

NEW YORK EMPOWERMENT ZONE CORPORATION

Meeting of the Directors
Monday, June 30, 2014 at 10:00 A.M.
37th Conference Room
Empire State Development Corporation
633 Third Avenue
New York, NY 10017

AGENDA

KENNETH ADAMS, CHAIR – CALL MEETING TO ORDER

I. CORPORATE ACTION	TAB
A. Approval of Minutes of December 18, 2013 Meeting.	1
B. Authorization of Matters Recommended by Bronx Overall Economic Development Corporation (“BOEDC”)	
1. <u>BOEDC Administrative Budget</u> – A \$725,000 administrative budget for fiscal year 2015.	2
C. Authorization of Matters Recommended by Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”)	
1. <u>Futuro Media Group</u> – A \$150,000 grant for capacity building.	3
2. <u>Museum of the City of New York</u> – A \$1,000,000 grant to complete the modernization and expansion project.	4
3. <u>Harlem Business Alliance</u> – A \$240,000 grant for the identification, completion and submission of loan packages to UMEZ and BRISC for funding consideration.	5
4. <u>Union Settlement Association</u> – A \$240,000 grant for the identification, completion and submission of loan packages to UMEZ and BRISC for funding consideration.	6
5. <u>Washington Heights and Inwood Development Corporation</u> – A \$400,000 loan and \$75,640 grant for its Business Operating Success System (“BOSS”) micro business loan program.	7
6. <u>East Harlem Small Business Emergency Loan Program (“EHSBG”)</u> – A \$100,000 grant to aid in the creation of an emergency response program for businesses impacted by the March 12, 2014 explosion in East Harlem.	8
7. <u>BRISC (Business Resource and Investment Service Center)</u> – A \$360,108 grant for administrative budget fiscal year 2015.	9
8. <u>UMEZ Administrative Budget</u> – A \$3,327,145 administrative budget for fiscal year 2015.	10

D. Authorization of Matters Recommended by New York Empowerment Zone Corporation (“NYEYC”)

1. NYEYC Administrative Budget – A \$449,387.83 administrative budget for fiscal year 2015. **11**

II. SECRETARY’S REPORT FOR INFORMATION ONLY

1. Report on Empowerment Zone Funds Disbursed to BOEDC, UMEZ and NYEYC **12**

III. OTHER BUSINESS

KENNETH ADAMS – MOTION TO ADJOURN MEETING

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NEW YORK EMPOWERMENT ZONE CORPORATION

MEETING OF THE DIRECTORS

633 Third Avenue, 37th Floor Conference Room
New York, New York

December 18, 2013
10:11 AM

ATTENDANCE:

Robert K. Steel, Chair, NYC Deputy Mayor Economic Development
Kenneth Adams, Vice-Chair, ESD, President & CEO,
Congressman Jose E. Serrano
Geoffrey Eaton, Designee, Congressman Rangel's Office
Marlene Citron, President, BOEDC
Blair Duncan, Designee, representative of Kenneth Knuckles, UMEZ

OTHERS PRESENT:

Grace Asenjo, UMEZ
Kim Bryan, NYC Law Department
Destiny Burns, ESD
Steve Cohen, ESD
Richard Dorado, ESD
Blair Duncan, UMEZ
Bert Gibson, UMEZ
Tracie Gilstrap, UMEZ
Javier Lopez, Congressman Serrano's Office
Nnenna Lynch, NYC Office of the Deputy Mayor, Economic Development
Joe Middleton, UMEZ
Marion Phillips, III, Corporate Secretary
Verdery Roosevelt, UMEZ
Simone Werschleum, NY Daily News
Aminah Yoba, UMEZ

ALSO PRESENT:

The Public

PROCEEDINGS

THE CHAIR: Good morning. My name is Bob Steel and I'll be chairing this meeting this morning of the New York Empowerment Zone Corporation. And welcome to the meeting that's been scheduled and calendared of this group of December 18th. And we'll now come to order. We'll begin with item C, which is the authorization of matters recommended by the Upper Manhattan Empowerment Zone Development Corporation, referred to as UMEZ. And again, so we'll begin with that.

The staff of UMEZ will now present the initiatives proposed by its office.

Aaron Davis Hall / Harlem Stage

Verdery Roosevelt presented a capacity building grant of \$750,000 to support eight full-time staff members and two consultants with \$150,000 allocated to capital improvements. The grant would run for three years and eight months. The total project cost is \$1,778,000.

Harlem Stage would leverage a total of \$1,028,000 over the grant period, producing a leverage ratio of 1.37-1. To date, Harlem Stage has secured \$308,000 or 30 percent of the leverage funds for the project. Harlem Stage, now in its 30th year, is a nationally recognized presenter for artists of color in dance, music, theater, film and visual arts. The organization not only commissions new works but has begun to produce some of those works. Their programs engage the community through a broad range of educational and outreach activities. The quality of their programming is exceptional. This fall, two of the artists whose works they have commissioned and premiered were selected to receive MacArthur Fellowship awards, known as the Genius Awards. This request is based on a five-year strategic plan designed to strengthen their business model and maximize the use of their distinctive theater space, a former 19th century water pumping station now renovated into a state-of-the-art performance facility, the Gatehouse. The components of this initiative include staff expansion and retention, consultancies in marketing and development and digital upgrades to the public areas of the Gatehouse. The outcomes of this investment would be a transformation of the Harlem Stage business model into a more resilient operation with expanded revenues from both earned and contributed income led by a newly strengthened Board of Directors.

Chairman Steel asked if there were any questions or comments for Verdery.

Mr. Eaton commented that located in one of our historic areas of Manhattan, Aaron Davis Hall, Harlem Stage is one of our crown jewels, an institution under the direction of Patricia Cruz. She has done an amazing job of extending programming and an amazing work of artists in North Manhattan and around the City of New York. This is a project that we wholeheartedly support.

Chairman Steel asked if there was a motion for approval, Mr. Eaton properly moved and Vice-Chair Adams seconded, a \$750,000 grant for Aaron Davis Hall was approved by unanimous vote

Hispanic Federation Institute

Ms. Roosevelt presented a one year grant of up to \$100,000 to support the creation of an affordable rental program for the Julio de Burgos Latino Cultural Center in East Harlem. The total project cost is \$234,540. The Federation will leverage \$134. The center consists of a large multi-purpose room, two smaller rooms, a 265-seat theater located in a former public school building on Lexington Avenue and 106th Street. Response to the community's concern regarding limited access to the space, EDC selected a consortium, the Julio de Burgos Arts Alliance, to create an accessible and affordable rental program for this center. The Hispanic Federation is managing member of this consortium. The Federation has proposed a one-year pilot program, during which they would create an advisory council, develop a marketing and communications strategy and design and activate the rental operation. The grant period would be as to measure the community's use of the space and assess whether the program could operate in the future with a sustainable revenue stream. If the pilot program is successful, UMEZ would consider a request for further support. This initiative would fund one new full-time position, one part-time position and one consultant. It would also underwrite development of the website for the center and fund approximately one-half of the first year's rental and utilities costs. Finally, it would support an allocation of Federation staff time needed to conduct the project. The outcome of this investment would be a newly accessible and vibrant cultural space for East Harlem.

Chairman Steel asked if there were any questions or comments for Verdery.

Mr. Eaton commented that he was familiar with this project since its inception and under the direction of EDC; it was formerly a school, which has become a place for cultural group in the East Harlem community to use for cultural expression. They've had so many challenges over the years and the Hispanic Federation has been brought in to really bring that piece together to help manage the arts and culture components that would be utilized in that building. And this is a great opportunity and we hope that this grant will go forward.

Chairman Steel asked if there was a motion for approval, Mr. Eaton properly moved and Vice-Chair Adams seconded. A \$100,000 grant to the Hispanic Federation Institute was approved by unanimous vote

Business Resource Center FY 2014 Administrative Budget

Joseph Middleton presented the \$425,115 BRISC Administrative Budget for FY 2014. The Business Resource and Investment Service Center, is Upper Manhattan's Empowerment Zone

institutional response to small business needs within the Empowerment Zone. The BRISC loan program offers affordable loans ranging from \$50,000 to \$250,000 to unbankable businesses.

To understand what BRISC does, one has to understand its market; in Upper Manhattan, BRISC is the only entity providing startup loans.

During the FY '13 fiscal year, staff reviewed more than 20 qualified loan requests. A significant amount of time was spent handling those loan requests, screening and reviewing the loans by staff, which only makes a fraction of the loans as it goes through the process. Right now as of this fiscal year, staff reviewed more than nine qualified loan requests and that figure is exclusive of the 20 that were reviewed in last fiscal year. Attachment two of the investment memo, which is in tab 5 depicts the typical allocation that staff ties to most loan requests. Time spent with the potential loan project review and process, and approval process ranges from six months to two years.

An example is a loan closed that took for more than two years from start to finish. It finally closed in the last fiscal year. And a typical loan on a faster pace, the Harlem Shake falls within that six-month range. So once approved, from matters stemming from sourcing and underwriting, BRISC's operation and other capacity, attributed to a BRISC loan portfolio characterized by the need for restructuring and higher losses than traditional commercial loans. BRISC's strategic response to the challenges faced by startups, with early intervention and closer monitoring of the portfolio clients and includes some or all of the following: Verifying rent payments; Monitoring monthly financial statements; Obtaining proof of sales and Payroll tax payment; Following up with judgments; and, Encouraging voluntary transfer of business underperforming. For an example of the impact of BRISC, one needs only to look at Frederick Douglas Boulevard. More than 30 businesses have recently opened on that avenue and BRISC has contributed to eight of them. And the multiplier effect is best seen in that example.

Chairman Steel asked if there were any questions or comments for Joseph.

Vice Chair Adams thanked Mr. Middleton for the report and asked for clarification on the number of potential borrowers and the number that qualified for loans for the current fiscal year.

Mr. Middleton responded that BRISC has reviewed approximately nine qualified loan requests this fiscal year and twenty last year. And of that figure, BRISC did three loans last year.

He added that the process can be short circuited by a number of reasons and clients don't always complete the lending process. Startups may have difficulty satisfying the underwriting requirements due to equity or location. UMEZ usually keeps in contact with stronger applicants. Nine requests for this fiscal year are new ones for the most part.

Vice Chair Adams added that it is good for the pipeline for this year.

Mr. Middleton added that of the nine there are two very strong candidates going forward

Vice Chair Adams replied that he is encouraged by that. He commended BRISC on the rigor of the process and noted that it is a good thing that BRISC scrutinizes the potential borrowers, their finances and their capacity for loan repayment. He compared the efforts to ESD's successful revolving loan programs.

He then expressed that his concern is just the yield at the end of the day. According to the materials, BRISC succeeded in making three small business loans in this fiscal year totaling \$385,000. And -- but the budget, the operating budget for BRISC at \$425,000 exceeds that. He offered assistance from ESD can help you in the new year to increase the number of loans closed by identifying more viable borrowers.

Mr. Middleton added that BRISC would appreciate referrals and any help.

Mr. Eaton complemented BRISC and echoed Vice Chair Adam's concerns. He added that Congressman Rangel has heard this many times and his office has been trying bringing more resources from Washington to the district via the Small Business Administration. He discussed small business education and that the Congressman will continue to work with BRISC, UMEZ and ESDC and welcomes support on this.

Mr. Blair Duncan also added that BRISC is the only lender in the startup space in Upper Manhattan. UMEZ feels is important that BRISC stay in that space. He also agreed that making more loans is important. He added that a large part of BRISC staff time is spent working on the existing portfolio of 23 loans.

Vice Chair Adams added that ESD would like to help

Chairman Steel added that the point is that maybe it's not about making poor loans, but if we need to, hopefully, increase the number of prospects, then it will roll down through the process to allow us to close more loans

Chairman Steel asked if there were any questions or comments for Joseph.

