

A. Patchogue - RESTORE III - 31 West Main Street (W818)

February 19, 2010

General Project Plan

Grantee: Village of Patchogue (“Patchogue” or the “Village”)

Beneficiary: DPR II, LLC

ESD Investment: A grant of up to \$2,471,000 to be used for a portion of the cost of deconstruction and rehabilitation of a mixed use development.

Project Location: 31 West Main Street, Patchogue, Suffolk County

NYS Empire Zone (or equivalent): N/A

Project Completion: February 2010

Grantee Contact: Marian Russo, Executive Director
14 Baker Street, PO Box 719
Patchogue, NY 11772
Phone: (631) 475-4300 Fax: (631) 475-4314

Beneficiary Contact: Robert Loscalzo, Chief Operating Officer
Phone: (631) 706-4133

Project Team:

Project Management	Jill Wolfeld
Affirmative Action	Laverne Poole
Environmental	Soo Kang

Project Description:

Background

The Village of Patchogue is a designated Urban Area and has a population of 11,943 according to the 2000 census. The Village is located on the Great South Bay approximately 60 miles from Montauk Point. The Village has more traditional indices of an urban area with high density housing, including garden apartments, two five-story apartment buildings, and a substantial commercial district.

At the beginning of the last century, the Village was one of the wealthiest communities on Long Island. In the 1970’s and 1980’s, the Village lost many of its downtown retail tenants located on Main Street (Montauk Highway) to big box retailers along Sunrise Highway. The vacant stores fronts led to a slow but steady economic decline in the Village.

Downtown Patchogue has experienced a resurgence in recent years with new shopping, restaurants and bars/lounges along the downtown corridors. This was consistent with the

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redevelopment recommendations of the 2002 Study of the Suffolk County Planning Department.

In April 2008 the Village adopted a law calling for the establishment of a Downtown Redevelopment District (“DRD”). The purpose of the DRD is to provide growth and revitalization to the downtown business district which would encourage retail and destination uses in the downtown core, encourage residential units within walking distance to improve the economic base of the Village by creating jobs and expanding the tax base, and allow the business district to become a more appealing and interesting place to live, and do business. Additionally, Patchogue’s existing zoning codes were amended to encourage mixed-use development with an emphasis on retail uses on the first floor, with office or residential uses above.

ESD’s \$2,471,000 Restore NY grant encouraged the Village to eliminate blighting conditions in the area. ESD’s funds will assist with the deconstruction and rehabilitation of one property owned by DPR II, LLC. The project will allow the Village to make progress towards the on-going revitalization of the Village’s main shopping district. Without these funds, the Village would be unable to secure the necessary financing to complete this project.

The Project

Restore NY III funds will be directed to the deconstruction and rehabilitation of 31 West Main Street a 26,344-square-foot mixed use office and retail building built in 1898, which will continue to be used as a mixed-use office and retail building. Work on the site commenced in April 2009 with architectural designs completed by Ehrenkrantz Eckstut & Kuhn of New York City and technical plans were completed by Baldassano Architecture of Long Island. Pre-construction and mobilization began in July 2009 followed by the deconstruction of the building. Deconstruction specifically entailed the removal of the existing exterior of the building including brick, glass, wood and metal panels. These items were replaced with natural limestone at the retail base, brick at the second floor and brick, metal panel and precast cornice on the third floor. Finally, in August 2009 rehabilitation of the building began with interior and exterior improvements including façade renovation, new storefront and main entrance, new signage, sidewalks and landscaping which are architecturally consistent with nearby properties. Furthermore, original features of the building such as high ceilings, crown molding and tin ceilings returned to its full grandeur. All redevelopment was completed by Downtown Patchogue redevelopers LLC. The project is registered with the U.S. Green Building Council and was completed in February 2010.

During the development phase of the project, approximately 55 construction and construction related jobs were created. The completed project is expected to generate over 75 permanent full-time jobs which will payrolls estimated at more than \$4.22 million annually.

The owners of the property have also purchased surrounding properties for additional

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downtown redevelopment and it is anticipated that the Restore project will be a catalyst for a new \$110 million project for the Village. Further commercial investment will come from the business owners who will lease retail and office space at the project location.

