



Griffiss Local Development Corporation
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Authorities Budget Office

DEC 10 2024

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November 27, 2024

Hon. Thomas P. DiNapoli
New York State Comptroller Office of the
State Comptroller
110 State Street
Albany, New York 12236

Hon. Carl E. Heastie
Speaker
New York State Assembly
Legislative Office Building, Room 932
Albany, New York 12248

Hon. Andrea Stewart – Cousins
Office of Temporary President
New York State Senate
Legislative Office Building, Room 808
Albany, New York 12247

Hon. Blake G. Washington
Budget Director
New York State Division of Budget
State Capitol
Albany, New York 12224

Hon. Jeanette M. Moy
Commissioner
Office of General Services
Corning Tower
Empire State Plaza
Albany, New York 12242

Hon. Ann Maloney
Acting Director
State of New York
Authorities Budget Office
P.O. Box 2076
Albany, New York 12220-0076

Re: Explanatory Statement Pursuant to Public Authorities Law §2897(6)(d)
Griffiss Local Development Corporation/Cardinal Griffiss Realty, LLC to
Assured Information Security, Inc.
Premises: 7.533± Acre Parcel, 153 Brooks Road, Griffiss Business Park, Rome, New York

Dear Sir/Madam:

Griffiss Local Development Corporation ("GLDC") is a New York not-for-profit local development corporation formed pursuant to Section 1411 of the Not-for-Profit Corporation Law. Pursuant to its Certificate of Incorporation, GLDC operates for the corporate purposes, among others, "of participating in the development and implementation of a comprehensive strategy to maintain, strengthen and expand the uses and viability of the former Griffiss Air Force Base in the City of Rome and Oneida County including, without limitation, "the [Air Force's] Rome Laboratory" by "promoting and providing

for additional employment". In furtherance of its corporate purposes, GLDC has been developing a 1,600± acre portion of the former Griffiss Air Force Base as a business and technology park (the "Griffiss Business Park"). Cardinal Griffiss Realty, LLC ("CGR") is a New York limited liability company whose Operating Agreement authorizes it to engage in any lawful business. CGR is a subsidiary of GLDC.

In 2010, GLDC conveyed a 7.533± acre parcel of land (the "Land") to CGR upon which CGR then constructed a 2-story, 46,265± sq. ft. office building (the "Building"). CGR leases the Building to Assured Information Security, Inc. ("AIS") pursuant to leases which are scheduled to expire on October 31, 2026 (unless AIS exercises its options to renew the same).

Last year, AIS notified GLDC/CGR that it was seriously considering (a) moving its Griffiss Business Park operation (which currently employs approximately 130 FTEs) to another location outside of the Griffiss Business Park or (b) seeking a substantial reduction in the amount of space it occupies in the Building and/or the base rent/sq. ft. it pays for such space. Eventually, after extensive discussions with GLDC/CGR regarding this matter, AIS indicated that it might be willing to purchase the Land and the Building (collectively, the "Facility") if some agreement could be worked out with GLDC/CGR regarding the terms and conditions of such sale.

According to an appraisal prepared by Stropp Appraisal for GLDC/CGR, as of September 13, 2023 the Facility had a fair market value of \$7,000,000. Meanwhile, AIS also had a comparative market analysis of the Facility prepared by Marcus & Millichap (which is reputedly the largest commercial real estate investment brokerage in North America). The Marcus & Millichap analysis found that the Facility should be priced (mid) at \$5,750,000. The Rome City Assessor's Office is of the opinion that the Facility's "full market value" is \$5,684,461.

Notwithstanding the foregoing, the most AIS was willing to offer GLDC/CGR to purchase the Facility was the sum of \$4,208,000. Both GLDC/CGR and AIS recognized that, based solely on appraisal data, the \$4,208,000 proposed purchase price would render the proposed transaction a below fair market value transaction, but disagreed on how much below fair market value the \$4,208,000 offer would be. Eventually, after additional talks, and for the purposes of further evaluating the proposed transaction, the parties agreed to take the average of the \$7,000,000 appraised value (Stropp) and the \$5,750,000 mid-price (Marcus & Millichap), to wit: the sum of the \$6,375,000, as being the Facility's fair market value for discussion purposes (the "Discussion Purposes FMV"). The difference between the Discussion Purposes FMV of \$6,375,000 and the proposed purchase price of \$4,208,000, i.e., the sum of \$2,167,000, is hereinafter referred to as the "Buyer's Transaction Benefit."

Although the proposed transaction would be a below fair market value transaction, GLDC/CGR nonetheless approved selling the Facility to AIS, subject to the execution of a definitive purchase and sale agreement, but only after the GLDC Board and the CGR Manager first considered all of the information listed in Section 2897(7)(b) of the Public Authorities Law and made a written determination that there is no reasonable alternative to the proposed below-market transfer that would achieve the same purpose as the proposed transfer.

Among the items of information that the GLDC Board and the CGR Manager took into consideration was information relating to the post-COVID 19 state of the commercial real estate market in Rome, New York including, without limitation, the vacancy rates for properties in the Griffiss Business Park (including GLDC-owned properties), the anticipated cost of upcoming scheduled maintenance and/or

replacement of various mechanical systems in the Building, the expected annual carrying cost of the Building if it were to fall vacant, etc.

The GLDC Board and the CGR Manager also considered the kind and amount of the benefit to the public resulting from the transfer including, but not limited to, the number of jobs to be preserved as required by the transfer. Specifically, as part of the transaction, AIS has agreed to retain at least one hundred (100) FTEs whose workplace location is the Facility for a period of 10 years after the closing and transfer of title. If AIS falls below eighty-five (85) FTEs at Facility in any year during the 10 year period, GLDC/CGR would be entitled to recapture an amount equal to 10% of the Buyer's Transaction Benefit, i.e., the sum of \$216,700, for such year. GLDC/CGR views this job retention covenant by AIS as the critical component justifying the proposed below fair market value sale to AIS and is not aware of any reasonable alternative that would achieve the same purpose.

GLDC/CGR has the power and legal authority under both the New York Not-For-Profit Corporation Law and the New York Limited Liability Company Law, and their Certificate of Incorporation and Operating Agreement, respectively, to transfer the Facility for less than its fair market value. The purpose of the transfer is within GLDC's "purpose and mission" which includes the "development and implementation of a comprehensive strategy to maintain, strengthen and expand the uses and viability of the former Griffiss Air Force Base" by, among other things, "promoting and providing for additional employment". Pursuant to Section 2897(c)(vi) of the Public Authorities Law, GLDC/CGR is permitted to dispose of the Facility by means of a negotiated transaction because "such action is otherwise authorized by law".

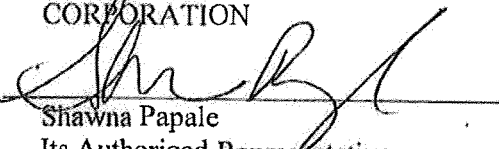
It is anticipated that the closing and transfer of the title with respect to the Facility will occur on a date which is not less than ninety (90) days from the date of this notice.

Please feel free to contact the undersigned if you have any questions regarding this transaction.

Sincerely,

GRIFFISS LOCAL DEVELOPMENT
CORPORATION


By:


Shawna Papale

Its Authorized Representative

CARDINAL GRIFFISS REALTY, LLC

By:


Maureen Carney

Manager