

IDA

**CONFERENCE ROOM
LAKE PLEASANT, NY**

OCTOBER 26, 2017

The meeting was called to order by Chairman Towers at 3:20 P.M. with the following members present:

Brian Towers, Chairman
William Farber, Vice Chairman
Tim Brownsell
Robin Morrison
Tim Pine
James Bateman

Absent:
Robert Peck

Also Present:
Christy Wilt, Executive Director
Laura Abrams, Secretary
Charles Frey
Andy Frey

Minutes:
Mr. Farber made a motion to approve the minutes for the May 16, 2017 and July 20, 2017 meetings. Seconded by Mr. Morrison. Carried.

Finance Report:
Ms. Wilt reviewed the Finance Report that was handed out to the Board. She explained that a few are ahead; everyone else has paid on time. The Bear Trap's last payment will be next month, so we will release their mortgage.

Payment of Bills:

Robin Morrison – mileage	\$32.10
Jim Bateman – mileage	\$52.43
Tim Brownsell – mileage	\$69.55
Tim Pine – mileage	\$29.43

Motion to pay bills as audited by Mr. Pine, seconded by Mr. Bateman. Carried.

The Chairman introduced Charlie and Andy Frey. They will be giving a presentation on both The Woods Inn request and some economic development ideas.

Mr. Charlie Frey handed out packets to the Board. He explained that Joel and Bonnie Millikan will be joining on conference call. Mr. Frey explained that they are Seventh Lake residents that are interested in Inlet development. They are currently working with the Town on an emergency communications tower. They want to see The Woods Inn continue as it exists today.

Once Joel and Bonnie Millikan were on the phone, Mr. Frey began his presentation. Introductions were done.

Mr. Frey started his power point presentation. He explained that he was in front of the IDA almost 4 years ago when they were looking at taking over The Woods Inn. The IDA helped with the pavilion and the re-building of the cabin that is on the premises. They have both been very successful. The pavilion and the cabin both had a 3 year or less return on them. They had a 5 year business plan that they reviewed with the IDA at that time. That business plan lead them to what they did with the pavilion and cabin. They went from 17 events the first year to over 50 events a year. Mr. Frey reviewed the types of events they have put on. Year 3 had them doing a project to utilize the last piece of underutilized building space that was on the property, which were the casino and the dance hall. They worked with the County Board of Supervisors and the Regional Development to get a grant. They were awarded a \$174,000 grant to do this remodel. When they went through the grant process they asked for a maximum of \$174,000 and a minimum of \$128,000 to do this renovation. They were awarded the \$174,000 but were told to build it then they would get the money. That wasn't the original intent. When they went into the grant process the intent was that the minimum would be \$128,000 that would be for \$640,000 renovation of this property and acquiring the adjacent property out by the road, which would be used as a mercantile. They have been looking at how to move the business plan forward since they were awarded the grant. This summer they had a fiber optic network come through, as part of the merger of the cable companies they had to put a certain amount of money into rural infrastructure. There is now fiber that is within 5 poles of The Woods Inn property. Towards the end of summer, Mr. & Mrs. Millikan came and told him that they really want to see this continue as an inn, they would like to see this project move forward. They agreed to do a 5 year no interest \$87,000 bridge loan. They looked at this in 3 parts, the Adirondack Bank in for their portion, Mr. and Mrs. Millikan want to help, they need funds to bridge until they get the grant funds and the final piece he is looking at contracts for client services utilizing both the Inns temporary housing and the infrastructure that is available in the Town of Inlet to provide telecommuting and provide jobs. He has a number of employees that use computers that are innkeepers and event coordinators that work at the Inn that really want full time employment. There are companies that he is talking to. He is looking to get revenue based contracts for the final \$87,000, either 1 or 2 year contracts to start prototyping some of this client services, using empty rooms at The Woods Inn. All of that is intended to move this project forward, to capture the grant, and then to go even further than that is to develop condominiums on the side of the driveway that can be purchased. He has met with the Inlet sewer district and they do have the capability to accommodate that next phase. Mr. Frey handed out the financials regarding the condominiums; each would be priced at \$349,000.

