

**D. National Grid - Luther Forest Infrastructure Capital II –
Upstate City-by-City (X044)**

December 16, 2010

Authorization to Adopt the Second Amendment to the GPP, Grantee, Project Scope, and Budget

Original Grantee: Luther Forest Technology Campus Economic Development Corporation (“LFTCEDC” or the “Organization”)

New Grantee: National Grid (“NG”)

ESD Investment: \$3,736,000 (Upstate City-by-City); approved on March 26, 2010 and amended on November 18, 2010

Project Location: Towns of Malta and Stillwater, Saratoga County

Project Completion: February 2012

Background/Project Status:

These materials refer to and include, in their entirety, the attached materials (the “Materials”) presented to and approved by Directors on March 26, 2010 and amended on November 18, 2010. In addition, the subject materials further describe the need for ESD to reallocate the grant funds to ensure that there is no disruption in the critical infrastructure development necessary for GlobalFoundries’ chip fabrication facility to proceed as planned.

The Luther Forest Technology Campus (“the “Campus”) is a 1,414-acre site in the towns of Malta and Stillwater dedicated to semiconductor and nanotechnology manufacturing and other innovative technologies. In 2009, GlobalFoundries U.S., Inc. (“GUS”) acquired 222 acres of the site (the “GUS Project Site”) to construct and equip a 1.2 million-square-foot semiconductor wafer manufacturing facility (“Fab 8”). The construction of Fab 8 began on June 15, 2009. The project is expected to take approximately two years to complete and an additional twelve to eighteen months to ramp up to full operating mode, with volume production, which at this time, is anticipated in 2012.

In support of the establishment of a world-class microchip wafer fabrication facility in New York State (the “State”), from 2002 to 2010, the ESD Directors approved \$9,625,000 in loans to acquire the Campus and \$46,482,485 in grants for the development of infrastructure for a chip fabrication facility to LFTCEDC or the Saratoga Economic Development Corporation. The funds were used for: costs, both on the GUS Project Site and on the Campus, associated with the pre-development of the GUS Project Site, including consultant costs for environmental and engineering studies and other activities related to the completion of the Environmental Impact Statement; pre-permitting costs; acquisition of land; studies related to transportation and utility infrastructure, wetlands preservation, archaeological investigations, mapping, site planning, and environmental surveys and analyses; legal fees, initial project marketing, strategic planning, and project management associated with the Campus; and prerequisite infrastructure elements for GUS’ development of the new chip fabrication facility at the Campus. \$665 million has also been

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authorized by ESD for GUS for construction of the foundry and research and development. As of November 2010, \$13,653,962 in grants has been disbursed to LFTCEDC, and all loan funds have been disbursed. LFTCEDC currently owes approximately \$12 million, inclusive of interest, to ESD as repayment of the loans made for land acquisition. On October 22, 2010, ESD began proceedings by sending Notices of Default to the LFTCEDC seeking repayment of more than \$1.75 million in loans that went into default earlier this year.

Also as of November 2010, the following infrastructure elements **have** been completed:

Water Line and Water Tank - The county water line is complete; the anticipated service date for GUS was July 2010. The 5-million gallon water tank, which is being built by the Saratoga County Water Authority, was completed in September 2010.

Sewer - The sewer punch list and repair work are complete; LFTCEDC is awaiting acceptance by the Saratoga Sewer District #1. Line dedication and transfer of ownership to the Sewer District occurred in August 2010.

Electric Transmission Line - The 115KV electric transmission line was energized on September 10, 2010 from the Mulberry substation. The transmission line from the Malta substation is scheduled to be energized on December 24, 2010.

Roads - The internal campus roads are complete; Stonebreak Road is open to the public. Cold Springs Road, Contract #1 is complete; LFTCEDC is awaiting final acceptance from the Town of Stillwater.

As of November 2010, the following infrastructure elements **have not** been completed:

Roads - Cold Springs Road, Contract #2 (a fourteen-month project) was set to begin construction in August 2010.

Gas Line Expansion - A new 12" gas line will be installed to serve GUS capacity needs. National Grid has begun the preliminary design process and the Article 7 procedure to obtain New York State Public Service Commission ("PSC") approval. Line construction is anticipated to start Spring 2011.

Second Water Source - The process to identify a second water sources has begun. Viable alternatives will be studied along with approximate costs.

The design work for Fab 8 is 100% complete, including civil, structural and ancillary buildings, and the systems design is approximately 80% complete. Construction procurement is about 65% complete and the construction project is about 50% complete. The major Fab 8 project milestones reached to date include:

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Start Design Phase Work – April 7, 2009

Start Work on Site – June 15, 2009

Concrete Batch Plant Operational – August 30, 2009

First Concrete Placement – September 9, 2009

First Vertical Concrete – September 24, 2009

Design Completion Building – October 15, 2009

First Steel Truss in Place – December 5, 2009

Central Utility Building Last Steel – January 27, 2010

Fab 8 Phase 1 Last Steel – May 27, 2010

Fab 8 Phase 2 Announcement – June 1, 2010

Announcement of the new GlobalFoundries Research Center – October 27, 2010

Proposal:

GUS has advised ESD of challenges in completing the project, particularly with issues related to infrastructure. The State has already invested substantial sums in the project and has a strong interest in the project's success. In order to accommodate GUS' concerns and to protect the State's investment, ESD has offered solutions and taken related actions specifically redirecting grant funds for specific infrastructure projects to new grantees to complete those same infrastructure projects. Specifically, at the November 18, 2010 ESD Board of Directors meeting, ESD redirected the \$8.1 million NYSEDP grant and \$300,000 from the Upstate City-by-City grant, originally authorized to LFTCEDC, directly to the Town of Stillwater (“Town”) to complete the remaining road work. Additionally, ESD reallocated \$75,000 from the Upstate City-by-City grant, originally authorized to LFTCEDC, to the New York State Office of General Services (“OGS”) to facilitate the second water source study. The \$300,000 to the Town and the \$75,000 to OGS are reflected in the revised budget below. ESD is currently in negotiations with the Town and OGS to establish a mechanism for the flow of funds.