Vice Chair Adams proposed a motion to approve the BRISC budget but subject to a condition, that BRISC present to the New York Empowerment Zone staff a strategy to address this goal of increasing the pipeline so more loans can be made in the first quarter of the new year. He added that the strategy could include potentially partnering with other small business financial organizations.

Chairman Steel agreed that BRISC will be returning in the first quarter to report on their progress on these issues.

Chairman Steel asked if there was a motion for approval, Mr. Eaton properly moved and Blair Duncan seconded. The BRISC administrative budget was approved by unanimous vote.

UMEZ Administrative Budget

Burt Gibson Presented UMEZ FY 2014 administrative budget of \$3,422,237. The FY 2014 is approximately three percent higher than FY 2013 (\$3,317,000). The administrative budget is exclusively from loan repayments as it has been for the last three years. As in fiscal '13, twenty percent of office rent will be charged to BRISC. And the other item that is of note is the fact that the consultancy category in FY '14 includes a new line item, a fellow and internship at \$7,000 to reflect the acquisition and placement of a national urban fellow. She came on board in September and will be at UMEZ for nine months. UMEZ hosted an urban fellow last year but accounted for him in the temporary consulting line.

Chairman Steel asked if there were any questions or comments.

There were none

Chairman Steel asked if there was a motion for approval, Mr. Eaton properly moved and Blair Duncan seconded. The UMEZ administrative budget was approved by unanimous vote.

NYEYC Corporate Budget

Mr. Phillips presented the NYEYC Corporate budget for fiscal year '14. The total amount is \$485,219.64. it represents a reduction of \$10,000. Next fiscal year it will be reduced by \$55,000 due to staff changes.

Chairman Steel asked if there was a motion for approval, Mr. Eaton properly moved and Blair Duncan seconded. The NYEYC Corporate Budget was approved by unanimous vote.

BOEDC Administrative Budget FY 2013

Ms. Cintron presented BOEDC's budget for FY 2013. She acknowledged that tab 8 represents the full budget that was actually expended (\$639,000). BOEDC's budget was \$675,000 for the last three years and it has come in under budget for various reasons. Reasons include the departure of the Executive Director, a vacant CFO position and lower legal costs.

Chairman Steel asked if there was a motion for approval, Vice Chair Adams properly moved and Congressman Serrano seconded. The BOEDC Administrative Budget of \$639,000 for FY 2013 was approved by unanimous vote

BOEDC Administrative Budget FY 2014

Ms. Cintron presented BOEDC's Administrative Budget of \$675,000 for FY 2014. She noted that BOEDC presents a budget for approval for the same amount every single year and that that BOEDC is beyond fiscally prudent and responsible, making allocations that represent where funds are going to be exacted.

She recognized that a new Executive Director for the Empowerment Zone will begin January the 6th and that an offer will soon be placed for a new CFO. She also noted that the budget accounts for a nearly 50 percent increase in medical insurance over the last four years and that the cost will increase by 15 percent beginning in January 2014. Contracted costs are on within the normal range including accounting and Legal services. It is expected that BOEDC will be working on larger projects. BOEDC has a major sense of urgency with respect to allocation of jobs and creating jobs through supporting existing and new businesses. This urgency has forced BOEDC to use 504 funds in lieu of EZ funds because of cumbersome board approval process. She also acknowledged that BOEDC is delighted with City and the State assistance it has received in making some rather large substantive projects come to fruition over the last three years.

Chairman Steel asked if there were any questions or comments.

A summary of Congressman Serrano's comments are as follows:

The congressman acknowledged the removal of a Loan of \$3MM and grant of \$500K from the agenda and his support for that decision. He declared he would not vote yes on any Fresh Direct project because it would add to the many tax dollars already committed to the project.

For the record he acknowledged that Councilwoman Mark-Viverito, Councilwoman Arroyo and Senator Serrano have all written letters to City and State agencies about the Bronx Empowerment Zone program.

He addressed rumors about the plan to use Bronx Empowerment Zone funds throughout the Bronx by stating that the remaining funds should only be used within the Empowerment Zone boundaries as indicated by the Federal legislation.

He expressed his disapproval of government investment in development project using the proposed soccer stadium as an example. He called these investment government subsidies.

In response to the BOEDC Administrative Budget presentation, he recommended approving a half the budget request for a six month period, requiring a report from BOEDC showing progress on job creation before the second half is approved.

A summary of Ms. Cintron's response is as follows:

Ms. Cintron maintained her desire to be responsive to the needs of the Bronx. She cited that the poorest congressional district is contained within the Bronx EZ, which fuels the sense of urgency to bring jobs to the Bronx.

In regards to Fresh Direct, Ms. Cintron noted that it employs 2800 NYC workers providing tax revenue and needs to expand to provide an additional 1000 jobs, many of which will go to local residents. She expressed that she is saddened that the project was pulled at the request of Fresh Direct and acknowledged City and State support for the expansion. She maintained that BOEDC will continue working with Fresh Direct to keep the company in New York. She also added that the EZ funded a study for a freezer in the New Fulton Fish Market in the Bronx in effort to keep New York employers like the Fish Market and Golden Crust from needing to leave the state for cold storage.

Ms. Cintron clarified that she is not a proponent of a soccer stadium in the Bronx.

Congressman Serrano responded by maintaining his position on Fresh Direct and government spending.

Chairman Steel asked if there were any questions or comments.

No response

Chairman Steel noted for the record that the issues Congressman Serrano raised were not on the meeting's agenda

Congressman Serrano agreed.

Chairman Steel thanked the Congressman for his perspective.

The Directors agreed to modify the motion to approve BOEDC's FY 2014 Administrative Budget for the entire year at the rate of actual expenses for FY 2012 (\$639,000) with the understanding that a meeting will be called next year after BOEDC's operations has been reviewed and there will be a consideration with regard to adjusting the budget to the amount originally proposed.

Chairman Steel asked if there was a motion for approval, Vice Chair Adams properly moved and Chairman Steel seconded. The BOEDC Administrative Budget of \$639,000 for FY 2014 was approved by unanimous vote.

The chairman thanked everyone for their attention and perspectives and asked if there was any additional business and entertained a motion to adjourn, the remaining Directors moved. At 11:17 am., the proceedings were concluded.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: South Bronx (Bronx County) – Bronx Overall Economic Development Corporation – Empowerment Zone

REQUEST FOR: **Authorization for Bronx Overall Economic Development Corporation's Fiscal Year 2015 Administrative Budget and to Take Related Action.**

The Directors are requested to approve an operating budget for the fiscal year 2015 for the Bronx Overall Economic Development Corporation ("BOEDC"). The Operating Principles Memorandum of Understanding, dated January 19, 1996, (the "MOU") authorizes each Local Development Corporation to use up to 15% of its proportional share of the Zone Funds aggregate for the entire period of designation for costs and expenses of administration. BOEDC's proposed fiscal year 2015 administrative budget is SEVEN HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$725,000).

**Bronx Overall Economic Development Corporation
Annual Administrative Operating Fund Statement
For the period July 1, 2014 to June 30, 2015**

Salaries & Wages	\$407,700.00
Fringe Benefits	\$126,387.00
Total Personnel Costs	\$534,087.00
Contracted Costs	
Accounting/Auditing	\$40,000.00
Legal Services	\$67,600.00
Professional & Consultants	\$0.00
Website Development	\$0.00
Total Contracted Costs	\$107,600.00
Other Operating Costs	
Rent	\$0.00
Travel/Meetings	\$5,000.00
Office Supplies	\$5,000.00
Equipment/Software Purchases	\$2,500.00
Equipment Lease (Copier)	\$20,000.00
Telephone	\$12,500.00
Postage	\$1,000.00
Printing/Publications	\$0.00
Marketing/Conference	\$0.00
Staff Development/Training	\$0.00
Dues/Subscriptions	\$2,313.00
Equipment Repairs & Maintenance	\$23,000.00
Insurance	\$12,000.00
Miscellaneous	\$0.00
Total Operating Costs	\$83,313.00
TOTAL	<u>\$725,000.00</u>

**The Bronx Overall Economic Development Corporation
Annual Administrative Operating Fund Statement
For the Period July 01, 2014 thru June 30, 2015**

Descriptions	BOEDC FYE 062014	07/01/14-06/30/15 Proposed	BOEDC FYE 062015	Percentage Change
	Budget	Budget Increase /Decrease	Budget	
Personnel				
Staff Salaries	345,459.63	62,240.37	407,700.00	18.02%
Staff Fringe Benefits	131,520.58	(5,133.58)	126,387.00	-3.90%
Total Personnel Costs	476,980.21	57,106.79	534,087.00	11.97%
Contracted Costs				
Accounting/Auditing	35,000.00	5,000.00	40,000.00	14.29%
Legal Services	50,000.00	17,600.00	67,600.00	35.20%
Professional & Consultants				
Total contracted costs	85,000.00	22,600.00	107,600.00	26.59%
Other Operating Costs				
Rent				
Travel/Meetings	2,500.00	2,500.00	5,000.00	100.00%
Office Supplies	3,019.79	1,980.21	5,000.00	65.57%
Equip/Software Purchases	2,500.00	-	2,500.00	0.00%
Equipment Lease(Copier	20,000.00	-	20,000.00	0.00%
Telephone	12,000.00	500.00	12,500.00	4.17%
Postage	1,000.00	-	1,000.00	0.00%
Printing/Publications				
Marketing/Conferences				
Staff Development/Training				
Dues/Subscriptions	2,000.00	313.00	2,313.00	15.65%
Equip Repairs and Maint	22,000.00	1,000.00	23,000.00	4.55%
Insurance	12,186.63	(186.63)	12,000.00	-1.53%
Miscellaneous	-			
Total other operating costs	77,206.42	6,106.58	83,313.00	7.91%
Total OTPS	162,206.42	28,706.58	190,913.00	17.70%
Total	639,186.63	85,813.37	725,000.00	13.43%



**RESOLUTION OF
THE BRONX OVERALL ECONOMIC ZONE DEVELOPMENT
CORPORATION**

**REGARDING BRONX EMPOWERMENT ZONE (“BEZ”) ADMINISTRATIVE
BUDGET FOR FISCAL YEAR JULY 1, 2014 TO JUNE 30, 2015
 (“BOEDC BEZ ADMIN BUDGET for FY 2014- 2015”)**

AT A BOEDC EXECUTIVE MEETING HELD ON THE 20th DAY OF June 2014

WHEREAS, the Executive Committee of the Board of the Bronx Overall Economic Development Corporation (the BOEDC”) has reviewed the materials presented to it (the “Materials”), a copy of which have been filed with the records of the BOEDC, relating to the BOEDC BEZ ADMIN BUDGET for FY 2014- 2015 of SEVEN HUNDRED AND TWENTY FIVE THOUSAND DOLLARS (\$725,000.00) (the “Project”); and

WHEREAS, the Board has found the Project to be consistent with the relevant Strategic Plan and the criteria for projects and initiatives seeking support from the New York Empowerment Zone Corporation (the “NYEZC”);

NOW, THEREFORE, BE IT RESOLVED, that the Board approves the Project and authorizes BOEDC Staff to submit the Project to NYEZC for authorization as to same subject to terms and conditions substantially similar to those included in the Materials; and be it

FURTHER RESOLVED, that the President and CEO of the BOEDC, or his/her respective designees, are hereby authorized to make such changes to the terms and conditions of the Project as may be appropriate, execute and deliver such and all documents and take any and all actions as they may deem necessary of proper to effectuate the foregoing resolutions.

June 30, 2014

BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION – Authorization of \$725,000 administrative budget for fiscal year 2015.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Bronx Overall Economic Development Corporation ("BOEDC"), the Directors hereby authorize an administrative budget of SEVEN HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$725,000) for fiscal year 2015, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the City of New York (the "City") and others ("MOU"); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for Grant to Futuro Media Group and to Take Related
Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone
Development Corporation ("UMEZ")
55 W 125th Street, 11th floor
New York, NY 10027

Contact: Kenneth J. Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A \$150,000 capacity building grant to the Futuro Media
Group.

