

C. SIDA – The Inns at Armory Square EOF Capital (X306)

December 16, 2010

Authorization to Adopt the General Project Plan

Grantee: City of Syracuse Industrial Development Agency (“SIDA” or the Agency”)

**Beneficiary
Company:** RHS Holdings, LLC (“RHS”)

ESD Investment: A grant of up to \$2 Million to be used for a portion of costs related to the construction of a 64,000-square-foot, five-story, mixed-use building in the Franklin Square district of Syracuse (approved April 17, 2008; Empire Opportunity Fund (“EOF”)

**New ESD
Investment:** A grant of up to \$500,000 to be used for a portion of the cost of land acquisition associated with the Marriot hotel project (reallocating \$500,000 of the \$2 Million as noted above)

Project Location: 300 West Fayette Street, Syracuse, Onondaga County

Project Completion: August 2012

**Beneficiary
Contact:** Richard H. Sykes Jr.
108 West Jefferson St., Suite 300
Syracuse, NY 13202
Phone: (315) 442-5947 Fax: (315) 442-5950

Project Team: Project Management Jill Wolfeld
Affirmative Action Helen Daniels
Environmental Rachel Shatz

Background/Project Status:

These materials refer to and include, in their entirety, the attached materials presented to and approved by the Directors on April 17, 2008 (the “Materials”). Any substantive changes to the project or terms and conditions are noted in these materials.

On April 17, 2008, ESD approved a \$2,000,000 Empire Opportunity Fund Capital project to the Agency. Funds were to be directed to the demolition of the former Tompkins Fabric building and the construction of a 64,000-square-foot, five-story, mixed-use building in the Franklin Square district of Syracuse. The project was expected to create thirty-six market rate loft apartments and 12,000 square feet of ground level commercial space.

SIDA – The Inns at Armory Square EOF Capital (X306)

December 16, 2010

SIDA has been working for the past few years on implementing the project; however, that project has experienced delays due to the faltering economy and reduced financial commitments. As a result of those delays, SIDA does not believe that the project can move forward within the deadlines established.

Revised Project Scope and Budget:

Consequently, the Agency is requesting that \$500,000 of the funds be reallocated to RHS Holdings, LLC, who is proposing to develop a 152,000-square-foot, seven-story, mixed-use hotel complex situated in the center of Downtown Syracuse’s historical retail and entertainment district. Franchise approval has been received from the Marriott Corporation for a 100-room Marriott Courtyard and a 75-room Marriott Residence Inn, which will be complimented by on-site parking.

The complex is located on the “Connective Corridor” and adjacent to the Armory Square District. Many local business owners and the Museum of Science and Technology have endorsed this project. The Inns at Armory Square is a shovel ready project with all zoning approvals, environmental impact studies, bore sampling and preliminary construction cost analysis completed. Additionally, feasibility, market studies and financial modeling have been prepared.

It is anticipated that construction on the project will start in Spring 2011 and be complete during Summer 2012. RHS chose Northeast Construction Services, Inc. of Syracuse to complete the construction associated with this project. Once concluded, the hotels will accommodate over 85,000 guests annually. These hotel guests are estimated to spend in excess of \$500 a day. Based on survey results supplied by the Greater Syracuse Chamber of Commerce, this would result in an additional \$18 million of annual spending in the downtown area. Additionally, the project will result in 200 construction jobs and approximately 100 full- and part-time permanent jobs.

Financing Uses	Amount	Financing Sources	Amount	Percent
Construction/Contingency	\$16,012,772	ESD Grant	\$500,000	2%
Building Permit, Bonding, Insurances, Winter Heat and CM Fee	1,007,649	ESD Grant/Loan - W340 (to be approved at a later date)	2,000,000	7%
Furniture, Fixtures & Equipment	2,394,000	Investor/Developer Equity	7,270,344	27%
Project Costs including Architectural/Inspection, Developer Fee, Legal, Start-up Capital, Marriot Franchise Fee, and Advisor Fee	2,240,511	MT&T Bank Loan*	17,000,000	64%
Land Acquisition	3,700,000			
Finance Costs	1,415,412			
Total Project Costs	\$26,770,344	Total Project Financing	\$26,770,344	100%

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* Fixed rate equal to 450 basis points above M&T's 5-year cost of funds/18 month/ 10 year permanent financing with a 2-year amortization schedule

Environmental Review:

The City of Syracuse Planning Commission, 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 found the project to be an Unlisted Action that would not have a significant effect on the environment. The lead agency issued a Negative Declaration on June 30, 2008. ESDC 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 site’s adjacency to the Armory Square Historic District, the project sponsor will continue consultation with the New York State Office of Parks, Recreation and Historic Preservation in developing the design, sitework, lighting, and signage in order to avoid an adverse effect on historic resources.

Affirmative Action:

ESD’s Non-Discrimination and Affirmative Action policy will apply. The City of Syracuse Industrial Development Agency agrees to use its best efforts 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.

Statutory Basis – Section 10 Findings - Empire Opportunity Fund:

Land Use Improvement Findings

1. That the area in which the project is to be located is a substandard or unsanitary area, or is in danger of becoming a substandard or unsanitary area and tends to impair or arrest the sound growth and development of the municipality.

The property that the project is located on is currently underutilized as a surface parking lot. While the adjacent Armory Square area is a vibrant mixed-use neighborhood, the area immediately surrounding the neighborhood, where the project is located, is at a crossroads. The project will ensure that the sound growth and development of Armory Square will not stop at its borders, but continue throughout the rest of the urban core.

2. That the project consists of a plan or undertaking for the clearance, replanning, reconstruction and rehabilitation of such area and for recreational and other facilities incidental or appurtenant thereto.

This project is part of a comprehensive plan to redevelop downtown Syracuse, through the rehabilitation of vacant and underutilized properties, into a vibrant mixed-use neighborhood where people can live, work, learn, and play.

SIDA – The Inns at Armory Square EOF Capital (X306)

December 16, 2010

3. That the plan or undertaking affords maximum opportunity for participation by private enterprise, consistent with the sound needs of the municipality as a whole.
The project is being undertaken by a private local company, contractor and subcontractors, and will help the City of Syracuse continue to build towards its vision of a vibrant, mixed-use downtown core.
4. That the proposed facilities or project is consistent with any existing local or regional comprehensive plan.
The project is consistent with the Downtown Master Plan component of the City of Syracuse Comprehensive Plan 2025, and the City of Syracuse's 2010 Housing Plan.
5. 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.

Empire Opportunity Fund Determinations:

The project is in compliance with Chapter 84 of the Laws of 2002 and the Corporation's guidelines established thereunder. Individual project funding does not exceed 25 percent of the total of that project's costs, or if project funding does exceed 25 percent of that project's total costs, the Director of the Division of the Budget has authorized the provision of such amount.

Disclosure and Accountability Certifications:

The Grantee and the Beneficiary have provided ESD with the required Disclosure and Accountability Certifications. Grantee's and Beneficiary's certifications indicate that Grantee and Beneficiary have no conflict of interest or good standing violations and, therefore, staff recommends that the Corporation authorize the grant to the Grantee as described in these materials.

Attachments: ESD Directors' Materials dated April 17, 2008

December 16, 2010

Syracuse (Onondaga County) – SIDA – The Inns at Armory Square EOF Capital – Empire Opportunity Fund Capital – Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the SIDA – The Inns at Armory Square EOF Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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