ESD is now proposing to redirect an additional \$1.4 million from the Upstate City-by-City grant, originally authorized to LFTCEDC, directly to National Grid to initiate the New York State Article VII (“Article VII”) review process for the natural gas line expansion. The Article VII review process includes the gas facilities permitting and filings, engineering and design, legal, site evaluation, ROW, land and easement acquisition. The budget for Article VII in the March 26, 2010 General Project Plan (“GPP”), was \$1.1 million. The revised budget, reflected below, is projected to be \$1.4 million. The total cost for the natural gas line expansion, inclusive of Article VII, is estimated to be \$9,330,800 million. The costs for the remaining construction and installation work will be funded through other sources. NG has the requisite experience and expertise to undertake this infrastructure component and has been involved with the project since its inception. LFTCEDC was simply the pass through entity for project funding rather than the actual project manager of the design and construction.

Natural Gas Line Expansion - General:

In order to meet GUS’ natural gas capacity needs, several gas infrastructure upgrades and installations are needed. The first task of obtaining project approval requires the project be

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submitted to a New York State Article VII review process. This review process of approximately twelve months will be completed by National Grid. After the review process is complete, a new steel main will be installed to support Mods 1 and 2, a regulator station will be installed and the steel main along Stonebreak Road will be upgraded. The tasks also require PSC reviews and approvals.

Natural Gas Line Expansion - Scope of Current Project:

ESD will reallocate \$1.4 million to National Grid to fund Article VII, as NG applies for and obtains PSC approval. PSC approval is required before construction can begin and the process, which requires extensive engineering design and legal review work, can take as long as twelve months to complete.

Involved Party:

National Grid is a publicly traded international electricity and gas company and one of the largest investor-owned energy companies in the world. Its core business is the delivery of electricity and natural gas.

Revised Project Scope and Budget:

The revised budget for X044 is as follows:

Financing Uses	Amount	Financing Sources	Amount	Percent
NG				
Article VII Application	272,000	ESD Grant (X044; Upstate City-by-City)	1,775,000	100%
Engineering & design labor	247,000			
Legal consultants - Article VII & land acquisition	168,000			
Site evaluation - soil borings & pipe route	55,000			
ROW/land/easement acquisition	658,000			
Sub-Total	1,400,000			
Town of Stillwater				
Cold Spring Road Corridor	300,000			
Sub-Total	300,000			
OGS				
Second water source - consultant	75,000			
Sub-Total	\$75,000			
Total Project Costs	1,775,000	Total Project Financing	\$1,775,000	100%

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Financial Terms and Conditions:

1. The Grantee will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Grantee will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
3. Up to \$1,400,000 will be disbursed to the Grantee during the course of construction and for eligible related project costs, no more frequently than monthly, in compliance with the Design & Construction Requirements, assuming that all project approvals have been completed and funds are available. 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 April 1, 2008 to be considered eligible project costs.
4. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,400,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Grantee 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.

Design and Construction:

The Design and Construction Department (“D&C”) will review plans and cost estimates for conformity to the scope of work. D&C will attend meetings and visit the site at its discretion, inspect work completed and approve and recommend payment of invoices.

Environmental Review:

Pursuant to the State Environmental Quality Review Act (“SEQRA”), Article 8 of the Environmental Conservation Law, and its implementing regulations (6 NYCRR Part 617), the ESD Directors adopted SEQRA Findings on May 19, 2004 based on the Final Generic Environmental Impact Statement (“FGEIS”) for the development of the Luther Forest Technology Campus, and Supplemental Findings on December 1, 2008 based on the Final Supplemental Environmental Impact Statement (“FSEIS”) for the AMD (now known as GUS) Development project at the Luther Forest Technology Campus. By adoption of SEQRA Findings and Supplemental Findings, the Directors certified that the requirements of 6 NYCRR Part 617 have been met. No further environmental review is required under SEQRA.

Smart Growth Public Infrastructure Review:

Because the Corporation’s actions in support of the GUS project were approved by the Directors on March 26, 2010, and the proposed present actions of the Corporation are in furtherance of the original project as so approved, these actions are not subject to the State Smart Growth Public Infrastructure Policy Act (the “SG Act”), which does “not apply to infrastructure projects

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undertaken or approved by [an infrastructure agency] prior to date upon which [the SGA] became a law” (October 2, 2010). Accordingly, no Smart Growth Public Infrastructure review is required.

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 5% and a Women Business Enterprise participation goal of 5% 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.

Disclosure and Accountability Certifications:

The Grantee has provided ESD with the required Disclosure and Accountability Certifications. Grantee’s certifications indicate that Grantee has 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 March 26, 2010
ESD Directors’ Materials dated November 18, 2010