Total Initiative Cost: \$495,020.00

Proposed Empowerment Zone \$ 150,000 (Grant)
("EZ") Investment:

Funding Sources:

Federal EZ SSBG Funds:	\$	50,000
State EZ Funds:	\$	50,000
City EZ Funds:	\$	50,000
Ford Foundation:	\$	345,020
TOTAL	\$	495,020

Fiscal Year: 2015

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant from UMEZ to Futuro Media Group. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of recovered grants is subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Completion of the project

V. Residents Benefits

This Initiative will benefit EZ residents by:

- Same as above

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.

This initiative will meet the following Federal programmatic options:

- Assistance to nonprofit organizations and community and junior colleges so they will be able to provide disadvantaged individuals with opportunities for short-term training courses in entrepreneurship, self-employment, and other skills.
- Increasing the number of permanent-job creating new businesses in the EZ/EC.
- Leveraging of Federal, State, and City EZ/EC funding and not-for-profit funding with private capital.
- The needs of existing businesses in the EZ/EC, including without limiting the foregoing, expansion of such existing businesses to stimulate job creation.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

TO: NEW YORK EMPOWERMENT ZONE BOARD OF DIRECTORS
FROM: KENNETH J. KNUCKLES, PRESIDENT AND CEO
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION
DATE: JUNE 30, 2014
SUBJECT: FUTURO MEDIA GROUP
REQUEST FOR: GRANT AWARD OF UP TO \$ 150,000

I. PROPOSAL SUMMARY

CIIF PROJECT MANAGER: Tracie Gilstrap
COMPANY: Futuro Media Group
CONTACT: Marea Chaveco, Executive Director
ADDRESS: 361 West 125th Street, 6th Floor, New York, NY 10027
TELEPHONE/FAX/E-MAIL: 646-571-1227 / mchaveco@futuromediagroup.org
TYPE OF BUSINESS: Media Arts
TAX STRUCTURE: 501(c)(3)
IRS ID #: 27-2077349
DATE INCORPORATED: 2010
SCOPE OF WORK: Capacity-building
TOTAL PROJECT COST: \$ 495,020
FINANCING REQUESTED: \$ 150,000

FUNDING SOURCES: Federal SBG EZ Funds \$ 50,000.00
State EZ Funds: \$ 50,000.00
City EZ Funds: \$ 50,000.00
Others: \$ 345,020.00
TOTAL \$ 495,020.00

Employment:

Projection	EZ	UM	Others	Total
Full time	0	1	0	1
Part time	0	1	1	2
Total	0	2	1	3

I. SUMMARY OF INITIATIVE

The Futuro Media Group (Futuro or FMG) provides a critical media platform for marginalized voices within the American cultural experience. The organization is at a critical phase in its organizational development. Over the past four years, Futuro has experienced tremendous programmatic growth; however, the organization finds itself being driven by that growth rather than planning for it and fully controlling its course. As a City-designated anchor tenant in the proposed Media Arts Center within Mart 125, Futuro must build its capacity for community engagement, communication and access to the media field. Working with a companion grant from the Ford Foundation, Futuro is requesting support for strategic planning, a director of development, consultant(s) for outreach and fundraising, and fundraising software to support the organization's current needs while planning for future growth.

SUMMARY BUDGET

Sources		Uses	
UMEZ	\$ 150,000.00	Salaries & Fringe	\$ 354,215.00
Committed		Consultants	\$ 116,120.00
Ford Foundation	\$ 345,020.00	Software	\$ 24,685.00
Grand Total	\$ 495,020.00		\$ 495,020.00

II. DESCRIPTION OF INITIATIVE

DESCRIPTION OF BUSINESS/ORGANIZATION

The Futuro Media Group (Futuro or FMG) is a Harlem-based non-profit independent media organization that uses multiple media platforms to produce and distribute stories overlooked and unrepresented in the mainstream media. The organization explores and documents the complex cultural dynamics of the American experience and gives a critical voice to the diversity of that experience. Founded in 2010, by journalist Maria Hinojosa, Futuro's mission is to challenge the status quo by fostering diversity and innovation in public media; nurture the development of a new generation of multi-cultural journalists in America; and encourage civic engagement by Latinos and all people of color. Dedicated to bringing non-traditional and underserved populations from the role of passive media consumers to active media advocates and participants, Ms. Hinojosa deliberately rooted Futuro in the midst of one of the most densely populated and diverse communities in the country – Harlem. With Harlem's long, illustrious history of political, cultural and civic engagement, Ms. Hinojosa wanted to immerse her organization in the heart of this community, with its rich lode of undocumented stories in the public media. Thus, Futuro Media is housed in the Commonwealth Building on 125th Street and Amsterdam Avenue. With a board of seven voting directors, FMG operates with a staff of 21: 5 full-time and 1 part-time administrative; 8 FTE for radio; and 5 FTE and 3 part-time for television. Futuro's operating budget in 2013 was \$1.9 million.

Ms. Hinojosa is an award-winning reporter, news anchor, and author with more than 25 years of experience as an investigative journalist, hard-hitting and compassionate interviewer, and storyteller. She has been a news anchor for CNN and was the first Latina to anchor a report for PBS' series *FRONTLINE*. Among her accolades are four Emmys, the 2012 John Chancellor Award for Excellence in Journalism, the Robert F. Kennedy Award for Reporting on the Disadvantaged, Edward R. Murrow's Overseas Press Club Award, and Chicago's Studs Terkel Community Media Award. Ms. Hinojosa also serves as the Sor Juana Inés de la Cruz Chair of the Latin American and Latino Studies at De Paul University in Chicago. For over two decades, she has been the host of a weekly radio broadcast, "Latino USA," which has become the leading Latino national news and cultural program

on NPR, reaching 16 million listeners annually – the largest Latino audience of any NPR program and one of the highest African American listenerships.

With the launch of Futuro Media in 2010, the organization took on the role of executive producer of *Latino USA*, which was formerly produced by NPR. This broadcast, the flagship show produced under FMG's radio division, has grown exponentially in the past year. In September 2013, FMG took the bold step of expanding *Latino USA* into an hour-long show. Over the same period, the number of national stations carrying the program grew by 20%. FMG also launched a partnership with SoundCloud, which provides international delivery of the program through social networks to listeners around the globe. Finally, other major NPR programs such as "All Things Considered" began to rebroadcast selected stories by *Latino USA*. As a result of this dramatic expansion, the number of unique visitors to the *Latino USA* website increased by 300% in the last year.

In addition to its popular radio program, Futuro produces culturally-specific programming through its television division, Futuro TV. This division was launched in 2012 with a half-hour show called *America by the Numbers with Maria Hinojosa*. This documentary-driven show examined how America's growing multicultural population is influencing every aspect of contemporary life. The show was subsequently picked up by PBS as an eight-part series that is now in production and will air in the fall of 2014 under the auspices of WGBH.

Building on its radio and television programming, Futuro works to ensure the maximum reach and impact of those stories through its web site, social media presence, and community outreach activities. These activities are conducted through collaborative partnerships with local and national organizations. In Harlem, FMG has collaborated with over 23 community-based and cultural organizations, including Firelight Media, Manhattan Neighborhood Network, Maysles Documentary Center, Harlem Commonwealth Center, Harlem Educational Activities Fund, 135th Street YMCA, Figure Skating in Harlem, City College and Columbia University. These partnerships include annual internships in the media arts which introduce and train young people in the media arts; productions that widen the exposure for artists and content creators; and programs that increase awareness for Latino culture through music, literature and film. One such example is FMG's presentation of the "Day of the Dead" celebration, creating a Día de los Muertos Community Gallery at the Magic Johnson Theater in Harlem in November 2013 to engage the larger community in Latino culture and celebrate Harlem's rich legacy of storytelling about multicultural America.

This grant will assist FMG as it initiates and/or expands its programmatic footprint and service within Upper Manhattan. FMG will continue its collaborations with cultural and community institutions, while building new relationships with other organizations and community stakeholders. Futuro will initiate a variety of community engagement activities to further its programmatic mission and will mentor independent media makers who share its purpose of documenting the perspective and experiences of communities of color. In the long term, FMG envisions developing a Harlem outpost for National Public Radio; collaborating with WGBO on a monthly jazz series; and bringing the Latin Alternative Music Conference to the Harlem community.

DESCRIPTION OF PROJECT

PROJECT REQUEST

Futuro is at a critical phase in its organizational development. While FMG's programmatic growth has been rapid, the administrative support structure has been slower to evolve. In the fall of 2012, FMG hired its first full-time Executive Director, Marea Chaveco. Since then, Ms. Chaveco has upgraded financial systems, coordinated weekly leadership meetings to chart the overall operation of the organization, hired a consultant for fundraising, and identified areas of the organization that

have inadequate coverage for optimum operations. The primary areas of focus for the organization are now obtaining a consultant to guide strategic planning, a full-time director of development, a dedicated digital media staff, and consultant(s) for outreach and fundraising efforts.

This focus reflects the business model for public radio, which depends on contributions and precludes the kind of earned revenues generated by commercial radio. Public stations around the country, each working with its own budget of contributed support, pay only a small fee to content creators like Futuro to air programs like *Latino USA*. The same financial structure applies to public television; in fact, content creators must pay PBS to air a television program. Futuro has received funding from PBS to produce its upcoming television series, which is included in contributed revenues. However, Futuro needs to increase and diversify its contributed income while exploring other revenue opportunities. A guided planning process and a dedicated individual who can forecast and implement the resulting development plan are vital to supporting Futuro's growth.

Futuro is requesting a twelve-month grant of up to \$150,000 to address these needs, as the organization takes the next critical steps in forming its administrative structure. Specifically, the proposed grant will support the following components.

Staffing

Director of Development – a professional development director is required for Futuro to take full advantage of institutional and individual funders who are drawn to Maria Hinojosa's vision. This position will develop and implement short- and long-range fundraising plans. These efforts will include initiating and responding to all institutional and individual requests; the cultivation of potential donors from throughout the country; and overseeing the set-up of a database system to manage development operations. Furthermore, development considerations must be incorporated into the strategic planning process for future operating support needed for the eventual move to the new Media Arts Center. UMEZ support would fund 65% of this position.

Consultants

A strategic planning consultant will be retained to guide FMG in prioritizing its next steps for program growth and developing the optimum structure to manage that growth. This plan must also articulate Futuro's goals and the resources needed to build its capacity for community engagement, communication and access to the media field. UMEZ support would fund 50% of this position.

Funds would also be used to retain consultant(s) for outreach and fundraising efforts, which often overlap when a growing organization undertakes "friend-raising" activities. These events and gatherings are also ideal ways to attract young talent with an interest in the media arts.

Software

Funding will be used to support the acquisition and implementation of digital fundraising software, in order to manage the growing roster of current and prospective donors.

JOB CREATION

This UMEZ grant would create one full-time position and two part-time consultants, as outlined above. As part of its reporting procedures, UMEZ requires that every grantee provide a report on best efforts made to hire employees that live within the Zone. Currently, eight of Futuro's 19 employees live in Upper Manhattan, including its founder, Maria Hinojosa.

PROJECTED OUTCOMES

Futuro has been extremely successful since its infancy; however, the enormous demand for new

programming and activities has stretched its operating capacity to the limit. This grant would place Futuro in a position to handle its recent and continued program expansion in a more structured and sustainable fashion.

Through a strategic planning process, FMG would be able to identify its path forward, incorporating the infrastructure needed to create a sustainable operation while preparing for further expansion of its programs as the organization moves into a space that is dedicated to public participation and engagement in the media arts.

