

**PEASE DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING
MINUTES**

Thursday, November 17, 2016

Presiding: George M. Bald, Chairman
Present: Robert A. Allard, Treasurer; John P. Bohenko; Margaret F. Lamson; Peter J. Loughlin, Vice Chairman; Robert F. Preston; and Franklin G. Torr
Attending: David R. Mullen, PDA Executive Director; Mark H. Gardner, PDA Deputy General Counsel; PDA staff members; and members of the public;

I. Call to Order

Chairman Bald called the meeting to order at 8:04 a.m. in the Board conference room at 55 International Drive, Pease International Tradeport, Portsmouth, New Hampshire.

II. Acceptance of Meeting Minutes: October 20, 2016

Director Allard moved and Director Lamson seconded that **The Pease Development Authority Board of Directors hereby accept the Minutes of the October 20, 2016 Board meeting.** Discussion: Director Lamson confirmed that as reported in the October 2016 Financial Reports that annually PDA has absorbed a total of approximately \$1.4 million in support of Skyhaven Airport (DAW) since its transfer to PDA in 2009. Disposition: Resolved by unanimous vote for; motion carried

III. Public Comment

There were no comments from the public.

IV. Old Business

No old business was brought before the Board.

V. Finance

A. Financial Reports

1. Operating Results for the Three Month Period Ending September 30, 2016

Irv Canner, PDA Director of Finance, reported on the status of the PDA FY 2017 finances for the three month period ending September 30, 2016, including a review of: the operating revenues; operating expenses; variances in wages and benefits and fuel sales; the anticipated increase in the inflation rate; changes in seasonal staffing numbers; and utilities including electricity kilowatt hours consumption. Mr. Canner reviewed the Balance Sheet, including: increase and variances in PDA's unrestricted cash balances; capital projects including Airport Terminal bathroom renovations and roof replacement; and the status of the revolving line of credit. Director Bohenko and Mr. Canner discussed the implications of the new GASB 78 pronouncement regarding tax liabilities that will take effect in FY 2018.

Mr. Canner reviewed PDA Business Units. Enplanements to date at the Portsmouth International Airport at Pease (PSM) are 50,212; DAW operating revenues and expenses through September are on budget with a net operating income of approximately \$2,000; the Golf Course's net operating income is approximately \$437,000 for the period and operating revenues are approximately \$0.1 million dollars ahead of the same period last year; rounds of golf played have increased by approximately 5% and bar and grill sales have increased by approximately 3% from the same period last year. Mr. Canner reviewed

the Division of Ports and Harbors' ("DPH") unrestricted cash balances and operating incomes. PDA will present its FY 2018/19 budget to the Legislature on November 18, 2016.

2. Nine Month Cash Flow Projections to July 31, 2017

Mr. Canner reviewed PDA cash flow projections for the nine month period ending July 31, 2017. Unrestricted cash balances are expected to reduce due to capital projects, including PSM Terminal renovations. Grant funded projects of \$7.2 million include PSM runway improvements and pavement renovations at DAW. Non-Grant funded projects are expected to cost approximately \$1.0 million. Mr. Canner reviewed the anticipated variances in PDA's cash flow. Variances in DPH's cash flow includes mooring permit fee revenues and the conclusion of the ME DOT/Long Bridge project contract in December, 2017. PDA has received authorization from the Capital Budget Overview Committee to draw funds of up to \$70,000 from the Harbor Dredging and Pier Maintenance Funds for general repairs and a preliminary study of the Barker Wharf at the Market Street Terminal.

In response to Director Lamson, Maria Stowell, P.E., PDA Manager – Engineering, reviewed the line item for drainage ditches including ongoing maintenance and enhancements of the Golf Course ditch and the Newfields ditch.

3. Revolving Loan Fund Semi-Annual Report – September 30, 2016

Mr. Canner reported that in accordance with the Economic Development Administration requirements for the Revolving Loan Fund, PDA made its semi-annual report. The fund is for the benefit of commercial fishermen. There are 23 outstanding loans and all are current. Since the fund's inception, 95 jobs were created and over 200 jobs were saved.

