

COUNCIL ON DEVELOPMENT FINANCE

February 24, 2020

PUBLIC HEARING 451

THOSE PRESENT:

Hon. Nancy Cook

Hon. Tarik, Haskins

Mr. Kevin Kelly

Rep. Edward Osienki

Mr. Jack Riddle

Mr. Damian DeStefano, Chairperson, DEDA

Ms. Jordan Schulties, Deputy Director

Mr. Lawrence Lewis, DAG

Ms. Patricia Cannon, DSB

Mr. Michael Chesney, DSB

Mr. Gary Haber, DSB

Ms. Sheryl Hill-Dyer, DSB

Mr. David Mathe', DSB

Ms. Amy Reville, DSB

Ms. Lauren Swain, DSB

Ms. Shavonne White, OSD

Ms. Laura Wisler, DSB

Mr. Joe Zilcosky, DSB

ALSO PRESENT:

St. Andrew's School of Delaware, Inc., A Delaware Corporation (the "Borrower")

Mr. Brian Maxwell, Chief Financial Officer

Ms. Ann Visalli, Chief Operating Officer

Ms. Emilie R. Ninan, Ballard Shahr, LLP

Amazon.com Services, LLC

Ms. Holly Sullivan, Leader, Global Economic Development

Mr. Brian Kenner, Sr. Manager, Economic Development

Mr. Jeffrey A. Zygler, Sr. VP, National Development/Dermody Properties

The Challenge Program, Inc.

Mr. Andrew McKnight, Founding Executive Director

Mr. Alden Gibbs

Mr. Karl Stamberg

Mr. Kurt Foreman, DPP

Ms. Michele Schiavoni, DPP

Ms. Megan Kopistecki, DPP

Ms. Susan Coulby, DPP

Mr. Charles Madden, DPP

Mr. Andy Lubin, DFG

Ms. Tiffany Dailey, OMB

Ms. Kylie Taylor, OMB

Ms. Ruth Ann Jones, CGO

Ms. Kimberly Hoffman, Esq., Morris James LLP

Media

Ms. Sarah Garmard, The News Journal and USA Today
Mr. Jake Owens, Delaware Business Times
Mr. Mark Fowser, WDEL
Mr. Doug Rainey, Delaware Business Now
Ms. Sophia Schmidt, Delaware Public Media
Mr. J.N. DiStefano, Philadelphia Inquirer
Ms. Johnnie Braxton, WPVI-TV

LOCATION: Buena Vista Conference Center
Buck Library
661 South DuPont Highway
New Castle, Delaware 19720

TIME: 9: 00 a.m.

CALL TO ORDER: The meeting was called to order at 9:04 a.m., Monday, February 24, 2020 by Mr. Jack Riddle, Acting Council Chairman.

OLD BUSINESS:

Mr. Riddle asked the Council if there were any comments, suggestions and/or recommendations regarding January 27, 2020 minutes for the Council on Development Finance meeting. Rep. Edward Osienski and Mr. Kevin Kelly motioned to approve the minutes and Hon. Tarik Haskins seconded the motion, which was then adopted by unanimous vote.

NEW BUSINESS

Applicant: St. Andrew's School of Delaware, Inc.– The Borrower is requesting that the Authority issue a tax-exempt bond and loan the proceeds of the bond to the Borrower. The maximum amount of proposed issuance is \$25,000,000. The project is owned and operated by the Applicant, as a school in Middletown, New Castle County, Delaware.

Mr. Joe Zilcosky, Regional Business Manager, DSB introduced Ms. Ann Visalli, Chief Operating Officer, St. Andrew's School of Delaware, Ms. Emilie R. Ninan, Partner, Ballard Spahr LLP and Mr. Jeff Stewart, Managing Director, PFM. Mr. Zilcosky also gave background information on the school.

Ms. Ninan, Council for St Andrew's presented the bond process as refinancing for debt-service savings of the 2010 bond. There are no additional funds requested and no extension of bond maturity from the State of Delaware. The bonds are sold strictly on the credit of St. Andrew's School of Delaware, Inc.