A full-time director of development would provide FMG, for the first time, a fundraising structure that would enable the organization to plan, with some predictability, its future contributed income.

Additional consulting support for outreach and fundraising efforts would further embed Futuro Media within the local community and allow it to pursue partnerships that advance equal access and participation in the media arts.

A new donor database would increase the capacity of the institution to become more efficient in capturing and cultivating donors, provide stewardship in a timely fashion and maximize all fundraising opportunities.

Sample benchmarks for this initiative would include:

- Completion of a strategic plan
- Initial implementation of community engagement recommendations from the strategic plan
- Diversifying the funding sources for community engagement activities

III. FINANCING REQUESTED

FUNDING SOURCES

Source	Total
Federal EZ Funds	\$ 50,000.00
State EZ Funds	\$ 50,000.00
City EZ Funds	\$ 50,000.00
Total Commitment	\$ 150,000.00
Committed Funds	
Ford Foundation	\$ 345,020.00
Total Committed Funds	\$ 345,020.00
Grand Total Funds	\$ 495,020.00

PROJECT BUDGET

Sources		Uses	
UMEZ	\$ 150,000.00	Salaries & Fringe	\$ 354,215.00
Committed	\$ 345,020.00	Consultants	\$ 116,120.00
		Database Software	\$ 24,685.00
Grand Total	\$ 495,020.00		\$ 495,020.00

LIST ANY PRIOR UMEZ FUNDING AND/OR PRIOR APPLICATIONS

N/A

INDICATE HOW THE PROPOSAL MEETS THE EZ INVESTMENT CRITERIA

A. Impact

- This proposal would support Futuro's plan to develop diverse contributed income streams for its expanding program and operations.
- The creation and implementation of a development strategy is critical to the success of an expanding business model and the effectiveness and durability of Futuro's current and future programs.
- FMG's expected programmatic footprint within the empowerment zone would be supported by new and increased contributed income.

B. Feasibility

- FMG has approached an array of potential funders and has already received significant contributions from the Ford Foundation, MacArthur Foundation, Kellogg Foundation, and Corporation for Public Broadcasting.
- Futuro has an experienced management team consisting of President and CEO Maria Hinojosa, Executive Director Marea Chaveco, and Director of Finance Margaret Wilshire.
- Futuro's staff has affirmed their readiness and commitment to a well-thought-out expansion plan by securing funds from the Ford Foundation to support this planning effort.

C. Strengths

- Futuro's President and CEO, Maria Hinojosa, is an acknowledged leader in the country's burgeoning Latino population. She has over 20 years of experience in the documentation of cultural contributions by Latino artists to contemporary society.
- Over the years, Ms. Hinojosa has created strong relationships with NPR, PBS and WGBO, which are inclined to support Futuro's programmatic mission, as these media outlets actively pursue culturally-diverse content for their programming.
- Institutions and individuals are now willing to support Futuro on a large scale because of the growing impact and listenership for *Latino USA* and the upcoming broadcast of the eight-part series *America by the Numbers*.

D. Risks

- Futuro has set an aggressive timeline for its program expansion and must have the proper infrastructure in place to handle its ramping-up of staff.

IV. FINANCIALS

See attachment

V. RECOMMENDATION

UMEZ Grant Amount: up to \$150,000

Term: 12 months

Conditions: N/A

Futuro Media Group
Notes Regarding the Financials

Statement of Financial Position

Assets

Cash and Cash equivalents

Grant funding cycles affect cash on hand at year-end.

Employee Advances

Funds were miscoded into an employee advance account in FY11. The error was caught and corrected during the FY 12 audit.

Prepaid expenses

The proper journal entry to indicate prepaid insurance was not made for the FY11 audit.

Net fixed assets

Reflects purchase of recording booth and IT server for Harlem headquarters

Security deposits

Required by Harlem office space rental agreement

Statement of Activities

Earned Income

Other income

FY11 includes one-time refund from Texas Comptroller; FY12 includes a royalty payment from an interview portion of *Latino USA*

Investment return

Amounts reflect discount offered by credit card for early payments.

Contributed Income

Contributions – temporarily restricted

Amounts reflect funding for the radio program in subsequent years.

Contributed income

Increase reflects new support from targeted institutions and individuals.

Donations In-kind

Reflects edit bay space donated for the completion of the pilot television episode in FY12

Expenses

Television

Productions costs for the television series crosses over fiscal years.

Supporting Services

Increase reflects organizational growth.

The Futuro Media Group
Statement of Financial Position
Historical

June 30, 2014 CIIF Grant Proposal for \$150,000
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\$US	Fiscal year ending December 31		
	FY10A	FY11A	FY12A
ASSETS			
Cash and cash equivalents	45,269	32,310	114,628
Accounts receivable	3,786	10,394	8,832
Contributions receivable	0	770	1,500
Employee advances	0	5,487	0
Prepaid expenses	4,007	0	12,493
Other receivables	0	0	607
Net fixed assets	25,433	4,930	37,848
Security deposits	0	0	2,220
TOTAL ASSETS	78,495	53,891	178,128
LIABILITIES & NET ASSETS			
LIABILITIES			
Accounts payable	19,159	55,107	6,468
Accrued expenses	0	10,000	20,000
Loans payable	70,300	0	0
Current portion of long term debt	0	0	7,880
Long term debt, less current portion	0	0	9,428
TOTAL LIABILITIES	89,459	65,107	43,776
NET ASSETS			
Unrestricted	(10,964)	(103,787)	(124,314)
Temporarily Restricted	0	92,571	258,666
TOTAL NET ASSETS	(10,964)	(11,216)	134,352
TOTAL LIABILITIES AND NET ASSETS	78,495	53,891	178,128

Futuro Media Group
Statement of Activities
Historical

June 30, 2014
CIIF Grant Proposal for \$150,000

\$US	Fiscal year ending December 31			
	FY10A	FY11A	FY12A	FY13u
REVENUES AND OTHER SUPPORT				
Earned Income				
Radio fees	0	58,868	47,305	58,215
Television fees	42,823	96,157	0	0
Other income	0	1,979	343	0
Impairment loss on furniture and equipment	0	(25,433)	0	0
Investment return	0	149	1,118	156
Total Earned Income	42,823	131,720	48,766	58,371
Contributed Income				
Contributions - unrestricted	863,390	749,695	1,084,346	1,902,110
Contributions - temporarily restricted	0	92,571	258,666	0
Donations In-kind	0	0	12,400	0
Total Contributed Income	863,390	842,266	1,355,412	1,902,110
TOTAL REVENUES AND OTHER SUPPORT	906,213	973,986	1,404,178	1,960,481
% Change in Revenue		7%	44%	40%
% Change in Expense		6%	29%	55%
Income Mix: Earned	5%	14%	3%	3%
Contributed	95%	86%	97%	97%
EXPENSES				
Program services				
Radio	441,423	239,223	365,865	462,208
Television	223,651	160,349	246,682	731,192
Outreach	0	0	26,028	35,373
Total Program Services	665,074	399,572	638,575	1,228,773
Supporting Services				
Management and general	184,269	556,666	501,820	600,364
Fundraising	67,834	18,000	118,215	123,000
Total Supporting Services	252,103	574,666	620,035	723,364
TOTAL EXPENSES	917,177	974,238	1,258,610	1,952,137
Change in Net Assets	(10,964)	(252)	145,568	8,344
Net Assets - Beginning of Year	0	(10,964)	(11,216)	134,352
Net Assets - End of Year	(10,964)	(11,216)	134,352	142,696

\$US	FY10A	FY11A	FY12A	FY13u	FY14	FY15
	Actual	Actual	Actual	Actual	Forecast	Budget
REVENUES AND OTHER SUPPORT						
Earned Income						
Radio fees	0	58,868	47,305	58,215	69,858	83,829
Television fees	42,823	96,157	0	0	0	0
Other income	0	1,979	343	0	0	50,000
Impairment loss on furniture and equipment	0	(25,433)	0	0	0	0
Investment return	0	149	1,118	156	187	225
Total Earned Income	42,823	131,720	48,766	58,371	70,045	134,054
Contributed Income						
Contributions - unrestricted						
Corporate Grants	863,390	749,695	450	143,000	171,600	205,920
Individual Donations	0	0	43,149	376,610	451,932	542,318
Government Grants	0	0	70,000	0	87,000	104,400
Foundation Grant: Television	0	0	100,000	640,000	768,000	921,600
Foundation Grant: Radio	0	0	140,746	417,500	501,000	601,200
Foundation Grant: Outreach	0	0	0	40,000	48,000	57,600
Foundation Grant: General Operations	0	0	730,000	285,000	342,000	410,400
Donations In-kind	0	0	12,400	0	0	0
Total Contributed Income	863,390	749,695	1,096,745	1,902,110	2,369,532	2,843,438
TOTAL REVENUES AND OTHER SUPPORT	906,213	881,415	1,145,511	1,960,481	2,439,577	2,977,492
% Change in Revenue		-3%	30%	71%	24%	22%
% Change in Expense		747%	22%	-107%	248%	192%
Income Mix: Earned	5%	15%	4%	3%	3%	5%
Contributed	95%	85%	96%	97%	97%	95%
EXPENSES						
Salaries	589,966	524,610	580,529	917,712	1,101,254	1,321,505
Payroll taxes and fringe benefits	71,693	79,386	89,662	143,439	172,127	206,552
Payroll processing fees	0	0	3,697	4,399	4,436	5,324
Professional fees and contracted services	73,385	84,961	31,863	21,806	26,167	31,401
Contractors	0	0	335,381	462,208	554,650	665,580
Advertising and promotion	898	140	7,061	10,368	12,442	14,930
Office expenses	12,304	10,181	16,215	14,556	17,467	20,960
Equipment/repairs/leasing	0	0	15,770	4,313	5,176	6,211
Postage & Delivery	0	0	2,512	2,212	2,654	3,185
Telephone	0	0	13,975	43,504	52,205	62,646
Information technology/IT Server/IT Lease	3,020	6,759	4,689	21,224	25,469	30,563
Occupancy	11,936	19,800	24,400	51,928	62,314	74,776
Travel	44,088	39,388	36,396	98,686	118,423	142,108
Conferences, conventions, meetings	11,244	795	6,176	9,882	11,858	14,230
Interest expense	0	0	3,157	1,667	2,000	2,400
Production expenses radio	74,154	140,539	10,701	16,420	19,704	23,645
Production expenses TV	15,273	17,513	37,341	22,755	27,306	32,767
Food & Hospitality	3,382	9,127	13,316	18,776	22,531	27,037
Subscriptions & Dues	972	0	2,281	5,231	6,277	7,533
Professional development	0	0	1,739	8,020	9,624	11,549
Licensing fees	450	0	1,060	1,485	1,782	2,138
Insurance	64	25,015	14,715	37,835	45,402	54,482
Miscellaneous expenses	1,430	15,475	490	14,387	17,265	20,717
Moving expenses	0	0	0	19,324	0	0
Public Relations	0	0	0	0	50,000	60,000
Guest Hosting	0	0	0	0	10,000	12,000
Outreach	0	0	0	0	15,000	18,000
Research & Materials	0	0	0	0	3,000	3,600
Video Streaming	0	0	0	0	9,000	10,800
Depreciation	2,918	549	5,483	0	5,000	6,000
TOTAL EXPENSES	917,177	974,238	1,258,609	1,952,137	2,410,533	2,892,639
TOTAL OPERATING SURPLUS /-<DEFICIT>	(10,964)	(92,823)	(113,098)	8,344	29,044	84,853

