

NORTHERN NEW YORK POWER PROCEEDS ALLOCATION BOARD

MINUTES

June 13, 2018 – 3:00 P.M.

NYPA'S St. Lawrence – FDR Power Project
Frank S. McCullough, Jr. Hawkins Point Visitors Center
21 Hawkins Point Road
Massena, New York 13662

Table of Contents

<u>Subject</u>	<u>Page No.</u>
Opening Remarks	2
1. Adoption of the June 13, 2018 Proposed Meeting Agenda -Conflicts	3
2. Adoption of the February 14, 2018 Meeting Minutes	4
3. Fund Update (Richard Smith)	5
4. Award of Fund Benefits from the Northern New York Economic Development Fund – Round 3 (Patricia Wilson)	7
OTHER BUSINESS	
5. Next Meeting (Patrick Kelly)	12

Minutes of the Meeting of the Northern New York Power Proceeds Allocation Board held via video conference in Massena, New York.

Board Members Present:

Patrick Kelly (**Chair**)
Theresa Phalon
Robert McNeil
Roger Sharlow
Ian Maxwell

NYPA Staff Present:

Karen Delince	Vice President & Corporate Secretary (<i>via video in White Plains</i>)
Patricia Wilson	Northern New York Project Manager
Richard Smith	Business & Project Development Director
Karen White	Manager Community Relations, Northern New York
Valerie Venuti	Law Department Administrative Assistant (<i>via video in White Plains</i>)

Public Attendees Present:

Bob Beckstead	Johnson Newspapers
Matt Benedict	SRMT
Eric Gustafson	

Opening Remarks

Chairman Kelly welcomed members of the Board, the staff of North County Regional Economic Development Council, and the staff of the New York Power Authority (“NYPA”). He stated that this meeting of the Board had been duly noticed as required by the Open Meetings law. The meeting was called to order at 3:00 p.m.

1. **Adoption of the June 13, 2018 Proposed Meeting Agenda**

Member Maxwell made a motion to adopt the June 13, 2018 meeting agenda. The motion was seconded by member Phalon. The agenda was unanimously adopted.

Conflicts of Interest

Chairman Kelly stated that members were polled prior to the meeting regarding possible conflicts of interest. The Chairman stated that he will be abstaining from the discussion and vote before the Board given his role as CEO for the IDA Local Development Corporation. Member McNeil said he would also abstain from the discussion and vote today due to his involvement with the River Valley Redevelopment Agency.

2. Adoption of the February 14, 2018 Meeting Minutes

Chairman Kelly asked whether there were any amendments to the Minutes. Upon motion made by member Phalon and seconded by member Maxwell, the February 14, 2018 meeting minutes were unanimously adopted.

3. Fund Balance Update

Richard Smith submitted the following Northern New York Fund Update report:

		<i>As of</i>
Northern New York Economic Development Fund Update¹		April-18
The Fund		
<i>this</i>	Total Deposits to the Fund to Date:	\$3,507,000
<i>plus</i>	Total Interest Earned on Deposits to Date:	\$29,217
=	Total Funds Deposited:	\$3,536,217
Expenditures		
<i>this</i>	Total Funds Deposited:	\$3,536,217
	Total Administrative Expenses Withdrawn:	\$0
	Disbursements to Grantees:	(\$108,874)
<i>plus</i>	Total Expenditures:	(\$108,874)
=	Current Fund Balance:	\$3,427,343
Awards		
<i>this</i>	Total Funds Deposited:	\$3,536,217
	Standard Projects:	\$730,000
	Energy Related Projects ² :	\$0
<i>minus</i>	Total Fund Benefits Awarded³:	\$730,000
=	Total Fund Benefits Available to be awarded by the NNYPPAB⁴:	\$2,806,217
Energy-Related Projects		
<i>this</i>	Minimum Amount (15%) of the Fund Dedicated to Energy-Related Projects:	\$526,050
<i>minus</i>	Total Awards (0%) Made for Energy-Related Projects to Date (not including today):	\$0
=	Fund Benefits Currently Available to be Awarded for Energy-Related Projects Only:	\$526,050
Today's Recommendations		
<i>this</i>	Standard Projects:	\$370,000
<i>plus</i>	Energy-Related Projects or Project Components:	\$0
=	1 Total Recommendations Before the NNYPPAB Today:	\$370,000
St. Lawrence County Economic Development Power ("SLCEDP")		
Total Estimated Unallocated SLCEDP Available to Generate Net (MW)⁵:		20

