

FOR CONSIDERATION

July 23, 2009

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Yonkers (Westchester County) – Yonkers Downtown Waterfront Development – Yonkers Ferry Service Working Capital – Metropolitan Economic Revitalization Fund (Working Capital Loan)

REQUEST FOR: Findings and Determinations Pursuant to Section 10 (g) of the Act; Findings and Determinations Pursuant to Rules and Regulations of the Metropolitan Economic Revitalization Fund; Authorization to Make a Loan and to Take Related Actions

I. Project Summary

Borrower: Yonkers Downtown Waterfront Development Corporation

ESD* Investment: A working capital loan of up to \$300,000 to be used for a portion of the cost of operating a commuter passenger ferry service from Yonkers to Lower Manhattan.

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

Project Location: City Pier, Yonkers, Westchester County

NYS Empire Zone
(or equivalent): City of Yonkers Empire Zone

Proposed Project: Operation of a water ferry service from the City of Yonkers to Lower Manhattan.

ESD Incentive Offer Accepted: July 2009

Project Completion: January 2010

Effect of Loan on
 Project Financing: The loan will provide bridge financing for a six-month term at an annual interest rate of 3%.

Security: The loan will be secured by the remaining balance (currently, \$7,768,969) of the City of Yonkers' Master Plan Initiatives Capital Grant, Project #U861.

Borrower Contact: James Pinto
 Director of the Office of Downtown and Water Development
 71 Water Grant Street
 Yonkers, New York 10701
 Phone: (914) 377-6648
 Fax: (914) 377-6079

Anticipated
 Appropriation
 Source: Metropolitan Economic Revitalization Fund

ESD Project No.: W757

Project Team: Origination Michael Oates
 Project Management Noel Blackwell
 Legal Jonathan Beyer
 Affirmative Action Laverne Poole
 Environmental Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Operating Expenses (July-09 – July-11)	\$2,902,000
Total Project Costs	<u>\$2,902,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term</u>
ESD-Loan	\$300,000	10.34%	3%/6 mos.
Anticipated CDBG*	200,000	6.89%	
Service fares – NY Water Taxi	460,500	15.87%	
Service fares – City of Yonkers	153,500	5.29%	
Anticipated federal and local grant funds	<u>1,788,000</u>	<u>61.61%</u>	
Total Project Financing	<u>\$2,902,000</u>	<u>100.00%</u>	

*Community Development Block Grant

III. Project Description

A. Background

The City of Yonkers (the “City”) was founded in 1846 and incorporated as a village in 1855 and as a city in 1872. The City, which is bordered on its western flank by the Hudson River, is located in the southwestern corner of Westchester County in the Mid-Hudson Region of New York State. The City is 18.3 square miles in area and is the largest city in Westchester and fourth largest city in New York State, with a current population of approximately 200,000 residents. Yonkers thrived during New York’s industrial age; but, in the mid-twentieth century the City entered a period of slow, steady decline, especially in its older, urbanized waterfront zone. Major manufacturing firms such as Otis Elevator, which once employed 7,000 people, left the City. Getty Square, once one of Westchester’s busiest retail districts, steadily lost businesses to a new generation of suburban malls. Since the mid-1990’s, Yonkers has begun to recover, both demographically and economically. The Yonkers Downtown Waterfront Development Corporation was created in 1994 to manage the City’s comprehensive waterfront development plan.

The City of Yonkers has previously been approved for the following grants: \$25,000 in September 1997 for a marketing survey; \$100,000 in October 1997 for Yonkers Emergency Loan Fund; \$25,000 in July 1999 for a consultant study; \$300,000 in March 1999 for Main Street facade improvements; \$75,000 in June 2001 for wired building program; \$225,000 in October 2002 for consultants to identify re-development opportunities; \$50,000 in November 2002 for revitalization of waterfront; \$1 million in June 2005 for a portion of the costs for construction of the Saw Mill River Outlet Bridge; \$10 million in December 2006 for soft costs associated with the City of Yonkers Master Plan; and \$2,167,000 in May 2007 for building demolition and construction of new infrastructure.

B. The Project

The City of Yonkers has a commuter passenger ferry service operated by New York Water Taxi that runs from Yonkers to Battery Park City and Wall Street. The program was initiated in May of 2007 with the Port Authority of New York and New Jersey (“Port Authority”) with \$4.2 million in funding from the Lower Manhattan Development Corporation (“LMDC”) to support job creation in Lower Manhattan as well as to enhance the viability of the revitalization of the Yonkers waterfront and the new residential apartments under development there. The service contract is between the Port Authority and New York Water Taxi, with the City of Yonkers as beneficiary. Riders largely come from Yonkers and the surrounding communities in lower Westchester. Initially there were four weekday departures from Yonkers arriving in New York from 7:30 till 9:30 am, with four return trips to Yonkers leaving Manhattan from 4:30 till 7:30 pm. At the end of the first year, the ridership was struggling to grow above 50-55 passengers per day.