Futuro Media Group

Project Budget

Proposed Grant Period: 07/01/14 - 6/30/15

June 30, 2014

CIIF Grant Proposal for \$150,000

SUS	FY14 (6 months)			FY15 (six months)			TOTAL PROJECT		
	UMEZ Funds	Org Funds	Total	UMEZ Funds	Org Funds	Total	UMEZ Funds	Org Funds	Total
REVENUES AND OTHER SUPPORT									
UMEZ Support	70,000	0	70,000	80,000	0	80,000	150,000	0	150,000
Corporate Support	0	0	0	0	0	0	0	0	0
Foundation Support	0	168,580	168,580	0	176,440	176,440	0	345,020	345,020
Individuals - Board of Directors	0	0	0	0	0	0	0	0	0
Individuals - Others	0	0	0	0	0	0	0	0	0
TOTAL REVENUES & OTHER SUPPORT	70,000	168,580	238,580	80,000	176,440	256,440	150,000	345,020	495,020
							65%	35%	
EXPENSES									
Personnel - Payroll									
Executive Director	0	60,000	60,000	0	60,000	60,000	0	120,000	120,000
Development Director	39,000	21,000	60,000	39,000	21,000	60,000	78,000	42,000	120,000
Digital Media Director	0	37,500	37,500	0	37,500	37,500	0	75,000	75,000
Total Personnel - Payroll	39,000	118,500	157,500	39,000	118,500	157,500	78,000	237,000	315,000
Employee Benefits									
Social Security	2,418	7,347	9,765	2,418	7,347	9,765	4,836	14,694	19,530
Unemployment Insurance	566	1,718	2,284	566	1,718	2,284	1,131	3,437	4,568
Disability Insurance	536	865	1,401	504	1,008	1,512	1,040	1,873	2,913
Health Insurance	2,156	3,482	5,638	2,189	4,378	6,567	4,344	7,860	12,205
Total Employee Benefits	5,675	13,413	19,087	5,676	14,451	20,127	11,351	27,864	39,215
Outside Professional Services									
Strategic Planning Consultant	12,500	12,500	25,000	12,500	12,500	25,000	25,000	25,000	50,000
Outreach and fundraising consultants	9,275	15,660	24,935	16,185	25,000	41,185	25,460	40,660	66,120
Total Outside Professional Services	21,775	28,160	49,935	28,685	37,500	66,185	50,460	65,660	116,120
Non-personnel Expenses									
Database Software	3,550	8,507	12,057	6,639	5,989	12,628	10,189	14,496	24,685
Total Non-personnel Expenses	3,550	8,507	12,057	6,639	5,989	12,628	10,189	14,496	24,685
TOTAL EXPENSES	70,000	168,580	238,580	80,000	176,440	256,440	150,000	345,020	495,020
SURPLUS /<DEFICIT>	0	0	0	(0)	0	(0)	(0)	0	(0)

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND A
CULTURAL INDUSTRY INVESTMENT FUND PROJECT**

AT A REGULAR MEETING HELD ON THE 24th Day of June 2014

WHEREAS, the Cultural Industry Investment Fund Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to a grant for a period of twelve (12) months to Futuro Media Group to build organizational capacity (the “Project”); and

WHEREAS, the Cultural Industry Investment Fund Committee has found it to be a desirable project, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a grant for a period of twelve (12) months not to exceed ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000), subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Futuro Media Group – A \$150,000 capacity building grant to the Futuro Media Group..

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to Futuro Media Group (the “Initiative”) to build its capacity, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for Grant to the Museum of the City of New York and to
Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone
Development Corporation ("UMEZ")
55 W 125th Street, 11th floor
New York, NY 10027

Contact: Kenneth J. Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A \$ 1,000,000 grant to the Museum of the City of New
York to complete the Modernization and Expansion
Project.

Total Initiative Cost: \$15,250,950

Proposed Empowerment Zone \$ 1,000,000 (Grant)
("EZ") Investment:

Funding Sources:

Federal EZ SSBG Funds:	\$	333,334
State EZ Funds:	\$	333,333
City EZ Funds:	\$	333,333
Foundations:	\$	400,000
Board:	\$	2,920,109
Government:	\$	9,100,464
Corporate:	\$	75,000
Uncommitted Funds:	\$	1,755,377
TOTAL	\$	15,250,950

Fiscal Year:

2015

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant from UMEZ to Museum of the City of New York. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of recovered grants is subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- This project will create seven new full-time jobs

V. Residents Benefits

This Initiative will benefit EZ residents by:

- Same as above

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.

This initiative will meet the following Federal programmatic options:

- Assistance to nonprofit organizations and community and junior colleges so they will be able to provide disadvantaged individuals with opportunities for short-term training courses in entrepreneurship, self-employment, and other skills.
- New physical infrastructure development, which is feasible, attainable in the current economic environment and sustainable.
- Leveraging of Federal, State, and City EZ/EC funding and not-for-profit funding with private capital.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

TO: NEW YORK EMPOWERMENT ZONE BOARD OF DIRECTORS

FROM: KENNETH J. KNUCKLES, PRESIDENT AND CEO
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION

DATE: JUNE 30, 2014

SUBJECT: MUSEUM OF THE CITY OF NEW YORK

REQUEST FOR: GRANT AWARD OF UP TO \$1,000,000

I. PROPOSAL SUMMARY

CIIF PROJECT MANAGER: Tracie Gilstrap

COMPANY: Museum of the City of New York

CONTACT: Susan Henshaw Jones, *Ronay Menschel Director*

ADDRESS: 1220 Fifth Avenue, New York, NY 10029

TELEPHONE/FAX/E-MAIL: 212-534-1672/212-534-0687/ www.mcny.org

TYPE OF BUSINESS: Museum

TAX STRUCTURE: 501(c)(3) Non-Profit Corporation

IRS TAX ID#: 13-1624098

DATE INCORPORATED: July 1923

TOTAL PROJECT COST: \$ 15,250,950

FINANCING REQUESTED: \$ 1,000,000

TIME FRAME: 36 months

FUNDING SOURCES:

Federal SBG EZ Funds:	\$	333,333.34
State EZ Funds:	\$	333,333.33
City EZ Funds:	\$	333,333.33
Other:	\$	<u>14,250,950.00</u>
Total	\$	15,250,950.00

EMPLOYMENT:

Projection:	EZ	UM	Others	Total
Full time	3	2	2	7
Part time	0	0	0	0
Consultant	0	0	0	0
Total	3	2	2	7

I. SUMMARY OF INITIATIVE

The Museum of the City of New York is nearing completion of a comprehensive renovation of its landmarked building on Fifth Avenue. To strengthen its capacity to generate earned revenue in the reconfigured space, the Museum requests a Capstone Grant of \$1 million to support the fit-out and staffing of the Museum Café, Museum Shop, the Auditorium and the *Timescapes* gallery. This grant would support specialized construction components and furnishings for these revenue-generating spaces; related soft costs; and the hiring of seven new staff positions in the areas of marketing, security, maintenance and digital technology to support the operation of these spaces.

SUMMARY BUDGET

Sources		Uses	
UMEZ	\$ 1,000,000	Salaries & fringe	\$ 901,092
Committed Funds		Consultants fees	\$ 868,550
Foundations	\$ 400,000	Furnishings	\$ 430,280
Board	\$ 2,920,109	Construction and build-out	\$ 11,531,964
Government	\$ 9,100,464	Capital project staff	\$ 296,564
Corporate	\$ 75,000	Construction requirements	\$ 925,000
Uncommitted Funds	\$ 1,755,377	Equipment	\$ 297,500
Total Project Cost	\$ 15,250,950		\$ 15,250,950

II. DESCRIPTION OF INITIATIVE

DESCRIPTION OF BUSINESS/ORGANIZATION

The Museum of the City of New York (the Museum) was founded in 1923, and charged with the “consideration of all things New York.” The nation’s first museum dedicated to illustrating the history of a single city, the Museum now serves the people of New York and visitors from around the world through exhibitions, school and public programs, publications, and its extensive collections. Its wide-ranging exhibits explore the qualities that define New York City: its changing population; the experience of its physical place, infrastructure, and buildings; its political and economic history; and the vibrant arts and design scene that has made New York the cultural capital of the nation.

Since its founding, the Museum has acquired a collection of approximately 1 million objects, including prints, photographs, decorative arts, furniture, costumes, paintings, sculpture, manuscripts, toys, and theatrical memorabilia. Among these collections are many exceptional items, including several of Eugene O’Neill’s handwritten manuscripts, Bartholdi’s early terra-cotta model for the Statue of Liberty, 412 delicate glass negatives taken by Jacob Riis, the most complete set of hand-colored Currier and Ives prints in existence, a man’s suit worn to George Washington’s Inaugural Ball, and the Stettheimer dollhouse, which contains a miniature work by Marcel Duchamp.

The Museum’s physical collections are now augmented by an on-line digital Collections Portal, launched in December 2010 with a focus on the Museum’s historic photographic collections. The Portal enables web site visitors to investigate in detail nearly 100,000 photographs of New York City, captured at high resolution and backed by in-depth research and documentation. Other online exhibitions include an in-depth look at a selected group from the Museum’s portfolio of historic maps and a collection of dresses by Worth and Mainbocher.

The Museum's exhibitions embrace the cultural diversity of the City's residents, captured in such shows as *Ain't Nothin Like the Real Thing: How the Apollo Theater Shaped American Entertainment* and *Stephen Burrows: When Fashion Danced*, which traced the evolution of the country's first African-American designer to gain international stature, whose work in vibrant colors, metallic fabrics, and slinky silhouettes defined the glamorous, liberated nightlife of the 1970's. Among other recent shows that received widespread acclaim are *The Greatest Grid: the Master Plan of Manhattan, 1811-2011*, a surprise blockbuster that was held over to meet tremendous popular demand; and *Rising Waters*, marking the one-year anniversary of Superstorm Sandy with over a thousand striking photographs by both professionals and amateurs.

Visitorship has flourished since UMEZ made its first grant to the Museum for marketing and audience development in 2005. Then numbering just under 150,000, attendance in 2013 was 214,363, with visitors coming from around the globe. The Museum's website has also attracted a growing market, with 623,012 hits by 462,722 unique visitors from over 180 countries in 2013, significantly raising the Museum's international profile.

Service to its East Harlem neighborhood has been a primary focus for the Museum since 2005, when UMEZ's grant helped launch the *I'm a Neighbor* program that continues to provide free admission to anyone that lives, works or attends school in East Harlem. East Harlem is also a focal point for programs at the Frederick A.O. Schwarz Children's Center, which serves approximately 40,000 students a year and fulfills a cornerstone of the organization's mission – the education of school children. East Harlem schools served include: PS 57, PS 102, PS 108, PS 155, PS 375, Amber Charter School, Central Park East II Charter School, Dream Charter School, East Harlem TAG School, and Harbor Science and Arts Charter School. Central Harlem public schools served include PS 161, PS 242; charter schools include Future Leaders Institute Charter School, Harlem Children's Zone Promise Academy II, and Success Academy Charter School: Harlem 4. The students are typically engaged through field trips to the Museum, which gives them a content-rich, hands-on experience that supports the New York State social studies standards and aligns with the Common Core Standards.

Additionally, in summer 2013, the Center launched a summer internship program for young adults aged 17 - 22 who were working toward their G.E.D., lacked direction in school or job training, or were unable to afford post-secondary school education. Participants were selected through a partnership with the Stanley M. Isaacs Neighborhood Center in East Harlem. The interns received intensive training from Museum educators, which enabled them to lead field trips for summer camp/summer school groups, effectively introducing them to the study and practice of museum education and providing them with a rewarding work experience in a museum setting. The internship was a resounding success and will be repeated in summer 2014.

Finally, the Schwarz Center recently launched *Surpass!*, which has enrolled 27 students from Central and East Harlem in an intensive program to help them pass the U.S. History Regents exam. The Museum strives to provide programming that works for all residents of New York City, but they have made a concerted effort to provide the young people in their home community with opportunities they would not be able to get anywhere else in the city.