¹ The "Fund", known as the "Northern New York Economic Development Fund", is created and administered by the New York Power Authority ("NYPA"). It is funded with the aggregate excess of revenues ("Net Earnings") received by NYPA from the sale of unallocated St. Lawrence County Economic Development Power ("SLCEDP") produced at NYPA's St. Lawrence-FDR Power Project that is sold in the wholesale energy market over what revenues would have been received had such Power been sold on a firm basis to the Town of Massena Electric Department for Economic Development Purposes.

² As defined by the Northern New York Power Proceeds Allocation Act, a minimum of 15% of Fund Benefits shall be dedicated to "energy-related projects, programs and services". In accordance with EDL § 197-a(7), "energy-related projects, programs and services" means: (1) energy efficiency projects and services; (2) clean energy technology projects and services; (3) high performance and sustainable building programs and services; and (4) the construction, installation and/or operation of facilities or equipment done in connection with any such projects, programs or services.

³ Funds awarded to applicants to the Fund who are recommended for an award by the NNYPPAB and approved by the NYPA Trustees are known as "Fund Benefits." Disbursement of Fund Benefits is subject to satisfaction of certain terms and conditions.

⁴ Total Fund Benefits Available to Be Awarded is calculated as Total Funds Deposited minus the sum of Total Fund Benefits Awarded and Total Administrative Expenses Withdrawn.

⁵ Unutilized St. Lawrence County Economic Development Power ("SLCEDP") consists of an estimate of unallocated hydropower. For the first five year following the effective date, the amount of SLCEDP used to generate excess earnings shall be the lesser of 20 MW or the amount of SLCEDP that has not been allocated. Beginning five years from the effective date, the amount of SLCEDP used to generate excess earnings shall be the lesser of 10 MW or the amount of SLCEDP that has not been allocated.

NNYEDF Awards

NNYPPAB		
Recommendation Date (Multiple Items)		▼
County	Company	Sum of NNYPPAB Approved \$\$
☒ St. Lawrence	Canexsys	\$200,000
	Clarkson University	\$60,000
	North Country Children's Museum	\$140,000
	St. Lawrence Zinc Co., LLC	\$330,000
St. Lawrence Total		\$730,000
Grand Total		\$730,000

Chairman Kelly thanked Mr. Smith for the report.

4. Award of Fund Benefits from the Northern New York Economic Development Fund (Patricia Wilson)

Ms. Wilson, Northern New York Project Manager, submitted the following report and resolution for consideration and adoption:

“SUMMARY

The Northern New York Power Proceeds Allocation Board (“Allocation Board” or “Board”) is requested to recommend to the Board of Trustees of the Power Authority of the State of New York (“NYPA” or “Authority”) that an award of Fund Benefits be made to AmTech Yarns, Inc. (“AmTech”). The applicant’s project and the amount of the award recommended is discussed in Exhibit “A”.

BACKGROUND

1. The Northern New York Power Proceeds Allocation Act

On December 29, 2014, Governor Cuomo signed into law the Northern New York Power Proceeds Allocation Act (the “Act”). The Act adds provisions to two chapters of consolidated law, the Economic Development Law (“EDL”), and the Public Authorities Law within the Power Authority Act, the enabling statute of the New York Power Authority (“NYPA”) (collectively, the “Statutes”).

