

COUNCIL ON DEVELOPMENT FINANCE

September 23, 2013

PUBLIC HEARING 398

THOSE PRESENT:

Mr. Andy Lubin, Chairperson
Senator Nancy Cook
Mr. Jack Riddle
Mr. Richard Rowland

Director Alan Levin
Mrs. Rachael Mears
Mrs. Cassie Porter
Mr. Jimmy Pennewell
Mrs. Lee Porter
Ms. Jodie Green
Mrs. Bernice Whaley
Mr. Tim McLalughlin
Ms. Patty Cannon
Mr. Jeff Stone
Mr. Joe Zilcosky
Mr. Peter Bothum
Mrs. Sally Wojcieszyn

ALSO PRESENT: **Grayling Industries, Inc. and New ILC Dover, Inc.** – Mr. Brad Walters; **Uzin Utz AG** – Mr. Philipp Utz and Mr. Bill Neaton (City of Dover); **Max Renovations, LLC** – Mr. Ray Fox, Mr. Andy Fox and Mr. Gregg Crystall (BrightFields, Inc.); **CD Diagnostics, Inc.** - Ms. Anne Cavanaugh; Mr. Adam Damin, OMB; Ms. Courtney Stewart, Controller General's Office; Mr. Victor Clark, Governor's Office; Mr. Brian Maxwell, Office of Management and Budget; Ms. Melinda McGuigan, (EDIS); and Mr. Randal Chase, *AP*

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 9:03 A.M. by Chairman Lubin, on Monday, September 23, 2013.

NEW BUSINESS:

Chairman Lubin informed those present that unfortunately there was not a quorum present today. Therefore, the projects could be presented but formal action would be

taken at the Council's next scheduled meeting on October 28, 2013. He stated that the Applicants would be notified if they were needed to be present at the October meeting.

Grayling Industries, Inc. and New ILC, Dover, Inc. ("ILC" or the "Applicant"):

The Applicant is requesting date modifications to its previously approved Delaware Strategic Fund grant that will be used to create 115 positions and relocate its manufacturing facility to Seaford, Delaware (the "Project").

Mr. Zilcosky presented this request to the Council. He stated that ILC purchased Grayling Industries in December 2012. He stated that in January 2013, ILC received approval for a \$364,500 Strategic Fund Performance grant and a Strategic Fund Capital Expenditure grant in an amount not to exceed \$187,860. He added that under the Performance grant, ILC is required to hire 115 new, full time employees at the Seaford facility. Mr. Zilcosky stated that as of now they have hired over fifty people.

Mrs. Mears stated that during the drafting of the Performance and Capex documents, ILC indicated that there were some delays in moving the equipment from Mexico to the Delaware facility. She added that the documents required the first draw request for this grant to be made earlier this year. She stated that ILC is asking to extend the draw request dates from June 2013 and June 2014 to December 31, 2013 and December 31, 2014.

Mrs. Mears stated that ILC is also requesting additional draw dates for the Capital Expenditure grant. The grant now allows for two draws and ILC is requesting that there be five annual draws.

Chairman Lubin stated that he heard Governor Markel's complimentary comments on the radio and he wished the Applicant much success. Mr. Riddle stated that ILC has taken a rough looking building and made it quite presentable. He added that ILC has also done a fine job in working with the community.

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

NOTE: Due to a lack of a quorum today, a motion for this request will be acted upon at the October 28, 2013 Council on Development Finance meeting.

Uzin Utz AG ("Uzin Utz" or the "Applicant"): The Applicant, located in Ulm, Germany, is requesting a Delaware Strategic Fund Performance grant in an amount not to exceed \$153,619 and a Delaware Strategic Fund Capital Expenditure matching grant in an amount not to exceed \$264,750. The Applicant proposes to use the funds to build and outfit a manufacturing facility in Dover, Delaware (the "Project").

Mr. McLaughlin presented this request to the Council. He stated that the DEDO staff has reviewed the Applicant's application and favorably recommends a Strategic Fund Capital Expenditure grant in the amount of three percent of up to \$8,825,000 in capital

expenditures not to exceed \$264,750 and a Strategic Fund Performance grant in an amount not to exceed \$153,619. Mr. McLaughlin stated that Uzin Utz has been in existence over a hundred years and is based in Germany with over 900 employees. He added that the company chose Delaware to start its subsidiary Uzin Utz Manufacturing North America, Inc. which was founded in 2012.

Mr. Utz stated that he is the fourth generation of this company, with his father still being active as the CEO. He added that the company has been in business for more than a hundred years and focuses on many aspects of the flooring business including the preservation of floors.

Mr. Utz stated that he has been with the company more than three years and had been working in the United States for six months before he moved here in November 2012. He stated that he has been working with DEDO, Bill Neaton and the City of Dover (the "City"). He added that they are moving forward and anticipate start up of production to be in February 2015. He stated that the total acreage of plant is approximately 53,000 square feet. He added that Uzin Utz plans to employ twenty-three employees by 2018 and add more employees as the business expands.