Ms. Visalli gave background information on student financial aid and reiterated a refinancing of bonds which helps the school's financial status.

Further discussion included management of endowment, school tuition and fundraising.

Mr. Riddle asked if there were any members of the public that would like to comment on this application. There were no public comments.

Motion Made By: Mr. Kevin Kelly
Seconded By: Rep. Edward Osienki

Approved By Vote 5
Opposed By Vote 0

Applicant: Amazon.com Services, LLC – The Applicant is requesting a Delaware Strategic Fund grant in the amount of \$4,500,000 to establish its operations in Wilmington, Delaware.

Mr. Kurt Foreman, President and CEO, DPP introduced two Amazon.com Services, LLC associates, Mr. Brian Kenner, Sr. Manager, Economic Development Team and Ms. Holly Sullivan, Leader of Global Economic Development Team. Mr. Foreman presented background information on the project.

Mr. Kenner and Ms. Sullivan made a presentation covering company background as well as details regarding benefits, workforce development and community giving. The Wilmington project will be a fulfillment center with the opportunity to create one thousand full-time jobs. Amazon anticipates the site operational between the latter half of 2021 and early 2022.

Further discussion from Council included metrics for grant requests, performance grant process and requirements, projected return on investment (ROI), new site facility layout, various taxes such as real estate, county and state taxes including tax incentives. Performance grant and capital expenditures were discussed including claw back provisions. Claw-back provisions occur if the company makes a draw from the State and fall below a baseline, a portion of the grant must be returned or if the company exits the state, the grant is terminated.

New jobs created at the new Wilmington site will be additional jobs and will not include transfer jobs from New Castle or Middletown fulfillment centers.

Amazon's development partner, Dermody Properties owner of the site, representative, Mr. Jeffrey A. Zyglar, Sr Vice President, discussed impact on Delaware's construction industry and anticipate concrete and steel in the next couple of months to meet Amazon's third quarter 2021 delivery schedule. This included development site plan schedule which started a year ago to process entitlements. Department of Natural Resource and Environmental Control (DNREC), is completed, New Castle County is complete, Delaware Department of Transportation, (DelDOT) nearing completion and have issued their letter of no objection to New Castle County including issuing permanent entrance.

Mr. Riddle asked if there were any members of the public that would like to comment on this application. Several comments were made.

1. *Hon. John Kowalko, State Representative, District 25 spoke on behalf of his constituents.*

2. *Mr. Todd Ruckle, Director of Relocation & Business Development, Keller Williams Realty, running for Senator, District 9, Greater Newark area. Since General Motors (GM) left property values have declined, worker renters in the area unable to update their homes and values of homes remain depressed. Middletown Village property value, located in Middletown, Delaware after Amazon arrived increased. Amazon is not the main cause of property value increase. Appoquinimink School district being the number one-rated school along with continuous growth has allowed personal wealth to each homeowner. The area in Wilmington is the perfect place for Amazon and has concerns for claw-back funding provisions.*
3. *Ms. Sue Laushey, resident of surrounding General Motors communities. Heard rumors of previous property owner. Wants to know who owns the existing site? Have any regulations been completed in the area such as noise, traffic, pollution, free space, open space? Have impact studies been completed for the fulfillment center? How much money is spent on the property? Have more questions than answers and hope Council will consider them.*
4. *Mr. Donald Frisco representing self, mention acronyms in today's world." MAGA or Microsoft, Amazon, Google and Apple, as well as Facebook and Netflix, is an attempt, to show how we are being control by large corporations. Mr. Jeff Bezos has done his homework on Delaware's proximity to roads, rails, airports, cities and Delaware's talented workforce. Delaware is a push over for corporate financial assistance as evidence from Fisker and Bloomberg fiasco that Delmarva Power customers are paying constantly. Bezos should invest in Cap-Exp. We must not provide 4.5-million-dollars, favorable tax breaks from the county and favorable rates on electricity.*
5. *Hon. Anthony Delcollo, State Senator, mention the need to have clear information conveyed to constituents he represents, and the nature of strategic fund, a concept that anyone can participant regardless of company size. There should be a discussion globally whether there should be a strategic fund and whether other states have strategic funds. Look forward to hearing discussion about facts. Most of the people building this site (Wilmington), should be Delaware workers and stipulations that will ensure Delaware representations is on this job site.*
6. *Mr. Ted Pankowski, representing self, worked in construction over 50 years. Harvey Hanna received tax breaks on the location and owed Red Clay School District on back taxes that was not received. Construction – Harvey Hanna hired a company from Massachusetts to demolish the place, and hired people from Florida, Tennessee, Georgia and 75 iron workers from Virginia. The area had asbestos in the air and nothing was done. There are union construction workers who can do a world class job that could be expensive; They do the job right and obtain benefits and are not a burden to the State when they retire. Hold Amazon accountable and make them do it right!*
7. *Mr. Mike Stewart, laid off, mentioned 75 guys working from out of state. Have two daughters, one in college and one getting ready to go to college. Mentioned he's on unemployment because we keep giving everything away in this State.*