As discussed in more detail below, the Act creates a program, administered by NYPA and the Board, to support economic development in Northern New York (“Program”). Under the Program, financial assistance known as “fund benefits” (“Fund Benefits”) may be awarded to “eligible applicants” for “eligible projects” based on criteria set forth in the Statutes.

Under the Act, an “eligible applicant” is a private business, including a not-for-profit corporation that is a private business. “Eligible projects” is defined to mean “economic development projects” that are or would be physically located within St. Lawrence County that will support the growth of business in St. Lawrence County and thereby lead to the creation or maintenance of jobs and tax revenues for the state and local governments. “Eligible projects” include, for example, capital investments in buildings, equipment, and associated infrastructure owned by an eligible applicant; transportation projects under state or federally approved plans; the acquisition of land needed for infrastructure; research and development where the results of such research and development will directly benefit New York State; support for tourism and marketing and advertising efforts for St. Lawrence County tourism and business; and energy-related projects.

Eligible projects do not include, and Fund Benefits may not be used for, public interest advertising or advocacy; lobbying; the support or opposition of any candidate for public office; the support or opposition to any public issue; legal fees related to litigation of any kind; expenses related to administrative proceedings before state or local agencies; or retail businesses as defined by the board, including without limitation, sports venues, gaming and gambling or entertainment-related establishments, residential properties, or places of overnight accommodation.

2. *The Northern New York Economic Development Fund*

NYPA and the Town of Massena Electric Department (“Massena”) are parties to a contract that provides for NYPA’s sale of up to 20 megawatts (“MW”) of hydropower known as “St. Lawrence County Economic Development Power” (“SLCEDP”) to the Town. As detailed in the Statutes, NYPA is authorized to sell unallocated SLCEDP into the market to generate revenue for the Program. The Statutes provide that NYPA will deposit proceeds from such sales into the Fund no less than quarterly.

At least 15% percent of the Fund is dedicated to eligible projects which are “energy-related projects, programs and services,” which are defined as “energy efficiency projects and services, clean energy technology projects and services, and high performance and sustainable building programs and services, and the construction, installation and/or operation of facilities or equipment done in connection with any such projects, programs or services.”

Monies from the Fund – Fund Benefits – are paid to awardees in the form of grants, and staff expects that in most cases, Fund Benefits will be disbursed as reimbursement for expenses incurred by an awardee. Allocations of Fund Benefits may only be made on the basis of monies that have been deposited in the Fund. No award may encumber funds that have not been deposited in the Fund.

3. *Northern New York Power Proceeds Allocation Board*

Under the Act, the Allocation Board’s primary responsibilities regarding applications for Fund Benefits under the Program are to (i) administer the application process, (ii) make determinations relating eligibility, and (iii) where an applicant and project are eligible, evaluate applications against the criteria in the Statutes, and make a recommendation to the NYPA Board of Trustees on whether an applicant should be awarded fund benefits. The Allocation Board uses the criteria based on criteria that are applicable to EP, RP and PP allocations, and for revitalization of industry, as provided for in Public Authorities Law § 1005.

Additionally, the Board is authorized to consider the extent to which an award of Fund Benefits is consistent with the strategies and priorities of the North Country Regional Economic Development Council (“NCREDC”), which covers the region in which an eligible projects may be proposed.

At its meeting on January 25, 2017, the Board, in accordance with the Act, adopted by-laws, operating procedures, guidelines related to the application, and a form of application. A copy of the relevant criteria (collectively, “Program Criteria”), adapted from this Board’s “Procedures for the Review of Applications for Fund Benefits,” is attached as Exhibit “B” to this memorandum.

The Board also defined “retail business” to mean “a business that is primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services.”

Finally, the Board designated NYPA’s Economic Development Manager, North Country, to Act on behalf of the Board related to administrative matters.

