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**MINUTES**  
**ITHACA URBAN RENEWAL AGENCY**  
**Economic Development Committee (EDC)**  
**3:30 PM, Tuesday, June 10, 2014**  
**Common Council Chambers, 3<sup>rd</sup> Floor, City Hall, Ithaca, NY**

**Present:** Doug Dylla, Chris Proulx, Heather Harrick, Jennifer Tegan  
**Excused:** Heather Filiberto, Leslie Ackerman  
**Staff:** Nels Bohn, Charles Pyott  
**Guests:** Scott Whitham, Scott Whitham & Associates  
Neil Patel, Lighthouse Hotels, LLC  
Lisa Sheremeta, Lighthouse Hotels, LLC

**I. Call to Order**

Chair Dylla called the meeting to order at 3:35 P.M.

**II. Agenda Additions/Deletions — None.**

**III. Public Comments (3-minute maximum per person) — None.**

**IV. Review of Meeting Minutes: April 15, 2014**

Proulx moved, seconded by Tegan, to approve the April 15, 2014 minutes, with no modifications. **Carried Unanimously 4-0.**

**V. Property Disposition**

**A. Revised Request from Lighthouse Hotels, LLC to Be Designated “Sponsor” (Preferred Developer) to Be Eligible to Acquire Properties at 320-24 E. State St. Through Negotiated Sale for Purpose of Undertaking Urban Renewal Project**

Applicants Whitham, Patel, and Sheremeta recapitulated the salient details of the proposed project.

Whitham noted there had been a question about whether the purchase price for the lot would be fair-market-value and the answer is, yes. He noted the project has some more progress to make in terms of the design, but it has moved forward relatively well. The Carey Building will no longer be a part of the project.

Whitham noted that the applicants are, however, discussing possible shared services and coordinated activities with the Carey Building owners, as well as with the Community School of Music and Arts. He stressed there will be no business dislocation as result of the project. The applicants have also submitted the relevant job creation information to the IURA and reached out to the Hospitality Employment Training Program sponsor.

Bohn noted the proposed resolution proposes supporting an urban renewal project, which involves submitting a formal package to the IURA and Common Council for endorsement. The City would have to transfer its portion of the parking lot to the IURA for the project to move forward.

Bohn noted the earlier 2012 version of the proposed project involved a different site configuration and a major negative impact, in the form of the Carey Building demolition, which was a serious concern. That iteration of the project never gained Common Council support and the project was placed on hold. For the current proposal, any remaining major issues will need to be reconciled early in the process, so that the information provided to Common Council can be as simple and clear as possible.

Bohn explained the proposed resolution includes some criteria (e.g., financial stability, legal qualification, previous experience, absence of legal violations). The applicant needs to demonstrate its ability to successfully complete the project and that the project would demonstrably result in economic and social benefits to the city. Bohn indicated the applicant has developed several other projects, including the local Hampton Inn, has incurred no legal violations of any kind, and has shown the financial capacity to do the project. As a result, the applicant meets sponsor qualifications. The larger question is whether the project meets the threshold of net benefit to the city. (He referred the Committee to the underlined sections of the resolution.) The other concern would be the physical design and infrastructure of the building itself. The chosen building materials will need to be durable, high-quality materials that fit into the surrounding urban fabric. They should not, for example, include Exterior Insulation and Finishing System (EIFIS) and Concrete Masonry Units (CMUs).

Whitham explained the architects initially used the recently constructed Seneca Way project as a model, in terms of its colors and materials, which is why EIFIS was selected. Bohn responded that several Common Council members were ultimately disappointed in the Seneca Way project, so that may not be the best model to follow. The IURA will need to be assiduous in ensuring the project results in a high-quality building. Bohn added that the IURA is free to place additional standards on a project, not applicable to regular City-approved projects through the site plan process, as a condition of property sale. He cautioned that such conditions should not render the project financially infeasible.