Mr. Frey stated that he needs to make a decision in the next couple of weeks, on which direction he goes with The Woods Inn. He has been doing this for 4 seasons, labor is going up, the Inns rooms have a 85% margin, the retail has a 67% margin, the weddings have over 50% margin, the

café on the lake front has 30%, the fine dining restaurant has less than 15% margin. Mr. Frey passed around the menu from the restaurant. He stated they have raised the prices 8-9% a year. He would have to raise them 20% to get the margin up going forward. Mr. Frey stated that the dining experience is part of why people stay at the Inn. There is price sensitivity in this area. This is a challenge, they don't want the rest of the Inn to have to subsidize the fine dining restaurant, and they want to make sure that it is at least profitable. The reason the rooms are at only 85% margin is because utilities are high in this area.

Mr. Frey stated that he has to decide whether he moves forward with this project as we know it or go with some development interests, such as the condominiums throughout the entire complex and probably lose the Inn. They have 367 feet of lakefront; it is highly sought after real estate. The buildout for condominiums on the property would be 4 million or so, the return would be over 7 million. There is a lot of push back to keep the Inn as it is. They need to make it sustainable long term. This plan is about combining the old with the new.

Mr. Frey discussed making the Inn weatherproof. His day traffic was down 13-14% this year due to the weather. Mr. Frey discussed using The Woods Inn as a retreat, customer service and training center for businesses.

Mr. Frey discussed using The Woods Inn as a client service center, a call center for a company. He discussed rotating experienced professionals through the area. This gives them the opportunity to go from their office to here to mentor, train, and network. This is a change from working at home. Mr. Frey discussed variations of this idea.

Mr. Frey reviewed the space they have available. They have a conference center that holds 20-30 people, and many public spaces, they have done wellness fairs in the spring where they had breakout sessions all throughout the Inn. This has been very successful over the last couple of years. They also have a very successful outside bar. They took the bar from the old casino, reconditioned it and put it on the lakefront. The Wellness Center has the exercise equipment in it; guest and permanent residents in Inlet have been using it for the last two years. This would expand; the Wellness Center would have the exercise equipment, a lounge and a chiropractor and massage clinical room. They have several massage therapists and a chiropractor in the area that have expressed an interest in coming to clients on the premises as a small spa.

Mr. Frey discussed accommodations. He stated that by summer 2018, if they were to do this project they would be able to accommodate 90, which includes housekeeping. Mr. Frey reviewed activities available in the area.

Mr. Frey stated he is closing the Inn on Monday. He has to go one of two directions, he is running out of time because of the weather they need to get moving on this project, secondly the grant is already six months in, there is only 18 months left on the grant. Mr. Frey stated what's next is to partner with the Inn to create a one of a kind Adirondack competency center for retreats, training and customer service, lower the unemployment and increase exposure. Complete the barn/casino renovation in order to capture the grant funds. It requires \$261,000, which \$174,000 is from reimbursement at the end from the grant, \$101,000 is for working capital as they go forward. The Adirondack Bank is proposing to do \$480,000, Mr. and Mrs. Millikan have contributed interest

free for five years \$87,000, they are looking for \$87,000 from the IDA to bridge the funding, that would be paid back as soon as they received the grant funds, which has to be complete within the next 18 months. They are also anticipating \$87,000 in contracted services; this is the revenue producing piece that he is committing to with the customer service center concept, which will be over the next couple months to garner those contracts.

Mr. Frey stated that is why he is here today. He needs a bridge to the grant in the amount of \$87,000 in order to move the project forward otherwise he has to look at it from a financial standpoint making a change. He has interested parties that have been talking to him about it, that would like to put condominiums because of the proximity of this parcel of land to Inlet. It would drive some traffic in rentals and such but it certainly would not help employment. To run the Inn right now, he has two ½ - three housekeepers in the summertime, if he finishes this renovation with those additional five units he would be at three housekeepers, one would be full time, that would be a maintenance person.

