

FOR CONSIDERATION

December 16, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Brewster (Putnam County) – DeCicco Enterprises Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

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General Project Plan

I. Project Summary

Grantee: DeCicco Enterprises, LLC (“DeCicco” or the “Company”)

ESD\* Investment: A grant of up to \$165,000 to be used for a portion of the cost of leasehold renovations and the purchase of machinery and equipment.

\*The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Location: 50 Independent Way, Brewster, Putnam County

Proposed Project: Facility renovation and purchase of machinery and equipment for a new food preparation, packaging and distribution center associated with expansion.

ESD Incentive Offer Accepted: June 1, 2010

Project Completion: November 2010

Number of Employees at Project Location:  
 Initial employment at time of ESD Incentive Offer: 0  
 Current employment level: 55  
 Minimum employment on January 1, 2014: 75

Grantee Contact: John DeCicco, Jr., CEO  
 50 Independent Way  
 Brewster, NY 10509  
 Phone: (914) 737-1388  
 Fax: (914) 355-4433

Anticipated  
 Appropriation  
 Source: Empire State Economic Development Fund

ESD Project No.: X089

Project Team: Origination Christopher St.Lawrence  
 Project Management Javier Roman-Morales  
 Affirmative Action Denise Ross  
 Environmental Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction/Renovation	\$1,850,000
Machinery and Equipment	1,500,000
Training	100,000
Inventory	250,000
Soft Costs	<u>160,000</u>

Total Project Costs \$3,860,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$165,000	4%	
NYS Community Development Block Grant	620,000	16%	
Provident Bank Loan	1,100,000	29%	6.5%/ yrs/ lien on Primizia Foods
SBA 504 Loan	1,100,000	29%	4.5%/10 yrs/ lien on Personal Assets
In-Kind-Landlord Rebate	475,000	12%	
Company Equity	<u>400,000</u>	<u>10%</u>	
Total Project Financing	<u>\$3,860,000</u>	<u>100%</u>	

### III. Project Description

#### A. Background

DeCicco Foods, a family-run premium food market, was established in 1972 as a small retail store in the Bronx by brothers John, Joe and Frank DeCicco. The business has expanded and now has five locations throughout Westchester and Putnam Counties. The Company sells premium grocery foods and freshly made cheeses, pastas, and meats, as well as prepared and prepackaged food. Currently, all prepared and packaged food sold at DeCicco stores is made at each individual store or bought from outside vendors. The Company also offers home delivery, takeout and product selection assistance. In relation to other grocery stores in the region, DeCicco prices are slightly higher but consistent with higher quality food and a wider selection making the Company ideal for local residents willing to pay for quality. Major competitors include Whole Foods and Balducci's.

Now, the second generation – John Jr., Chris and Joe DeCicco – has become involved with the business and has formed DeCicco Enterprise LLC, which owns the food distribution center and the DeCicco Family Market store in Ardsley, Westchester County. DeCicco Enterprises signed a 10 year lease for the former Linens 'n Things building in Brewster, Town of Southeast, in Putnam County with the intention of creating a central food preparation, packaging and distribution center as well as a retail store. The new hub would allow for finished goods produced in-house to be distributed to all DeCicco locations on a daily basis, giving the Company greater quality control and consistency of products sold at DeCicco stores. The new location, which has 120,000 people within a 15-minute drive, is vital in achieving DeCicco Enterprises' goal of developing two retail stores outside Putnam County, thereby increasing the amount of goods exported outside the Hudson Valley region from the new distribution center.

Prior to the starting the project, the Company approached ESD for assistance in filling a financing gap in order to provide an appropriate level of risk. The Company could not meet the gap without jeopardizing current operations by creating a cash shortage. To help the project move forward, ESD offered a \$165,000 grant, which was accepted in June 1, 2010. Without ESD assistance, the expansion project would not have proceeded and New York State would have lost the opportunity to add 75 new jobs.

#### B. The Project

The project involves the renovation of the 37,500-square-foot building owned by the Company in Brewster, Town of Southeast, into a new retail store and the creation of a production, packaging and distribution center; the acquisition of new machinery and equipment; employee training; and other costs related to start-up production. Almost 50% of the building has been designated for the 16,500 square-foot distribution center, with the remaining 21,000 square-feet for the retail component. As a result of the expansion, DeCicco Enterprise centralized all food production and distribution in one facility. The new facility grand opening occurred on November 21, 2010. The Company has employed 55 of its employment goals of 75, and has created 123 new Part-Time jobs as of December 1, 2010.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the \$165,000 capital grant (\$1,650) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no material adverse change in its financial condition prior to disbursement.
3. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
4. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
5. Up to \$165,000 will be disbursed to the Grantee in three installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$82,500) will be disbursed upon completion of the project substantially as described in these materials, as evidenced by attainment of a certificate of occupancy, documentation verifying project expenditures of \$3,860,000, and employment of 25 Full-time Permanent Employees, assuming that all project approvals have been completed and funds are available;
  - b) a Second Disbursement of an amount equal to 25% of the grant (\$41,250) will be disbursed upon documentation of employment of at least 50 Full-time Permanent Employees at the Project Location (Employment Increment of 25), provided Grantee is otherwise in compliance with program requirements;
  - c) a Third Disbursement of an amount equal to 25% of the grant (\$41,250) will be disbursed upon documentation of employment of at least 75 Full-time Permanent Employees at the Project Location (Employment Increment of 25), provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after June 1, 2010, to be considered eligible project costs. Disbursements must be requested no

