

FOR CONSIDERATION

March 23, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Brooklyn (Kings County) – Brooklyn Navy Yard Development Capital – Downstate Revitalization Fund – Infrastructure Investment (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-r and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions; Determination of No Significant Effect on the Environment

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General Project Plan

I. Project Summary

Grantee: Brooklyn Navy Yard Development Corporation (“BNYDC”)

ESD\* Investment: A grant of up to \$1,000,000 to be used for a portion of the cost of construction.

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

Project Location: 63 Flushing Avenue - Buildings 28, 123, and 128  
Brooklyn Navy Yard, Brooklyn, Kings County

Proposed Project: Redevelopment of Brooklyn Navy Yard's Buildings 28, 123, and 128 into a 215,000 square foot multi-tenanted manufacturing facility.

ESD Incentive Offer Accepted: December 10, 2009

Project Completion: December 2013

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	0
Current employment level:	0
Minimum employment on January 1, 2013:	200

Grantee Contact: Richard Drucker, Senior Vice President, External Affairs  
 63 Flushing Avenue, Unit 300, Building 292  
 Brooklyn, NY 11205  
 Phone: (718) 907-5908  
 Fax: (718) 643-9296

Anticipated  
 Appropriation  
 Source: Downstate Revitalization Fund

ESD Project No.: W932

Project Team:	Origination	Joseph Tazewell
	Project Management	Brendan Healey
	Affirmative Action	Gowshihan Sriharan
	Finance	Jonevan Hornsby
	Design & Construction	Joseph Burkard
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Demolition	\$1,500,000
Environmental Remediation	1,200,000
Hard costs, including contingency	45,500,000
Soft costs	<u>800,000</u>

Total Project Costs \$49,000,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$1,000,000	2.1%	
U.S. Economic Development Administration Grant	2,500,000	5.1%	
NYS Senate Grant	10,000,000	20.4%	
NYC Regional Center Loan	30,600,000	62.4%	3%/5 yrs./rent roll
Company Equity	<u>4,900,000</u>	<u>10.0%</u>	
Total Project Financing	<u>\$49,000,000</u>	<u>100.0%</u>	

### III. Project Description

#### A. Background

The Brooklyn Navy Yard Corporation is a not-for-profit corporation that manages the Brooklyn Navy Yard (the “Navy Yard”), under a contract with the Navy Yard’s owner, the City of New York. The Navy Yard is approximately 300 acres and is an industrial park containing more than 250 industrial businesses employing 5,800 jobs. The Navy Yard was established in 1801 and was once the site of one of the nation’s most storied U.S. Navy ship building facilities. Its current tenants include such diverse businesses as movie studios, furniture manufacturers, ship repairers, architectural designers, electronics distributors, and jewelers.

Over the past two decades, the Navy Yard has emerged as a hub for the establishment and growth of small industrial businesses. The Navy Yard’s four million square feet of leasable space has been at full capacity for more than five years. As a result of this track record and continuing strong demand for industrial space, BNYDC has launched the Navy Yard’s largest building expansion since World War II. BNYDC is in the midst of an eight-building redevelopment that will generate over 1.5 million square feet of new industrial space. In addition, plans to develop an additional 40 acres are also underway.

BNYDC sought assistance in financing the project through the competitive Downstate Revitalization Fund Request for Proposals. Based on the merits of the project, ESD offered BNYDC a \$1,000,000 capital grant to assist with the cost of the renovations that will create 215,000 square-feet of space for industrial tenants. BNYDC accepted the offer in December 2009 and the ESD capital grant will fill a funding gap that BNYDC had identified in the project.

#### B. The Project

The project involves the redevelopment of Brooklyn Navy Yard Buildings 28, 123, and 128 into a 215,000-square-foot, multi-tenanted industrial facility. BNYDC plans to adaptively reuse the steel frames and concrete foundations of these buildings, which are three separately constructed yet connected turn-of-the-century former U.S. Navy machine shops. As part of BNYDC’s commitment to sustainable growth, BNYDC aims to achieve a LEED Silver certification from the U.S. Green Building Council for this project.