Since 2003, the Museum has been under the leadership of *Ronay Menschel* Director Susan Henshaw Jones, who works with a 47-member Board of Trustees. The Museum has a staff of 68 full-time and 12 part-time employees, 50 volunteers and an operating budget in FY14 of \$15 million.

DESCRIPTION OF PROJECT

BACKGROUND

Originally housed in Gracie Mansion, the Museum's home since 1932 has been a landmarked Colonial Revival building on Fifth Avenue between 103rd and 104th Streets. Despite its elegant façade, its galleries were out-of-step with standards established by the American Association of Museums. The facility lacked the requisite climate-control systems that would preserve sensitive artifacts and enable loans from other institutions. Elevators and electrical systems were not up to prevailing building codes. The building as a whole fell short of full compliance with the Americans with Disabilities Act.

In the early 2000's, the Museum undertook a complete renovation and expansion of the building to resolve these critical issues. This *Modernization and Expansion Project*, now totaling \$95 million, was formally launched in 2005, with construction organized into three phases so that the Museum would be able to keep a group of galleries open to the public at all times.

Phase I (2006-2008) included renovations to the Fifth Avenue terrace and lobby rotunda and the construction of a three-story addition to the original building, which added new exhibition space and a curatorial center. During Phase I, UMEZ awarded a \$550,000 grant to the Museum to launch the digitization of its collection of New York City photography and make it accessible online through a user-friendly Collections Portal. The Museum secured over \$800,000 in leveraged support for this effort during the project period.

Phase II (2009-2011) included the renovation of the South Wing, new educational classrooms, the conversion of storage areas to administrative offices, the creation of two new galleries and a new space for the Museum Shop, which effectively doubled the Shop's footprint. As this phase concluded, UMEZ awarded the Museum a \$50,000 Technical Assistance grant to research and recommend new earned revenue strategies. The Museum used those recommendations to leverage targeted support for a new web site, launched in September 2013; a Manager for Licensing and Reproductions, who increased revenue from rights and reproductions by 30% in the following year; and new product concepts and selections for the expanded Museum Shop, where merchandise sales grew by almost 50%, bringing in over \$230,000 in net income.

Phase III (2012-2015) encompasses the modernization of the Museum's entire North Wing. Upon completion, there will be three contiguous stories of modern, climate-controlled exhibition space, state-of-the-art curatorial facilities, classrooms, and improved visitor amenities, thereby enabling the Museum to accommodate significantly larger audiences for exhibitions and public programs.

The Museum has planned for a six-month transition following the end of Phase III construction in June of 2015. Allowances have been made for possible delays in construction, as well as for the complex balancing of the building's new mechanical systems. The Auditorium would be available for bookings and programming by the summer of 2015 and temporary shows may open in the North Wing galleries as early as September. The grand reopening is scheduled to take place in early 2016.

PROJECT REQUEST

The Museum is requesting a \$1 million Capstone Grant to fit out income-generating spaces included in the third and final phase of the Museum's *Modernization and Expansion Project*, as well as the creation of seven full-time positions to begin staffing the operation of those spaces.

The total cost for this project is \$15,250,950. UMEZ funds in the amount of \$769,280 would support the fit-out of the Museum Shop, Museum Café, the Auditorium and the *Timescapes* gallery, as well as a portion of the architect's fees. \$230,720 would support the creation of seven full-time staff positions. These components are described below.

Museum Shop: The existing Museum Shop in the North Wing will be upgraded to match the new retail area in the South Wing. The new shop on the south side of the entrance hall was designed by one of the country's pre-eminent retail designers, and includes flexible shelving and hanging system with built-in storage, movable floor fixtures of varying sizes and heights, and a state-of-the-art lighting system. The old shop on the north side must be equipped to match the quality of the south shop. At the conclusion of Phase III, the Museum's retail spaces will total 1,200 square feet and allow the Museum to effectively display and sell a diverse array of merchandise. UMEZ funding will support the installation of the Museum Shop's custom millwork and specialized furnishings.

Museum Café: Previously located in the basement, the new Museum Café will be moved to the second floor "Marble Court," with a commanding view of Central Park through three floor-to-ceiling French windows. Additional seating on the Fifth Avenue Terrace will be available seasonally. Adjacent to the seating area will be a server, pantry, and a kitchen outfitted with the necessary equipment to provide regular menus for self-service and wait service, as well as an expanded menu for special events and rental events. UMEZ funding would support the purchase of specialized food service equipment and furnishings for the Café.

Auditorium: The auditorium is heavily used by the Museum for public programs, lectures, panel discussions, performances, and family programs. In addition, the space is used for third party rentals, which is a key source of earned income support for these educational programs. However, the space requires considerable upgrades to maximize its earned revenue potential.

The renovation will include the installation of new floors and walls, energy-efficient windows, central air conditioning, a new ceiling designed to improve the room's acoustics, a new stage and control booth outfitted for video and film projection, and new sound and lighting systems. Seating for 200 will be unfixed, to allow for a variety of uses. A reconfigured backstage area will provide storage for equipment and a green room for presenters and speakers. A secondary means of egress will facilitate visitor comfort and safety, furthering the Museum's goal to be accessible to all. All aspects of the renovation will be ADA compliant and improve the space's capacity to host a variety of programming and events.

These enhanced amenities will make the auditorium considerably more attractive, comfortable, flexible and marketable. UMEZ funding would support the purchase and installation of furnishings, the ceiling installation, a projection screen and curtain, a wheelchair lift and signage.

Timescapes gallery: An engrossing 22-minute multimedia experience that runs every half hour, *Timescapes* traces the growth of New York City from a settlement of a few hundred inhabitants to its present status as one of the world's great cities. Phase III will relocate the installation from the second floor to a new gallery on the ground floor, where it will be immediately accessible to visitors. This new gallery will be adaptable for other small after-hours presentations such as a special evening event. UMEZ funding would support the new screen for *Timescapes*, furnishings for the gallery and adjacent waiting area, and signage.

Architects Fees: As construction and fit-out nears completion, it is essential to have oversight provided by the project architects, Ennead Architects LLC, to ensure that the specialized components of the new building meet the exacting standards expected of a 21st century museum. UMEZ support would cover approximately 21% of these fees.

Staff positions: Upon completion of Phase III, there will be a total of 114,000 square feet of exhibition and public spaces. This will require the expansion of the Museum's managerial, technological, maintenance and security staff to effectively operate these new, more technologically complex spaces. UMEZ would support from 25% to 32% of the following seven new jobs:

- Third Party Rental Manager – responsible for marketing the newly renovated public spaces to third parties for events such as weddings, bar and bat mitzvahs, corporate functions, and events hosted by other nonprofits and community organizations
- Audio-visual manager – responsible for maintaining and programming the sophisticated digital components of the new space, particularly the new core exhibition on the first floor, which will include multi-media and interactive technology components
- Security Manager – responsible for security throughout the newly-expanded museum
- Security guards – three additional guards to staff the expanded exhibition and public areas
- Custodian/maintainer – required to maintain the larger facility with an increased foot traffic

JOB CREATION

As listed above, UMEZ funding would support the creation of seven new full-time staff positions that will effectively market, maintain and secure the newly renovated building. As part of its reporting procedures, UMEZ requires that every grantee provide a report on best efforts made to hire employees that live within the Zone.

PROJECTED OUTCOMES

As the Museum nears completion of this major capital project, the original 1932 building will be transformed with modern, state-of-the-art galleries, climate-controlled collections storage, rich online resources, multiple amenities for an enhanced visitor experience, and a building that is fully ADA compliant. UMEZ support would serve to leverage the remaining funds needed to ensure completion of this extraordinary project.

The physical transformation of its landmarked building parallels an institutional renaissance for the Museum, with the revitalization of its mission through ambitious exhibitions, publications, and programming. This reinvigorated organization can be expected to draw an increasing number of visitors from New York and around the globe to its magnificent home in East Harlem. The addition of new staff will aid in the smooth functioning of the larger space and the growing attendance.

III. FINANCING REQUESTED

Sources	Total
Federal EZ Funds	\$ 333,333
State EZ Funds	\$ 333,333
City EZ Funds	\$ 333,333
Total UMEZ Sources	\$ 1,000,000
Corporate	\$ 75,000
Foundation	\$ 400,000
Board of Directors	\$ 2,920,109
Government	\$ 9,100,464
Uncommitted Sources	\$ 1,755,377
Total MCNY Sources	\$ 14,250,950
Total Project Cost	\$ 15,250,950

PROJECT BUDGET

Uses	UMEZ	Museum	Total
Salaries & fringe	\$ 230,720	\$ 670,372	\$ 901,092
Consultants fees	\$ 184,800	\$ 683,750	\$ 868,550
Construction and build-out	\$ 230,000	\$ 11,301,964	\$ 11,531,964
Furnishings	\$ 221,980	\$ 208,300	\$ 810,500
Capital project staff	\$ -	\$ 296,564	\$ 296,564
Construction requirements	\$ -	\$ 925,000	\$ 925,000
Equipment	\$ 132,500	\$ 165,000	\$ 297,500
Total Project Cost	\$ 1,000,000	\$ 14,250,950	\$ 15,250,950

LIST ANY PRIOR UMEZ FUNDING OR PRIOR APPLICATIONS

- 2005 – a two-year grant of \$284,832 was awarded for audience development, which enabled the Museum to expand its marketing and community outreach staff and embark on new initiatives to raise visibility, brand awareness, and recognition for the Museum, and in particular, attract new audiences from the Upper Manhattan community.
- 2008 – a 30-month grant of \$550,000 supported a multi-year project to digitize the ten most frequently consulted portfolios in the Museum’s extraordinary photography collection and to make them available to the public on the internet. During the grant period, the Museum scanned and cataloged 63,471 photographs that are now accessible through a searchable Collections Portal. Funds also supported the creation of seven new full-time positions and two full-time internships.
- 2012 – a Technical Assistance grant of \$50,000 supported a study by the marketing and communications firm Hillman & Partners, which studied key issues/challenges and identified opportunities to increase the Museum’s earned revenue streams. The resulting recommendations positioned the Museum to leverage additional contributions for the development of a new web site, licensing income from the photo archive, and new Museum-related products for the Shop.

INDICATE HOW THE PROPOSAL MEETS THE EZ INVESTMENT CRITERIA

A. Impact

- The newly-renovated Museum Café, Museum Shop, Auditorium, and *Timescapes* gallery are expected to dramatically increase earned revenue for the Museum.
- The grand reopening will attract major coverage by traditional and digital media, and generate activity on various social media platforms.
- Having a physical plant that supports technologically-sophisticated exhibitions and programs will provide a strong platform for the Museum's continued programmatic success.
- The renovated facility and improved public spaces furthers the Museum's ability to draw audiences from all over the world to its landmark home in East Harlem.
- Residents and school children in the neighboring community will benefit from the renovated facility and its public spaces, particularly the Auditorium.

B. Feasibility

- The Museum has used previous UMEZ grants to leverage additional major support, exceeding its goals.
- The organization's governing and administrative leadership are of a proven high quality.

C. Strengths

- This UMEZ investment for the final phase of the capital project builds upon previous investments and enables the Museum to reposition itself on the City's cultural landscape as a thoroughly reinvigorated institution and a major tourist attraction.
- The first two phases of the capital project resulted in significant increases in attendance (visitorship nearly doubled) and the completion of the final phase can be expected to continue this upward trajectory.

D. Risks

- E. These improvements must meet the ever-increasing and rising expectations of local, national and international visitors.
- F. These major upgrades will greatly increase the annual operating costs of the Museum, which must be met in part by greater earned revenues.

IV. FINANCIALS

See Attachment

V. RECOMMENDATION

UMEZ Grant Amount: up to \$1,000,000

Term: 36 months

Conditions: N/A

Museum of the City of New York
Notes Regarding the Financials

Statement of Financial Position

Assets

Cash and Cash equivalents

Cash decreased in FY12 as money was used to pay for construction on the capital project.