Bohn noted there are many positive attributes to the project, including the productive use of the parking lot, the increased tax base (room and sales taxes), etc.; and it does appear to be an appropriate site. Bohn recommended the Committee endorse the project with suggested conditions and recommend designating the applicants as eligible sponsors.

Patel walked through the employment and compensation portion of the proposal, noting the asterisks refer to the living wage positions. He explained the figures are estimates for the first year of operations. As the hotel's occupancy grows, it would most likely need to hire more people.

Bohn asked which of the positions listed are FTE positions. Sheremeta replied 20-25 would be FTE (out of 35).

Harrick asked if the public parking spaces would be completely eliminated. Bohn responded that approximately 25 public parking spaces would be eliminated, in addition to the private parking lot.

Whitham reported that the applicants have met with City Parking Director Frank Nagy, regarding how the parking would function. The intent is to provide valet parking for all guests, for which the applicants anticipate using the Seneca Street Garage (which has the necessary capacity for hotel guests). Whitham added that the hotel would provide some staff and ADA-mandated parking; and it may also be possible to negotiate an agreement with CSMA on parking.

Bohn noted that Nagy believes there is surplus parking capacity in the downtown area and that the proposed hotel demand is a good match for that excess capacity — although it would need to be carefully managed.

Tegan asked if there would be a restaurant in the hotel. Patel answered that he is working with couple of independent restaurateurs who could provide a consistent, but distinctive, style of cuisine (in 2,000 SF with additional outdoor seating).

Proulx asked the applicants what their biggest challenges are in the downtown Ithaca urban market. Patel responded, the cost of development; however, he believes the project is well-configured to make the endeavor work. The applicants are also hoping to benefit from some tax abatement incentives.

Proulx asked if a 55% average occupancy rate is sustainable. Patel replied, yes, he would be comfortable with that. The project has been continually refined to be viable under that level of occupancy. The applicants have thoroughly 'crunched the numbers'. He added that it would be a limited-service hotel, so some costs would be mitigated.

Tegan asked what the hotel's rates would be. Patel replied, approximately \$140/night. Dylla asked what the average occupancy has been for the applicant's Elmira Road hotel. Patel replied, approximately 70%.

Proulx asked what the applicants' desired marketing niche would be for the hotel. Sheremeta replied it would be a different niche from the other hotel — aimed towards people who want to be downtown. (It should not have a negative impact on their other local hotel.) The proposed hotel would have a lot of studio suites and 1-bedroom units; and would even be marketed to people interested in extended stays.

Proulx observed the applicant mentioned seeking a tax exemption. Bohn explained that would simply be the applicant's decision, in terms of if and when it would need to pursue that. That issue should have minimal impact on the IURA's review of the current proposal, though a property tax abatement would phase in some of the financial benefits derived from the project.

Proulx inquired into the requirements enumerated in the second "Resolved" of the resolution. Bohn replied, those are the IURA's non-negotiable requirements, whereas the items listed in the fourth "Resolved" are negotiable.

Proulx asked how employment figures would be validated. Bohn replied the IURA typically relies on information provided on the NYS-45 state annual reporting form; however, it would make sense for the IURA determine out how to incentivize compliance after conveyance of the property. Proulx observed the resolution neglects to mention anything about what time period the requirement would be in place for. Bohn replied the standard IURA approach is that an applicant simply needs to meet the employment standard and maintain it for two more consecutive quarters, then is released from further employment reporting. This agreement could be customized for a longer period of employment reporting or a specified end date, but he cautioned that employers with routine employee turnover can requires significant IURA staff resources to sort out the employment count.

