**Ulster County Capital Resource Corporation**
**Minutes**
**July 9, 2014**

A regular monthly meeting of the Ulster County Capital Resource Corporation was held immediately following the meeting of the Ulster County Industrial Development Agency on Wednesday, July 9, 2014, Legislative Chambers, 6th Floor, Ulster County Office Building, 244 Fair Street, Kingston, NY.

The following agency members were present:

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| Paul Colucci | Assistant Chair/Assistant Secretary |
| Michael Horodyski | Chair |
| Robert Kinnin | Assistant Chair/Assistant Secretary |
| James Malcolm | Assistant Chair/Assistant Secretary |
| John Morrow | Secretary |
| Steve Perfit | Treasurer |

The following agency members were absent:
None.

Office of Economic Development Staff:
Linda Clark
Suzanne Holt

Ulster County Finance Office:
None.

UCIDA Attorney and Bond Counsel:

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| A. Joseph Scott | Hodgson Russ LLP |

Additional Attendees:

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| Bill Kimble | Daily Freeman |
| Michelle Gramoglia | Woodland Pond at New Paltz |
| Rachel Van Cleve | Intern, Ulster County Comptroller's Office |

Chair Horodyski called the meeting to order at 8:46 a.m.

## READING OF THE UCCRC MISSION STATEMENT

Chair Horodyski read the Mission Statement of the Corporation.

The mission of the Ulster County Capital Resource Corporation (UCCRC) is to promote community and economic development in Ulster County in ways that complement the work of Ulster County, primarily through issuing and selling bonds for non-profit institutions.

## MINUTES

**Motion** Steve Perfit, seconded by Robert Kinnin, moved to approve the Minutes of the March 28, 2014 meeting. A copy of said Minutes is on file.

**Vote**: The motion was adopted.

## FINANCIALS

Financials for the period ending May 31, 2014 were presented to the members of the Corporation.

Chair Horodyski stated that we fund this as we go to keep our ability to work with the non-profits available to us, but it is obviously not a cash creator. It is a tool that we use. It is a fairly modest financial position. A copy of said financials is on file.

**Motion**: Steve Perfit, seconded by Robert Kinnin, moved to accept the financials as presented for the period ending May 31, 2014.

**Vote**: The motion was adopted.

## PROJECTS

### Health Alliance Senior Living Corp. d/b/a Woodland Pond at New Paltz

Michelle Gramoglia, Executive Director, Woodland Pond at New Paltz addressed the members of the Corporation with reference to their application for refinancing a portion of their original debt. Woodland Pond at New Paltz is a continuing care retirement community in New Paltz. They financed through the UCIDA in 2007, with the original corporate sponsor being Kingston Hospital. The concept of a continuing care retirement community is not that common in New York State. There are only twelve communities like theirs and licensed this way. It is basically a full continuum of care for retirement age individuals. You come in at retirement age, with full amenities and an independent living environment and as you age in place, assisted living services, memory care assisted services and skilled nursing services for both long term and inpatient rehabilitation become available. As part of their licensure, in addition to having their contract holders, they also provide services on a direct admission basis to their assisted living and skilled nursing portions of the community, which means that even if you are not with us for the duration of the rest of your life, you may come in simply for assisted living services, inpatient rehabilitation or skilled nursing. Initially, the financial feasibility study that was prepared for Woodland Pond assumed that they would be full in three years or less and that the actual construction fees would cost sixty-four million dollars. They entered into a GMP, Guaranteed Maximum Price Contract, at the time of construction. All of the financing was based upon those numbers and the UCIDA assisted to secure financing through five tranches of debt for tax-exempt and one small taxable piece in 2007. Included in that initial financing, which was a total of one hundred seventeen million dollars, was sufficient surplus cash or access to working capital to get them through the expected three year fill period placed into escrow with Wells Fargo Bank as their trustee and construction phase. There were a whole series of cash disbursement requirements with the third party bank, the owner and the trustee and they sort of rolled through as the expected to fill. The Feasibility Study was based on projects that had financed in the same time period, again late 2007, based upon the community care pipeline that existed at that time and based upon a robust housing market. It also took into account the demographic residences of their primary market area, which was considered basically to be Ulster and Dutchess counties as well as some of Orange. All of that was prepared by a third party feasibility consultant. The demographic of the market has not changed. What impacted Woodland Pond and where we are now is rather than taking two and half years or so to fill, it has taken them just about five. They will be five years old on September 25, 2014. They opened in September of 2009 and they are just now hitting their stabilized occupancy number, which is the number at which the Feasibility Study expected that they would be cash-flow break even … cash flow in and cash flow out on a monthly basis was equal. They essentially lost 2010, a lot of 2011 and early 2012 because their move-ins are completely reliant on the housing market. Their residents, with the exception of the direct admits for short-term stays, sell their primary residence and move into Woodland Pond and take the proceeds from the sale and move into Woodland Pond to pay the substantial entrance fee which is ultimately refundable to them upon deceased. When the housing market contracted, their move-ins began to trickle. They stagnated at about 65% occupancy for eighteen to twenty-four months. In the last year, they have gone from approximately 70 to now we are at 91% occupied reserved and they will be 91% occupied by September, with the expectation that they will stabilize at 95% which is higher than originally projected. So the market has completely picked up; their product is amazing. They are in a wait-list status for skilled nursing and assisted living and memory care and have been for approximately one year now. They received a five star rating from the Centers for Medicare/Medicaid Services for their skilled nursing facility this past winter and they are only one of two in the Ulster, Dutchess and Orange region out of one hundred and twenty facilities. Their assisted living programming, they have the highest level of licensure that is available in New York State and have had clean surveys from the Department of Health every time with no deficiencies. All of this are things that they are very proud of; they are absolutely providing a service to the community. From an operational perspective they have achieved that high level of service and stabilized occupancy that they had hoped and expected to achieve about three years ago. In addition, they ended up seven million dollars in excess of GMP. The GMP of sixty four million dollars actually ended up being seventy one million plus. They sued the developer and lost. It actually went through arbitration. They spent significant funds on legal fees, claiming inefficient development process. The health center was delayed in opening about nine months and the project was seven million dollars over budget as she said on a sixty four million dollar GMP. So they are looking at somewhere between twelve and fifteen and much of that should have been avoided. The ultimate decision of the arbitrators was that there was no question that the development had not been successful, but the bar in New York State for development arbitration in this case under the terms of their contract was that the developer had to prove that they had attempted their best efforts and as long as they had, the outcome essentially did not matter.

