

RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(Unaudited)

Budgetary Analysis:

This section will discuss the significant budget to actual variances in 2018.

The charges for services line in the 2018 budget was established at \$212,622. During 2018, project closings exceeded the estimated budget.

Professional fees are approximately \$16,000 lower than budget in 2018 as a result of costs below expectations.

Employee Benefits are approximately \$9,500 higher than budget based on information received by New York State and Local Employees' Retirement System.

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, 2018 financial statements, which had an increase in net position, as a result of the increase in the revenue, and a decrease in expenditures. Overall, there remains a stable outlook for the Agency.

COMPLETED PROJECTS

The following is a summary of the Riverhead Industrial Development Agency's (Agency) projects which closed during the 2018 calendar year.

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 in 2017. Financial assistance was authorized in March of 2018 and closed in August 2018.

ADPC Raynor, LLC/Twin Fork Beer Co.

The Agency received an application for financial assistance from ADPC Raynor, LLC, a limited liability company qualified to do business in the State of New York, as Owner of the Project, and Twin Fork Beer Co. Inc., a corporation qualified to do business in the State of New York, as User of the Project with respect to the construction of an approximately 11,480 square foot manufacturing building on a 2.1 acre vacant lot in Riverhead and associated site improvements for use as a craft brewing and storage and distribution facility, and associated tasting room. The site improvements and construction of the facility is estimated at a total project cost of \$1,492,196. A Public Hearing was held in April 2018. Financial Assistance was approved in May. The project closed in August 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 2017 and authorization off financial assistance was provided in December 2017. The project closed in March 2018.

CLOSED PROCEEDING/WITHDRAWN PROJECT

The following projects were either rescinded or the Agency took action to close proceedings during the 2018 calendar year.

John Wesley Village III

The Agency received an application for financial assistance with respect to the acquisition of interest and renovation and improvement of a 92 unit one story affordable apartment complex at an estimated cost of \$1,416,457 for renovations and improvements. The acquisition of interest together with improvements at a total project cost of \$11,694,457. This was a project that had received Agency assistance and was requesting an extension of the PILOT agreement as well as refinancing. A resolution denying the provision of financial assistance was authorized in March 2018.

REFINANCES/BOND MODIFICATIONS

During 2018, the following projects were refinanced or had bond modifications.

- Lenape Associates, L.P. bond redemption and refinanced in the amount of \$4,377,000.
- 20 West Main, LLC refinanced with permanent financing in the amount of \$1.3 million.
- Peconic Management Group III refinanced in the amount of \$1.8 million.

RETIRED PROJECTS

The following project redeemed a bond for the original amount of \$8,400,000 and the deed was transferred back to John Wesley Village III, LP

PENDING APPLICATIONS

Island International Exterior Fabricators, LLC

The Agency received an application for financial assistance from Island International Exterior Fabricators LLC, a limited liability company qualified to do business in the State of New York with respect to the retention and expansion of an existing manufacturing facility located in several buildings on three tax map parcels at the Enterprise Park at Calverton.

The Facility began service as a single building leased from the Town of Riverhead Community Development Agency in early 2000. Riverhead IDA Bond issue Series 2001 \$3,500,000 as authorized by the New York Statewide Bond Reserve, provided the financing for the acquisition of 27 acres, the repurpose of an existing aircraft manufacturing facility and renovations sufficient for use as a building wall system manufacturing facility. These Bonds Series 2001 were refinanced in 2006 and Agency Bonds Series 2006 were additionally issued in the amount of \$1,500,000, to permit additional improvements to the manufacturing facilities. In 2013 the acquisition and construction of additional manufacturing facilities were authorized by the Agency at 400 Burman Boulevard comprising a manufacturing facility for the

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production of steel studs and related steel components from raw steel coils. Thereafter in March of 2018 upon notice to the Agency additional manufacturing space of 68,816 square feet was leased at 393/347 Burman Boulevard. Three parcels comprise the Project Retention Facility which is which have a full market assessed value of \$12,693,389. The project includes the expansion of the 400 Burman Boulevard site through construction with an approximate 25,000 square foot addition and Phase II of the project includes the expansion of the Cal 81 site through construction of a 60,000 square foot addition or comparable additional space at a building located within EPCAL. The total Phase I project cost is \$3,942,209 of which \$1,242,209 was the cost to retrofit and equip the leased facility at Building 347 and the new construction costs of \$2,700,000 at 400 Burman Boulevard. The assessed market value of Project Facilities retained and new construction Phase I totals \$16,635,598. A Public Hearing was held in December 2018. Consideration for assistance is anticipated in early 2019.

Atlantis Marine World Phase I & II aka Long Island Aquarium & Exhibition Center

The Agency received an application for financial assistance from Atlantis Holding Company, LLC, Co-Applicant, and Atlantis Marine World, LLC, Co-Applicant, on behalf of themselves and HP East End Riverhead, LLC, seeking relief in the form of provision of an exemption from Sales and Compensating Use Taxes and no new additional benefits on certain property, including tangible personal property, with respect to improvements, rehabilitation, and purchase of certain necessary equipment, at the Long Island Aquarium and Exhibition Center operated by Atlantis Marine World, LLC and Hyatt Place East End operated by HP East End Riverhead, LLC of all located at 431 East Main Street, Riverhead, New York. A presentation was made to the board in December 2018. A Public Hearing and consideration for assistance is anticipated for January 2019.

THE AGENCY MARKETING

The Agency works closely with local economic development organizations, such as the Town of Riverhead Community Development Agency, the Riverhead Chamber of Commerce, Suffolk County Economic Development and Empire State 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. This year the Agency was instrumental in securing the Federal Opportunity Zone designation and creating marketing material, as well as collaboratively hosting an informational program with Suffolk County municipalities. 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 participated in the first New York State Economic Development Council (NYSEDC) manufacturing consortium on Long Island. The goal of this event was to leverage the membership and relationships of the NYSEDC to bring manufacturers from across Long Island together and introduce them to the various resources that exist through NYSTAR. These resources include the Manufacturing Extension Partnership (MEP), the Centers for Advanced Technology (CATS), the Centers of Excellence (COEs), among others. 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 Agency website and social networks, editorials submitted to economic development periodicals, such as NY Real Estate Journal. A tutorial presentation video of the Agency was also produced and is viewable on the Agency webpage and

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Town's website. Press coverage and articles in local media outlets are also forms of inexpensive marketing. Cold calls, editorials, and general public relations are all part of the grassroots approach to the Agency's marketing efforts. The Agency meetings are also now viewed on a local TV channel, live streamed and available on video.

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.

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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