

Tompkins County Industrial Development Agency

Industrial Application for Incentives

Applicant Information

Date: November 8, 2013

Name of Company/Applicant:	
BTRNC LLC, d/b/a Beechtree Center for Rehabilitation and Nursing (<i>operator</i>)	
Members:	Efraim Steif, Uri Koenig, David Camerota
Address:	1 Hillcrest Center Drive, Suite #225
City/State/ZIP:	Spring Valley, New York 10977
Primary Contact:	Jack Augenstein, CFO
Phone:	845-371-8100, Ext. 207
Email:	jaugenstein@usgny.com
	Fax: 845-371-0010

Will a separate company hold title to/own the property in question that is separate from the operating company/applicant? If yes, please provide the name and contact information for that entity.

Name:	
318 South Albany Street LLC	
Address:	
1 Hillcrest Center Drive, Suite #225	
City/State/Zip:	
Spring Valley, NY 10977	
Contact:	
Jack Augenstein, CFO	
Phone:	845-371-8100, Ext. 207
Email:	jaugenstein@usgny.com
	Fax: 845-371-0010
Members:	Efraim Steif, Uri Koenig

Describe the terms and conditions of the lease between the applicant and the owner of the property.

The lease term is forty (40) years, unless sooner terminated or extended as provided in the lease. The members of the lessor entity are also members of the operating entity (lessee)—so there is no risk that the lessee will be arbitrarily terminated.

Applicant Attorney:	
Kenneth S. Kamlet, Esq. Hinman, Howard & Kattell, LLP	
Address:	
700 Security Mutual Building 80 Exchange Street PO Box 5250	
City/State/ZIP:	
Binghamton, NY 13902-5250	
Primary Contact:	
Kenneth S. Kamlet, Esq.	
Phone:	607-231-6914
Email:	kkamlet@hhk.com
	Fax: 607-723-6605

Applicant Accountant: Martin Friedman & Co., CPA		
Address:	2604 Norstrand Avenue	
City/State/ZIP:	Brooklyn, NY 11210	
Primary Contact:	Michael Weisz	
Phone:	718-338-6900	Fax: 718-692-1992
Email:	Mweisz@mfandco.com	

Applicant Engineer/Architect (if known): Schopfer Architects LLP		
Address:	1111 James Street	
City/State/ZIP:	Syracuse, New York 13203	
Primary Contact:	David A. Schlosser, AIA	
Phone:	315-474-6501	Fax
Email:	dschlosser@schopfer.com	

Applicant Contractor (if known): John F. Heath Construction		
Address:	275 Kattelville Road	
City/State/ZIP:	Binghamton, NY 13901	
Primary Contact:	John Heath	
Phone:	607-648-6577 607-237-4065 (cell)	Fax: 607-648-6577
Email:	none	

Business History

Year Company was Founded: 6/14/13 Type of Ownership: LLC

NAICS Code: 8051

Product or Service: Skilled Nursing Facility

Major Customers: Skilled Nursing Facility Residents
NOTE: Beechtree and its predecessor have been in operation for 93 years—i.e., it is a longstanding existing facility, which is merely undergoing a change in the owner and operator. Although there are four other nursing homes in Tompkins County, the population of “customers” greatly outnumbers the combined number of available beds in Tompkins County. In short, there will be no displacement of existing Tompkins County businesses.
<i>The IDA avoids offering incentives to businesses that will compete with or displace existing Tompkins County businesses.</i>

Major Suppliers:

The Suppliers list includes approximately 41 businesses/entities located in Tompkins County. It includes: Ace Security Control Inc.; All Ears Audiology of Ithaca; Ithaca Agway/True Value; Battery Warehouse; B&W Supply; Chamberlain Climate Control; David Brown’s Food Equipment; The Computing Center; Gadabout Transportation Svcs; Grease Busters; KJs Property Care; Lansing Rhythm Workshop; Podiatry Services of Ithaca; Radiology Associates of Ithaca; Sound Circles; and Tompkins Dental.

