company stipulated herein in a manner satisfactory to JDA.
- l. The Company shall not enter into any agreement by which the terms of payment of any principal or interest under any other bank loan are waived, modified, deferred, delayed, increased or reduced in rate or amount, without the prior written consent of JDA.
- m. All certifications and permits for the operating purposes of the Facility to be in full force and effect prior to closing the Loan.

**3) ADDITIONAL MORTGAGE AND LIEN DETAILS**

A promissory note in the principal amount of the JDA Loan, with interest thereon (the "Note"), shall be secured by a mortgage to JDA (the "Mortgage") on the fee interest of the premises located at the northwest corner of Henry and South Jay Streets in Rome, New York 13440 (the "Premises").

The Mortgage may be junior to the lien securing the real estate loan of Shore United Bank (the "Bank") but not to any modifications, extensions or renewals thereof. The Bank Mortgage shall not be collateral security for any other loans.

**4) ENVIRONMENTAL REVIEW**

The City of Rome Planning Board, as lead agency, has completed an environmental review of the project pursuant to the requirements of the State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project to be an Unlisted Action, which would not have a significant effect on the environment. The lead agency issued a Negative

Declaration on July 18, 2018. ESD staff on behalf of the JDA reviewed the Negative Declaration and supporting materials and concurs. It is recommended that the JDA makes a Determination of No Significant Effect on the Environment.

Due to the JDA's mortgage position on the loan, a Phase I Environmental Site Assessment must be submitted to the JDA for review and approval prior to closing on the loan.

**5) NON-DISCRIMINATION AND CONTRACTOR & SUPPLIER DIVERSITY**

JDA's Non-Discrimination and Contractor & Supplier Diversity policies will apply to this Project. The Grantee shall be required to include minorities and women in any job opportunities created, to solicit and utilize Minority and Women Business Enterprise ("MWBEs") for any contractual opportunities generated in connection with the Project and shall be required to use Good Faith Efforts (pursuant to 5 NYCRR §142.8) to achieve an overall MWBE Participation Goal of 30% related to the total value of JDA's funding.

**6) ADDITIONAL SUBMISSIONS**

Resolution  
New York State Map  
JDA Underwriting Classification Chart  
Project Map and Renderings

July 30, 2018

STATEWIDE LOCAL DEVELOPMENT CORPORATION – Mid-Hudson (Woodridge – Sullivan County) – JDA Loan for the benefit of Cold Point Corporation – Authorization to Make a Real Estate Loan with New York Job Development Authority Proceeds and Take Related Actions

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RESOLVED, that the Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make a New York Job Development Authority Real Estate Loan for the benefit of Cold Point Corporation for an amount not to exceed \$2,231,010 or 60% of the total real estate construction project cost, whichever is less, for the purposes and substantially on the terms and conditions set forth in the materials presented at this meeting, with such changes as the Chief Executive Officer of the Corporation or his designee(s) may deem appropriate; and be it further

RESOLVED, that the Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the Loan, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the Loan as he or she may deem appropriate in the administration of the Loan; and be it further

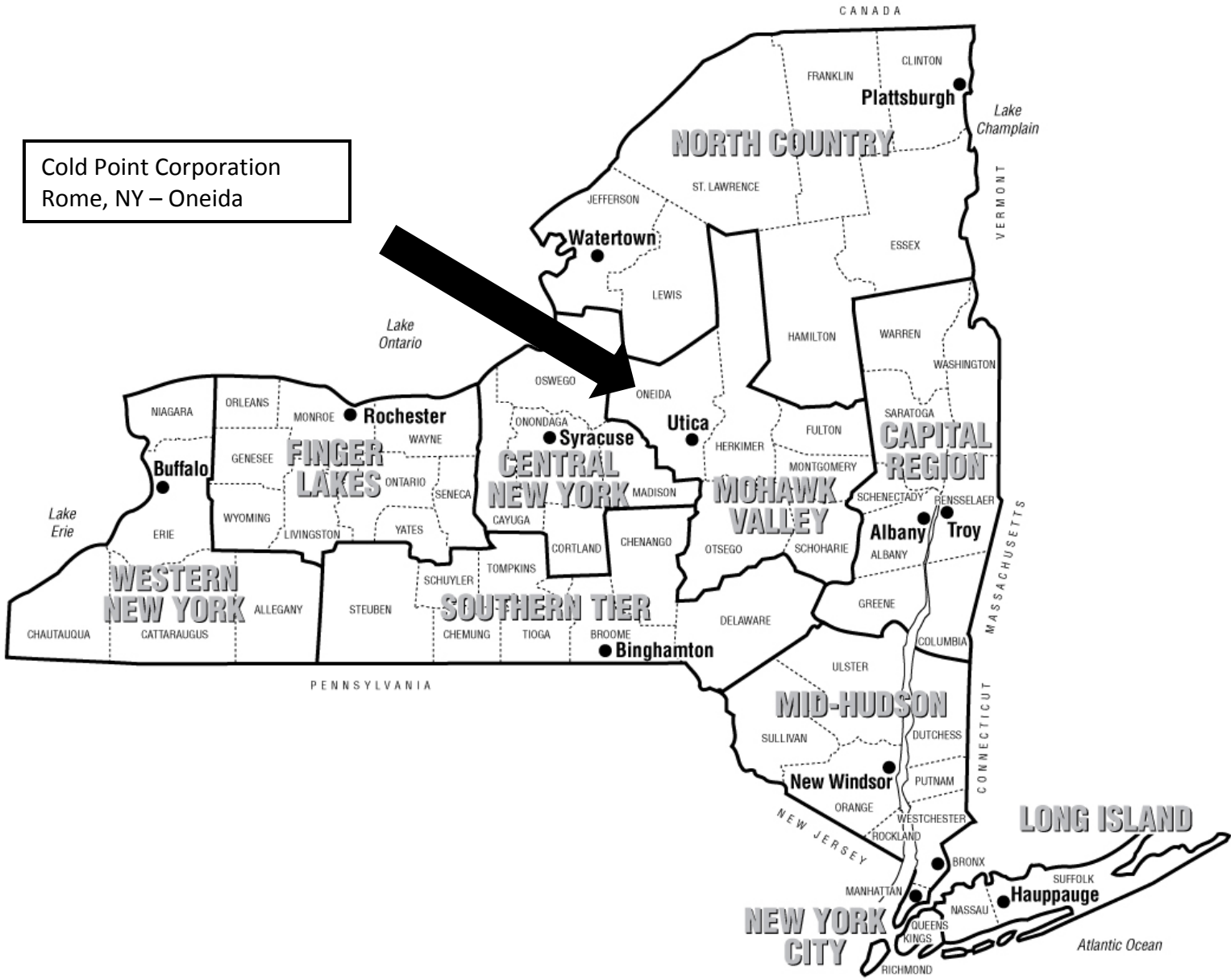
RESOLVED, that the Chief Executive Officer of the Corporation, or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions; and be it further