4. *Application Process*

A webpage has been created and is hosted on WWW.NYPA.GOV/NNYPPAB with application instructions, a link to the approved application form and other program details including a contact phone

number and email address staffed by NYPA. A rolling application process is used and the Allocation Board meets regularly to consider applications for Fund Benefits.

DISCUSSION AND RECOMMENDATIONS

In this third round, the Allocation Board has before it one application, which has been made available for Board review. Staff analyzed the application and is now making a recommendation to the Board.

As detailed in Exhibit "A", the AmTech application seeks Fund Benefits to support a building expansion, the purchase of machinery and equipment and reimbursement of other costs related to its proposed project. The project is intended to locate manufacturing operations in Massena, NY. The applicant indicates it intends to create 18 jobs over seven years and that it would spend approximately \$3,700,000 on this project.

Based on a review of this application and consideration of relevant Program Criteria, Staff recommends that the Allocation Board recommend to the NYPA Trustees that this applicant receive an award of Fund Benefits in the amount indicated on Exhibit "A".

To the extent the application proposes a project that must receive approval and/or comply with other legal requirements, such as the State Environmental Quality Review Act, before the project may proceed, Staff recommends that any affirmative recommendation by the Board for such projects not be forwarded to the NYPA Board of Trustees for action until after the Board receives appropriate notification that all such approvals and requirements have been satisfied, and that such recommendations be made subject to further consideration by the Board in the event that such approvals and/or legal requirements are not satisfied.

PROJECT STATUS

Under the Act, a recommendation for Fund Benefits by the Allocation Board is a prerequisite to an award of Fund Benefits by NYPA. Upon a showing of good cause, NYPA has discretion to adopt the Allocation Board's recommendations or to award Fund Benefits in different amounts or on different terms than recommended by the Board. In addition, the Authority is authorized to include in any contract providing for the implementation of an award ("Award Contract") any terms and conditions that NYPA deems appropriate.

Given the preliminary stage of the project identified in Exhibit "A" Staff is not in a position to recommend proposed definitive terms and conditions that should be included in any Board recommendation for an award, but Exhibit "A" offers general considerations relating to disbursement of fund benefits for NYPA's consideration. It is anticipated that NYPA staff, in consultation with Board Staff, would negotiate final terms and conditions if an award is made after the receipt of more detailed information concerning the project.

RECOMMENDATION

Based on the foregoing discussion and information, Staff recommends that the Allocation Board recommend to the NYPA Board of Trustees that the applicant listed in Exhibit "A" receive an award of Fund Benefits in the amount recommended in the Exhibit for the project proposed.

For the reasons stated, Staff recommends the adoption of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

RESOLUTION

NOW THEREFORE BE IT RESOLVED, That the Northern New York Power Proceeds Allocation Board ("Allocation Board") hereby recommends that the Power Authority of the State of New York ("NYPA") make an award of Fund Benefits to the applicant listed in Exhibit "A" in the amount recommended therein, for the reasons set forth in the attached memorandum and any attachments thereto; provided that (i) if the application proposes a project that must receive approvals and/or comply with other legal requirements, such as the State Environmental Quality Review Act, before it may proceed, the recommendation for such application shall not be forwarded to NYPA until Staff, on behalf of the Board, receives appropriate notification that such legal approvals and/or requirements which are necessary for the project to proceed have been satisfied, and (ii) such recommendations shall be subject to further Board review in the event that such approvals and/or legal requirements are not satisfied; and be it further

RESOLVED, That Staff is authorized on behalf of the Allocation Board to transmit the Board's decision and recommendations to NYPA subject to the qualification stated above regarding legal approvals and/or requirements, and to do any and all things and take any and all actions to effectuate the Board's decision and the foregoing resolution."

a. **Recommendation for Award**

AmTech Yarns, Inc. ("AmTech") (Exhibit A)

In this third round of allocations, Ms. Wilson recommends an award benefit of \$370,000 to AmTech Yarns, Inc. to establish a location in Massena. AmTech will manufacture high-performance fibers for various markets, including, but not limited to, the aerospace, military and auto industries. After considering locations outside of the country, AmTech would like to occupy an existing building in Massena with the intent to expand in order to house the equipment required for the production of their materials.

