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Minutes of the Board Meeting of the Riverhead Community Development Agency, held by the Town Board of the Town of Riverhead, at Town Hall, Howell Avenue, Riverhead, New York, on Tuesday, March 17, 1998, at 2:00 p.m.

Present:

Vincent Villella,	Chairman
Mark Kwasna,	Member
James Lull,	Member
Philip Cardinale,	Member
Christopher Kent,	Member

Also Present:

Barbara Grattan,	Town Clerk
Adam Grossman, Esq.,	Town Attorney
Andrea Lohneiss,	Director CDA

Chairman Villella called the meeting to order at 2:00 p.m. and the Pledge of Allegiance was recited.

Chairman Villella: "Andrea."

Andrea Lohneiss: "This is CDA resolution No. 7, authorizes the Chairman to sign letter of agreement with First Industrial Real Estate Investment Trust. This resolution follows seven months of negotiation with the Riverhead Development Corporation as created by the Town Board and designated to undertake negotiations with the tenants or purchasers of all or portions of the Grumman site. And has received the unanimous recommendation of the RDC directors, a strong recommendation from Wilkie, Farr & Gallagher, town bond counsel, and the strong recommendation of (inaudible) the town's marketing agent."

Councilman Lull: "So moved."

Councilman Kent: "I'll second it."

Supervisor Villella: "Moved and seconded."

Councilman Cardinale: "Discussion on this, please."

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Chairman Villella: "Discussion."

Councilman Cardinale: "Yes. This resolution as one of the WHEREAS indicates will continue to market the balance of the property. I assume, number one, that the 120 day-- and it authorizes the Supervisor to sign a letter of intention. I wanted to clarify whether or not this letter of intention is binding should be receive a better offer in the interval."

Andrea Lohneiss: "As I understand the letter of intent is binding for the 120 days."

Councilman Cardinale: "And what the substance of that letter of intent is not stated in this resolution."

Andrea Lohneiss: "No, it was discussed at the work session."

Councilman Cardinale: "Right."

Andrea Lohneiss: "It's not attached because it has a confidentiality provision that was recommended by Wilkie, Farr, not to attach it."

Councilman Cardinale: "All right. The form of the letter, is there a proposed form of letter of intention? My concern is that we not lock ourselves in. A due diligence period as I understand it means a period of diligence where they check a piece out. They can walk away. I would like to make certain that we can walk away if in the interval we have a better offer. That's my reservation about this resolution."

I also have some reservation as from the remark earlier made that the wisdom of selling a piece of the piece. But my real concern is that if we did get an offer in the interval, that would be just as the buy side is able to pull out, that we be able to pull out. And, really, my only concern is this only authorizes the Chairman which I guess is Vinny, right, to sign an agreement. My concern is that we not sign an agreement which would preclude us-- which would permit them to pull out and not permit us to pull out."

Councilman Kent: "Is there any consideration we receive for taking it off the market?"

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Andrea Lohneiss: "There's an earnest money payment but I believe it's at contract signing."

Councilman Kwasna: "See, Phil, I feel this is very unfair to you where you weren't present at the work session when we discussed this. And with the Town Board-- the sitting Town Board itself not be able to sit down and speak to the principals themselves. Just go through the RDC and the broker, we're a little strapped for information ourselves."

Councilman Cardinale: "I think the real concern I have is that we're being asked to authorize Vinny to sign an agreement which-- the substance of which is not clear to me. I guess that's basically it."

Chairman Villella: "Is it clear to you, Jim?"

Councilman Cardinale: "Could I-- maybe a motion to table."

Chairman Villella: "We're going to go into recess right now. Executive session. We'll be right back."

Councilman Kwasna: "Vinny, I make a motion to go into Executive session to discuss the legal matters of this."

Councilman Lull: "Seconded."

Chairman Villella: "Moved and seconded."

Recess

Chairman Villella: "The time is 4:50 and the CDA meeting is-- Resolution Number 7. Who would like to speak on this first? Discussion."

Councilman Lull: "We took the time out so that Councilman Cardinale could have a chance to hear some of the things that we heard at the work session when this was presented to us by our bond counsel and by the RDC and by (inaudible) Ellis. And in listening to our bond counsel and making it clear what some of the answers to some of his questions were, we also had the chance to talk among ourselves to clarify some things. And there is a strong point to

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be made for the issue of parcelizing this property and for the idea of selling the industrial core or at least beginning the negotiations for selling which is essentially what this resolution does. It begins the negotiations.

We have to realize that the-- that (inaudible) Ellis has entertained as many as 50 or 60 proposals for this property. They have showed-- sorry-- they have undertaken-- I'm not going to say 50 or 60, that's probably a larger number, yes, 30 or 40. They have shown the property more than 20 times to prospective lease or purchase possibilities and they have-- yes, they have shown the property over 50 times in their discussion with the people who finally came up with the 20 or so serious proposals.