Mr. Utz stated that there was an impressive introductory meeting with Director Levin. He added that Uzin Utz noticed that Delaware is focusing on diversifying industry and bringing manufacturing back to the State which is what he feels unfortunately is what a lot of states are missing. Mr. Utz stated that they sent out an initial RFI and the response was very professional, detailed, customized and has met all the requirements that they were looking for. He added that the cost of doing business in Delaware is very attractive.

Director Levin suggested that it would be helpful if Mr. Neaton would explain the City's efforts in this Project. Mr. Neaton stated that the City is very excited. He added that Mr. McLaughlin and the City worked very diligently to put this deal together. He stated that the City is especially thrilled to have Uzin Utz come to the City and especially to the Garrison Oak Technology Park ("Garrison Park"). He added that this is the first real sale of a piece of property at this location. He stated that the Solar Park is on one parcel and Calpine is on another parcel but that those parcels are leased. Uzin Utz is actually purchasing this property. Mr. Neaton stated that the City has also stepped up to the plate and has offered some significant incentives such as negotiating a favorable purchase price and negotiating a favorable tax abatement program for the company.

Mr. Riddle verified that Uzin Utz is actually the Applicant, it is buying the property and the land would be in Uzin Utz' name.

Mr. Riddle asked about the employment being twenty-three employees but only nineteen employees being eligible for the Performance grant. Mrs. Mears stated that nineteen of the twenty-three qualified for the salary threshold in the performance incentive. Mr. Utz stated that the building will be started in February 2014 and hopefully completed by

February 2015. Mrs. Mears stated that the Capital Expenditures draw request will expire three months after the completion date.

Senator Cook stated that she was pleased to have an anchor business in the Garrison Park. She added that the General Assembly was instrumental in making the Garrison Park a reality.

Mr. Neaton stated that the City of Dover is committed and has been approved for \$6,000,000 for infrastructure improvements to the Garrison Park. He added that \$3,000,000 has been approved for a water tank which now has costs of \$1,500,000.

Director Levin stated that ILC and Uzin are great examples of manufacturing coming back to Delaware.

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

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B. F. Rich Co., Inc. (“B. F. Rich”) – Chairman Lubin stated that B. F. Rich had withdrawn its request to be presented at today’s Council meeting.

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

Max Renovations, LLC (“Max Renovations” or the “Applicant”): The Applicant is requesting a Delaware Strategic Fund Brownfield Assistance grant in an amount up to \$11,053.20. Funds will reimburse the Applicant for remediation of the Certified Brownfield site located at 2110 Northeast Boulevard, Wilmington, DE (the “Project”).

Mr. Stone presented this request to the Council. He stated that Max Renovations, LLC was formed to purchase and renovate property located in Wilmington. He stated that the total remediation costs were \$160,618 and that the Applicant has received the allowable reimbursement of \$138,512 from the DNREC Brownfield Remediation Program. He added that the remaining balance is \$22,106 and that Max Renovations is eligible for fifty percent reimbursement under DEDO’s Brownfield Assistance Program for an amount of \$11,053.

Mr. Crystall with BrightFields stated that this Project meets all the standards. He stated that it is a small project involving .22 acres. Mr. Crystall stated that this site was Brownfield certified in July 2012 and BrightFields was hired to do the renovations. BrightFields basically found that the site had poly-nuclear aromatic hydrocarbons, arsenic, lead, iron and nickel. He added that there was also a heating oil underground storage tank located on the property and asbestos was found around the window caulking and roofing material. He stated that DNREC required that the site be dug out and capped. Mr. Crystall stated all of DNREC’s requirements have been met. He stated that the 265

gallons of oily water in the heating tank were pumped out. Mr. Crystall stated that because of twenty years of a leaking tank, there was a concern about a vapor intrusion which could be a human health risk. He added that upon further investigation and tests, it was determined that there was no vapor intrusion risk. Mr. Crystall stated that it had to be determined that this was a safe place for the workers and children of the proposed daycare which would include a clean play area.

Mr. Crystall stated that as DNREC required, BrightFields placed a final cap in the southeast portion of the site, a parking lot was added, and a clean play area in the back of the facility was established. He stated all work has been done on this site. He stated that it was his understanding that this Project will create jobs with the daycare.

Mr. Riddle asked if the Applicant owned the property. Mr. Andy Fox, who is employed by Deaton McCue and Company, stated that this piece of property was a vacant lot with a building which was for sale. He stated that he and his father purchased it and made extensive renovations. Mr. Riddle asked about the previous owner(s) and if there was any liability on their part. Mr. Crystall stated that he doesn't believe the machine shop which was there is currently around; he believes it went into bankruptcy.

