

C. MDF – City-by-City Initiative - Pike Block EOF Capital (V913)

April 26, 2011

Authorization to Amend the General Project Plan

Grantee:	Metropolitan Development Foundation of Central New York, Inc. ("MDF")	
ESD Investment:	\$3,000,000 approved on April 17, 2008 as a City-by-City project funded via the Empire Opportunity Fund ("EOF")	
Project Location:	City of Syracuse, Onondaga County	
Project Completion:	December 2012	
Project Team:	Project Management	Jessica Hughes
	Affirmative Action	Helen Daniels
	Environmental	Soo Kang

Background/Project Status:

These materials refer to and include, in their entirety, the attached materials presented to and approved by the ESD Directors on April 17, 2008 (the "Materials"). Any substantive changes to the project or terms and conditions are noted in these materials. The grant will aid in the redevelopment, rehabilitation and improvement of four adjacent properties in downtown Syracuse into one cohesive project to include a mix of market rate residential space and ground floor commercial space. A modification of the Grant Disbursement Agreement revising the disbursement terms as defined in the August 2008 materials, from a lump sum upon completion of the project to disbursements to be made not more than quarterly, was executed in August 2008.

Since the April 2008 approval, there have been significant changes in the credit market and the developer originally proposed to complete the project was unable to secure and finalize sufficient financing. As a result, the MDF solicited a number of bids for the project and selected 300 Block, LLC (the "LLC"), of Syracuse, to undertake the project now called "Pike Block", named for Henry Pike, the original developer and builder of the Witherill Building.

The LLC is comprised of VIP Structures, Inc. ("VIP") of Syracuse, and Adapt CNY, Inc. ("Adapt") of Syracuse, as a minority member of the LLC. VIP, formed in 1975, is an integrated design-build firm with extensive design and construction experience in a wide range of industries – manufacturing, warehousing, municipal, historic, and healthcare and building/office renovation. It also offers expertise in the fields of value engineering, integrated project design, scheduling, and cost control and project/employee safety. VIP will also serve as the general contractor for the project. Adapt is a not-for-profit organization formed to encourage and create a vibrant downtown through the redevelopment of vacant and under-utilized properties.

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MDF Property holdings, LLC, MDF's real estate holding company, is the owner of the Chamberlin, Witherill and Bond Buildings. The City of Syracuse is the owner of the Wilson Building, which is under contract to Adapt. The LLC will acquire the three buildings owned by the MDF at a cost of \$2,000,000. It will pay the MDF a \$100,000 down payment and then pay back the remaining \$1.9 million at 2% interest over a thirty-year period. The loan will be interest only until such time as the LLC receives a certificate of occupancy and rent collection commences. Once Adapt exercises its option to buy the Wilson Building, it will convey the property directly to the LLC, of which it is a minority member. It is anticipated that construction on the Pike Block will commence in June 2011 and be complete by December 2012.

Revised Project Scope and Budget:

The scope of the project continues to be the redevelopment of four adjacent properties into one cohesive project to include a mix of market rate residential space on the upper floors and 25,000 square feet of ground floor commercial space. VIP's measurements on the square footage involved differ from that originally cited by the previous developer, due to both a more detailed analysis of the property by the new developer, and also because the previous developer, when the project was originally approved, was not demolishing any part of the building. The LLC will now be demolishing the rear portion of the Bond Building. VIP's measurements on the buildings indicate 122,883 square feet of vacant or highly underutilized space will be removed from the market versus the 135,000 previously stated. In addition, VIP will be using a different floor plan design which shows 25,000 square feet of retail space to be created versus 31,736 square feet, and 78 market rate residential units as compared to the 83 units as previously stated.

The proposed project now includes the following components:

- The Chamberlin Building – A five-story, 24,073-gross-square-foot structure that has sat vacant for several years. Plans are to convert the upper four floors into apartments with retail/commercial space located on the ground floor. It is listed on the National Register of Historic Places;
- The Witherill Building – A vacant, four-story, 36,455-gross-square-foot brick structure and one of the earliest commercial buildings constructed on South Salina Street. Plans are to convert the upper three floors into apartments and have retail/commercial space located on the ground floor. The building is eligible for listing on the National Register of Historic Places and is included as a contributing building to the South Salina Street Downtown Historic District;
- The Wilson Building – A seven-story, 47,204-gross-square-foot brick structure built in 1898. The first floor occupies the entire footprint of the building and is currently divided into three vacant storefronts. The six floors above form a U-shape. The Wilson Building is 100% vacant. Plans are to convert the upper six floors into apartments with retail/commercial space at street level. The building is listed on the National Register of Historic Places; and

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- The Bond Building – A vacant, three-story, 15,151-gross-square-foot building. The second and third floors are vacant. Plans are to convert the upper two floors into apartments with retail/commercial space at street level. The building is a contributing building to the South Salina Street Downtown Historic District.