RESOLVED, that the provision of financial assistance by the Corporation is expressly contingent upon: (1) the approval of the Public Authorities Control Board, as applicable, and (2) the receipt of all other necessary approvals.

\* \* \*



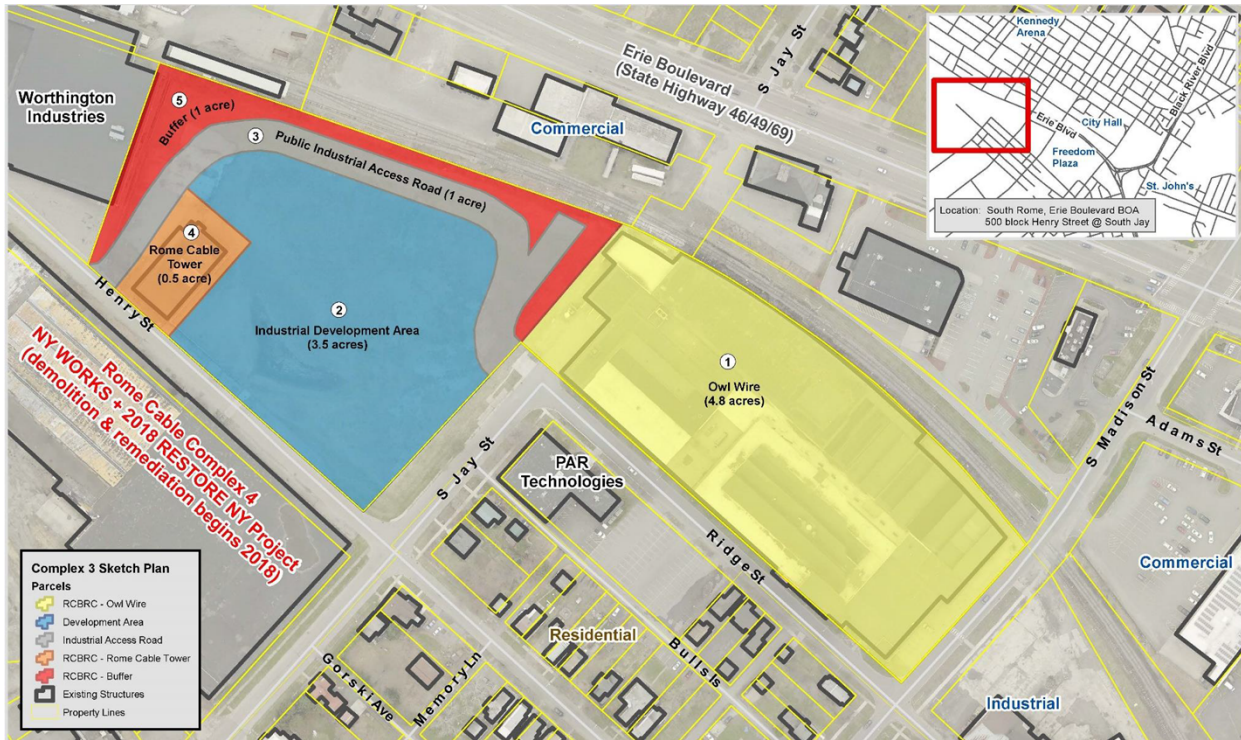
Cold Point Corporation  
Rome, NY – Oneida



**JDA Underwriting Classification Chart**

<b>Level I: Cash Flow</b>	<b>Level II: Default Risk</b>	<b>Level III: Collateral Value</b>
<b>I</b> Actual or Adjusted Debt Service Coverage $\geq$ 1.2:1	<b>A</b> Score of $\geq$ 4 on the Default Risk Model Low Risk	+ Liquid value of collateral + adjusted value of personal guarantee $\geq$ total loan value
<b>II</b> Actual or Adjusted Debt Service Coverage $<$ 1.2:1, but with Projected Debt Service Coverage $\geq$ 1.2:1	<b>B</b> Score of 3 on the Default Risk Model Moderate Risk	- Liquid value of collateral+ adjusted value of personal guarantee $<$ total loan value
	<b>C</b> Score of $\leq$ 2 on the Default Risk Model Higher Risk	

# Site Map













Photos of Products