Financing Uses	Amount	Financing Sources	Amount	Percent
Acquisition	\$2,488,564	ESD Grant	\$2,471,000	37%
General Construction	2,377,257	Village Equity*	639,619	10%
Infrastructure/Site Preparation	234,838	Suffolk County National Bank Loan**	3,529,281	53%
Professional Service/Consultants	489,794			
Engineering	47,400			
Fees/Insurance/Legal/Closing/Contingencies	519,656			
Environmental Assessment	9,751			
Interest	472,640			
Total Project Costs	\$6,639,900	Total Project Financing	\$6,639,900	100%

*Source of equity is funds from the building's owner.

** First mortgage is \$3,220,000 at Prime + .25% with a floor of 5.25%/24 mos/. The 2nd mortgage is \$1,180,000 at Prime + .25% with a floor of 5.5%/16 mos/. If DPR has not refinanced the mortgage with permanent debt by July 2010, the first mortgage will be extended.

Financial Terms and Conditions:

1. At the time of disbursement, the Village will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Village will be obligated to advise ESD of a materially adverse change in its financial condition prior to disbursement.
3. The Village will ensure the contribution of at least a 10% match of the grant amount to the Project.
4. Up to \$2,471,000 will be disbursed to Grantee upon documentation of project costs totaling \$6,639,900 and upon completion of the project substantially as described in these materials, assuming that all project approvals have been completed and funds are available. Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after May 4, 2009 to be considered reimbursable project costs. Previously expended funds may be applied toward match requirements retroactive to June 23, 2006, when the Restore New York Legislation was enacted.
5. ESD may reallocate the project funds to another form of assistance, at an amount no

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greater than \$2,471,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Village 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.

6. If the Grantee is not the owner of the Project, then the Grantee shall prohibit, for five years from the date of the initial disbursement of Grant funds, any transfer of the Project in whole or in part, by sale, lease, or conveyance of any interest in or with respect to the Project except (a) transfers of minor interests in the Project site, such as utility easements and limited rights-of-way, and (b)(i) the arms-length basis sale or lease of individual condominium units in the ordinary course of business for a condominium development and (ii) the arms-length basis residential or commercial lease in the ordinary course of business for a commercial, residential, or mixed-use rental development. In the event that such a prohibited transfer occurs within such five-year period, the Grantee shall pay to ESD, promptly upon ESD's written demand therefor, the applicable amount indicated below.

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the transfer occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the transfer occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the transfer occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the transfer occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the transfer occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the transfer occurred in the fifth full calendar year after the disbursement was made.

Environmental Review:

ESD staff has determined that the renovation of 31 West Main Street constitutes a Type II action as defined by the New York State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

With respect to the proposed redevelopment of surrounding properties, which is not part of the requested authorization, ESDC staff recommends that the Directors find that because 31 West Main Street is a functionally independent project which has been completed, the environmental

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review of the 31 West Main Street project is not being “segmented” from the review of the future redevelopment project. ESDC staff also recommend that the Directors find that to the extent the requested authorization may be considered to be “segmented” from the future redevelopment project, that such “segmentation” is permissible pursuant to 6 NYCRR Part 617.3(g) due to the relevant circumstances of the project, specifically: (i) that the future redevelopment project is functionally independent of the present 31 West Main Street project; (ii) that the future redevelopment project has been subject to a Draft and Final Environmental Impact Statement under SEQRA and for which a Statement of Findings has been issued on April 13, 2009 by the Board of Trustees of the Incorporated Village of Patchogue, as lead agency; and (iii) that the review of the present 31 West Main Street project is no less protective of the environment than a review of the project together with the future redevelopment project.

Statutory Basis – Restore NY Communities:

Land Use Improvement Project Findings

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

The project involves the deconstruction and rehabilitation of a vacant commercial, which has been deemed by the Village to arrest sound growth and development in the area.

2. 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.

The project involves the deconstruction and rehabilitation of a site that has been included in Law Number 3 for 2008 calling for a Downtown Redevelopment District. The premise of this law is to revitalize the downtown business district whereby encouraging retail and destination uses in the downtown core and residential units which will improve the economic base of the Village.

3. The plan or undertaking affords maximum opportunity for participation by private enterprise, consistent with the sound needs of the municipality as a whole.

The Village published a property assessment list and held a public hearing on the project at the time of application. The Village will ensure compliance with all applicable local laws and regulations.

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

There are no families or individuals displaced from the Project area.