**Moved by Tegan, seconded by Harrick:**

**Property Disposition: 320-24 E. MLK, Jr./E. State St. — Designate Lighthouse Hotels, LLC as Qualified & Eligible Sponsor for Urban Renewal Project**

1. WHEREAS, Lighthouse Hotels, LLC (Lighthouse) submitted a revised application on June 3, 2014 to be designated a "qualified and eligible sponsor" (Sponsor) to acquire two parcels located at 320-324 E. MLK Jr./E. State Street, currently utilized as a 32-space public parking lot (Municipal Parking Lot), and

2. WHEREAS, a 2012 application was recommended for conditional approval by the Ithaca Urban Renewal Agency (IURA) subject to satisfactory resolution of the following issues during negotiations:
  - Price (fair market value), including non-refundable deposit
  - urban design, especially ground level streetscape on E. MLK Jr./E. State Street
  - exploration to retain the Carey building to be incorporated into the project rather than demolished
  - potential responses to mitigate loss of public parking to adjacent enterprises
  - potential responses to mitigate any business dislocation caused by the project
  - translating wage and job creation projections to wage and job commitments
  - transfer of property contingent upon site plan approval and issuance of a building permit, and
3. WHEREAS, the 2012 application failed to gain Common Council support due in part to the proposed demolition of the Carey Building and concerns about urban design of the building and dislocation of businesses, and
4. WHEREAS, Lighthouse has revised their project and now propose to develop a \$19 million, downtown, six-story, 120-room Hampton Inn & Suites on a modified project site located adjacent to the Carey Building, and
5. WHEREAS, the approximately 22,500 square feet (SF) proposed project site includes the following three parcels:
  - (1) 3,267 SF - tax map #69.-1-3, 324 E. MLK Jr./E. State Street, IURA
  - (2) 8,320 SF - tax map #69.-1-6.2 at 320-24 E. MLK Jr./E. State Street, City of Ithaca
  - (3) 10,950 SF – p/o tax map #69.-1-8 at 310-312 E. MLK Jr./E. State Street, Daley Enterprises, and
6. WHEREAS, the revised project site is currently used for surface parking and does not include the Carey building parcel, and
7. WHEREAS, the revised project will not result in any business dislocation and will include a new ground level restaurant lease space fronting on Seneca Way, and
8. WHEREAS, the project site includes one parcel owned by the Ithaca Urban Renewal Agency (IURA) and one parcel owned by the City of Ithaca for which the developer has agreed in concept to purchase at fair market value, and
9. WHEREAS, the project is projected to create approximately 33 full-time equivalent employment opportunities, and

10. WHEREAS, Lighthouse proposes wages to employees above the pay ranges paid at other hotels they operate, with the lowest wages projected at \$9.75/hour (2.5% CPI increase since 2012 proposal), which is equal to 122% of minimum wage (\$8.00/hr.), or about 75% of the local living wage (\$12.62/hr. with employer paid health insurance), and
11. WHEREAS, it is unclear how many full-time employees will earn a living wage, and
12. WHEREAS, the project is projected to be assessed at over \$8,000,000 (assumed \$68K/room), a net taxable increase of \$7,760,000, thereby generating the following estimated annual stream of local municipal revenues:

\$102,000	City property taxes (\$13.12/\$1,000)
\$54,000	County property taxes (\$6.90/\$1,000)
\$133,000	School property taxes (\$17.185/\$1,000)
\$20,000	Business Improvement District (\$2.624/\$1,000)
\$159,000	County hotel room occupancy tax (5% @ \$72.80 RevPAR x 120 rms)
<u>\$64,000</u>	City sales tax (2%)
\$532,000	
13. WHEREAS, the proposed exterior façade materials include stone veneer, brick veneer, metal, glass, metal panel and cementitious (stucco-like) siding, and
14. WHEREAS, the project site is located within the Urban Renewal Project Boundary area and is an appropriate location for a hotel, and
15. WHEREAS, the IURA is only authorized to sell property to a specific buyer if such buyer is designated as an eligible and qualified sponsor (Sponsor) per section 508 of General Municipal Law and the sale is approved by Common Council, and
16. WHEREAS, a proposed Sponsor is evaluated in accordance with adopted IURA land disposition procedures that seek to determine if the proposed Sponsor is qualified and capable of fulfilling the objectives of the project for property disposition, and
17. WHEREAS, IURA evaluation criteria for Sponsors include:
  - Financial status and stability
  - Legal qualification to operate in the State of New York and to enter into contracts with regard to the disposition, use, and development of land in questions
  - Previous experience in the financing, use, development and operation of projects of a similar nature