It also utilizes services from: Cayuga Emergency Phys LLP; Cayuga Medical Associates; Cayuga Medical Center; Human Services Coalition; Tompkins County Sheriff’s Dep; and Cayuga Center for Wounds.

Who are your major competitors in Tompkins County?

Other Nursing Homes in Tompkins County are Kendal at Ithaca (~33 residents); Groton Community Health Care Center (~78 residents); Oak Hill Manor Nursing Home (~58 residents); and Cayuga Ridge Extended Care (~152 residents). They are not actually “competitors” because, as noted by the NYS Department of Health, http://www.health.ny.gov/funding/rfa/inactive/1111091042/questions_and_answers.pdf : “Tompkins County is one of the few counties listed as being deficient in the number of skilled nursing home beds available to meet long-term health care needs.” Also “Beechtree is a provider of long-term skilled nursing care that fulfills an unmet health care need for the community based on the volume of Medicaid and indigent patients served. Beechtree is a key component in protecting access to care with a cost effective delivery of healthcare services for the community.” *Id.*

Has your business ever received incentives tied to job creation from local governments in New York State? Yes No

If Yes, please describe. N/A

Were the goals met? N/A Yes No

If No, why were goals not met? N/A

After expansion: NOTE: This is not an “expansion” project per se, although it will include ~\$1.3 million in funding to carry out critical and non-critical repairs and a project to upgrade and extend the short-term unit and rehabilitation services.

Annual Sales to customers in Tompkins County \$7,556,226 (Net Patient Revenue, 2012) Percent subject to sales tax 0%

Annual purchases of operating items subject to local sales tax ~\$260,000 20%

Business profit history. Please supply in spreadsheet format five (5) years of Past History and Three (3) years future projections.

	Historical						Projected		
Years	1	2	3	4	5		1	2	3
Revenues							\$8,742,000	\$8,859,000	\$9,009,000 ballpark estimate
Profits							(\$345,000)	(\$188,000)	(\$27,000) ballpark estimate

Project Description

Please give a brief narrative description of the project.

The Beechtree Care Center is a 120-bed skilled nursing home located at 310-318 S. Albany St. in Ithaca, owned by Reconstruction Home and Healthcare Center, Inc., a nonprofit corporation created specifically for the facility with the approval of the Tompkins County Legislature. The nursing home primarily serves Medicaid beneficiaries and has suffered financially over the last decade as a result of Medicaid funding cutbacks. Over the past several years it has incurred sizeable operating losses. To avoid closing on Sept. 1, 2013, Reconstruction Home and the NYS Department of Health entered into a Receivership Agreement with BTRNC, LLC, pursuant to which BTRNC now operates Beechtree. At the same time, Reconstruction Home entered into an Operations Transfer Agreement with BTRNC to transfer operations to BTRNC upon the latter's receipt of a permanent operating certificate from the Department of Health. Also at the same time, Reconstruction Home entered into an Asset Purchase Agreement with 318 South Albany Street LLC to sell and convey all of its real and personal property to 318 South Albany Street.

Both BTRNC and 318 South Albany Street are limited liability companies owned by Efraim Steif and Uri Koenig, both of whom also own Upstate Services Group which is a company that provides administrative and operational support to various skilled nursing homes which are also owned by Messrs. Steif and Koenig. The NYS Department of Health previously approved Messrs. Steif and Koenig as the established operators of eleven (11) skilled nursing facilities.

The "project" for which IDA assistance is sought is to preserve the Beechtree Care Center (under the new name of Beechtree Center for Rehabilitation and Nursing) as a provider of critically needed skilled nursing home services in Tompkins County, and to ease the transition of Beechtree from a not-for-profit entity paying no taxes to Tompkins County, the City of Ithaca, or the School District, to a self-sufficient, financially viable tax-paying entity. The restoration of Beechtree to financial health will also preserve the jobs of more than 100 professional and support personnel, and allow Beechtree to continue purchasing goods and services from local businesses and providers.