Mr. James Malcolm asked essentially what is it that you are asking for.

Ms. Gamoglia responded that they are looking for a refinancing of existing debt, not to borrow any additional principle. Of the original debt, forty five million of it was variable rate demand bonds.

Mr. Malcolm stated and this is with it looking like blue skies and sunny. You are telling us your numbers; you expect to level out at 95% occupancy in the not too distant future. He didn't really see, if business is that good, why. He knows what was involved in the project. He understood how the development did not come to fruition that way it should have. He knew exactly why; there was sub-standard labor in there and there was bad ….

Mr. Paul Colucci stated that he did not think it was fair to be throwing that out there.

Mr. Malcolm disagreed. He felt that as a board member he should have his say. The developer, and he knows him very well going back and the other guy who took over the project, they put him in the jack pot. It wasn't anybody here and he could not understand re-financing that when things are looking up.

Ms. Gramoglia continued by stating that they expected at this given point in time they would have approximately fifteen million dollars in excess cash in hand; seven million of that was gone on day one because of the overages in construction and an additional two years of capital were sucked up by the departure of the housing market. At this point, they have an opportunity with their existing current bond holders are willing …. They are not asking for additional capital. They are looking to re-finance the existing debt. They have five and a half million or so of variable rate demand bonds that they are looking to term out for them at very favorable market rates. They have seven million dollars worth of extras which are adjustable rate securities that they are also looking to re-finance to set on a termed-out re-payment. Right now those are set to be paid similarly to the variable rate demand bonds, with them paying them as cash becomes available. This actually accelerates re-payment of the debt because as it stands right now, the variable rate demand bonds will not get re-paid until they hit certain cash flow indicators.

Mr. Malcolm asked how they were with their full time employees. Were the target numbers met?

Ms. Gramoglia responded in excess. We expected to have one hundred and twenty seven. We have one hundred and seventy full time equivalents. She provided an economic benefit analysis in their application and they have pumped substantial amounts of cash into the community. The bulk of their residents are not initially from this area.

Mr. Steve Perfit stated that he heard what she was saying. You are a not for profit, you serve the community and there is absolutely no reason why the corporation should not move forward with allowing them to get a lower interest rate on new bonds. He did not think there was a need to belabor this any further.

Counsel A. Joseph Scott remarked that the reason Ms. Gramoglia gave an explanation is because it is actually a very complicated financing. The cash flows are unbelievable. His firm has had personal experience with another very similar transaction in western New York that had problems due to cost over runs and the 2008 debacle.

