

NORTHERN NEW YORK POWER PROCEEDS ALLOCATION BOARD

MINUTES

October 16, 2019 – 4:00 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

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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 (excused)
Theresa Phalon (Acting Chair)
Roger Sharlow (excused)
Ian Maxwell
Robert McNeil

NYPA Staff Present:

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

Opening Remarks

Member Phalon welcomed members of the Board, the staff of North County Regional Economic Development Council, and the staff of the New York Power Authority (“NYPA”). She 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 4:04 p.m.

1. **Adoption of the October 16, 2019 Proposed Meeting Agenda**

Member McNeil made a motion to adopt the October 16, 2019 meeting agenda. The motion was seconded by member Maxwell. The agenda was unanimously adopted.

Conflicts of Interest

Member Phalon stated that members were polled prior to the meeting regarding possible conflicts of interest, and all indicated they did not have any conflicts.

2. Adoption of the November 14, 2018 Meeting Minutes

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

3. Fund Balance Update

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

Northern New York Economic Development Fund Update¹		<i>As of</i> August-19
The Fund		
<i>this</i>	Total Deposits to the Fund to Date:	\$4,809,000
<i>plus</i>	Total Interest Earned on Deposits to Date:	\$124,156
=	Total Funds Deposited:	\$4,933,156
Expenditures		
<i>this</i>	Total Funds Deposited:	\$4,933,156
	Total Administrative Expenses Withdrawn:	\$0
	Disbursements to Grantees:	(\$235,000)
<i>plus</i>	Total Expenditures:	(\$235,000)
=	Current Fund Balance:	\$4,698,156
Awards		
<i>this</i>	Total Funds Deposited:	\$4,933,156
	Standard Projects:	\$1,674,905
	Energy Related Projects ² :	<u>\$0</u>
<i>minus</i>	Total Fund Benefits Awarded³:	\$1,674,905
=	Total Fund Benefits Available to be awarded by the NNYPPAB⁴:	\$3,258,251
Energy-Related Projects		
<i>this</i>	Minimum Amount (15%) of the Fund Dedicated to Energy-Related Projects:	\$721,350
<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:	\$721,350
Today's Recommendations		
<i>this</i>	Standard Projects:	\$131,690
<i>plus</i>	Energy-Related Projects or Project Components:	\$37,422
=	1 Total Recommendations Before the NNYPPAB Today:	\$169,112
St. Lawrence County Economic Development Power ("SLCEDP")		
	Total Estimated Unallocated SLCEDP Available to Generate Net (MW)⁵:	20
<p>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.</p>		
<p>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.</p>		
<p>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</p>		
<p>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.</p>		

⁵ Unutilized St. Lawrence County Economic Development Power ("SLCEDP") consists of an estimate of unallocated hydropower. For the first five years 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
	Empire State Mines	\$330,000
	Kingston Pharma LLC	\$200,000
	AmTech Yarns, Inc.	\$370,000
	SLC Chamber of Commerce	\$220,305
	Queenaire Technologies, Inc.	\$59,600
	Criscitello & Criscitello LP	\$95,000
St. Lawrence Total		\$1,674,905
Grand Total		\$1,674,905

Member McNeil inquired about AmTech Yarns, to which Patricia Wilson replied that they are waiting on paperwork to move forward with their disbursement and the company is also considering expanding their facility.

Member Phalon 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 Structural Wood Corporation (“SWC” or “Applicant”). The Applicant’s project and the amount of the award being recommended is discussed below and in Exhibits “A” and “A-1”.

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 project 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

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 regarding the application.

As detailed in Exhibit "A-1", the SWC application seeks Fund Benefits to support a building acquisition and improvements, the purchase of machinery and equipment, and reimbursement of other costs for other improvements related to its proposed project to support a business expansion. The Applicant indicates that as part of the project it would create 7 full time positions over 7 years and spend approximately \$845,562 on this project. Included as part of the project is the installation of energy efficient equipment, such as heating and lighting upgrades. A Fund Benefits award would target the energy efficient equipment, which would allow the Proceeds Program to access the component of the Fund that is reserved for energy-related projects, programs and services.

Based on a review of the application and consideration of relevant Program Criteria, Staff recommends that the Allocation Board recommend to the NYPA Trustees that the Applicant receive an award of Fund Benefits in the amount indicated on Exhibits "A" and "A-1".

To the extent that this 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 projects identified in Exhibit "A-1", 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-1" 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 SWC receive an award of Fund Benefits in the amount proposed in Exhibits "A" and "A-1".