Location: 318 South Albany Street, Ithaca, NY 14850

Property size (acres) – both existing and proposed: 1.69 Acres (no change)

Building size (square feet) – both existing and proposed: 54,876-sf (from assessment) (no change)

Proposed project start and completion dates: The "project" is the takeover, operation, and restoration to solvency of a financially failing nursing home

What types of green building practices do you plan to use, if any? Cleaning supplies will be replaced with Santac cleaning supplies, which are all natural and non-toxic

Do you certify that the project will not result in the relocation of all or part of any business or jobs from within New York State to Tompkins County? Xx Yes No

Will this project result in a regular increase in overnight visitors to your facility (e.g. for training programs)? Yes Xx No

If Yes, number of visitors per year N/A Average duration of stay (days) N/A

Occupancy

List the name(s), nature of business of proposed tenant(s), and percentage of total square footage to be used for each tenant (Additional sheets may be attached if necessary).

The operator will occupy 100% of the facility square footage. The names of individual residents/patients cannot be disclosed pursuant to the provisions of HIPAA.

Project Costs

	<u>Amount</u>	<u>% subject to sales tax</u>
Value of land to be acquired (if any):	<u>\$200,000</u>	N/A
Value of building to be acquired (if any):	<u>\$2,800,000</u>	N/A
Cost of new construction:	<u>N/A</u>	<u>N/A %</u>
Value of improvements to existing building:	<u>\$700,000</u>	<u>0%</u>
Value of equipment to be acquired:	<u>\$260,000</u>	<u>100%</u>
Other:	<u></u>	<u>%</u>
TOTAL:	<u>\$3,960,000</u>	N/A

For IDA to fill out

Estimated reimbursement of soft costs based on project cost:

Agency Fee: _____

Agency Counsel Fee: _____

Agency Bond Counsel Fee: _____

Financing

Amount of anticipated financing from a lending institution \$5,304,000 [HUD mortgage]

(Please note: the applicant must inform the TCIDA at the time of issuance of commitment letter if the financing will exceed the amount stated here.)

Value of Incentives

Property tax abatement

Assumptions	
\$3,000,000	Value of increase in assessment [Note: facility was tax-exempt and will be entering the tax rolls for the first time]
4%	Annual increase in assessment

Year	Abatement	New Taxes Paid \$656,018			Taxes Abated \$679,042		
		County	City	School	County	City	School
1	90%	\$2,040	\$3,924	\$5,156	\$18,362	\$35,316	\$46,400
2	85%	\$3,183	\$6,121	\$8,043	\$18,036	\$34,688	\$45,575
3	80%	\$4,413	\$8,488	\$11,153	\$17,654	\$33,954	\$44,610
4	70%	\$6,885	\$13,242	\$17,398	\$16,065	\$30,898	\$40,595
5	60%	\$9,547	\$18,362	\$24,125	\$14,321	\$27,543	\$36,188
6	50%	\$12,411	\$23,871	\$31,363	\$12,411	\$23,871	\$31,363
7	40%	\$15,489	\$29,791	\$39,141	\$10,326	\$19,860	\$26,094
8	30%	\$18,794	\$36,146	\$47,491	\$8,054	\$15,491	\$20,353
9	20%	\$22,338	\$42,962	\$56,446	\$5,584	\$10,741	\$14,112
10	13%	\$25,264	\$48,590	\$63,841	\$3,775	\$7,261	\$9,539
Total		\$120,365	\$231,498	\$304,156	\$124,589	\$239,622	\$314,830

Value of sales tax abatement: \$20,800

Estimated length of sales tax abatement (years): 2 years

Estimated value of abatement for facility construction including information on assumptions used in calculations: N/A

Estimated value of abatement for furniture, fixtures and equipment (FFE) including information on assumptions used in calculations: \$20,800 (based on 100% of \$260,00 taxable FFE as part of repair and upgrade project taxed at 8%).

Mortgage Recording tax abatement: \$5,304,000 x 0.0025 = \$13,260

Other government incentives or support include summary of program, name of contact person and terms and conditions of program: None

Need for Incentives

Are you asking for a schedule of incentives that deviates from the IDA's Standard property tax abatement (as listed below)?

