

COUNCIL ON DEVELOPMENT FINANCE

**December 15, 2009
PUBLIC HEARING 356**

THOSE PRESENT:

Mr. Andy Lubin, Chairperson
Steve Biener, Esquire
Honorable Nancy Cook
Mr. Tom Gilligan
Mr. James L. Hutchison
Mr. Fred Sears

Mr. Alan Levin
Mr. Gary Smith
Mr. Stephen Bach
Ms. Rachael Onorato
Mrs. Lee Porter
Ann Marie Johnson, Esquire
Mrs. Karen Smith
Mrs. Bernice Whaley
Mr. Mike Morton

ALSO PRESENT: Representing: **Route 113 Associates LLC** – Mr. Tim Jones and Mr. Gregg Crystall; **Blades Development LLC** - Mr. Gregg Crystal; **Testing Machines, Inc.** – Mr. John L. Sullivan and John Bialecki, Esq.; **Summit Aviation, Inc.** – Mr. Gerald Goguen

LOCATION: Buena Vista, 661 South DuPont Highway, New Castle, Delaware 19720

TIME: 9:00 A.M.

CALL TO ORDER

The meeting was called to order at 9:05 A.M. by Mr. Lubin, Chairperson, on Tuesday, December 15, 2009.

OLD BUSINESS:

Mr. Gilligan made a motion that the minutes of the October 26, 2009 Council on Development Finance meeting be approved as presented. Mr. Hutchison seconded the motion which was then adopted by unanimous vote.

NEW BUSINESS:

Route 113 Associates LLC (“Route 113 or the “Applicant”) - The Applicant is requesting a matching grant in the amount of \$63,212.13 from the Delaware Strategic Fund under the Brownfields Assistance program. The Applicant proposes to use the proceeds for the redevelopment of approximately 13 acres located at 22297 N. DuPont Avenue in Georgetown, Delaware (the “Project”).

Mr. Jones stated that the land was purchased in 2007. At that time the Applicant was made aware of some severe contaminants in the buildings and grounds. The Applicant hired BrightFields. An analysis was done and DNREC certified the site as a Delaware Brownfield. Then the Applicant went through the process of remedial action.

Mr. Crystal stated that this was a property formerly owned by Southern States. In the storage area, they found hundreds of open bags of DDT and Agent Orange. There were numerous drums of contamination. Mr. Crystall stated that Route 113 spent \$90,000 just in emergency response.

Mr. Sears asked if Southern States thought they were just allowed to walk away from the problem. Mr. Crystal stated this is a common case scenario.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, *inter alia*, the nature of the business, that Sunday Breakfast Mission is a “certified Brownfield” within the meaning of 29 Del. C. §5028(4) and 1 Del. Admin. C. §402-3.0 and 19.0, the Council made the following findings: (i) the Project will contribute to the creation or retention of gainful employment of the citizens of the State, and will reduce pollution of the State’s environment; (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant’s application for assistance, and (v) the Grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the Delaware Code. Mr. Sears made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Sixty Three Thousand Two Hundred Twelve Dollars and Thirteen Cents (\$63,212.13) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the Applicant submitting a detailed list of expenditures prior to the release of the funds and upon the approval remaining in effect through and including December 14, 2010. Mr. Hutchison seconded the motion, which was then unanimously approved.

Blades Development LLC (“Blades” or the “Applicant”) - The Applicant is requesting a matching grant in the amount of \$76,392 from the Delaware Strategic Fund under the Brownfields Assistance program. The Applicant proposes to use the proceeds for the redevelopment of approximately 5.7 3 acres located at East 7th Street and River Road in Blades, Delaware (the “Project”).

Mr. Crystal stated this project was similar to the Route 113 Associates project. He stated that Blades bought the property which was subject to EPA emergency operations and put a band aid on the situation. He stated there were a number of drums containing plating waste and acids, underground tanks, cans and cylinders that had to be removed. He stated the previous owner was a plating company.

Mr. Crystal stated the future use is for residential and possibly business/residential – with the main street effect. He stated there is a Certificate of Resolution.

Mr. Hutchison asked if there was any recourse for going back on the previous owner. Mr. Crystal stated that the previous owner was in bankruptcy and there was some settlement.

Mr. Lubin asked if there was a Trust Agreement on what can be done with the site. Mr. Crystal stated that there was an underground search and something was found and they are now confident they got everything removed that needed to be removed.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, that Sunday Breakfast Mission is a “certified Brownfield” within the meaning of 29 Del. C. §5028(4) and 1 Del. Admin. C. §402-3.0 and 19.0, the Council made the following findings: (i) the Project will contribute to the creation or retention of gainful employment of the citizens of the State, and will reduce pollution of the State’s environment; (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant’s application for assistance, and (v) the Grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the Delaware Code. Mr. Gilligan made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Seventy Six Thousand Three Hundred Ninety-Two Dollars (\$76,392) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the Applicant submitting a detailed list of expenditures prior to the release of the funds and upon the approval remaining in effect through and including December 14, 2010. Mr. Sears seconded the motion, which was then unanimously approved.