Mr. Malcolm stated that he makes this statement, business is business. When you come here and you are going to do a project, you are essentially rolling the dice and that is what happens. He knows who the developer was; he knows that they got a bad developer. It was his opinion that Woodland Pond had exceeded expectations to get where they are based on where they came from. He was not trying to color the issue. He asked that that be placed on the record.

Chair Horodyski invited counsel to review the resolution with the members.

Mr. Perfit asked if there was a fee involved in the re-financing.

Counsel Scott responded absolutely. This is potentially scheduled to close in early September. If the amount of the bonds estimated there is approximately fourteen million dollars. At 1% that is one hundred and forty thousand dollars. He has to go back and check. We have not done a lot of re-fundings. He did not know if the full 1% was charged on re-fundings. He will have that information. He was 99% certain that they did 1% on Viking.

Chair Horodyski stated that in his mind's eye there is a fee. What that fee is will be determined.

Mr. Colucci stated a while back there was a dispute between the village and the town over the water/sewer.

Chair Horodyski responded that we will make sure that the project was "squared up" with New Paltz.

Ms. Gramoglia stated that the PILOT has always been paid timely and they are completely "squared".

Continuing Counsel Scott stated that the WHEREAS starting on the top of Page 2 basically describes the prior history of the project. As Woodland Pond indicated there were five tranches of bonds that is described in the third WHEREAS paragraph on page 2. The project previously financed is described at the bottom of page 2 in that WHEREAS paragraph. Skipping to page 4, there are some findings that will be made as the CRC, as the this issuer, those findings are described in Section 1 in terms of benefitting the project, making sure, among other things that SEQR is complied with given that this is a refinancing SEQR is very easy. This is a Type 2 action. Section 2 talks about what is needed on a going forward basis; authorize the issuance of bonds, make the loan to Woodland Pond and enter into a Loan Agreement, execute and deliver the bond documents; that is all described in Section 2. Section 3 has the conditions to our taking action, which is probably the most important part of the resolution. Among the conditions described in there include the payment of the UCCRC's administrative fee; execution of documents that are acceptable to us; if the bonds are going to be tax exempt, which is the intention, that we follow the IRS rules for that, which include holding a public hearing and getting the County Executive's approval with respect to the issuance of those bonds. It should be noted that there is a blank at the end of Section 3 for additional conditions. The application has been received from the applicant; the application fee has not been received. It is suggested that that be added there as a condition. The balance of the resolution authorizes staff to move forward with respect to the preliminary steps relating to this project including the holding of a public hearing. This public hearing because it involves the issuance of tax exempt bonds needs to be done on fourteen days notice and again it will be held in the jurisdiction where the project is located.

Mr. Kinnin asked if they needed to get any type of notification or recommendation from the bond holders. Ms. Gramoglia stated that the bond holders are on board with the refi, but do we need some sort of documentation …..

Counsel Scott responded that there will be a lot of documentation on that; they're consented to everything because we want to make sure that we are not doing this without them. We will be getting consents from the prior bond holders and the new bond holders.

Mr. Kinnin stated and your firm solicits them for their independent reassurances or does Woodland Pond submit to us?

Counsel Scott replied that what it is is a big working group; you have the trustee, the prior bank, the new underwriter who is also the old underwriter and then the underwriter will have the bond holders at the table so everyone will be there. They will have counsel; the distribution list will be fairly significant because the original financing was relatively complicated, even though this re-financing is relatively small compared to the original financing, the level of complexity is going to be relatively high but everyone will be there and we will have sign-offs and executions from everybody.

Mr. Morrow called the question.

RESOLUTION TAKING PRELIMINARY OFFICIAL ACTION TOWARD THE ISSUANCE OF REVENUE BONDS IN AN AMOUNT SUFFICIENT TO FINANCE A CERTAIN REFUNDING PROJECT FOR HEALTH ALLIANCE SENIOR LIVING CORP. D/B/A WOODLAND POND AT NEW PALTZ AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PRELIMINARY AGREEMENT WITH THE INSTITUTION WITH RESPECT TO SUCH FINANCING

**Motion**: Steve Perfit, seconded by James Malcolm, moved to approve said resolution as presented.

**Vote**: The motion was adopted as presented.

## OLD BUSINESS

None.

## NEW BUSINESS

None.

## PUBLIC COMMENT

Chair Horodyski opened the meeting for public comment. There were no individuals who requested the Privilege of the Floor. The public comment section of the Agenda was closed.

## ADJOURNMENT

**Motion**: John Morrow, seconded by Robert Kinnin, moved to adjourn the meeting

**Vote**: The motion was adopted.

The meeting was adjourned at 9:05 a.m.

Respectfully submitted,

John Morrow
Secretary