

**F. Hornell – RESTORE III - Federation Lofts and Arts Center Civic Revitalization
(W861)**

January 21, 2010

General Project Plan

- Grantee:** City of Hornell (the “City” or Hornell”)
- Beneficiary:** Krog Corporation
- ESD Investment:** A grant of up to \$1,500,000 to be used for a portion of the cost of construction and rehabilitation
- Project Locations:** 38-40 Broadway Mall, Hornell, Steuben County
42 Broadway Mall, Hornell, Steuben County
- NYS Empire Zone (or equivalent):** Hornell-Corning-Steuben County Empire Zone
- Project Completion:** December 2010
- Grantee Contact:** Shawn Hogan, Mayor
82 Main Street
Hornell, NY 14843
Phone: (607) 324-7421 Fax: (607) 324-3150
- Beneficiary Contact:** Peter Krog, Chairman
4 Centre Drive
Orchard Park, NY 14127
Phone: (716) 667-1234 Fax: (716) 667-1258
- Project Team:** Project Management Robin Alpaugh
Affirmative Action Denise Ross
Environmental Soo Kang

Project Description:

Background

Founded in the late 1700’s by trader and entrepreneur George Hornell, Hornellsville was a small town until the Erie Railroad arrived in the 1850’s. Hornellville's fortunes and population grew along with the railroad and it became the City of Hornell in 1906. Hornell developed into a medium-sized city and flourished along with the success of the Erie line. However, by the early 1970’s, freight traffic drained away and the railroad days of Hornell were over.

Today the City’s population is approximately 9,000, and its leading employers include Asthom, (mass transit vehicle manufacturing), Saint James Mercy Health, The Gunlocke

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Company (furniture manufacturing) and Alfred University. The collection of historic buildings in the downtown core, combined with educational, arts and cultural activities has lead to greater interest in downtown loft living. In accordance with the Comprehensive Plan of 2002, the City is focusing on creating new housing within historical zones and encouraging the arts through a new arts center. This project addresses both of these planned goals.

The Project

The City has identified the two adjacent buildings for redevelopment to improve the downtown core, creating an attractive place to live and enjoy the arts/cultural offerings. The project features the restoration of the former St. Ann’s Federation School, an underutilized 36,250 square foot historic property, into a mixed use, residential/commercial location. The building’s auditorium will be rehabilitated for use by the arts center. The arts center will be headquartered in a vacant restaurant space next door. The 5,900 square foot restaurant space will be converted into multi-purpose display and classroom activity and will be handicapped accessible.

The project will begin in January 2010 and is expected to be completed in December 2010 and will improve the downtown area. It will also attract significant investment and provide construction jobs throughout the rehabilitation period. The Krog Corporation, a well-known design/build firm located in Orchard Park, NY, will be the owner and developer for this project. Clinton Brown Company Architecture of Buffalo, NY, has been selected to design the rehabilitation of the historic structure.

Financing Uses	Amount	Financing Sources	Amount	Percent
Property Acquisition	\$375,000	ESD Grant	\$1,500,000	39%
General Construction / Rehabilitation	\$2,797,330	City Equity	\$500,000	13%
Infrastructure	\$179,170	Developer Equity	\$375,000	10%
Indirect/Soft Costs	\$353,500	M&T Bank loan*	\$1,000,000	26%
Capitalized Interest	\$150,000	Historic Tax Credits	\$480,000	12%
Total Project Costs	\$3,855,000	Total Project Financing	\$3,855,000	100%

*Terms to be determined

Financial Terms and Conditions:

1. At the time of disbursement, the City will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The City will be obligated to advise ESD of a materially adverse change in its financial condition prior to disbursement.

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3. The City will ensure the contribution of at least a 10% match of the grant amount to the project.
4. Up to \$1,500,000 will be disbursed to Grantee upon completion of the project substantially as described in these materials, as evidenced by a Certificate of Occupancy, and documentation of eligible project costs totaling \$3,855,000, 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 May 4, 2009 to be considered eligible 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 greater than \$1,500,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the City 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

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- 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:

The Common Council of the City of Hornell, 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, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on November 9, 2009. 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 inclusion of St. Ann’s Federation Building in the New York State and National Registers of Historic Places, ESD has confirmed that the project sponsor initiated consultation 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 for the project.

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 3% and a Women Business Enterprise participation goal of 2% 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.

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 area was historically a thriving commercial and retail urban district. Due to economic downturn, the redevelopment of this area has stalled or has become financially unfeasible. The City has encouraged property owners to invest in these downtown properties to create a mixed-use environment with reutilization of existing structures that have vacant upper floors. The buildings included in the project are in need of repairs or restoration, and investment in these buildings will help to promote a downtown arts/cultural community in this area of the City.

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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 rehabilitation and reconstruction of adjacent properties, one of which is historic, a key concept in the 2002 City Comprehensive Plan (“the Plan”). The Plan outlines the reuse of upper floors of City buildings for loft apartments as a component in the revitalization of downtown. This project also encourages tourism and promotes the arts/culture through the creation of an arts center.

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 City published a property assessment list and held a public hearing on the project at the time of application. The City 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.

January 21, 2010

Hornell (Steuben County) – Hornell - RESTORE III – Federation Lofts and Arts Center
Civic Revitalization – RESTORE NY Communities Capital Project – Determination of No
Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Hornell –
RESTORE III – Federation Lofts and Arts Center Civic Revitalization Project, the Corporation
hereby determines that the proposed action will not have a significant effect on the environment.

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