

FOR CONSIDERATION

January 20, 2012

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Brooklyn (New York City Region – Kings County) – Mesorah Publications  
Capital – Empire State Economic Development Fund – General  
Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m 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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General Project Plan

I. Project Summary

Grantee: Mesorah Publications, Ltd. (“Mesorah” or the “Company”)

ESD\* Investment: A grant of up to \$120,000 to be used for a portion of the cost of new  
machinery and equipment.

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

Project Location: 4401 2<sup>nd</sup> Avenue, Brooklyn, Kings County

Proposed Project: The Company will renovate an existing facility and purchase new  
machinery and equipment to expand its NYS operations, including  
retaining and creating jobs.

Regional Council: The New York City Regional Council has been made aware of this item.

ESD Incentive Offer Accepted: June 14, 2011 (initial); June 21, 2011 (revised)

Project Completion: January 2012

Number of Employees at Project Location:

Initial employment at time of ESD Incentive:	101
Current employment level:	106
Minimum employment on January 1, 2014:	108

Grantee Contact: Rabbi Meir Zlotowitz, President  
4401 2nd Avenue  
Brooklyn, NY 11232  
Phone: (718) 921-9000  
Fax: (718) 680-1875

Anticipated  
Appropriation

Source: Empire State Economic Development Fund

ESD Project No.: X437

Project Team:	Origination	Joseph Tazewell
	Project Management	Simone Bethune
	Affirmative Action	Denise Ross
	Environmental	Soo Kang

## II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Machinery & Equipment	\$1,250,000
Renovations	<u>50,000</u>

Total Project Costs \$1,300,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$120,000	10%	
Lemui Bank (Loan)	880,000	67%	5.5%/25 yrs/first lien on building
Company Equity	<u>300,000</u>	<u>23%</u>	
Total Project Financing	<u>\$1,300,000</u>	<u>100%</u>	

### III. Project Description

#### A. Background

Founded as a privately owned company in 1976 by Rabbis Nosson Scherman and Meir Zlotowitz, Mesorah Publications, Ltd. sought to be the first publisher of its kind to translate and sell important Jewish religious texts not available in English or other modern languages. The goal was to encourage the study of the Torah and promote awareness of Judaic classics. Since its founding, Mesorah has published over 1,400 titles under its world-famous Art Scroll imprint, including novels, history books, children's books and secular textbooks. The Company is now one of the largest publishers of Judaic books in the United States, recognized for its significant positive impact on Jewish cultural life by literary experts and religious leaders around the world. In 1999, Mesorah expanded its operations by providing literature textbooks to high schools under its TextWord imprint. These books draw exclusively from classic literature and have become popular even outside the Orthodox Jewish Community.

Shortly after its creation, the Company discovered that it would be necessary to obtain its own bookbindery to maintain in-house quality control and produce books in a timely manner. After acquiring the bookbindery, and later, two adjacent buildings to accommodate warehouse space and editorial offices, Mesorah's facility now totals 105,000 square feet. However, the bookbindery resides in the same space as the administrative offices and as the Company continues to grow, it has determined a need to improve space and purchase new machinery and equipment.

Mesorah considered moving to New Jersey where it would be more economical to rent a larger space. However, the Company has a strong desire to remain in New York where it was founded and to avoid moving which would result in the loss of employees who would not be able to follow Mesorah to its new location.

Mesorah approached ESD in April 2011 seeking its assistance to fund the upgrades to its current location. In June 2011, ESD made, and Mesorah accepted, an incentive offer of \$120,000 to encourage the Company to remain in New York. Without ESD's assistance, Mesorah would have moved out of state and 101 jobs would have been lost.

#### B. The Project

The Company is renovating and reorganizing its space including overhauling an elevator that serves the premises and leveling the first floor to accommodate new case-making equipment. The Company is purchasing embossing/foil stamping equipment, and a case-maker which makes hard cover cases for bookbinding. The project will be complete in January 2012.

Mesorah will retain 101 employees and has pledged to create 7 additional jobs by 2014. The Company currently employs 106 people.

### C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$120,000 capital grant (\$1,200) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will be obligated to advise ESD of any material or adverse changes 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 the Company's acceptance of ESD's offer. 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. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
5. Up to \$120,000 will be disbursed to the Grantee in three installments as follows:
  - a) an Initial Disbursement of an amount equal to 83% of the grant (\$100,000) upon completion of the project substantially as described in these materials, and documentation verifying the purchase and installation of \$1,100,000 in machinery and equipment, project expenditures of approximately \$1,300,000, and the employment of at least 101 Full-time Permanent Employees at the Project Location, assuming that all project approvals have been completed and funds are available;
  - b) a Second Disbursement of an amount equal to 17% of the grant (\$20,000) will be disbursed upon documentation of the employment of at least 108 Full-time Permanent Employees at the Project Location (Employment Increment of 7), provided Grantee is otherwise in compliance with program requirements.

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 June 21, 2011, to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$120,000, 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.
7. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall 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 Employment Shortfall 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 Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee's number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	101
<b>A</b>	<b>B</b>
Reporting Date	Employment Goals
February 1, 2013	101+X
February 1, 2014	101+X
February 1, 2015	101+X
February 1, 2016	101+X
February 1, 2017	101+X

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e. X=7, and Employment Goals shall equal  $[101 + X = 108]$  if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then X=0.

#### IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.

As a result of this project, the Company will retain 101 jobs and create 7 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

The Company considered relocating its operations to New Jersey. ESD's assistance helped to reduce costs and make the project feasible in New York.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

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 \$2,918,915;
- Fiscal cost to NYS government is estimated at \$120,000;
- Project cost to NYS government per direct job is \$1,440;
- Project cost to NYS government per job (direct plus indirect ) is estimated at \$897;
- Ratio of project fiscal benefits to costs to NYS government is 24.32:1;
- Fiscal benefits to all governments (state and local) are estimated at \$5,263,806;
- Fiscal cost to all governments is \$120,000;
- All government cost per direct job is \$1,440;
- All government cost per total job is \$897;
- The fiscal benefit to cost ratio for all governments is 43.87;

- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$23,960,569, or \$179,038 per job (direct and indirect);
- The economic benefit to cost ratio is 199.67;
- Project construction cost is \$50,000, which is expected to generate less than one direct job year and less than one indirect year job year of employment;
- For every permanent direct job generated by this project, an additional 0.61 indirect job is anticipated in the state's economy;
- The payback period for NYS costs is one year.

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

4. The requirements of Section 10(g) of the Act are satisfied.  
 No residential relocation is required because there are no families or individuals residing on the site.

V. Environmental Review

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

VI. Affirmative Action

ESD's Non-discrimination and Affirmative Action policy will apply. Mesorah 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. 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.

VIII. Additional Submissions to Directors

Resolutions  
 New York State Map  
 Benefit-Cost Analysis

January 20, 2012

Brooklyn (New York City Region – Kings County) – Mesorah Publications Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Findings and Determinations Pursuant to Sections 16-m 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 Mesorah Publications Capital – Empire State Economic Development Fund - General Development Financing (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. 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 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 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 of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Mesorah Publications, Ltd. a grant for a total amount not to exceed One Hundred Twenty Thousand Dollars (\$120,000) from the Empire State Economic Development 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 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 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 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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Mesorah Publications Capital  
Brooklyn  
Kings County