Testing Machines, Inc. (“TMI” or the “Applicant”) – The Applicant is requesting a grant in the amount of \$4,000,000 from the Delaware Strategic Fund program. The Applicant proposes to use the proceeds to relocate its existing operation from Long Island, New York to 40 McCullough Drive in New Castle, Delaware (the “Project”). The Applicant manufactures testing equipment.

Mr. Sullivan stated that TMI was founded in 1931 as a distributor of German manufacturing equipment. It was quality control equipment for the paper industry. The predecessor was a paper importer. He stated the factory burned to the ground so they started manufacturing equipment. He stated that because their beginnings were as a distributor, they continued to distribute. They moved from Massachusetts to New York City in the 1940s and stayed there through the 1950s. Then they moved to Long Island in the 1960s to three different locations.

Mr. Sullivan stated that the original owner’s nephew worked for the company twenty years and then was given the right to purchase the company. That particular man was Mr. Sullivan’s step father and Mr. Sullivan was given the same opportunity after twenty years which he accepted.

Mr. Sullivan stated he expanded from the paper industry, moved into packaging, and acquired a company in Europe in 1990. He stated he moved his family to New Castle, Delaware five years ago. He runs the company in New York remotely. He has a company in Ohio, Massachusetts, New York and one in Europe and he has been doing this successfully for five years. Mr. Sullivan stated that New York is one of the highest cost of living places in the country. He has five children and he wants them in this area. He stated he had been continuously looking for the right location and finally found something that was perfect for them. He stated the corporate headquarters is in New York. His objective is to move the New York operation to Delaware in the first quarter of 2010 and to move the operation from Massachusetts to Delaware in the second quarter of 2010.

Mr. Sullivan stated that working near W. L. Gore and DuPont is a very positive thing for TMI. He stated he is enticing his engineers to come here. He stated TMI’s average employee has been with the company for 16 years. He is hoping a number of the employees will come to Delaware. TMI is looking to employ approximately 50 people in Delaware. Mr. Sullivan stated that currently he is TMI’s financial controller.

Mr. Lubin asked what Mr. Sullivan found special about New Castle. He also asked if Mr. Sullivan believed he would be able to find employees here in New Castle. Mr. Sullivan stated that his wife and he decided to leave Long Island after “911” – so it took him five years from that decision to move. He stated his research was both the Mason Dixon and east of Appalachian. He stated New Castle County is very unique and has one of the highest educational levels per capita. He stated that when you walk into a deli here, that person is most likely educated. He stated that it was not only the number of companies

here in Delaware but the type of companies that are here such as banks, insurance companies, etc. Mr. Sullivan stated that he was President of the Board of Education and he understands the responsibility for his children who perform at the top of their class and New Castle County has a great combination of catering to those types of children. He stated another great thing is Delaware's taxation system – the second lowest in the nation.

Mr. Sullivan stated that he originally made his staff a little nervous. They developed an internal system called “visual assembly” – an advantage power point system on how to build any of the machines. As this is not mass production, an employee might build a different machine each year.

Mr. Sullivan stated he does not think this move will necessarily be big money savings to the company. He stated they do not have a big turn over but he is also aware that if an employee gets a chance to work for DuPont, TMI will have to do something that keeps the employee at TMI. Mr. Sullivan believes TMI's benefits are very good.

Mr. Bach stated that the original request was for a \$4,000,000 grant. However, the staff is recommending a \$500,000 loan. This figure was determined by various factors. Since the initial application, TMI has been able to secure financing through an SBA 504 loan with WSFS being the first lender and Delaware Community Development Corporation (“DCDC”) providing the SBA 504 loan. Mr. Bach stated that after the financial analysis and consideration of the PIT calculations, the \$500,000 loan offer was agreed upon. Mr. Sears asked if there would be personal and corporate guarantees. Both WSFS and DCDC will be lending to TMI with a personal guarantee from John Sullivan and corporate guarantees from TMI, Lako Tool and Buchel BV, Netherlands.

Mr. Sullivan stated that the building they will be going into was used originally for manufacturing doors – architectural hardware. He stated it was a beautiful facility. Mr. Gilligan asked about the time line. Mr. Sullivan stated that on January 5, he will be in New York to make the announcement to the employees that by April 1 that they will be either required to move to Delaware or find other employment. He hopes to be in operation on first day of the second quarter. He anticipates that the Massachusetts operation will be relocated and in operation on the first day of the third quarter of 2010.