Xx Yes No

Year	Abatement
1	90%
2	77%
3	64%
4	51%
5	39%
6	26%
7	13%

If the applicant is requesting incentives that are greater than the IDA’s Standard Policies, please include a detailed description and justification for this request.

We are requesting a deviation from the Standard PILOT, extending its duration from 7 to 10 years, and altering the abatement percentages, as follows:

Year	Abatement
1	90%
2	85%
3	80%
4	70%
5	60%
6	50%
7	40%
8	30%
9	20%
10	13%

The justification for this deviation includes all of the following:

- a) Nursing homes are very different from the industrial and commercial facilities around which the Standard PILOT was designed. This is especially true for Beechtree which has a high proportion of Medicaid and indigent residents, given declining rates in recent years of federal government Medicaid reimbursements. An atypical PILOT abatement schedule is appropriate for an atypical “business” such as this.
- b) In the case of Beechtree and its new owner and operator, operating expenses will be disproportionately high in the initial years as new management makes the transition from a not-for-profit to a for-profit operation and seeks to eliminate years of operating deficits. This, and expenses associated with a new mortgage (to be used in part to pay off the previous operator’s debt), require a front-loaded PILOT schedule with higher abatements in the initial years and lower abatements (i.e., 10% versus 13%) in subsequent years.
- c) Also contributing to expenses in the early years is the applicant’s plan to invest ~\$1.3 million in repairs and upgrades.
- d) It is also proposed to extend the PILOT schedule from 7 years to 10 years, because restoring a healthcare facility of this kind to financial health--given both the nature of the nursing home “business,” Beechtree’s history as a not-for-profit, years of operating losses, and the downward trend in Medicaid reimbursements--will inevitably take longer than for a conventional private sector industrial or commercial business.
- e) During its 93-year history as a not-for-profit facility, Beechtree has paid zero taxes. Under its new management and under the proposed PILOT schedule, Beechtree will begin paying taxes (in the form of PILOT payments) immediately to all taxing jurisdictions from Year 1, onward, culminating in full tax payments after Year 10.
- f) The Standard PILOT averages out to an abatement of 51.4% per year; under the proposed modified PILOT, the average annual abatement would be 53.8%--a difference of only 2.4%.

Employment Information (please note that during the course of the abatement you will be required to provide detailed employment information annually.)

Please provide a description of the benefits that you offer to your employees.

All full-time employees are offered health and dental insurance. We offer a single, double, or family plan.

Eligible full-time employees are also offered a life insurance plan.

A 401K plan is offered to all full-time employees as follows: 1st day of the month following 90 days' employment; Employer match of 20% to annual maximum of \$250.

Paid vacation time to all full-time employees.

Holiday-worked pay: time and one-half for non-exempt employees; paid holiday for all other employees
Sick time-Accrual from date of hire after completion of 90 day probation period; 3.75 hours monthly for non-exempt staff; 4 hours for exempt staff.

After 90 days' employment: 0-1 year: 1 days; 2 years – 2 days

Note: Employee benefits amount to ~25% of salary.

Please provide a description of internal training and advancement opportunities offered to your employees.

When a position becomes available, it is posted first in the facility. Any employee who is eligible and qualified for that position will be taken into consideration.

We as a company value promoting from within and feel it is a great motivator for the current staff to strive to reach their potential.

We consistently have in-services training scheduled at the facility to ensure that our employees are up to date on all latest NYS Department of Health regulations as well as our company policies and procedures.

What percentages of your current positions do women occupy? 79%

What percentages of your current positions do minorities occupy? 17%

Are you willing to pay a livable wage as defined by the Alternatives Federal Credit Union (AFCU) of Ithaca, NY (<http://www.alternatives.org/2013livingwagechart.html>) to all employees for the duration of the abatements?

 Yes Xx No*

*Our wage schedule is set forth in a later response. As previously noted, the wage and benefit package amounts to about 125% of salary.

What percent of current workforce and management are in:

Tompkins County?	<u>55%</u>
In New York State?	<u>99.989%</u>
Out of New York State?	<u>.011%</u>

Do you have a strategy for ensuring diversity in hiring? Yes No

If yes, please describe.