Mr. Rowland asked if all the license and permits had been obtained. Mr. Andy Fox stated that everything had been obtained except for the last step which was the childcare licensing. He stated that the building is completely renovated but that you have to have all the cribs, decorations, etc. in the building before the appropriate people come in for inspection. He stated that the inspection was actually done last Thursday and it was approved. He added that there is one more form which needs to be filled out and he is hoping to have that done this week.

Director Levin asked about the daycare operator. Mr. Andy Fox stated that the operator also owns two daycares in Pennsylvania. He stated that this facility will create ten jobs in Delaware. He added that one daycare center in Philadelphia accommodates sixty children and the other one accommodates one hundred children. Mr. Andy Fox stated that the lady lives in Bear, Delaware. Mr. Ray Fox stated that he and his son inspected both of her daycare centers in Philadelphia and were pleased. He added that they checked her background. She has been in business for approximately twelve years.

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

NOTE: Due to a lack of a quorum today, a motion for this request will be acted upon at the October 28, 2013 Council on Development Finance meeting.

CD Diagnostics, Inc. ("CD" or the "Applicant"): CD was approved for a \$500,000 Delaware Strategic Fund grant in March of 2012. The proceeds are to be used to relocate its patented joint fluid analysis company from the Lankenau Medical Campus in Pennsylvania to Naamans Road in Wilmington. Today, the Applicant is requesting a modification to its previously approved Delaware Strategic Fund grant that will be used

to relocate its facility to New Castle County, Delaware by December 31, 2013 (the "Project").

Ms. Cannon presented this request to the Council. She stated that the reason CD is here today is because of unanticipated delays. She stated that CD is a new company with new technology and is doing exciting things. She stated that what helped to impress the DEDO staff on the project was Dr. Birkmeyer's (CEO of CD) accomplished background. Ms. Cannon stated that there are now three companies in operation which were initiated by CD.

Ms. Cannon stated that CD started as an incubator at Lankenau Medical Campus. She stated that CD received approval for a DSF job performance grant. She added that CD anticipates hitting its job projections by December. She clarified that what delayed CD from moving into the Delaware facility was that one of the significant principals of the project had some medical issues and had to step aside. She added that there were also some delays in the science aspect of the project. She stated that CD is not asking for any changes except to the dates for the draw requests.

Ms. Cavanaugh expressed her excitement on moving to Delaware. She stated that CD has a strong history and at this new facility CD will create high quality jobs. She stated that CD will manufacture its product at this new location on Naamans Road.

Ms. Cavanaugh stated that CD has received funding for its work and it has just signed a \$7.9 million agreement in testing joint fluids. She stated CD currently has seventeen people on the payroll of which most are scientists and some are manufacturers. She added that tests have been received very well by people in the orthopedic field. She stated that CD bought a laboratory in Towson, Maryland where it can run specific tests there before they are FDA approved. She stated that this past summer CD conducted a pilot study in which it needed numerous samples for testing and over 200 physicians responded. Ms. Cavanaugh stated that with this product, CD can run the tests in Towson without FDA approval and then try to get FDA approval where the doctors can run these tests at their own offices.

Ms. Cavanaugh stated that the delays were unfortunate but CD does have its first product lined up.

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

NOTE: Due to a lack of a quorum today, a motion for this request will be acted upon at the October 28, 2013 Council on Development Finance meeting.

After hearing the presentations today, Chairman Lubin stated that it was decided that the Applicants would not have to return to the October CDF meeting for further review, and that formal action would be taken on these Projects at the October CDF meeting.

Springleaf General Services Group (the “Applicant”): At the July 22, 2013 Council meeting, the Applicant requested a Performance grant in an amount not to exceed \$269,403 and a Capital Expenditure grant in an amount not to exceed \$18,000 from the Delaware Strategic Fund. The Applicant proposed to use the funds to expand its operations to Wilmington, Delaware. Approval was granted at the July meeting pending a review of the borrower’s 2012 financial statements. It was decided at that meeting that further review of current financial statements, including the first quarter of 2013, were needed for the Council to make a recommendation.

Director Levin stated that after further review, it has been decided that there will be no further action by DEDO.

JBS Properties, LLC (the “Applicant”): At the July 22, 2013 Council meeting, the Applicant requested a participation loan in the amount of \$500,000 from the State Small Business Credit Initiative Loan Program in conjunction with Artisans’ Bank. The Applicant proposed to use the funds to refinance an existing mortgage from another financial institution. Approval was granted at the July meeting pending a review of the borrower’s 2012 financial statements. Staff is waiting for updated terms from the lending institution and the borrower before reviewing for approval.

Director Levin informed the Council that DEDO is still working with the Applicant and Artisans’ Bank on this deal. The Council will be informed as further information is available.

ADJOURNMENT

The meeting adjourned at 9:40 a.m.

Respectfully submitted,

Lee Porter, Secretary

LKP

cc: Members of the Council on Development Finance
Director Alan Levin
Larry Lewis, DAG

The next CDF meeting is scheduled for Monday, October 28, 2013 at 9:00 A.M. in the Haslett Building in Dover, Delaware.