This proposal has been in the discussion stages with this particular corporation, has been in the discussion stages for six months. This is not a proposal that has been entered into lightly. It is not something that can be done quickly. It is a proposal that we set up based on a procedure that we set up last year to get to serious proposals for the property so that when a proposal comes to us for discussion, as several have come to us for discussion, when they come to us for discussion, they will have already the background information that has been collected by (inaudible) Ellis, by the RDC, by our own CDA. And has already been visited by our bond counsel.

So when this comes to us this evening, or this afternoon, moving in on this evening, we are looking at something that has been in existence in the discussion stages for six months. The CDA has been in existence for a little less than two years and this is the major proposal that they have brought to us.

We are aiming for whatever purpose-- whatever way we go about dealing with the former Grumman property, we are dealing with a need to replace a tremendous number of jobs that were lost, there were 3,000 jobs that were lost, with the disappearance of Grumman from the midst of our town. In dealing with an organization which has-- with this organization has decided that they would pay a price for the central core which is in keeping with the value of the property and they will be making all the improvements, all the infrastructure improvements, they will be handling almost all of the other expenses for the property and they will be marketing this property in a way

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that is going to bring about some long term, good paying, family supporting jobs. That's what we said two years ago and that's what other people have said right along. This is what we have to do. It is this particular section of the property is not a seasonal section of the property. The way it is being approached by this company, it will not be seasonal jobs. These will be jobs that will be developed that will be full time, family supporting jobs. And those people who had to abandon such jobs because of the loss of Grumman, can feel at least somewhat vindicated by the movement towards making sure that the industrial core of this property continues to be a place where there are going to be industrial jobs which are going to be developed. At the same time, selling this property or being in negotiations for selling this property puts the town in a position of strength having to do with the rest of the property. Because there's still 2,200 acres or more that is going to be available for whatever purpose. Whatever sales that we can do, whatever conditions we can meet, so that we can take the town out of the position of being a real estate salesman, being in the real estate business, is what we're aiming for.

And so the creation of jobs, putting the town in a position of supporting development rather than of being a real estate agent and making sure that the amount of money that is coming from this particular offer is an amount of money that is within the expert's belief of the worth of the property and the worth of the property in this place at that time.

All of these things have been satisfied. And so I am very pleased with the work that has been done by the Community Development Agency at this point, and with the RDC, and with (inaudible) Ellis and we thank them for their hard work for screening these candidates and bringing these candidates to us with proposals that we know are proposals that are going to work and can be supported by the strength of the candidate that we are dealing with."

Chairman Villella: "Thank you, Jim. Phil, you have something to say?"

Councilman Cardinale: "Yes, I wanted to thank the members of the Board for-- and is this on? I wanted to thank the members of the Board and also we had an opportunity to talk to our counsel, Steve Klein, about this vote and this issue. And I had not been at

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the work session because I was out of town this week. I have reservations about the issue of parcelization, I have reservations about the issue of valuation. I have reservations about the details of the letter of intent which will be placed before Vinny in the next few days. I also have some reservations because apparently the letter of intent which as proposed was presented on March 12th, 1998 and I haven't had the opportunity to study it with the care I'd like to although I know that Chris has taken a great deal of time this week to review it and discuss it.

What, however, this motion-- this resolution does is simply authorizes Vinny to sign in his-- if he wishes to sign-- the letter of intent. The letter of intent has some very-- the draft I have seen of it, has some very unusual and unique conditions to it. Vinny's judgment is good; my access to Vinny is good. The concept of a sale versus a lease or master lease is attractive to me which leads me to a middle position. I also don't want this to be a vote where I break with my colleagues.

I am not comfortable voting at this point for it so I intend to abstain. However, I do think that we have the votes here to carry it and the reason I'm abstaining is for the reasons I've indicated."

Chairman Villella: "Thank you, Phil. Chris."

Councilman Kent: "Can I just explain something? As Phil stated, this is a resolution that authorizes the Supervisor to sign a letter of agreement. That letter of agreement-- I do not believe the letter of agreement that we have before us today is the final version. I do believe there will be some amendments and modifications to this agreement. This process will be ongoing in the next couple of days. What we're doing here today is giving him the power to sign it once it is final. And I know there are a couple of items in the letter that I would like to see changed and I believe after speaking with the broker, there's a couple of items that I think we will be able to change. So I would like-- first of all, I would like to state that the RDC is made up of businessmen who we have appointed. They've been serving in that capacity for a couple of years. They unanimously have endorsed this proposal and they brought it before us last week with explanations, with reasons for their support, and together with real estate counsel from Wilkie,

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Farr, they elaborated all of the issues that they felt was positive about this proposal.

I am not so concerned about parceling out the property. I believe it's appropriate in this instance. We have a piece of property that is completely developed at its core and at its core only. All the outlying properties are raw land and I believe there is a very good and valid reason to take a property that has been already developed and parcel it out and sell it as industrially zoned property. We would then take the balance of the property and there would be people who want to use raw land and want to develop raw land. I think it's appropriate for people who come forward with proposals to develop raw land to be able to only have to deal with the raw land.

So I think it's appropriate, I think it's a valid move by this Town Board to sell the parcel that's already developed and already in use and to continue the uses which are being undertaken on those parcel. There are certain buildings there now.