- Reputation and proof of fair, reputable and ethical business practices and a record devoid of convictions
18. WHEREAS, the primary objective of the Urban Renewal Plan (Plan) is to improve the economic, social and physical characteristics of the project neighborhood, and
  19. WHEREAS, one objective of the Plan is “expansion and diversification of the economic base of the community to provide the employment opportunities needed by its residents and to strengthen the tax base”, and
  20. WHEREAS, Hitesh T. Patel, President, and Neil H. Patel, CEO, are the principal members of Lighthouse and report that Lighthouse, or its affiliates, owns and operates the Hampton Inn located at 337 Elmira Rd., Ithaca, NY as well as Hampton Inn hotels in Clay, Seneca Falls and Buffalo (under construction), and
  21. WHEREAS, a 12/17/12 inspection of City records show that Lighthouse’s Ithaca Hampton Inn is operating in full compliance with all applicable permits and regulations, and is current on all tax obligations, and
  22. WHEREAS, Lighthouse’s successful record of developing and operating four similar hotels in New York state, including the Ithaca Hampton Inn, demonstrates they possess the skills, resources and capacity to complete the proposed project, and
  23. WHEREAS, the proposed project has potential to improve the economic, social and physical and characteristics of the project neighborhood, and
  24. WHEREAS, designation of a Sponsor allows the IURA to negotiate terms for a proposed property disposition that must then be approved by the City of Ithaca Common Council following a public hearing on the proposed terms of the disposition, and
  25. WHEREAS, the IURA Economic Development Committee considered this matter at their June 10, 2014 meeting and recommended the following; now, therefore, be it
1. **RESOLVED**, the IURA hereby finds that Lighthouse Hotels LLC satisfies IURA criteria — including qualifications, capacity and experience — to be designated a “qualified and eligible sponsor” to undertake an urban renewal project to undertake an in-fill urban hotel project on the 300 block of E. MLK Jr./E. State Street, and be it further

2. **RESOLVED**, the IURA hereby finds that to ensure the proposed Hampton Inn & Suites project will satisfy IURA criteria that an urban renewal project improve the economic, social and physical characteristics of the project area, the IURA requires the following:

- A. Urban Design – exterior building façade materials are a key component of exterior building design and the choice of appropriate materials is integral to the creation of new buildings that positively influence the surrounding neighborhood that includes two historic districts. Therefore, the following exterior building façade materials shall be prohibited on facades visible from public streets unless the Planning Board finds such materials enhance the design of the building:
  - EIFS (Exterior Insulation & Finishing System), such as “dryvit” or other cementitious, stucco-like finishes
  - Concrete masonry units;
- B. Job Creation – commit to create at least 33 full-time equivalent jobs and provide proof of job creation to the IURA;
- C. Wages – commit to pay all employees in the housekeeping department at least \$9.75/hour and further commit to pay a minimum of 11 full-time hotels employees at least a living wage (currently \$12.62 w/employer sponsored health insurance benefits or \$13.94 w/o health benefits);
- D. Site Control – the executed purchase agreement for 310-312 E. MLK Jr./E. State Street be submitted no later than June 25, 2014, and be it further

3. **RESOLVED**, subject to satisfaction of the above conditions, the IURA hereby designates Lighthouse Hotels LLC as a “qualified and eligible sponsor” (Sponsor) eligible to acquire tax parcels #69-1-3 and #69.-1-6.2 through negotiations for the purpose of undertaking an urban renewal project to develop an in-fill urban hotel project located at the 300 block of E. MLK Jr./E. State Street; and be it further,

4. **RESOLVED**, the IURA identifies the following issues to be included in negotiations with the Sponsor to acquire the project site:

- Accommodations to mitigate loss of public parking to adjacent enterprises;
- Participation in IURA-sponsored job training and job placement programs, such as the Hospitality Employment Training Program;
- Purchase price (fair market value), including non-refundable deposit;
- transfer of property contingent upon site plan approval and issuance of a building permit; and be it further