8. *Mr. Rob Vanella. Absolute opposition to a state give-away to one of the most valuable and powerful corporation in the world. Quoted information from the News Journal and Philadelphia Inquirer. Amazon Prime has no real union, no real benefits, no collective bargaining, at-will employment and no security for themselves and their families.*
9. *Mr. Dustyn Thompson. Nowhere in the presentation did he see anything on why they need 4.5 million dollars. Did not see in the presentation green roofs on the building and are they investing in the environment or community soil to help lower cost for nearby communities? Do not see real hard drilling and outreach to the community to help hire from within both building and employment afterward. Did not see a real need for 4.5 million dollars. He sees what they wanted. They want to please shareholders. This is not good enough. Need more details about the reason for funding.*
10. *Mr. Howard Halverson is seeking answers about benefits from Amazon. What's the average salary? What's the co-pay of medical insurance? Can anyone afford to pay for insurance? Most people in construction cannot afford to put into 401k program. This is about Delaware workers. We need better wages in Delaware. Should not have to be subsidies when working every day.*
11. *Ms. Eva Barnett. What percentage of workforce for Amazon is temporary or contract? What is it now and will be for the new site?*

Mr. Jack Riddle asked the Council for follow up questions to address Amazon and or Dermody Properties.

1. *Who will own the Wilmington's real estate facility and Amazon's relationship with the owner?*

Mr. Jeffrey A. Zyglar, Sr. Vice President, National Development representing Dermody Properties, discussed Amazon as a tenant. Dermody Properties owns 100 percent of the property. They will construct and lease the building to Amazon on a long-term basis. Harvey Hanna was the previous owner of the site and Dermody Properties purchased the site from them. The real estate taxes Harvey Hanna paid will be paid by Dermody Properties.

2. *What are the plans for this large project site?*

Based on current plans Amazon is using most of the site. One building, one tenant and one single call if there is a problem in the building. Traffic and environment – There are a significant amount of landscaping and considered the surrounding communities. The building is set far back in the north west corner point of entry. There are 75 loading docks and the traffic will be less than previous General Motors plant.

3. *What are the tax abatement and capital expenditures for Dermody Properties and what are Amazon expenses on the real estate?*

Dermody Properties is not seeking abatement on real estate and will make a \$200-\$300 million dollars capital investment in the facility. Amazon will make a \$50 million-dollar

investment for machinery equipment and racking inside the facility.

4. *Specific details on Amazon jobs temporary or contract and benefits.*

Amazon reiterated one thousand full-time permanent employee jobs. During peak season or holiday time, Amazon hire seasonal workers on an international basis to help with demands. Benefits are available day one with a choice of different insurance plans. Full healthcare dental, vision, maternity leave up to 20-weeks paid, paid leave up to 2 weeks personal time on an annual basis. 401k matches available to all employees.

5. *How will automation robots have an impact on full-time jobs?*

Manufacturing robots and distribution robots are very different. Manufacturing robots move products from point A to point B. There is a need for people intuition to make judgment calls to perform the work. Amazon anticipates hiring one thousand full-time jobs at the facility.