Again, this proposal is going to continue to evolve in the next couple of days. There are a couple of items that in speaking to counsel today he felt we could work on. And what this then allows is 120 day period for the purchaser to complete their due diligence and then, hopefully, we will have a large sum of money and large sums of money every year hereafter collected through taxes, through interest on the money for the purchase price, and through other arrangements that we're in the negotiation process to receive. So I'm going to be supportive of this and I will work with Vinny and Phil and other members of the Board to finalize a couple of the items which I feel are still outstanding and need to be finalized. And, hopefully, by the end of this week, we will have a document that will serve the town well for a number of years, you know, to come, and will provide us with a lot of money. So I'm going to-- I support this resolution."

Councilman Cardinale: "I also want to point out that this resolution authorizes the Chairman to sign the letter of agreement. This letter of agreement although binding by its terms, inclusive of the conditions within it, anticipates a contract, which this resolution does not authorize the signing of yet."

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Councilman Kent: "Yes, the contract would be-- there would be a subsequent contract which we would enter and at that point they would put down earnest money, or down payment as most people term it, and at that point then we would be in contract to sell the property.

What this letter of intent provides is that both parties agree to give the purchaser the opportunity to do its due diligence to make the determination of whether they are going to go forward and enter a contract of sale."

Chairman Villella: "Thank you, Chris. And also we're dealing from strength I think you touched on that. This is what Wilkie, Farr has been telling us and everything because we will have money on line so we won't be dealing from weaknesses. We'll be dealing from strength. So if other groups want to come into this picture, we welcome them with open arms and we-- I think we can make a tremendous partnership with the groups that have been coming forward to us even though at the last minute, the 11th hour they've been coming to us, they are good proposals, but we have to deal with them on the rest of the property.

I-- it's a hard decision. I know we're ready to vote on it and whoever wants to second it and move-- "

Andrea Lohneiss: "I have a motion from Member Lull and a second from Member Kent."

Chairman Villella: "Well, it's moved and seconded."

The Vote: "Member Cardinale, abstain; Member Kent, yes; Member Kwasna."

Member Kwasna: "I would just like to say that I feel uncomfortable voting on a resolution as it has been stated by the other councilmen, that may evolve in the next few days before it's signed by the Supervisor. We do not know at this point whether it will evolve in the next few days or stay the same as it is right now. We do have some questions on a few of the finer points of the letter of intent and I feel that until those pieces are worked out, that this resolution should not be voted on. So I abstain."

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The Vote (Cont'd.): "Member Lull, yes; Chairman Villella, yes.
The Resolution is adopted."

Chairman Villella: "Now we have to close the CDA meeting."

Meeting closed: 5:07 p.m.

*Barbara Lutton
Crown Club*

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Adopted

Town of Riverhead Community Development Agency

Resolution # 7

Authorizes Chairman to Sign Letter of Agreement with First Industrial Real Estate Investment Trust, Inc. (REIT)

COUNCILMAN LULL offered the following resolution,

which was seconded by COUNCILMAN KENT :

WHEREAS, the Community Development Agency (CDA) anticipates receiving title to the Naval Weapons Industrial Reserve Plant (NWIRP) site from the U.S. Navy on or about March 31, 1998; and

WHEREAS, First Industrial REIT has made a competitive offer to purchase the industrial core of approximately 500 acres, inclusive of buildings and the 10,000 foot runway; and

WHEREAS, said the terms of the proposal include a full cash payment at closing that would provide significant income to the Town of Riverhead; and

WHEREAS, the sale of a portion of the property to a master owner/developer will further provide additional revenue to the Town of Riverhead through the payment of real property taxes levied upon land improvements; and

WHEREAS, said purchase would obviate the Town of Riverhead from operation and maintenance responsibilities, anticipated to approach \$3 million annually, as well as infrastructure improvements estimated at \$5 million; and

WHEREAS, the RDC and the CDA will continue to market the balance of the property (2,400 acres less the 400 acres in the Pine Barrens core) to desirable tenants/purchasers; and

WHEREAS, the Riverhead Development Corporation (RDC) is incorporated as a Local Development Corporation pursuant to Not-For-Profit Corporation Law as a Type C Corporation for the purpose of the economic redevelopment of the former Naval Weapons Industrial Reserve Plant (NWIRP) at Calverton through the stimulation of economic growth and commercial, industrial, recreational and tourism development pursuant to an approved Comprehensive Reuse Plan; and

WHEREAS, the RDC Board of Directors by Resolution #4 unanimously recommended to the CDA the execution of a letter of agreement with First Industrial REIT based on the

substantial merits of their proposal and supported by evaluation and recommendation of the real estate advisor and legal counsel.

THEREFORE, BE IT RESOLVED, that the CDA authorizes the Chairman to sign a letter of agreement with First Industrial REIT in the form agreed to by the two parties initiating a due diligence period not to exceed 120 days.

The Vote:

Member Cardinale
Member Kent
Member Kwasna
Member Lull
Chairman Villella

abstain
Yes
Abstain
Yes
Yes