In order to stimulate the service, fares were lowered in May of 2008 by 20% (from \$400 per month to \$320) and an increase in ridership resulted to over 90 business passengers per day. This past May, Yonkers was forced to stretch the remaining LMDC grant subsidy and has limited the number of service departures to 2 trips each way. This change caused a minor loss in overall

ridership, but the service still has over 80 riders per day. The City's budget projections had indicated that the limited service would last until mid-or-late August; however, due to increased overnight docking costs for the vessels and added fuel costs, the Port Authority recently announced that it would cancel the service in July, after 26+ months of operation. The City will have to inform the ridership of this fact if it does not get additional funding. Moreover, the City will lose a significant marketing advantage and the area will lose an alternative mass transit mode to Lower Manhattan. It is anticipated that it will take upwards of five years to build a viable customer based ferry service. Even with the eventual increase in ridership, the need for subsidies while reduced, will likely not be eliminated. The ESD loan will provide bridge financing until such time as the City receives anticipated funds from other sources later this year. The City is also actively pursuing long-term financing at both the Congressional and County level for continued operation of the Ferry service.

C. Financial Terms and Conditions

1. The Borrower will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
2. The Borrower and New York Water Taxi will contribute at least a combined 10% in equity to the project. Equity is defined as any non-debt source of capital, and should be auditable through financial statements or accounts, if so requested by ESD.
3. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$300,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Borrower 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.
4. The ESD loan will be secured with an equivalent amount from the non-disbursed balance of the City of Yonkers' Master Plan Initiatives Capital Grant, Project #U861.
5. A default in the ESD loan will constitute a default in the City of Yonkers' Master Plan Initiatives Capital Grant, Project #U861. Conversely, a default in the City of Yonkers Master Plan Initiatives Capital Grant, Project #U861 will constitute a default in the ESD loan.
6. The Borrower will demonstrate no materially adverse change in its financial condition prior to closing.
7. The ESD loan will be disbursed after all project approvals have been completed and funds are available.

IV. Statutory Basis

1. The area in which the project will be located is a substandard or insanitary area, or is in danger of becoming a substandard or insanitary area, wherein there exists a condition of substantial and persistent unemployment and underemployment.

The project site is located within the City of Yonkers Empire Zone. Ferry service to Lower Manhattan, along with more traditional commuter rail service to Grand Central Terminal via Metro North, are significant infrastructure resources that are being used to market new waterfront development in Yonkers. The success of Yonkers' waterfront redevelopment plan is critical in turning around its one time abandoned waterfront into a thriving component of the City.

2. The project demonstrates market, management and financial feasibility and has a clear likelihood of success.

The commuter passenger ferry service has been operated from Yonkers to Lower Manhattan since May 2007. The present level of subsidy to operate the ferry service will likely diminish as ridership increases with additional commuters coming from new apartment residents due to further development of the Yonkers waterfront.

3. That the industrial firm provides at least ten percent equity contribution and such contribution is not derived from other government sources.

New York Water Taxi's equity contribution is 15.87% of total project costs and is derived from Ferry service fares.

4. The requested financial assistance is not available from other public or private financing sources on terms compatible with the successful completion of the project.

The ESD loan is at a below market interest rate with the payment of accrued interest and principal not due until maturity.

5. The project will not result in relocation of any industrial firm from one municipality within the state to another municipality.

Continued operation of the commuter ferry service from Yonkers to Lower Manhattan does not require relocation of any industrial firm as existing dock facilities are otherwise vacant.

6. The project is not for the purpose of refinancing any portion of the total project cost or other existing loans or debts of the project sponsor or owner.

The loaned funds are being utilized for working capital.

V. Environmental Review

ESD staff has determined that the requested authorization 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 this action.

VI. Affirmative Action

ESD’s Non-discrimination and Affirmative Action policy will apply. The Yonkers Downtown Waterfront Development Corporation 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. Additional Submissions to Directors

Resolution
New York State Map

July 23, 2009

Yonkers (Westchester County) – Yonkers Downtown Waterfront Development – Yonkers Ferry Service Working Capital – Metropolitan Economic Revitalization Fund (Working Capital Loan) – Findings and Determinations Pursuant to Section 10 (g) of the Act; Findings and Determinations Pursuant to Rules and Regulations of the Metropolitan Economic Revitalization Fund – Authorization to Make a Loan and to Take Related Actions

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 Yonkers Ferry Service Working Capital – Metropolitan Economic Revitalization Fund Project Loan (Working Capital Loan) Project (the “Project”), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that there are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Yonkers Downtown Waterfront Development Corporation a loan for a total amount not to exceed Three Hundred Thousand Dollars (\$300,000) from the Metropolitan Economic Revitalization 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-Designate 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-Designate of the Corporation or his designee(s) be, subsequent to the making of the loan, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the loan or collateral securing the loan as he or she may deem necessary or appropriate in the administration of the loan; 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-Designate 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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