VI. Licenses/Easements/Rights of Way/Options

A. Approvals

1. Lonza Biologics, Inc. – Parking License Amendment

Director Lamson moved and Director Preston seconded that **The Pease Development Board of Directors authorizes the Executive Director to execute License Agreement Amendment No. 5 with Lonza Biologics, Inc. for the use of a portion of the parking area adjacent to 55 International Drive. The License is hereby extended for a period of one (1) year from November 1, 2016 through October 31, 2017, subject to all other terms and conditions of the License, as amended, remaining in full force and effect; and on substantially the same terms and conditions set forth in the License Agreement Amendment No. 5 attached hereto. Discussion: None. Disposition: Resolved by unanimous vote; motion carried.**

VII. Leases

A. Reports

In accordance with the ADelegation to Executive Director: Consent, Approval of Sub-sublease Agreements@, Mr. Mullen reported on the following subleases:

1. Two International Group, LLC

Two International Group, LLC entered into a sublease with A&A Search Staffing LLC for 1,367 square feet at 2 International Drive for a base term of 5 years, 3 months. Director Lamson approved the sublease.

2. 25, 29 Retail, LLC

25, 29 Retail, LLC entered into a sublease with Amedisys New Hampshire and Beacon Hospice, Inc. for 5,717 square feet at 25 New Hampshire Avenue for a base term of 5 years, 3 months. Director Lamson approved the sublease.

3. Seacoast Newspapers, Inc.

Seacoast Newspapers, Inc. entered into a sublease with Convenient MD, LLC for 10,584 square feet at 111 New Hampshire Avenue for a base term of five years. Director Lamson approved the sublease.

B. Approvals

1. Spyglass Development, LLC – 30 New Hampshire Avenue

Director Bohenko moved and Director Allard seconded that **The Pease Development Authority Board of Directors suspend the rules to allow comments by representatives of Spyglass Development, LLC regarding negotiations for the premises located at 30 New Hampshire Avenue.** Discussion: None. Disposition: Resolved by unanimous vote; motion carried.

Note: PDA and Spyglass Development LLC (“Spyglass”), an entity of the Kane Company (“Kane”), are in negotiations regarding the premises located at 30 New Hampshire Avenue and occupied by Flex Energy (a subtenant of Spyglass). Spyglass is seeking to enter into a new Lease for a longer term and expand the building to accommodate Flex Energy’s space requirements. PDA is reviewing the viability of taking back the building at the end of the current lease term on July 31, 2022 to allow for the consolidation of PDA offices and the expansion of parking areas in support of the Airport Terminal.

Rob Ciandella, attorney for Spyglass, spoke regarding the status of the Letter of Intent (“LOI”) for a new lease for the Spyglass premises. Attorney Ciandella reviewed the history of the current negotiations for a new lease with a longer lease term and the expansion of the building located at 30 New Hampshire Avenue to accommodate Flex Energy including previous Board action and the status of the LOI dated October 14, 2016. Attorney Ciandella outlined three policy issues that the Board needs to resolve: 1) will the Board take back the subject building at the end of the Spyglass lease term in July, 2022; 2) should the Board reject the LOI to allow PDA to use the site for offices and expanded Airport Terminal parking; and 3) the process of negotiations with PDA. Attorney Ciandella reviewed the actions taken by Spyglass in expectation that the LOI would be signed by PDA. Attorney Ciandella requested that the Board move forward with the proposed lease as outlined in the LOI.

Michael Kane, a principal of Kane, introduced John Kane (a principal of Kane) and Mark Schnepel, owner of Flex Energy.

Mr. Schnepel addressed the ramifications to his company if the Spyglass lease terminates and the building expansion is not done. Flex Energy currently employs 75 people collectively at 162 Corporate Drive and 30 New Hampshire Avenue with plans to add 50 more employees in the future. Flex Energy needs to vacate the space at 162 Corporate Drive at the end of its sublease in June, 2017. If the 30 New Hampshire Avenue site is not expanded, Flex Energy may not be able to continue its business and may be forced to leave the area.

Mr. Kane reviewed the history of the Lease. Kane is concerned with the possibility of losing Flex Energy as a tenant and reported that Kane has expended significant fees in pursuit of the new lease and building expansion. Kane has reviewed various options that would allow Spyglass to enter into a longer

lease term and expand the building, while allowing PDA to increase its parking area for the Airport Terminal including the addition of a parking deck over the existing parking lot.

Patrick Crimmins, of Tighe and Bond, presented preliminary high level review and plans regarding the creation of a parking deck over the existing parking lot at 30 New Hampshire Avenue and expanding current parking areas around the Airport Terminal. Mr. Crimmins noted that in-depth storm water management plan, the effect on the impervious surfaces, and other studies would need to be done to see if the proposal is viable. If the building was demolished, only 580 spaces would be created on ground level. The parking deck would accommodate 650 – 700 spaces on the first deck 800 spaces on the second level with little change to the impervious footprint and property access.