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 Structural Wood Corporation in the amount recommended in Exhibits "A" and "A-1" 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**
Structural Wood Corporation ("SWC") (Exhibit A-1)

Patricia Wilson, Northern New York Project Manager, stated that Staff recommends an award benefit of \$169,112 to Structural Wood Corporation, ("SWC") which will assist in the completion of renovations to their existing facility and also the purchase of extra space to meet growing demand for their materials, sold to lumber yards and contractors.

Upon acquiring the new space, SWC will prepare the site for additional inventory storage that will accommodate larger and safer loading areas. The renovations of their existing facility will allow for increased production, with various upgrades to the building structure and work space. The increased productivity will allow SWC to maintain competitive pricing, increase sales by 20% and add seven full-time employees over the next several years.

This project will help SWC meet the needs of a growing manufacturing demand in that area, offer their employees competitive wages (above the average in that region) and result in a more energy efficient facility. The project also aligns with manufacturing growth strategies, outlined in the St. Lawrence County Regional Economic Development Plan.

Member McNeil inquired when this project would be brought to the Trustees for consideration, to which Mr. Smith advised it would be at their December meeting. Mr. Smith also stated that the Trustees meet approximately six times a year, in response to another inquiry.

Upon motion made by member Maxwell and seconded by member McNeil, the Board adopted the resolution to award fund benefits to Structural Wood Corporation, in the amount of \$169,112. (Exhibit "A-1").

6. **Next Meeting and Adjournment**

Member Sharlow stated that the next meeting of the Board is scheduled for February 12, 2020 at 4 p.m. at the St. Lawrence/FDR Power Project. She 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 4:14 p.m.

EXHIBIT A-1

Applicant Name:	Structural Wood Corporation (“SWC”)	REDC Region:	North Country
Project Type:	Business Investment	County:	St. Lawrence
Industry:	Wood Product Manufacturing	Locality:	Waddington
Amount Requested:	\$169,112	Start Date:	10/1/19
		Finish Date:	12/31/20
RECOMMENDED OFFER			
Recommended Total Award:	\$169,112		
Total Project Cost:	\$845,562		
% of Project Cost Recommended:	20%		
PROJECT BUDGET (Proposed by Applicant)			
Use of funds	Amount	Source of Funds	Amount
Tractor, Trailer, Small Equipment	\$452,416	NNY EDF	\$169,112
Land & Building Acquisition	\$170,000	Bank Loan	\$294,450
Building Improvements	\$89,355	SLCIDA	\$300,000
Heating, Lighting Upgrades	\$37,422	Company Equity	\$82,000
Land Improvements	\$35,000		
Supplies & Materials	\$28,409		
Salaries & Wages	\$17,960		
Closing, Legal Costs	\$15,000		
Total:	\$845,562	Total:	\$845,562
REGIONAL IMPACT MEASUREMENTS			
Job Commitments:	Applicant would create 7 full time positions at the project location over 7 years.		
Average Salary of Jobs:	\$45,183		
Indirect Jobs Created	n/a		
Other Impact			
PROJECT DESCRIPTION (Adapted from Application)			
<p>SWC manufactures a variety of construction products including pre-engineered, structural wood trusses and wall panels for use in barns and other agricultural buildings. SWC is planning to acquire 3.65 acres of land and a building located immediately adjacent to its Waddington facility to provide a larger and safer loading/shipping area and for inventory storage. SWC also plans to improve its existing production facility by adding overhead doors, insulation, upgraded lighting and heating, and extending the existing truss table, lumber tree and plate storage to accommodate increased production. The project is expected to make SWC more competitive by reducing production costs and increasing sales growth by 20%, which would require the addition of 7 employees over the next 7 years.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
		SLCIDA Loan	\$300,000
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT	STATUS	
N/A	\$		
BASIS FOR RECOMMENDATION (Based partly on information in the Application.)			

The applicant indicates that without an award of Fund Benefits, it would undertake a smaller project, which would reduce capital investment and job impact. The project will improve the applicant's production processes and enable it to grow revenues in New York State. The project also aligns well with the strategies and priorities of the NCREDC that focus on manufacturing business retention and expansion.

ANTICIPATED DISBURSEMENT TERMS

Fund Benefits would be used to reimburse the applicant for a portion of costs associated with purchasing heating and lighting and small equipment. Fund Benefits will not be used to support any purchases of rolling stock. 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 \$845,562.

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.