Note: We are taking over the operations of an existing facility and plan to retain existing professional and support staff.

We are an equal opportunity employer. We consistently hire the most qualified employees in order to achieve our primary goal of caring for each resident.

All employees are given the opportunity to reach their full potential while in our employment.

Will you allow your building to be used as a polling facility? Yes No*

**Health Insurance Portability and Accountability Act (HIPAA) privacy rules require healthcare providers to protect the privacy of patients receiving healthcare services. This includes the identities of patients. Opening the building up to the general public as a polling place would potentially raise HIPAA issues.*

Please provide your Employment Plan

Permanent Occupations in Company	Current Permanent Full-Time Jobs by Occupation		Projection of New Permanent Full-Time Jobs			
	Average Annual Salary Ranges/ Hourly Wage	Number of Employees	New Jobs Added in Year 1	New Jobs Added in Year 2	New Jobs Added in Year 3	Total New Jobs
Professional:	\$23.44	33				
Clerical:	\$12.06	4				
Sales:						
Services:	\$11.18	64				
Construction:						
Manufacturing:						
High Skilled:						
Medium Skilled:						
Basic Skilled:						
Other (Describe):						
Total:		101				

Estimated percentage of new hires who would be unemployed at time of hire ~5%*

*NOTE: Existing Nursing Home staff will be retained. New professional and support staff will be hired as needed to replace existing staff who leave. Unemployment of new dietary and housekeeping staff at the time of hire could approach 5%. Due to the nursing shortage, it is not expected that any new nursing hires would be unemployed.

Other

Do you have any thing else you would like to tell TCIDA regarding this project?

1. Reconstruction Home and Health Care Center, Inc., doing business as Beechtree Care Center, is a Not-For-Profit Skilled Nursing Facility, which has been losing money since at least 2008. This is in part the result of steadily diminishing federal Medicaid reimbursements. The new owner and operator, which stepped in under a receivership arrangement with the NYS Department of Health, made it possible to avoid Beechtree's closing on September 1, 2013, will put the facility on the tax rolls for the first time, and (hopefully) will transform it into a self-sufficient, financially viable institution. The principals of the new entities were previously approved by DOH to take over the operations of eleven (11) other skilled nursing facilities (i.e., they are experienced and successful).
2. Beechtree, which has been in operation for 93 years, is a vital community asset. It:
 - a) provides about 27% of the roughly 439 skilled nursing beds in Tompkins County;
 - b) fulfills an unmet healthcare need for the community based on the volume of Medicaid and indigent patients served (its Medicaid resident case mix is at approximately 75%, which is at least 10% in excess of the average for all nursing homes in Tompkins County); and
 - c) it provides more nurse hours per resident than any other facility in Tompkins County.

Its survival and long-term viability are especially critical because Tompkins County is one of the few counties listed as being deficient in the number of skilled nursing home beds available to meet long-term healthcare needs.

3. Beechtree's value to the community goes beyond the healthcare services it provides. It:
 - a) provides jobs and benefits to over 100 professional and support employees;
 - b) provides revenues to local suppliers of goods and services (more than 40 of them);
 - c) avoids and relieves what would otherwise be an intolerable, growing, and ultimately unsustainable burden on not only the relatives of nursing home patients, but also on hospitals, law enforcement, and taxpayers; and
 - d) will begin, for the first time, to provide property tax revenues to Tompkins County, the City of Ithaca, and the local school district.

Even with the proposed tax abatement (PILOT agreement), Beechtree will contribute to the tax rolls from the very first year, and its contributions will increase with every succeeding year.

