

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Unaudited)

Analysis of Financial Position and Results of Operations:

The Agency operations during 2017 resulted in \$169,035 in revenues being generated by fees associated with completed projects. The Agency operations also include revenues of \$7,873 related to Empire Zone Fees, project refinance fees, compliance fees and other items. The Agency continues its approach to economic development by attracting new businesses and helping existing businesses expand.

Budgetary Analysis:

This section will discuss the significant budget to actual variances in 2017.

The charges for services line in the 2017 budget was established at \$221,421. During 2017, estimated projects closings will be closed in future periods or did not continue forth.

Professional fees are approximately \$5,300 higher than budget in 2017 as a result of the types of project closings.

The aggregate variance in all other budget lines was immaterial and individual explanation of each line is deemed unnecessary for this report.

Economic Condition and Outlook:

The Agency has analyzed the year ended December 31, 2017 financial statements, which while there was a decrease in net position, there is a positive remaining net position, thereby providing a stable outlook for the Agency.

COMPLETED PROJECTS

The following is a summary of the Riverhead Industrial Development Agency's (Agency's) projects which closed during the 2017 calendar year.

Georgica Green Ventures, LLC

In 2016, the Agency received an application for financial assistance from Georgica Green Ventures, LLC, to replace an existing deteriorated and outdated retail storefront with a five-story, mixed-use building consisting of 117 rental apartments and 13,024 square feet of ground floor retail fronting the Main Street. The Project unit mix will consist of 29 studio, 60 one-bedroom and 28 two-bedroom units. Project cost was estimated to be \$47,338,188.

During 2017 the Project was slightly modified. Georgica Green Ventures, LLC, also known as Riverhead Apartments LLC, as owner of the real property comprising the Project; Jobco Incorporated, the entity which will construct and furnish with respect to a proposed development located within a New York State Empire Zone and a designated urban renewal area at 221 East Main Street and 31 McDermott Avenue to replace the existing deteriorated and outdated retail storefront with a five-story, mixed-use building consisting of 116 rental apartments and 12,623 square feet of ground floor retail. The unit mix will now consist of 31 studio, 57 one-bedroom and 28 two-bedroom. The majority of apartments will be kept affordable to residents. Project cost is estimated to be \$57,072,763. Public hearing was held in July. The project was authorized in September and closed in December. Demolition began in 2018.

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Peconic United Methodist Housing Development Fund Co (John Wesley Village LP)

The Agency received an Application for Financial Assistance from John Wesley Village LP, a New York limited partnership with respect to the acquisition and renovation of an existing 115-unit senior subsidized housing rental facility located at Middle Road, Riverhead, New York. The renovations proposed are anticipated to cost approximately \$1,900,000. The facility will be purchased and renovated by John Wesley Village LP at a total project cost of \$12,804,393. All Housing and Urban Development Agency contracts will be maintained and there will be no change in tenant eligibility or selection.

A Public Hearing was held November and authorization off financial assistance was provided in December. A closing is anticipated early 2018.

Peconic Management Group, LLC Phase III

In May the Agency received an application for financial assistance from Peconic Management Group LLC, a limited liability company qualified to do business in the State of New York for Phase III of its project with respect to the construction, furnishing and equipping of a two-story, 6,911 square foot building with associated site improvements on a 36,680 square foot parcel located at 1224 Ostrander Avenue, Riverhead, New York for use as medical office space as well as a proposed wellness center at an estimated total project cost of \$1,397,000. Public hearing was held in July. Financial assistance was authorized in August and closed in October. Construction anticipated to begin in 2018.

Browning Properties, LLC Hilton Garden Inn and Marriott Residence

The Agency provided an increase in financial assistance to Browning Hotel Properties, LLC, Browning Realty Management, LLC and Riverhead Hotel Management Corp. with respect to the construction of a Marriott Residence Inn as Phase II of the Browning Hotels project with an estimated to be \$26,849,775 in total project costs. In August that resolution #28-15 was amended to reflect the increased cost of construction of the Project from \$26,849,775 to the new total project cost of \$32,681,960.

CLOSED PROCEEDINGS/WITHDRAWN PROJECTS

The following projects were either rescinded or the Agency took action to close proceedings during the 2017 calendar year.