The \$3.7M project would include the expansion, machinery purchases, as well as enable AmTech to boost U.S. sales, supply export markets and create nearly 20 new jobs over the course of seven years.

This project aligns with the priorities of the North Country Economic Development Council, supporting capital investment in the region, export activity, energizing communities, and leveraging gateways to Canada.

Upon motion made by member Maxwell and seconded by member Sharlow, the Board adopted the resolution to award fund benefits to AmTech Yarns, Inc. in the amount of \$ 370,000. (Exhibit "A") with three in favor and two abstentions.

5. Next Meeting and Adjournment

Chairman Kelly stated that the next meeting of the Board is scheduled for August 1, 2018 at 3 p.m. at the St. Lawrence/FDR Power Project. He stated that if members have no additional business, he would entertain a motion to adjourn.

Upon motion, duly made and seconded, the meeting was adjourned at 3:08 p.m.

Exhibit A

Applicant Name:	AmTech Yarns, Inc. ("AmTech")	REDC Region:	North Country
Project Type:	Business Investment	County:	St. Lawrence
Industry:	Fiber, Yarn and Thread Manufacturing	Locality:	Massena
Amount Requested:	\$740,000	Start Date:	4/1/18
		Finish Date:	1/1/19
RECOMMENDED OFFER			
Recommended Total Award:	\$370,000		
Total Project Cost:	\$3,700,000		
% of Project Cost Recommended:	10%		
PROJECT BUDGET (Proposed by Applicant)			
Use of funds	Amount	Source of Funds	Amount
Machinery & Equipment	\$2,530,000	NNY EDF	\$740,000
Building Expansion	\$500,000	SLCIDA	\$1,110,000
Building	\$450,000	Company Equity	\$987,000
Hard Costs Contingency	\$100,000	Sr. Company Debt	\$863,000
Soft Costs Contingency	\$50,000		
Engineering Design	\$40,000		
Legal/Accounting	\$30,000		
Total:	\$3,700,000	Total:	\$3,700,000
REGIONAL IMPACT MEASUREMENTS			
Job Commitments:	Applicant would create 18 full time positions at the project location over seven years.		
Average Salary of Jobs:	\$34,000		
Indirect Jobs Created	n/a		
Other Impact			
PROJECT DESCRIPTION (Adapted from Application)			
<p>AmTech is a recently formed subsidiary of Seaway Yarns, Inc. a Cornwall, Ontario company that specializes in manufacturing a variety of twisted, air entangled and air textured high performance yarns for application in aerospace, fire-fighting, military, automotive, wire cabling, rope and cordage, and other industries. AmTech seeks funding to establish a U.S. manufacturing facility in the Massena Industrial Park where it would lease to own a building, purchase machinery and equipment and incur costs necessary for it to become the only North American producer of nylon threading, thereby creating a low cost alternative for customers who currently purchase from Colombian or Slovakian suppliers and incur high shipping and inventory carrying costs. The project would help AmTech expand an existing building to accommodate machinery and equipment that requires 45' ceilings. AmTech would create 18 new jobs and open US bidding opportunities by offering to prospective customers a low cost US based supply alternative.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
SLCIDA PILOT	\$148,275	ESD Excelsior Tax Credit	\$180,000
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT	STATUS	
N/A	\$		
BASIS FOR RECOMMENDATION			

As the Company has considered Canadian and North Carolina location alternatives, the project would help support foreign direct investment in New York State by attracting a Canadian company to St. Lawrence County. AmTech initially plans to hire 18 people over the next seven years. As AmTech plans to ship nylon threading to Canada, this project would support export activity, which would bring additional economic value to the region. The project also aligns well with NCREDC strategies and priorities, which in part include energizing communities by building on growth in manufacturing industries and leveraging gateways to Canada.