Director Bohenko inquired about the costs to build the deck, what would Kane expect to pay, and what the debt service would be to PDA if such a project were bonded. Mr. Kane reported that the parking spaces would cost \$12,000 per space. Continued revenue from Spyglass for the premises would cover the cost of approximately 580 spaces. Director Bohenko reviewed the debt service and bonding costs if PDA built the parking deck.

Mr. Crimmins continued his review of the adding to surrounding parking areas that could net approximately 1,000 parking spaces. Mr. Kane felt that 3,000 or more parking spaces could be created overall without any changes to the building. Topography and wetlands studies would need to be done to determine if the parking areas could be built. Mr. Crimmins also reviewed the effect of future driverless cars on the need for less parking; and presented the Board with two articles regarding effect of the use of driverless cars on the need for parking spaces. Mr. Kane asked the Board to work on keeping Flex Energy on the Tradeport.

Attorney Ciandella thanked the Board for allowing the presentation and requested that the Board move forward with the proposed lease as outlined in the LOI.

Chairman Bald reported that the matter was being considered to be tabled until the December Board meeting to give the Board time to review the matter and to allow for further negotiations. Director Bohenko suggested that the Executive Director and PDA staff meet soon to work out their concerns and due to Flex Energy's short time frame a special Board meeting be held before the scheduled December Board meeting. Director Lamson stated her concerns about the short time frame that the staff will have to work on the matter. Chairman Bald agreed with the special meeting and asked that it be held either December 1st or December 8th.

Director Bohenko moved and Director Lamson seconded that **the Pease Development Authority Board of Directors hold a special meeting of the PDA Board of Directors on either December 1, 2016 or December 8, 2016 to review the recommendations of the PDA staff and status of negotiations with Spyglass Development LLC regarding the premises located at 30 New Hampshire Avenue.** Discussion: None. Disposition: Resolved by unanimous vote; motion carried.

VIII. Signs

A. Approvals

1. Lonza Biologics, Inc. – 166 Corporate Drive

Director Preston moved and Director Loughlin seconded that **The Pease Development Authority Board of Directors hereby approves of the proposed sign for Lonza Biologics, Inc. at 166 Corporate Drive; all in accordance with the memorandum of Maria J. Stowell, PE, Manager – Engineering dated November 3, 2016 and attached hereto.** Discussion: Director Loughlin

commended Maria Stowell and the Board for setting the tone regarding the style of signs allowed on the Tradeport. Director Bohenko suggested that the Board consider the use of a “consent agenda” for items, such as a sign approval, instead of approving individual motions similar to the process the Portsmouth City Council uses. Director Torr agreed and Chairman Bald felt it should be considered. In response to Director Allard, Ms. Stowell confirmed that signs can equal up to 200 square feet in size per lot. Ms. Stowell reported that PDA has a policy that allows for minor revisions to existing signs with a Director’s approval. Disposition: Resolved by unanimous vote; motion carried.

IX. Contracts/Agreements

A. Approvals

1. Fred C. Church, Inc.

Director Bohenko moved and Director Loughlin seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to accept and bind Workers Compensation insurance coverage for the Pease Development Authority to be provided by MEMIC and brokered by Fred C. Church Insurance (“Church”) for the period of 12/31/16 through 12/31/17 in the projected amount of \$66,329; all in accordance with the Insurance Proposal prepared by Church and the memorandum of Mark H. Gardner, Deputy General Counsel, dated November 10, 2016 attached hereto.** Discussion: None. Disposition: Resolved by unanimous vote; motion carried.

X. Executive Director’s Reports/Approvals

A. Reports

1. Golf Course Operations

Scott DeVito, PGA General Manager, reported on the activities at the Pease Golf Course. Three courses are still open. Work is being done on the lower 9 course and play will be reduced to 18 holes for one week. The upper nine will then remain open until December 11th. Golf Maintenance crews are working on the irrigation systems and the Golf Shop is ramping up for the simulator play and promotional sales. The “Pay Now, Play Now” program ends December 31st.

2. Airport Operations

Andrew Pomeroy, Airport Operations Supervisor, reported on aviation activities.

a) PSM

The FAA completed its annual certification inspection of the Airport. The inspection was successful. Mr. Pomeroy commended the Maintenance and Airport Operations staff for their efforts. Enplanements including 31,000 charter passengers, have reached 54,700. Allegiant Airlines is starting services to Clearwater – St. Petersburg on November 17 and services to Punta Gorda on November 18, 2016.

b) Skyhaven Airport

Winter preparations are ongoing at Skyhaven Airport.

c) Noise Line Report

Seven people called a total of 58 times regarding noise concerns; fifty-four calls dealt with helicopter activities and four calls dealt with fixed-wing military aircraft.