6. *Use of Delaware Contractors*

Amazon is committed to working with State office to achieve best results.

7. *Site Improvements/Building bidding process. What percentage are likely to be awarded to Delaware? Where is Dermody Properties in the bidding process?*

Dermody Properties started, in the beginning, with a competitive bid for general contractors, awarded late December. General contractors hire subcontractors. Dermody Properties solicited about 3 to 4 hundred trades initially for bids. Forty-five were Delaware and 11 responded. The first demolition project was awarded to Corrado Construction based out of Wilmington Delaware. Another general contractor for demolition, Clayco Construction based out of Saint Louis, Missouri is working with Corrado. Both are working with contractors out of southern Pennsylvania, southern New Jersey union operators, and 562 operators out of Delaware.

8. *Expansion on truck driver jobs for Wilmington's facility center.*

Some drivers are Amazon drivers and have third party truck drivers across the country. Most likely will probably use current Amazon drivers from other Delaware facility that will increase truck drivers and the demand for them.

9. *Comment on Delaware Strategic Fund and how it operates.*

Discussed Bond Bill Senate 180- and \$12.5 million-dollars fund allocated from General Assembly. Council is tasked with reviewing and recommending any applicants that meets written requirements. Senate bill 180 was passed unanimously, which allocated this funding for this intent to consider groups, small business in economic development.

The formula for this fund is used for any organizations that makes an investment in the State. There are no waivers allocated. Incentives are needed to compete with surrounding states and Delaware Strategic Fund Grant is a way for Delaware to attract businesses.

Additionally, Delaware Prosperity Partnership (DPP) was created 3 years ago by the Delaware General Assembly and signed by the Governor.

Motion Made By: Hon. Tarik Haskins
Seconded By: Mr. Kevin Kelly

Approved By Vote 5
Opposed By Vote 0

Applicant: The Challenge Program, Inc. - The Applicant is requesting a Delaware Strategic Fund grant in the amount of \$81,930 to expand its operations in Wilmington, Delaware.

Mr. Joe Zilcosky, Regional Business Manager, DSB introduced Mr. Andrew McKnight, Founder and Executive Director, The Challenge Program. Mr. Zilcosky gave background information about the organization.

The project will build a new 15 thousand square foot manufacturing facility and will hire 7 new full-time jobs. The program founded 1995 provides construction education to at-risk youth age 18-24 years of age, giving them the opportunity while learning workforce skills.

Trainees receive approximately 6 months paid basic job training, basic education services, life skills, job placement and intensive case management services. The program challenges hardship youth with significant barriers to employment. Ninety percent have a criminal record and 95 percent qualify as extremely low-income, 75 percent have experienced homelessness, and 80 percent were expelled or drop out of school.

Further discussing included ownership of previous location, trainee program services such as case management, low-income timber framing, post and beam construction stables behind urban bike project, program advertisement and program funding.

Mr. Riddle asked if there were any members of the public that would like to comment on this application. There were no public comments.

Motion Made By: Rep. Edward Osienski
Seconded By: Hon. Tarik Haskins and Mr. Kevin Kelly

Approved By Vote 5
Opposed By Vote 0

EXECUTIVE SESSION

Council members deemed that no executive session was necessary.

ALL OTHER MATTERS THAT MAY COME BEFORE THE COUNCIL

Division of Small Business staff discussed EDGE Grant education request from Council members as well as future funding of the EDGE Grant program.

ADJOURNMENT:

Motion Made By: Rep. Edward Osienski

Seconded: Mr. Kevin Kelly

Meeting adjourned 10:48 p.m.

Respectfully submitted,

Sheryl Hill-Dyer

SHD

cc: Members of the Council on Development Finance
Damian DeStefano, Chairperson, Delaware Economic Development Authority, (DEDA)
Jordan Schulties, Deputy Director, Delaware Division of Small Business, (DSB)
Lawrence Lewis, Deputy Attorney General, (DAG)

The next Council on Development Finance meeting is scheduled for Monday, March 23, 2020, Buena Vista Conference Center, Buck Library, 661 South DuPont Highway, New Castle, Delaware, 19720, 9:00 a.m.