The Chairman asked Mr. Frey, regarding the \$174,000 grant from the state, what was that project? Mr. Frey stated that project is a total of \$870,000. The Chairman asked physically what it includes. Mr. Frey stated two pieces; this project is \$640,000, which gets us \$87,000 back when they are 66% complete. The Chairman asked how close they are to completing that. Mr. Frey stated they are just starting. They have had architect work done, which they have about \$25,000 invested in. And labor to clean out the barn. The Chairman asked how much money it will take to get to 66% completion. Mr. Frey stated it will take the \$87,000 in terms of being able to finish the project, to get to that point. That would be paid back from the \$87,000 coming back from the grant. The Chairman asked Mr. Frey to explain how those numbers work. If the total project is \$870,000, 66% of that is roughly \$575,000, you are almost there now without the bridge loan from the IDA. Mr. Frey stated no, they specifically put it at \$640,000. Mr. Frey stated that they negotiated that with the grant office out of New York, because they didn't want to give anything until end, until all jobs were created. He went back to them and said that wasn't what the intent was; they negotiated and said that when this phase is completed at \$640,000 they would give \$87,000. This is what they are calling Phase I completion. Phase II is the barn by the road and using that as a mercantile. They would start using that without doing renovations as soon as this project is underway, next summer. Any additional revenue they would be growing over the next year would fund additional work they would be doing to finish the project. Mr. Brownsell asked Mr. Frey where the equity is. Mr. Frey stated that one of the reasons the bank likes this is the purchase of the property. They are acquiring, as part of the \$640,000 the piece of property with the other barn. They are redoing existing short term debt with all of this and that land purchase. That makes our payment lower and extends the terms over a longer period of time and makes it more serviceable.

The Chairman asked, so Phase I has to be completed 100% which is \$640,000 before you get any money from the state. Mr. Frey stated correct. The Chairman asked how much Mr. Frey has put in the project. Mr. Frey stated he has put \$25,000 so far and he plans to put the balance of that up to \$87,000 from contracts for a client service center he discussed. He expects to see that money over the next 6-8 months. This will be done this winter in the existing Inn. Mr. Frey stated that the permit is ready, plans are done everything is ready to start this next week, but he won't start until he has the right money in place. The Chairman asked what the build timeframe is for Phase I. Mr. Frey stated 5 months. Mr. Frey stated that the contracts that he is working on are \$40,000 or more,

paid over a certain period of time, so the idea is that they would get signed contracts over the next 8 months, they will start paying revenue.

Mr. Frey showed all the events scheduled for 2018, add to this the client services contracts he is trying to get and having the space with this building he can make it viable. He is averaging between \$900,000 and \$1,000,000, but his expenses over the next couple of months are going to equal his revenue because he is now out of the busy season. This is what happens every single year.

Mr. Frey discussed the time management software he uses. He reviewed his staff salary expense, utilities, maintenance and repairs and direct costs.

The Chairman asked what if the call center contracts don't materialize the way you forecast them to, where does that leave the project. Mr. Frey stated that they set the bar really low; they already put \$25,000 into it. Looking at about another \$62,000 is extremely low. Mr. Frey further stated that this project will drive \$160,000 in additional revenue. As soon as the construction on this project starts he can start taking deposits on those five units. He has fifty events, over twenty-seven booked and paid deposits on that are currently calling him to book their rooms for next year's weddings. They want those rooms. They are king beds with kitchenettes, televisions, fire places, he doesn't have that today.

Mr. Frey explained that he is now using booking.com and his occupancy rate is improving for during the week, weekends they are usually fully booked.

The Chairman asked Ms. Wilt how much The Woods Inn owes the IDA. Ms. Wilt stated \$182,276.55. The Chairman stated that in July we extended that until January 2018. Mr. Frey stated that the IDA had said that they would be willing to take third position behind Mr. and Mrs. Millikan.

Mr. and Mrs. Millikan stated that they appreciated everyone's consideration and they look forward to a happy and successful resolution for all. Mr. and Mrs. Millikan ended the call.

Both Charlie and Andy Frey left at this time to give the IDA time to discuss.

