

A. Albany - RESTORE III - Arbor Hill Reclamation (W825)

December 14, 2011

General Project Plan

- Grantee:** City of Albany (the “City”)
- Beneficiaries:** Albany Housing Authority, Project Sponsor
Norstar Development USA, L.P. (“Norstar”), Developer
- ESD Investment:** A grant of up to \$4,500,000 to be used for a portion of the cost of environmental cleanup and rehabilitation of St. Joseph’s Academy/Academy Lofts.
- Project Location:** 56 Second Street/74 N. Swan Street, Albany, Albany County
- Project Completion:** August, 2013
- Grantee Contact:** Michael J. Yevoli, Commissioner, Development and Planning
21 Lodge Street
Albany, New York 12207
Phone: (518) 434-2532 Fax: (518) 434-9846
- Beneficiary Contact:** Lori Harris, Senior Project Manager
Norstar Development USA, L.P.
733 Broadway
Albany, New York 12207
Phone: (518) 431-1051
- Project Team:**
- | | |
|-------------------------|-----------------|
| Project Management | Glendon McLeary |
| Affirmative Action | Denise Ross |
| Design and Construction | Scott Renzi |
| Environmental | Soo Kang |
- Regional Council:** The Capital Regional Council has been made aware of this item.

Project Description:

Background

The City of Albany was first settled by the Dutch in 1624. The City was given its charter in 1686 by Governor Thomas Dongan and officially became the capital of New York in 1797. With approximately 100,000 residents, Albany is strategically located along the Hudson River between the Adirondacks, the Catskills and the Berkshires. The City is also located two and a half hours from New York City, three hours from Boston and four hours from

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Montreal. The City is part of a larger urban area within the capital region which is comprised of four major cities: Albany, Schenectady, Troy, and Saratoga Springs.

Like many other industrial cities in the upstate region, the City of Albany has suffered from disinvestment which has resulted in the proliferation of vacant and abandoned buildings throughout the City. One area affected by this plight is Arbor Hill. Arbor Hill is primarily residential with two commercial corridors book-ending the core of the neighborhood. The Henry Johnson Boulevard commercial corridor is a gateway to the City and one of the community's main arterial streets. Development along Henry Johnson Boulevard includes mixed-use, housing and commercial development. The second commercial corridor, North Swan Street, connects Arbor Hill to the Ten Broeck District and has been the dividing line for development in Arbor Hill.

To reverse many years of disinvestment and to utilize the assets in Arbor Hill, in 2003, the City adopted the Arbor Hill Neighborhood Plan (the "Plan") which identified the need to support the development of marketable retail sites and redevelop vacant buildings for housing. Since the adoption of the Plan, the Arbor Hill neighborhood has experienced important investment including the creation of more than 100 units of quality, affordable housing, new commercial services including a new banking facility, various infrastructure improvements, and a new state-of-the-art public library. As a part of the Plan, the City identified the need to rehabilitate St. Joseph's Academy, a vacant and dilapidated former school building located on North Swan Street. Also known as Academy Lofts, the project is planned to be redeveloped as a mixed-use building to include affordable apartments and arts-related commercial space for residents of the project as well as other local businesses.

The Albany Local Development Corporation ("ALDC"), the economic development arm of the City, has assisted in gaining site control of St. Joseph's Academy currently owned by the Catholic Diocese of Albany. Upon closing of the financing in December of 2011, an affiliate of the Albany Housing Authority will take ownership of the property and will work with Norstar Development USA, L.P. to complete the project. Restore NY funds will be used for rehabilitation and removal of hazardous materials and to leverage additional private investment to redevelop the site. In addition to the ESDC funding, the project will raise private equity from both Low Income Housing tax credits and State and federal Historic Tax credits.

On June 26, 2008, ESD approved a \$2.5 million Restore I grant to the City of Albany to be used for a portion of the cost of remediation, stabilization, restoration and rehabilitation of seven properties that comprise Wellington Place, a mixed-use development project in downtown Albany. On September 18, 2008, ESD also approved a \$3.3 million Restore II grant to the City of Albany for demolition and construction of a new 54,000-square-foot mixed-use commercial building in the Park South – New Scotland Corridor area of the City. Both projects are complete and the grants have been disbursed.

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The Project

The project involves the rehabilitation of St. Joseph’s Academy to include: 24,050-square-feet of residential space, inclusive of twenty-two apartments and common area spaces; 13,850-square-feet of commercial space; and 13,330-square-feet of mechanical space, inclusive of 1,450-square-feet for plumbing and electrical, 3,730-square-feet for HVAC for the first and second floors, and 8,150-square-feet for HVAC for the third and fourth floors.

The ALDC will oversee the project and Norstar will complete all project activities. Norstar, with offices in Albany and Buffalo, is a multi-faceted real estate company that specializes in the development, construction and management of all forms of housing, as well as the implementation of retail, industrial and commercial projects.

The project is anticipated to start in late December 2011 and is projected to be completed and occupied by summer of 2013.

The project is expected to spur investment and development on North Swan Street and the surrounding areas by replacing a substandard, vacant property with a newly rehabilitated mixed-use building that is architecturally complementary to the area. The project is also expected to attract new residents, local businesses and entrepreneurs. In addition to the benefit of creating new economic opportunity and affordable housing at the site, the project will restore an important historic building which is a part of the Arbor Hill Historic District.

Financing Uses	Amount	Financing Sources	Amount	Percent
Rehabilitation	\$ 9,318,829	ESD Grant	\$ 4,500,000	46%
Environmental Cleanup	\$ 500,000	HTC/ LIHTC/City Equity	\$ 5,318,829	54%
Total Project Costs	\$ 9,818,829	Total Project Financing	\$ 9,818,829	100%

Financial Terms and Conditions:

1. Upon execution of the grant disbursement agreement, 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 any material or adverse changes in its financial condition prior to disbursement.
3. The City will ensure the contribution of at least a 10% match of the grant amount to the Project.
4. Up to \$4,500,000 will be disbursed to Grantee during the course of the project no

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more frequently than monthly, 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 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 greater than \$4,500,000, 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 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.

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Design and 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.

Environmental Review:

The City of Albany Planning Board, 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 August 18, 2011. 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 building's historic significance as a contributing building in the Arbor Hill Historic District, which is listed on the New York State and National Registers of Historic Places, ESD has confirmed that the project sponsor consulted 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. No further consultation is required, subject to a Letter of Understanding.

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 7% and a Women Business Enterprise participation goal of 3% 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.

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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 rehabilitation of a vacant commercial building, which has been deemed by the City 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 rehabilitation or reconstruction of a site that the City has included in its Arbor Hill Neighborhood Plan which identified the need to support the development of marketable retail sites and redevelop vacant buildings for housing.
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.

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Albany (Capital Region – Albany County) – Albany - RESTORE III - Arbor Hill Reclamation –
Restore NY Communities 08-09 – Determination of No Significant Effect on the
Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Albany - RESTORE III - Arbor Hill Reclamation Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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