Mr. Sears asked if there were any lien situations. Mr. Sullivan stated that each piece of equipment is standardized equipment for each customer. Mr. Sears stated that this is an exciting project. He said it would be nice to have the employees come to Delaware to see what it is like here. He stated that if there was anything the Council could do to help Mr. Sullivan entice the employees to come here, just let them know. Mr. Sears stated that he was impressed that it has taken Mr. Sullivan five years to make this decision – it shows a lot of research and responsibility. Mr. Sullivan thinks TMI will get about ten to fifteen percent of the people to come here. But, he believes most employees will be Delawareans. He hopes there will be more but he stated he will just have to wait and see.

Mrs. Smith suggested that perhaps a bus could be gotten and the Governor could personally welcome the employees.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the loan proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested loan funds; (iv) the loan will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance. Mr. Biener made a motion that the Council recommend to Mr. Alan B. Levin, Chairperson, The Delaware Economic Development Authority, approval of a loan in an amount not to exceed Five Hundred Thousand Dollars (\$500,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including December 14, 2010. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

Summit Aviation, Inc. ("Summit" or the "Applicant") – The Applicant is requesting a grant in the amount of \$1,369,727 from the Delaware Strategic Fund program. The Applicant proposes to use the proceeds to expand and renovate its existing operation located on 4200 Summit Bridge Road in Middletown, Delaware (the "Project"). The Applicant is an FAA and EASA approved Part 145 repair station that offers heavy maintenance, engineering and major modifications for fixed wing and helicopters.

Mrs. Whaley presented this project to the Council. She stated that Summit Aviation is an FAA and EASA approved Part 145 repair stations that offers heavy maintenance, engineering and major modifications for fixed wing and helicopters. She stated that Summit is a supplier to Boeing for the CH 47 "Chinook" which has been around since the mid 1960s. She stated that because it is and old product, there is a big opportunity for replacement. She stated that in 2008, Summit, which is a Delaware corporation, was acquired by Greenwich AeroGroup ("Greenwich"). Mrs. Whaley introduced Mr. Goguen who addressed how Summit was going to back the expansion.

Mr. Goguen stated that Greenwich has owned Summit for over a year and has begun to invest in the renovation and upgrading of the facility. They hope to have this work

completed in 2010. He stated the primary activity has been with Boeing regarding the Chinook program. He stated that they have retained architects and designers, have submitted an application with New Castle County and they should be in a position to get building permits by the second week of January.

Mr. Goguen stated that Summit intends on building a larger hanger complex which will hold six Chinooks, have additional storage locations and will have a significantly larger storage facility. He stated they would be more than doubling their workforce. He anticipates completion to be about this time next year. Mr. Sears stated he had toured the facility and that there was a lot of land there. Mr. Goguen stated that there were currently no plans for acquiring more land. He stated they have approximately 500 acres – 250 of which produce soybeans which is an income. He stated that it is essential that they are near the highway. He stated the previous owners kept it fairly rural and that's what Summit intends to do. He stated they are training flight crews which often takes a few months at a time. He stated this is a wonderful place for this operation – not a busy airport but a perfect location. Mr. Sears stated that it sounded like that was a good money making opportunity. Mr. Goguen stated it was and it also helps Summit build relations with international customers.

Mr. Back stated that the job portion of the grant will have an eight year claw back.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to the maintaining or providing of gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the Grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Del. C.*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Mr. Sears made a motion that the Council recommend to Mr. Alan Levin, Chairperson, The Delaware Economic Development Authority, approval of a grant in the amount not to exceed One Million Three Hundred Sixty-Nine Thousand Seven Hundred Twenty-Seven Dollars (\$1,369,727) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including December 14, 2010. Mr. Hutchison seconded the motion, which was then unanimously approved.

Project Update: Mr. Smith updated the Council on the status of delinquent projects.

ISOGEN, LLC – This company received a \$1,500,000 Delaware Strategic Fund loan on July 24, 2008. Mr. Smith updated the Council on the status of the Isogen loan.

Platinum Hanger, LLC – This company received a \$470,490 Delaware Strategic Fund loan on May 28, 2009. Mr. Smith updated the Council on the status of the Platinum loan.

Data Management International – This company received a \$250,000 Delaware Strategic Fund loan on August 25, 2006. Mr. Smith updated the Council on the status of the Data Management loan.

Rite Tech Aerospace, LLC – This company received a \$100,000 Delaware Strategic Fund loan on December 27, 2007. Mr. Smith updated the Council on the status of the Rite Tech loan.

Nanticoke Memorial Hospital – This company received a \$4,489,729.32 Delaware Strategic Fund loan on February 23, 2009. Ms. Onorato updated the Council on the status of the Nanticoke loan.

ADJOURNMENT

The meeting adjourned at 10:15 a.m.

Respectfully submitted,

Lee Porter, Secretary

LKP

cc: Members of the Council on Development Finance
Director Alan Levin
Annmarie Johnson, Esquire

The next CDF meeting is scheduled for Monday, January 25, 2009, at 9:00 A.M. at Buena Vista in New Castle, Delaware.