Calverton Rte 25 Distribution

The Agency has received an application for financial assistance from Calverton Distr. Rte 25 L.L.C., and PODS Enterprises, LLC, both qualified to do business in the State of New York with respect to the construction, furnishing and equipping of an approximate 45,212 square foot building with associated site improvements on a 6.2 acre parcel located at 3651 Middle Country Road, Calverton, New York for use as warehousing and distribution of portable storage units (PODS) for residential and commercial use at an estimated total project cost of \$7,337,105. A public hearing was held on November 6th. A letter of withdrawal was submitted and accepted in December.

REFINANCES/BOND MODIFICATIONS

Island Industries/Cal 81 Bond \$3,360,000 2001-2016 Bond redemption unreported in 2016 was paid off.

RETIRED PROJECTS

Riverhead Industrial Properties aka. Adchem Corporation bond redemption \$7,000,000, 1998-2018.

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PENDING APPLICATIONS

Calverton Addiction and Treatment Center aka Peconic Care

The Agency received an application for financial assistance from Calverton Addiction and Treatment LLC and EBDK at Calverton, LLC, both qualified to do business in the State of New York, as User of the Project with respect to the demolition of an existing 2,000 square foot building, along with construction, furnishing and equipping and associated site improvements of approximately 134,000 square feet of research and treatment facility consisting of six buildings on an approximate 39.736 acre parcel located in Calverton, New York for use as rehabilitation, treatment, dining, recreational, housekeeping and other services to be provided to its residents in conjunction with scientific research, inquiry, and education regarding opioid, alcohol and other forms of addiction. The applicant projects an estimated total project cost of \$59,062,000. A public hearing was held on December 4th. Consideration for assistance is anticipated early 2018.

MARKETING

The Agency works closely with local economic development organizations, such as the Town of Riverhead Community Development Agency, the Riverhead Chamber of Commerce, Miller Business Resource Center and Suffolk County Economic Development agencies to market the Town of Riverhead as a business location. Cooperative meetings are arranged to provide incentive proposals to potential companies. Co-sponsored seminars/events are both cost effective and effectual means from a public relations standpoint as well as marketing and general business assistance. The Agency also works closely with regional and national economic development organizations such as, the Stony Brook Small Business Development Center, municipal economic development departments on Long Island, LIBDC (Long Island Business Development Council) and the Long Island Association (LIA). The Agency participates in the LIA's IDA Long Island Coalition to boost the cooperative efforts and marketing of the region. Memberships to the New York State Economic Development Council and the International Economic Development Council not only provide exposure, but are resources for leads and networking. The Agency meets regularly with the Suffolk County IDA's to corroborate on improving regulatory compliance as well as cooperative marketing ideas.

Efforts are ongoing with in-house marketing using electronic media, such as the website and social networks, editorials submitted to economic development periodicals, such as NY Real Estate Journal. Cold calls, editorials, and general public relations are all part of the grassroots approach to the Agency's marketing efforts.

GENERAL BUSINESS ASSISTANCE

The Agency fields calls from real estate brokers, attorneys, and companies interested in establishing a presence in the Town of Riverhead who are seeking direction as to location, permitting processes and information regarding benefits and incentives.

In addition, the current Executive Director has the experience and knowledge to handle inquiries for assistance programs offered outside those of the Agency; providing a one stop service for businesses. These resources include low cost financing options, State and Federal incentive programs, grants, business planning, employment and housing assistance. The Agency staff assists businesses through the government and financial maze and helps interested parties find suitable sites and provides contact information to resources. The Director works with the local Chambers of Commerce forging cooperative relationships locally and hosting coordinated seminars.

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The Agency Executive Director participates on the CTEA (Career & Technical Education Act 2009) Local Advisory Council for Suffolk County Community College to assist with the grant planning process toward workforce development efforts. The Agency continues to host its annual East End Employment Expo providing necessary human resource and public relations opportunities.

The Agency administers the Suffolk County/Town of Riverhead SC/TOR Empire Zone Program. The Empire Zone Program is a New York State Tax Credit program that has goals consistent with that of the Industrial Development Agency in regard to business attraction, expansion and retention. Although the program has sunset to new certifications, continued service to the zone certified entities and reporting is mandated by the State of New York for the life of the certified entity's benefit period. The SC/TOR Zone currently services 35 businesses. The Agency receives an annual fee for the administration of the zone.

This financial report is designed to provide a general overview of the Agency's finances. If you have any questions about this report or need additional information, contact the following:

Riverhead Industrial Development Agency
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