The original budget submitted in 2008 reflected an estimated project cost of \$15.8 million. VIP’s budget reflects a 78% increase in costs to \$28.1 million, due not only to rising construction costs, but also to the quality of VIP’s design and finish work, which far exceeds that of the previous developer. In addition to the cost increases, the revised budget shown below also includes a number of additional financing sources. The revised project budget for the ESD grant is as follows:

Financing Uses	Amount	Financing Sources	Amount	Percent
Land Acquisition	\$1,242,000	ESD Grant (V913)	\$3,000,000	11%
Design & Construction ¹	21,752,534	ESD - RESTORE NY 1 Grant (V005)	350,000	1%
Soft Costs ²	5,271,304	Tax Credits ³	9,621,251	34%
		Developer Equity ⁴	15,294,587	54%
Total Project Costs	\$28,265,838	Total Project Financing	\$ 28,265,838	100%

¹ Includes renovation, architecture and engineering costs, contractor’s overhead and profit, contingency and existing shell buildings.

² Includes all fees and deferred fees, city approvals, taxes, market analysis, surveys, environmental costs, leasing inspections, commissions, audits, title insurance, marketing, and preconstruction carrying costs.

³ **Tax Credits:**

\$7,565,042 – Federal & State Historic Preservation Tax Credits
 \$2,056,209 – New Market Tax Credits (net benefit)

⁴ **Source of equity:**

\$45,000 – South Salina Street Revitalization Grant
 \$96,000 – Reimbursement of CPC rate lock fee.
 \$500,000 – Environmental Protection Fund grant from NYS Office of Parks, Recreation and Historic Preservation for the Wilson Building.
 \$250,000 – Two grants of \$50,000 and \$200,000 each from National Grid’s Main Street Revitalization Program.
 \$250,000 – Syracuse Industrial Development Agency Grant
 \$250,000 – NYS Legislative Grant sponsored by Senator Valesky and administered through DASNY.
 \$108,000 – Syracuse Neighborhood Initiative Grant
 \$330,000 – Syracuse Economic Development Corporation – 6% interest over a 30-year term, secured by a second mortgage on the Wilson Building.
 \$1,965,587 – Deferred developer & contractor’s fees.
 \$9,600,000 – Community Preservation Corporation Loan – interest to be determined upon rate lock/30 yrs.
 \$1,900,000 – MDF loan – LLC will make \$100,000 down payment, then payback \$1.9 million at 2% /30 yrs/ interest only until LLC receives a certificate of occupancy and rent collection commences.

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Financial Terms and Conditions:

1. At the time of disbursement, MDF will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. MDF will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
3. Up to \$3,000,000 will be disbursed to Grantee after (a) Grantee's execution of a Grant Disbursement Agreement (the "Agreement"), (b) Grantee's delivery to ESD of documents satisfactory to ESD as required for the advance on Exhibit B, Construction Requirements, of the Agreement, (c) satisfaction of the conditions set forth in Section 3- Conditions Precedent to Disbursement of the Grant, of the Agreement, (d) written confirmation satisfactory to ESD that all real estate and construction documents required by the designated lending institution (the "Bank"), to be determined at a later date, for the New Market Tax Credit ("NMTC") financing of the project have been received by the Bank and are satisfactory to the Bank for the closing of the NMTC financing for the project, and (e) assuming that all project approvals have been completed and funds are available, and (f) provided Grantee is otherwise in compliance with the terms and conditions of the Agreement. Subject to the foregoing, funds will be wired to the Grantee at the time of closing and funding of the NMTC financing arrangement for the project.
4. The Bank will be the construction funding disbursement servicer for releases of construction funding, including the grant proceeds, from the disbursement account for project costs. When MDF requests a release of the construction funding proceeds, it will submit the required certifications. An independent architect or engineer retained by the disbursement servicer will be responsible for verifying and signing off for each release of funds. Copies of such certifications and verifications and copies of the grant beneficiary's architect, general contractor and other contractor draw documentation shall be provided to the investment fund, the beneficiary and MDF, the Grantee, so that the Grantee may provide copies of these certifications, verifications and documentation to ESD. The Grantee shall promptly after receipt of same provide to ESD true and complete copies of these certifications, verifications and documentation.

ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$3,000,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of MDF and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

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Affirmative Action:

ESD's Non-Discrimination and Affirmative Action policy will apply. The Grantee is encouraged to use its best efforts to achieve a Minority Business Enterprise participation goal of 7% and a Women Business Enterprise participation goal of 3% of the total dollar value of work performed pursuant to contracts or purchase orders entered into in connection with the construction work related to the project and to include minorities and women in any job opportunities created by the project.

Environmental Review:

The City of Syracuse Industrial Development Agency, as lead agency, has completed an environmental review of the proposed project, pursuant to the requirements of the State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. This review, which was coordinated with ESD as an involved agency, found the project to be a Type I Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on May 18, 2010. ESD staff reviewed the Negative Declaration and supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

Due to the buildings' listing or eligibility for listing National Register of Historic Places, ESD has confirmed that the project sponsor has continued to consult with the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP") pursuant to Section 14.09 of the New York State Parks, Recreation and Historic Preservation Law. ESD will ensure that consultation is completed with OPRHP in accordance with a Letter of Understanding.

Attachments: ESD Directors' Materials dated April 17, 2008

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City of Syracuse (Onondaga County) – MDF - City-by-City Initiative – Pike Block EOF
Capital – Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the MDF - City-by-City Initiative – Pike Block EOF Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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