5. **RESOLVED**, that the IURA hereby recommends that the Common Council and Board of Public Works make the City-owned portion of the parking lot (tax parcel #69.-1-6.2) available for redevelopment and approve transfer of the parcel to the

IURA for the purpose of structuring a proposed sale for consideration by the Common Council, and be it further

6. **RESOLVED**, that the IURA hereby authorizes acceptance of tax parcel #69.-1-6.2 upon Common Council authorization of transfer of the parcel, and be it further

7. **RESOLVED**, that the IURA Chairperson, subject to review by IURA legal counsel, is authorized to execute a 90-day exclusive negotiating agreement with the Sponsor for the purpose of structuring a proposed purchase and sale agreement to convey tax parcels #69.-1-3 and #69.-1-6.2 to the Sponsor to undertake an urban renewal project, and be it further

8. **RESOLVED**, any proposed purchase and sale agreement shall be subject to approval by both the IURA and the Common Council, and be it further

**Unanimous 4-0**

## **B. Updates on Other Property Disposition Projects**

### **1. Marriott Hotel (120 S. Aurora St.)**

Bohn reported that the developer has returned to the City for approval of a modified design (the project's value engineering came in over budget) and plans to move forward with the project. It will be a 10-story building with 159 rooms.

### **2. Cayuga Place Two Apartments (Cayuga Place Residences)**

Bohn noted it would be a 45-unit, 7-story apartment building. The foundation construction is underway. Various iterations of the project took 8 years to come to fruition. It will be marketed as higher-level housing than the original Cayuga Place project and screen the unfinished eastern wall of the Cayuga garage.

### **3. Coltivare Culinary Center (Cayuga & Clinton Streets)**

Bohn announced the Coltivare Culinary Center is also under construction, with an anticipated opening in late August 2014, which may be a challenge to pull off. It will cover 16,000 SF, with 10 cooking stations, a restaurant, and an education facility.

### **4. 215-221 W. Spencer Rd.**

Bohn reported that the vacant parcel was originally going to be sold for affordable housing, but received no bidders. It has now been sold for \$115,000 with no restrictions on the end use. It is a steep-sloping site, which the developer plans to build multi-unit housing on.

Tegan inquired into the status of the Family Bowling & Entertainment Center that received IURA loan assistance approval in 2013. Bohn replied that applicant decided not to pursue the project. He was approached by other parties about leasing some of that office space.

Dylla inquired into the status of the Harold's Square project. Bohn replied that project received all its approvals, but has not yet secured financing, which requires commitments from some office tenants. The applicants are still pursuing that.

Dylla asked for an update on the Committee's goals and performance measures. Bohn replied the IURA hired a new Community Development Planner, who has been working on an updated Consolidated Plan (into which most of the Committee's recommendations have been incorporated). He noted that he will plan to provide a comprehensive report on the Committee's goals and performance measures at the next meeting. He added that the IURA has been working with Finger Lakes ReUse on its Phase 1 plan for developing and occupying the property it recently acquired. It has received strong support from Alternatives Federal Credit Union (AFCU), so he expects to see a loan application shortly.

## **VI. Staff Report**

### **A. Adopted IURA 2014 Action Plan**

Bohn reported the IURA's 2014 Action Plan was adopted by Common Council on June 4, 2014.

### **B. April 2014 Loan/Lease Payment Report**

Bohn noted the report is actually outdated: the State Theatre and the Argos Inn have now both made loan payments. The Bandwagon Brew Pub, however, remains two months behind. Bohn has called them, but received no response.

### **C. HUD Monitoring Visit — July 22-24, 2014**

Bohn announced that HUD will be performing one of its periodic monitoring visits, July 22-24, 2014. For every visit, HUD identifies a different component of IURA operations to monitor. This time, it will examine IURA economic development loans.

### **D. Other Business — None**

## **VII. Adjournment (Next Meeting Date: 3:30 PM, Tuesday, July 15, 2014)**

The meeting was adjourned by consensus at 4:49 P.M.

— END —