Mr. Farber asked Ms. Wilt what other loan requests are we aware of. Ms. Wilt stated that under the \$317,000 that we have, we have a commitment with DRAG for \$120,000, but they were able to come up with \$40,000 of their own money to purchase their small equipment, so at the most the commitment to them might be \$80,000. She gave a preview of an application submitted by Bill Osborne for a grant for a hut for the top of Oak Mt. Ski Center for training and education for \$50,000, which might only be \$40,000. Ms. Wilt stated there has also been some discussion with a gentleman who is interested in purchasing the Kickerville Station and put the gas back in, he hasn't asked for anything specific yet, could be around \$150,000 to put gas back in. Ms. Wilt stated the \$50,000 for the ski patrol project would come back pretty quickly.

Mr. Farber stated that he remembers the conversation around being willing to subordinate our interest on the money we have out, he recalls that part of the logic on that was to create the opportunity for them to get alternative financing because we didn't have the money to put out, not

that we were going to do both. The Chairman agreed, the IDA taking a third position was not something this Board had decided. Ms. Wilt stated historically we have done that so that people can obtain financing some other place.

The Chairman clarified Mr. Frey's request from his letter. The letter states that he is requesting that over the next 12 months, the IDA consider matching Mr. and Mrs. Millikan's commitment of \$87,000 as a bridge to project completion then they would reimburse the IDA using the second \$87,000 received from the grant, the amount can be in several distributions to the project contractor. The IDA won't be reimbursed until they receive the second \$87,000, after both Phase I and Phase II are done.

The Board asked Ms. Wilt how much will the payments be in January 2018, when they start paying on the \$182,000 of the \$200,000 original loan. Ms. Wilt stated \$1,011.77 a month, that loan is for 20 years.

The Chairman stated that he doesn't feel the IDA has the cash flow to cover what he wants to draw down. Mr. Farber asked in terms of the revolving loan, what other projects have we done over the years that were a ¼ million dollars and up. Ms. Wilt stated Charlie Johns, \$250,000. Mr. Farber stated we haven't done many, would we hold up one of these other potential projects to put more money into this one?

Mr. Farber stated that being in this for \$270,000 and being in third position, for him that combination is too much even if the IDA had the money in the bank.

Mr. Pine stated his concern with losing the employment at the Inn if it becomes condominiums.

Mr. Bateman suggested bringing the \$87,000 down to \$50,000 and second position.

The Board discussed different options.

The Board agreed to offer \$50,000 at second position due to cash flow.

Charlie and Andy Frey re-entered the meeting.

The Chairman stated to Mr. Frey, to clarify a couple of questions, one is the \$87,000 bridge you are requesting to be disbursed over 5 months? Mr. Frey stated yes, heavy up front because of the acquisition of all the trusses and windows that have to be ordered. The Chairman stated that the IDA has some challenges, we have applications in, some verbal commitments, which takes up most of our cash. Our ability to fulfill your request is going to have to be based on our cash flow. The Chairman offered Mr. Frey \$50,000 with second position, if that is acceptable to Mr. Frey the Chairman will propose it to the Board. Mr. Frey stated that he will discuss with Mr. and Mrs. Millikan, he believes it can be worked out. He believes this is the best thing for Inlet, he hopes that they see that going into the fourth year the effort he has put into this and that shows his commitment. He thanked the Board.

Mr. Farber made a motion to approve a \$50,000 loan to The Woods Inn under the terms and conditions set in Mr. Frey's letter, in terms of it being reimbursed out of the second disbursement of the grant, with the IDA retaining second position and that Ms. Wilt work with Tim Schofield to execute the documents contingent upon Mr. Frey's approval.

Mr. Frey asked if towards the middle or end of that we would come back and talk about the rest of the \$87,000, as we get further along in the process.

Ms. Wilt stated that the IDA does not have the funds to loan; \$50,000 is all that the Board has at this time.

Mr. Frey stated that they will make it work.

The Chairman called for a second on the motion. Mr. Pine seconded. Motion carried.

As there was no further business, motion to adjourn by Mr. Farber, seconded by Mr. Bateman. Carried.