4. The proceeds from the sale of Beechtree's assets to the new owner will allow Reconstruction Home to pay off the outstanding balance of the Tompkins Health Care Corporation bonds in full and its other debts.
5. The new owner will expend approximately \$1.3 million to make critical and non-critical repairs and to fund a project to upgrade and extend the short-term unit and rehabilitation services.
6. Beechtree will not compete with, or displace business from, other nursing homes in the community because:
 - a) it has been a fixture in the community for 93 years, long before the other nursing homes in Tompkins County;
 - b) the demand for nursing home beds in Tompkins County greatly exceeds the supply and all five nursing homes are operating at close to full capacity (if Beechtree didn't exist, there would be no increase in the "business" of the other four nursing homes);
 - c) no other Tompkins County nursing home services as many Medicaid and indigent residents as Beechtree (if Beechtree didn't exist, the most vulnerable members of the population would be deprived of critical care).

7. The proposed modified PILOT (“deviation” in IDA terminology) is justified because nursing homes differ significantly in their profit-and-loss structure, operational parameters, and raisons d’être from the industrial and commercial facilities for which the Standard PILOT was developed (i.e., they are atypical and require an atypical PILOT). In the case of the new Beechtree owner and operator, operating expenses will be disproportionately high (necessitating higher tax abatements) in the initial years as new management makes the transition from a not-for-profit to a for-profit operation, seeks to reverse years of operating losses, and invests in repairs and upgrades.

CERTIFICATION

Uri Koenig deposes that ~~she~~/he is the Managing Member
(Name of chief executive officer of company submitting application) (Title)

of BTRNC LLC, d/b/a Beechtree Center for Rehabilitation and Nursing, the LLC named in the attached application; that (Company Name)

he has read the foregoing application and knows the contents thereof; that the same is true to his knowledge.

Deponent further says that the reason this verification is made by the deponent and not by

BTRNC LLC, d/b/a Beechtree Center for Rehabilitation and Nursing is because the said company is an LLC.
(Company Name)

The grounds of deponent's belief relative to all matters in the said application which are not stated upon his own personal knowledge, are investigations which deponent has caused to be made concerning the subject matter of this application as well as information acquired by deponent in the course of his duties as an officer of and from the books and papers of said LLC.

As an officer of said LLC (hereinafter referred to as the "Applicant"), deponent acknowledges and agrees that applicant shall be and is responsible for all costs incurred by the nonprofit Tompkins County Industrial Development Agency (hereinafter referred to as the "Agency") acting in behalf of the attached application whether or not the application, the project it describes, the attendant negotiations and ultimately the necessary issue of bonds or transfer of title are ever carried to successful conclusion. If, for any reason whatsoever, the Applicant fails to conclude or consummate necessary negotiations or fails to act within a reasonable or specified period of time to take reasonable, proper, or requested action, or withdraws, abandons, cancels, or neglects the application or if the Agency or Applicant are unable to find buyers willing to purchase the total bond issue required or financing for the project, then upon presentation of invoice, the Applicant shall pay to the Agency, its agents, or assigns all actual costs involved in conduct of the application, up to that date and time, including but not limited to fees of bond counsel for the Agency and fees of general counsel for the Agency. Upon successful conclusion and sale of the required bond issue or transfer of title the Applicant shall pay to the Agency an administrative fee set by the Agency, not to exceed an amount equal to 1% of the total project cost. The cost incurred by the Agency and paid by the Applicant, including bond counsel, the Agency's general counsel's fees and the Agency's administrative fees, may be considered as a cost of the project and included as part of the resultant bond issue.

Applicant hereby understands and agrees, in accordance with Section 875(3) of the New York General Municipal Law, that any New York State and local sales and use tax exemption claimed by Applicant and approved by the Agency in connection with the Project may be subject to recapture by the Agency under such terms and conditions as will be set forth in the Agent Agreement to be entered into by and between the Agency and the Applicant. The Applicant further represents and warrants that the information contained in this Application, including without limitation information regarding the amount of New York State and local sales and use tax exemption benefits, is true, accurate and complete.

SIGNATURE PAGE FOLLOWS ON SEPARATE PAGE

CERTIFICATION
SIGNATURE PAGE



Member

Signature of chief officer of company submitting application

NOTARY

Sworn to before me this

7th day of November, 2013

Elizabeth K Garro

ELIZABETH K. GARRO
Notary Public, State of New York
Registration #01GAG040406
Qualified in Westchester County
My Commission Expires April 24, 2014