ANTICIPATED DISBURSEMENT TERMS

Fund Benefits would be used to reimburse the applicant for a portion of costs associated with the project. It is anticipated that funds will be disbursed in arrears upon project completion. Payment will be made upon presentation to NYPA of invoices and such other documentation acceptable to NYPA verifying the applicant has incurred eligible expenses of approximately \$3,700,000.

Exhibit B

Criteria adapted from the “Board Procedures, and Board Policies Relating to the Review of Applications for Fund Benefits”, adopted by the Northern New York Power Proceeds Allocation Board

1. The extent to which an award of Fund Benefits would be consistent with the strategies and priorities of the North Country Regional Economic Development Council (“NCREDC”). Such strategies and priorities include the following:
 - Energize our communities by building on growth in the aerospace, transit equipment, defense, biotech, energy, and manufacturing industries
 - Leverage our gateway to Canada, the nation’s largest trading partner, to lead the State in global investment
 - Attract and nurture entrepreneurs through innovation to catalyze the highest per capita rate of small business start-ups and expansions in the state
 - Invest in community development infrastructure that expands opportunities and capacity
 - Innovate effective rural healthcare and education delivery networks
 - Elevate global recognition of the region as one of the special places on the planet to visit, live, work and study
 - Activate tourism as a driver to diversify our economies by creating demand to accelerate private investment
 - Invest in agriculture as we help feed the region and the world
 - Create the greenest energy economy in the state
2. Whether the eligible project would occur in the absence of an award of Fund Benefits.
3. The extent to which an award of Fund Benefits will result in new capital investment in the State by the eligible applicant and the extent of such investment.
4. Other assistance the eligible applicant may receive to support the eligible project.
5. The type and cost of buildings, equipment and facilities to be constructed, enlarged or installed if the eligible applicant were to receive an award of Fund Benefits.
6. The eligible applicant's payroll, salaries, benefits and number of jobs at the eligible project for which an award of Fund Benefits is requested.
7. Where applicable, the number of jobs that will be created or retained within St. Lawrence County and any other parts of the State in relation to the requested award of Fund Benefits, and the extent to which the eligible applicant will agree to commit to creating or retaining such jobs as a condition to receiving an award of Fund Benefits.
8. Whether the eligible applicant is at risk of closing or curtailing facilities or operations in St. Lawrence County and other parts of the State, relocating facilities or operations out of St. Lawrence County and other parts of the State, or losing a significant number of jobs in St. Lawrence County and other parts of the State, in the absence of an award of Fund Benefits.¹

9. The significance of the eligible project that would receive an award of Fund Benefits to the economy of the area in which such eligible project is located.
10. For new, expanded and/or rehabilitated facilities, the extent to which the eligible applicant will commit to implement or otherwise make tangible investments in energy efficiency measures as a condition to receiving an award of Fund Benefits.²

¹ Job creation and retention are key indicators of economic activity. However, the Allocation Board recognizes that certain investments may increase productivity and revitalize areas without immediately increasing permanent employment. Therefore, job creation/retention commitments will be emphasized primarily in the Business Investment Track. While job creation and retention may not be a significant factor for other Tracks, demonstration of economic development benefits to the Region will generally be considered favorably when assessing applications under all Tracks.

² As provided for in Economic development Law § 197-c(4), many of the criteria are adapted from criteria used in determining eligibility for Expansion Power, Replacement Power and Preservation Power under Public Authorities Law (“PAL”) § 1005(13). Certain criteria identified in PAL § 1005(13) are relevant to power allocations under these programs and do not have any logical application to the allocation of Fund Benefits. Therefore, the Board does not expect to use these criteria to evaluate applications for Fund Benefits.