Contributions and Grants Receivable

Significant payments were made in FY12 and FY13 against pledges for the capital campaign, thereby reducing receivables.

Prepaid expenses and other Current Assets

Accounting reviews revealed prior period expenses in FY11, which were recognized in FY12.

Investments

The increase in FY11 is largely attributable to the investment gains of \$2.4 million.

Property, Improvements and Equipment

As different phases of the remodeling of the Museum's facility are completed, the costs are moved from the Construction in Progress line to the Property, Improvements & Equipment line.

Construction in progress

As different phases of the remodeling of the Museum's facility are completed, the costs are moved from the Construction in Progress line to the Property, Improvements & Equipment line.

Inventories

Tighter inventory control has resulted in smaller inventory on hand at the end of FY12 and FY13.

Liabilities

Accounts Payable and Accrued Expenses

Change in Accrued Expenses for FY11, FY12 and FY13 was significantly affected by timing issues associated with employees working in June, but the payroll date occurring in July.

Capital Lease Payable

Each year the capital lease payable has been reduced by approximately \$16,000 in payments.

Net Assets

Unrestricted Net Assets

The decline in FY12 reflects a drop in investment income.

Temporarily Restricted Net Assets

The increase in FY11 reflects major gifts and pledges made to the capital campaign for the final phase.

Statement of Activities

Earned Income

Admissions

Income was reduced in FY11 due to construction that closed several galleries for renovation. "The Greatest Grid" exhibition in FY12 was extremely popular, resulting in significantly higher admissions.

Licensing Fees

Increase in FY11 and FY12 is primarily attributable to a significant sale of prints to individuals and for-profit entities.

Rental Fees

Construction in FY11 had reduced the availability of the City Museum's rental spaces; completion of Phase II made some renovated rental spaces available again in subsequent years.

Merchandise Sales

"The Greatest Grid" exhibition in FY12 generated higher Museum Shop sales, particularly for the book that accompanied the exhibition.

Investment Income

Variance reflects financial market results.

Contributed Income

Other grants and contributions

Fluctuations are attributed to significant capital campaign contributions and to a major \$3 million grant received from the Puffin Foundation to name and endow a gallery.

South Street Seaport Museum pass-through

City Museum assumed provisional management of the imperiled Seaport Museum in October 2011, upgrading the building, expanding the gallery space and presenting 18 exhibitions. In October 2012, however, Hurricane Sandy devastated the Seaport facility and its mechanical systems. City Museum determined that it could not continue with the project, and ended its participation in June 2013.

Expenses

Management

Increase in FY11 was due to additional staffing brought on by the creation of the Puffin Foundation Gallery and new staff brought on through fellowships made possible by a grant from The Andrew W. Mellon Foundation.

South Street Seaport Museum

(see Contributed Income note above)

Capital Campaign

Decrease is due to planned reduction in expenditures as annual goals were achieved.

Total Expenses

Increase in FY12 reflects the incorporation of South Street Seaport operations.

Change in Net Assets

Decrease in FY12 reflects a significant loss in investment income for the year.

Operating Actuals and Budgets

Earned Income

Admissions

Income was reduced in FY11 due to construction that closed several galleries for renovation. "The Greatest Grid" exhibition in FY12 was extremely popular, resulting in significantly higher admissions. Admissions are expected to increase when the fully-renovated building is opened in early 2016.

Membership Dues

Membership is expected to increase when the fully-renovated building is opened in early 2016.

Exhibits and other educational programs

Increase in FY14 is due to increased fundraising for the Frederick A.O. Schwarz Children's Center, including a new summer internship program funded by the Pinkerton Foundation.

Licensing Fees

Increase in FY11 and FY12 is primarily attributable to a significant sale of prints to individuals and for-profit entities.

Rental Fees

Construction in FY11 had reduced the availability of the Museum's rental spaces. The opening of the fully-renovated building in FY16 will make all rental spaces, newly upgraded, available for rent.

Merchandise Sales

The popular "The Greatest Grid" exhibition in FY12 generated higher Museum Shop sales, particularly its book. For FY14, sales of related merchandise and the companion book to the current exhibition, "City As Canvas: Graffiti Art from the Martin Wong Collection," have been very strong. With the opening of the fully-renovated facility in early 2016, sales revenues are again expected to grow.

Investment Income

The Museum's investments are governed by the NYPMIFA spending policy, which establishes a cap of 7% of the average of the previous five years' balance. Variances reflect financial market results, which affect the average balance.

Contributed Income

Total Contributed Income

In FY13, the Museum received major support from the Puffin Foundation to open the Puffin Foundation Gallery. Steady increases are projected in contributed income from FY13 through FY16 because of fundraising for the core exhibition, which will debut in early 2016, and for additional exhibitions that will be mounted when Phase III galleries become available in fall 2015.

Expenses

Salaries, Payroll Taxes, Benefits

Salaries, payroll taxes and benefits increased in FY14 due to an expansion of the Museum's digital and marketing staffs, which was made possible in part by grants from the Altman Foundation. In addition, a Director of Marketing position was created in FY14.

Professional Fees

A marketing and public relations firm was engaged in FY14 to prepare for the launch of the renovated facility in 2016.

Occupancy Costs

Decrease in FY14 reflects the conclusion of the South Street Seaport project in FY13

Advertising, Marketing, Public Relations

In FY14, a grant from the Jerome L. Greene Foundation made possible additional marketing and advertising for a current show, "Palaces for the People: Guastavino and the Art of Structural Tile." The Museum's public relations and marketing budgets are planned to increase with the completion of the renovations and the launch of the core exhibition in 2016.

Program / Exhibit Expense

Increase in FY14 and FY15 is due to the creation of the core exhibition, which will take up three major galleries in the renovated building.

Museum of the City of New York
Statement of Financial Position
Historical

June 30, 2014 CIIF Grant Proposal for \$1,000,000
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\$US	Fiscal Year Ending June 30			
	FY10A	FY11A	FY12A	FY13A
ASSETS				
Cash and cash equivalents	2,374,691	2,726,439	1,508,538	1,602,829
Contributions and grants receivable	5,864,445	5,443,381	3,892,208	2,012,067
Prepaid expenses and other current assets	145,881	199,804	70,926	54,718
Investments	16,999,018	19,861,285	19,026,250	20,296,052
Property, improvements and equipment (net)	14,008,567	17,239,362	19,175,226	20,810,134
Construction in progress	3,440,245	1,992,087	1,605,559	0
Inventories	78,374	87,174	67,026	84,526
TOTAL ASSETS	42,911,221	47,549,532	45,345,733	44,860,326
LIABILITIES & NET ASSETS				
LIABILITIES				
Accounts payable and accrued expenses	779,702	533,276	424,374	631,305
Capital lease payable	54,287	38,278	21,449	3,960
Deferred rent	0	115,930	131,773	131,237
Due to Seaport Museum New York	0	0	98,270	0
TOTAL LIABILITIES	833,989	687,484	675,866	766,502
NET ASSETS				
Unrestricted net assets				
Operating	3,903,698	3,401,245	2,204,423	2,374,506
Plant	17,394,525	19,193,171	20,759,336	20,806,174
Temporarily restricted net assets	12,676,412	15,719,190	13,749,313	11,850,060
Permanently restricted net assets	8,102,597	8,548,442	7,956,795	9,063,084
TOTAL NET ASSETS	42,077,232	46,862,048	44,669,867	44,093,824
TOTAL LIABILITIES AND NET ASSETS	42,911,221	47,549,532	45,345,733	44,860,326

Museum of the City of New York
Statement of Activities
Historical

June 30, 2014
CIIF Grant Proposal for \$1,000,000

\$US	Fiscal Year Ending June 30			
	FY10A	FY11A	FY12A	FY13A
REVENUES AND OTHER SUPPORT				
Earned Income				
Admissions	753,914	520,767	712,864	639,867
Membership dues	289,386	297,252	302,996	287,552
Exhibits and educational programs	332,966	327,589	346,976	343,340
Licensing fees	182,626	246,370	324,999	218,199
Rental fees	253,738	234,644	264,388	316,192
Merchandise sales (net)	173,095	158,960	232,916	231,891
Investment income <Loss>	1,178,963	2,388,586	199,519	1,982,520
Special events (net)	2,117,313	2,025,889	1,942,516	2,302,891
Total Earned Income	5,282,001	6,200,057	4,327,174	6,322,452
Contributed Income				
Government support	1,527,840	1,412,199	1,593,141	1,507,390
Other grants and contributions	6,992,798	8,453,977	4,705,144	4,494,959
South Street Seaport Museum pass-through	0	0	932,447	1,402,553
Total Contributed Income	8,520,638	9,866,176	7,230,732	7,404,902
TOTAL REVENUES AND OTHER SUPPORT	13,802,639	16,066,233	11,557,906	13,727,354
% Change in Revenue	-20%	16%	-28%	19%
% Change in Expense	-47%	63%	-146%	-74%
Income Mix: Earned	38%	39%	37%	46%
Contributed	62%	61%	63%	54%
EXPENSES				
Management	1,023,053	1,241,158	1,120,544	1,108,733
Program / Exhibit expense	8,665,713	8,719,060	9,729,176	9,913,856
South Street Seaport Museum	0	0	1,427,806	1,752,770
Capital campaign	109,443	67,868	42,243	0
Membership and development	1,352,061	1,284,257	1,353,836	1,785,668
TOTAL EXPENSES	11,150,270	11,312,343	13,673,605	14,561,027
Provision for bad debts	(50,000)	0	(150,000)	
Sale of collection material	324,911	30,926	73,518	257,630
Change in Net Assets	2,927,280	4,784,816	(2,192,181)	(576,043)
Net Assets - Beginning of Year	39,149,952	42,077,232	46,862,048	44,669,867
Prior Period Adjustment	0	0	0	0
Net Assets - End of Year	42,077,232	46,862,048	44,669,867	44,093,824