- later than April 1, 2014. Disbursements may be requested simultaneously.
6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$165,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company 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.
  7. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in column B of the table below. If the number (for the preceding calendar year) of Grantee's Full-time Permanent Employees, as defined above, as of each reporting date set forth in column A of the table below, is less than eighty-five percent (85%) of the Employment Goal set forth in column B, then ESD will have the right to terminate the grant agreement and withhold any grant proceeds not yet disbursed. The Grantee's number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	0
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A	B
Reporting Date	Employment Goals
February 1, 2012	$0+X+Y+Z$
February 1, 2013	$0+X+Y+Z$
February 1, 2014	$0+X+Y+Z$
February 1, 2015	$0+X+Y+Z$
February 1, 2016	$0+X+Y+Z$

X = Grantee's Employment Increment that will be the basis of the First Disbursement of the Grant as described in section C.5 above (i.e.  $X=25$ , and Employment Goals shall equal  $[0 + X = 25]$  if the First Disbursement is made, in the year such disbursement is made and for each year thereafter). If the First Disbursement has not yet been made then  $X=0$ .

Y = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e.  $Y=25$ , and Employment Goals shall equal  $[0 + X + Y = 50]$  if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then  $Y=0$ .

Z = Grantee's Employment Increment that will be the basis of the Third Disbursement of the Grant as described in section C.5 above (i.e.  $Z=25$ , and Employment Goals shall equal  $[0 + X + Y+Z = 75]$  if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then  $Y=0$ .

#### IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.

As a result of this project, the Company will create 75 new Full-time Permanent jobs in the Hudson area.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

Without ESD assistance the Company's facility expansion costs would have been too high to make the project feasible in New York. ESD assistance is needed to fill a financing gap.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$2,422,340;
- Fiscal cost to NYS government is estimated at \$165,000;
- Project cost to NYS government per direct job is \$3,602;
- Project cost to NYS government per job (direct plus indirect ) is estimated at \$1,793;
- Ratio of project fiscal benefits to costs to NYS government is 14.65:1;
- Fiscal benefits to all governments (state and local) are estimated at \$4,892,300;
- Fiscal cost to all governments is \$165,000;
- All government cost per direct job is \$3,602;
- All government cost per total job is \$1,793;
- The fiscal benefit to cost ratio for all governments is 29.65:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$23,386,429, or \$254,199 per job (direct and indirect);
- The economic benefit to cost ratio is 141.74:1;
- Project construction cost is \$2,085,000 which is expected to generate 15 direct job years and 8 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.00 indirect job is anticipated in the state's economy;
- The payback period for NYS costs is 1 year.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

4. The requirements of Section 10(g) of the Act are satisfied.

No residential relocation is required because there are no families or individuals residing on the site.

## V. Environmental Review

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, ESDC staff performed an uncoordinated review. ESD staff has determined that, although the project may constitute an “action” as defined by the State Environmental Quality Review Act (“SEQRA”), the project has been recently completed. ESD’s action in the funding decision will not alter the adverse environmental impacts, if any, of the project as completed. ESD staff accordingly determined the funding of the completed project to be an Unlisted Action, which would not have a significant effect on the environment. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

## VI. Affirmative Action

ESD’s Non-discrimination and Affirmative Action policy will apply. The Company is encouraged to include minorities and women in any job opportunities created by the project, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

## VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

## VIII. Additional Submissions to Directors

Resolutions  
New York State Map  
Cost-Benefit Analysis

December 16, 2010

Brewster (Putnam County) – DeCicco Enterprises Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

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RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the DeCicco Enterprises Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the Chairman and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the Chairman and Chief Executive Officer of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to DeCicco Enterprise, LLC a grant for a total amount not to exceed One Hundred and Sixty-Five Thousand Dollars (\$165,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the Chairman and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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December 16, 2010

Brewster (Putnam County) – DeCicco Enterprises Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Determination of No Significant Effect on the Environment

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RESOLVED, that based on the material submitted to the Directors with respect to the DeCicco Enterprises Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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