BNYDC has substantially completed designs for the project and anticipates that construction will begin in June 2011. This project will facilitate BNYDC’s efforts to create additional industrial space which will support the growth of the industrial business sector. Upon completion of the project, it is anticipated that 200 people will be employed by the tenants that occupy the new space.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$8,763,750;

- Fiscal cost to NYS government is estimated at \$11,000,000;
- Project cost to NYS government per direct job is \$85,556;
- Project cost to NYS government per job (direct plus indirect ) is estimated at \$54,793;
- Ratio of project fiscal benefits to costs to NYS government is 0.80:1;
- Fiscal benefits to all governments (state and local) are estimated at \$16,183,873;
- Fiscal cost to all governments is \$11,000,000;
- All government cost per direct job is \$85,556;
- All government cost per total job is \$54,793;
- The fiscal benefit to cost ratio for all governments is 1.47:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$90,072,100, or \$448,667 per job (direct and indirect);
- The economic benefit to cost ratio is 8.19:1;
- Project construction cost is \$49,000,000 which is expected to generate 290 direct job years and 168 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.57 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 4 years.

( See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

### C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$1,000,000 capital grant (\$10,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no material adverse change in its financial condition prior to disbursement.
3. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after ESD's announcement of the project on October 22, 2009. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
4. Up to \$1,000,000 will be disbursed to Grantee during the course of the project no more frequently than quarterly for eligible project costs in proportion to ESD's funding share, in compliance with ESD's Design and 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 ESD's announcement of the project on October 22, 2009, to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

5. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,000,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company 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. Grant funds will be subject to pro rata recapture if property is sold within 5 years after the final disbursement of funds.

#### IV. Statutory Basis

This project is authorized under Section 16-r of the New York State Urban Development Corporation Act (the “Act”) and satisfies the eligibility criteria in the Act and the rules and regulations for the Downstate Revitalization Fund Program. No residential relocation is required as there are no families or individuals residing on the site.

#### V. Design and Construction

The project calls for the complete redevelopment of three existing buildings within the Brooklyn Navy Yard. Design & Construction (“D&C”) will, at its option, attend construction meetings and monitor construction progress. D&C will review and approve all change orders, contractor requisitions and verify that all requirements have been satisfied prior to the approval and release of ESD funds. The aforementioned project will be reviewed in conjunction with D&C requirements and forms. D&C will review the completion of construction documents, project bidding and, at their discretion, visit the site before funds are distributed.

#### VI. Environmental Review

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, ESD staff performed an uncoordinated review. This review determined the project to be an Unlisted Action, which would not have a significant effect on the environment. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

Due to the site’s eligibility for inclusion 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.

#### VII. Affirmative Action

ESD’s Non-discrimination and Affirmative Action policy will apply. The Client encouraged to use its best efforts to achieve a Minority Business Enterprise participation goal of 15% 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.

VIII. ESD Employment Enforcement Policy

ESD's Employment Enforcement Policy will not apply since the project will not directly create or retain jobs.

IX. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

X. Additional Submissions to Directors

Resolutions  
New York State Map  
Project Finance Memorandum  
Cost-Benefit Analysis

March 23, 2011

Brooklyn (Kings County) – Brooklyn Navy Yard Development Capital – Downstate Revitalization Fund – Infrastructure Investment (Capital Grant) – Findings and Determinations Pursuant to Sections 16-r and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

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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 Brooklyn Navy Yard Development Capital - Downstate Revitalization Fund - Infrastructure Investment (Capital Grant) 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 Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the President and Chief Executive Officer - Designate of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the President and Chief Executive Officer - Designate of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the President and Chief Executive Officer – Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Brooklyn Navy Yard Development Corporation a grant for a total amount not to exceed One Million Dollars (\$1,000,000) from the Downstate 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 President 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 President and Chief Executive Officer - Designate of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; 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 President 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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March 23, 2011

Brooklyn (Kings County) – Brooklyn Navy Yard Development Capital – Downstate Revitalization Fund – Infrastructure Investment (Capital Grant) – Determination of No Significant Effect on the Environment

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RESOLVED, that based on the material submitted to the Directors with respect to the Brooklyn Navy Yard Development Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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