Director Lamson noted that several concerned individuals attended the Noise Compatibility meeting. Mr. Pomeroy felt that staff was able to address a number of the public's concerns. Director Lamson commended Sandra McDonough, Airport Community Liaison, for her work.

B. Approvals

1. Airport Maintenance Positions

Director Allard moved and Director Torr seconded that **In accordance with the provisions of Section 3.11 of the Second Amendment to By-Laws of the Pease Development Authority, the Pease Development Authority Board of Directors hereby approves of and authorizes the Executive Director to create two full time positions in the Airport Maintenance Department including:**

- a. Airport Terminal Custodial Supervisor
- b. Equipment Operator

and to immediately fill said positions with appropriately qualified candidates; all in accordance with the memorandum of Alan Weston, Airport Maintenance Manager, dated November 4, 2016 attached hereto. Discussion: Director Bohenko inquired about the duties of the custodial supervisor position. Mr. Mullen explained that due to the increased traffic in the PSM Terminal the custodial work has increased. Two employees were responsible for custodial work on the interior and the building exterior. The coverage is not sufficient coverage due to the need to have coverage 24 hours a day. The employees are badged and can respond to security concerns. TSA requires a two minute response time for any activity in the Terminal regarding a flight. The employees are cross-trained to do a number of other tasks, such as clearing the sidewalks and facilitating passengers through the Terminal. The supervisor will provide supervisory and custodial duties. PDA reached out to Twinns Janitorial, PDA's current buildings custodial provider, to determine if contracting the Terminal custodial services would be cost effective. It was determined that cost savings would be realized if PDA provided the services. Mr. Mullen reported that Al Weston, Maintenance Supervisor, is scheduled to retire in July, 2017. Frannie Frank, Equipment Operator, will take over maintenance management responsibilities and needs to begin training in the management position. The new Equipment Operator will fill Mr. Frank's current position. Director Bohenko confirmed that it will be a net zero hire. Disposition: Resolved by unanimous vote; motion carried.

2. Bills for Legal Services

Director Loughlin moved and Director Preston seconded that **The Pease Development Authority Board of Directors authorizes the Executive Director to expend funds in the total amount of \$27,614.67 for legal services rendered to the Pease Development Authority by:**

Donahue Tucker & Ciandella, PLLC		
Through September 30, 2016	\$	87.50
Kutak Rock LLP		
Through September 30, 2016	\$	398.77*
	\$	18,244.64
Sheehan Phinney Bass + Green		
Through September 30, 2016	\$	8,883.76
	Total	<u>\$27,614.67</u>

***Note: The City of Portsmouth will pay the remaining balance.**
Discussion: None. Disposition: Resolved by unanimous vote; motion carried.

XI. Division of Ports and Harbors

A. Reports

1. Port Advisory Council

Geno Marconi, Division Director, reported that the Port Advisory Council met on November 9, 2016. Mr. Marconi updated the Council on the Sarah Long Bridge construction project. The Council received a report on fisheries activities and the mooring permit program. No action was taken by the Council.

Mr. Marconi reported that the Isles of Shoals Steamship Company (“ISSCO”) has again entered into a parking agreement with the City of Portsmouth to allow City employees to use 40 parking spaces on the ISSCO lot for parking during the winter.

Mr. Marconi reported that eight year round part-time DPH employees and one full-time employee are veterans. Grant Nichols, Deputy Chief Harbor Master, is in the Air National Guard. Whit Anderson, DPH Interim Operations Manager, a member of the Army National Guard. Mr. Anderson recently received a meritorious promotion to the rank of E-4.

XII. New Business

No new business was brought before the Board.

XIII. Upcoming Meetings

Chairman Bald announced that the next regularly scheduled Board Meeting will be held on December 15, 2016 and is the Board’s Annual Meeting. The meeting will begin at 8 a.m. unless otherwise posted.

XIV. Directors’ Comments

Director Torr suggested that the Board members tour the new Wentworth-Douglass facility at 73 Corporate Drive. Director Preston thanked everyone for their well wishes and cards.

XV. Adjournment

Director Bohenko moved and Director Allard seconded to **adjourn the Board meeting.** Discussion: None. Disposition: Resolved by unanimous vote; motion carried. Meeting adjourned at 9:19 a.m.

XVI. Press Questions

No members of the press were at the meeting.

Respectfully submitted,

David R. Mullen
Executive Director/Secretary