Museum of the City of New York
Operating Actuals and Budgets
For FY10-FY17

June 30, 2014
CIIF Grant Proposal for \$1,000,000

	Fiscal Year Ending June 30									
	FY10A	FY11A	FY12A	FY13A	FY14b	FY15b	FY16b	FY17b		
REVENUES AND OTHER SUPPORT										
Earned Income										
Admissions	753,914	520,767	712,864	639,867	725,000	743,125	851,566	1,089,886		
Membership dues	289,386	297,252	302,996	287,552	326,000	334,150	401,187	454,240		
Exhibits and other educational programs	332,966	327,589	346,976	343,340	560,500	574,513	625,366	675,507		
Licensing Fees	182,626	246,370	324,999	218,199	207,500	212,688	222,258	232,260		
Rental fees	253,738	234,644	264,388	316,192	360,000	369,000	460,605	521,332		
Merchandise Sales (net)	173,095	158,960	232,916	231,891	320,650	341,850	426,650	516,750		
Investment income recognized	370,431	722,245	(2,535)	310,366	425,000	435,625	455,228	475,713		
Special Events (net)	2,117,313	2,025,889	1,942,516	2,302,891	2,132,000	2,185,300	2,343,809	2,429,780		
Total Earned Income	4,473,469	4,533,716	4,125,120	4,650,298	5,056,650	5,196,251	5,786,669	6,395,468		
Contributed Income										
Government Support	1,527,840	1,412,199	1,593,141	1,507,390	1,140,567	1,169,081	1,180,000	1,200,000		
Other grants and contributions	1,382,482	1,630,464	1,515,060	1,947,983	1,362,000	1,396,050	1,708,872	2,035,772		
Net assets released from restrictions	2,949,814	3,826,240	2,850,096	3,913,532	6,517,000	8,759,925	12,099,122	10,054,582		
Total Contributed Income	5,860,136	6,868,903	5,958,297	7,368,905	9,019,567	11,325,056	14,987,994	13,290,354		
TOTAL REVENUES AND OTHER SUPPORT	10,333,605	11,402,619	10,083,417	12,019,203	14,076,217	16,521,307	20,774,663	19,685,822		
% Change in Revenue	-15%	10%	-12%	19%	17%	17%	26%	-5%		
% Change in Expense	-84%	109%	-137%	-228%	98%	-44%	94%	-31%		
Income Mix: Earned	43%	40%	41%	39%	36%	31%	28%	32%		
Contributed	57%	60%	59%	61%	64%	69%	72%	68%		
EXPENSES										
Salaries, Payroll Taxes, Employee Benefits	5,653,666	5,964,660	6,393,225	6,437,986	7,560,053	7,749,054	8,611,507	9,414,312		
Professional Fees	1,041,611	986,061	901,357	883,527	1,186,899	1,216,572	1,277,400	1,366,818		
Office Supplies and Expense	448,374	964,360	1,420,843	1,025,277	3,006,559	3,081,723	3,235,809	3,462,315		
Printing and publications	196,003	171,287	180,819	189,785	233,702	239,545	301,522	352,629		
Occupancy Costs	767,717	596,253	664,298	744,161	523,480	536,567	563,395	602,833		
Travel and Transportation	0	0	0	0	29,456	30,192	76,702	75,071		
Advertising, Marketing, Public Relations	108,258	181,860	83,467	88,467	275,800	382,695	751,830	744,458		
Program / Exhibit Expense	1,270,092	849,343	1,007,603	1,240,669	1,172,501	3,201,814	5,861,904	3,572,238		
Cost of Sales (Earned Income)	60,138	39,660	37,673	636,545	73,094	74,921	78,667	84,174		
TOTAL EXPENSES	9,545,859	9,753,484	10,689,285	11,246,417	14,061,544	16,513,083	20,758,736	19,674,848		
TOTAL SURPLUS / <DEFICIT>	787,746	1,649,135	(605,868)	772,786	14,673	8,224	15,927	10,974		

Project	Year 1 (FY15)		Year 2 (FY16)		Year 3 (FY17)		TOTAL PROJECT	
	UMEZ Funds	Org Funds	UMEZ Funds	Org Funds	UMEZ Funds	Org Funds	UMEZ Funds	Org Funds
OPERATING REVENUES								
UMEZ (OPERATING)	30,492	0	128,564	0	71,664	0	230,720	0
UMEZ (CAPITAL)	769,280	0	0	0	0	0	769,280	0
Government Support	0	8,215,745	0	884,719	0	0	0	9,100,464
Corporate Support	0	75,000	0	0	0	0	0	75,000
Foundation Support	0	400,000	0	0	0	0	0	400,000
Individuals - Board of Directors	0	2,487,924	0	432,185	0	0	0	2,920,109
Uncommitted funds	0	400,000	0	997,832	0	357,545	0	1,755,377
TOTAL OPERATING REVENUES	799,772	11,578,669	128,564	2,314,736	71,664	357,545	1,000,000	14,250,950
OPERATING EXPENSES								
Personnel								
Security Manager	9,167	13,750	23,054	46,383	9,442	62,079	41,663	122,212
Security Guard	0	0	9,374	14,061	7,499	21,559	16,873	35,620
Security Guard	0	0	9,374	14,061	7,499	21,559	16,873	35,620
Security Guard	0	0	9,374	14,061	7,499	21,559	16,873	35,620
Assistant Maintainer	0	0	11,068	16,603	8,855	25,457	19,923	42,060
IT/AV Technician	8,667	13,000	21,797	43,853	8,927	58,693	39,390	115,546
Third Party Rental Manager	7,333	11,000	18,443	37,117	7,553	49,663	33,330	97,780
Total Personnel	25,167	37,750	102,484	186,138	57,274	260,570	184,924	484,458
Employee Benefits								
FICA (7.65%)	1,925	2,888	7,840	14,240	4,381	19,934	14,147	37,061
SUTA (2.14%)	539	808	2,193	3,983	1,226	5,576	3,957	10,367
Workers comp (.02%)	50	76	205	372	115	521	370	969
Disability (.02%)	50	76	205	372	115	521	370	969
Life Insurance	0	378	0	3,685	0	5,616	0	9,679
Pension	0	6,162	0	28,301	0	30,597	0	65,060
Health Insurance (8%)	2,761	4,142	15,637	23,456	8,554	34,210	26,952	61,808
Total Fringe and Benefits	5,326	14,529	26,080	74,410	14,390	96,975	45,796	185,914
TOTAL OPERATING EXPENSES	30,492	52,279	128,564	260,548	71,664	357,545	230,720	670,372
CAPITAL EXPENSE								
Staff support for capital project	0	214,376	0	82,188	0	0	0	296,564
Architect & Engineer Fees	184,800	647,750	0	36,000	0	0	184,800	868,550
Construction Build-out	230,000	9,724,964	0	1,577,000	0	0	230,000	11,531,964
Furnishings	221,980	149,300	0	59,000	0	0	221,980	430,280
Equipment	132,500	115,000	0	50,000	0	0	132,500	297,500
Construction requirements	0	675,000	0	250,000	0	0	0	925,000
TOTAL CAPITAL EXPENSE	769,280	11,526,390	0	2,054,188	0	0	769,280	13,580,578
TOTAL PROJECT BUDGET	799,772	11,578,669	128,564	2,443,300	71,664	357,545	1,000,000	14,250,950
SURPLUS / <DEFICIT>	(0)	0	0	0	(0)	(0)	(0)	0

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND A
CULTURAL INDUSTRY INVESTMENT FUND PROJECT**

AT A REGULAR MEETING HELD ON THE 24th Day of June 2014

WHEREAS, the Cultural Industry Investment Fund Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to a grant for a period of thirty-six (36) months to the Museum of the City of New York to build organizational capacity and provide capital for its modernization and expansion program (the “Project”); and

WHEREAS, the Cultural Industry Investment Fund Committee has found it to be a desirable project, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a grant for a period of thirty-six (36) months not to exceed ONE MILLION DOLLARS (\$1,000,000), subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Museum of the City of New York – A \$1,000,000 grant to complete the Modernization and Expansion Project.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to Museum of the City of New York (the “Initiative”) to complete the Modernization and Expansion Project, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed ONE MILLION DOLLARS (\$1,000,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed ONE MILLION DOLLARS (\$1,000,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for Grant to Harlem Business Alliance Initiative and to
Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone
Development Corporation ("UMEZ")
55 W 125th Street, 11th floor
New York, NY 10027

Contact: Kenneth J. Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A \$240,000 grant for the identification, completion and
submission of loan packages to UMEZ and BRISC for
funding consideration.

Total Initiative Cost: \$240,000

Proposed Empowerment Zone
("EZ") Investment: \$240,000 (Grant)

Funding Sources:

Federal EZ SSBG Funds:	\$	80,000
State EZ Funds:	\$	80,000
City EZ Funds:	\$	80,000
Total	\$	240,000

Fiscal Year: 2015

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant from UMEZ to Harlem Business Alliance. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of recovered grants is subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Prepare and present up to 30 loan packages to BRISC or other alternate lending sources

V. Residents Benefits

This Initiative will benefit EZ residents by:

- Same as above

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.
- Achieve or maintain self-sufficiency by reducing or preventing social dependency.

This initiative will meet the following Federal programmatic options:

- New physical infrastructure development, which is feasible, attainable in the current economic environment and sustainable.
- Permanent job creation, including without limiting the foregoing, promotion, encouragement and creation of opportunities for small, medium and large business development in the EZ/EC that will create permanent jobs for the Enterprise Zone.
- Increasing the number of permanent-job creating new businesses in the EZ/EC.
- Leveraging of Federal, State, and City EZ/EC funding and not-for-profit funding with private capital.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

To: New York Empowerment Zone Corporation Board of Directors (the "Board")
From: Kenneth J. Knuckles, UMEZ, President & CEO
Date: June 30, 2014
Subject: Harlem Business Alliance (HBA)
Request: \$240,000 Performance Grant

INITIATIVE SUMMARY

Organization: Harlem Business Alliance

Project Manager: Joseph Middleton

Contact: Walter Edwards, Chairman
Regina Smith, Executive Director

Current Address: *Current Address:*
275 Lenox Avenue, 2nd Floor
New York, NY 10027

Phone/Fax: (212) 665-7010 / (212) 665-7011

Type of Business: Not-For-Profit / Business Service

Tax Structure: 501(C) (3)

IRS Tax ID#: 13-3591350

Date Incorporated: 1980

Financing Requested: \$240,000 (Performance Grant)

Funding Sources:

Federal EZ funds	\$80,000.00	Grant
State EZ funds	80,000.00	Grant
City EZ funds	<u>80,000.00</u>	Grant
TOTAL	\$240,000.00	

Employment: Full-time positions to be retained:4

INVESTMENT PROPOSAL

The Upper Manhattan Empowerment Zone (UMEZ) staff seeks the Board of Director's approval of a two year performance based grant up to \$240,000 to the Harlem Business Alliance (HBA) to (i) identify potential loan clients seeking to borrow \$50,000 or more, (ii) package (assemble all document necessary for an initial review) and (iii) deliver to the UMEZ for funding consideration by the Business Resource and Investment Service Center (BRISC).

HBA will be compensated at an agreed upon rate for each complete packaged loans from businesses located in or seeking to locate in the area defined as the Upper Manhattan Empowerment Zone. For this service, HBA will be compensated at a per unit rate of \$10,000 per completed plan up to maximum of \$240,000 for 24 complete loan packages.

UMEZ Staff believes this proposal meets the following investment criteria established by the UMEZ:

Investment Criteria		Comment
<input checked="" type="checkbox"/>	Strategic fit	Meets UMEZ's goals of increasing sustainable businesses and cultivating entrepreneurship in local neighborhoods
<input checked="" type="checkbox"/>	Sustainable business	HBA is an established local organization with more than 30 years of experience assisting with the growth and development of small businesses in the Harlem community
<input checked="" type="checkbox"/>	Realistic business plan	Program/project targets are consistent with the organizations previous annual performance for the identified services
<input checked="" type="checkbox"/>	Experienced management	HBA has an experienced team of professionals in business education
<input checked="" type="checkbox"/>	Job retention	The proposed performance based grant provides support for HBA's existing administrative and operating staff and help the organization leverage other funds that could attract key personnel to the organization
<input checked="" type="checkbox"/>	Efficient investment	The structure of the proposed funding places the entire recommended amount "at risk" with the disbursement of payments based on the achievement or delivery of the targeted service goals. Non performance will have a financial consequence to the funded organization.
<input checked="" type="checkbox"/>	Community impact	The investment seeks to identify and provide technical assistance to help stabilized existing and start-up businesses.

PRELIMINARY TERMS

The following table summarizes the key terms for the HBA performance grant.

SUMMARY OF FUNDING TERMS

Grantee:	Harlem Business Alliance
Amount:	\$240,000 performance grant, to be implemented via two one year program cycles.
Purpose:	To compensate the organization for identifying, assisting and packaging loan request to UMEZ and BRISC.
Grant Term:	July 1, 2014 through June 30, 2016
Other Requirements:	For each complete submission to UMEZ/BRISC, HBA will be compensated \$10,000. For loan packages presented to other alternative lending sources, HBA will be compensated at a reduced rate of \$5,000/package. The maximum number of such packages that HBA will be compensated for is 12 loans per year for two years. No fewer than nine of the total packaged loans per year shall be prepared and presented to UMEZ/BRISC. Semi-annual staff evaluation of the organization's performance.

COMPANY DESCRIPTION

HBA was created in 1980 by local business owners to initiate and plan projects to combat community deterioration by promoting economic development in the Harlem community and to serve as an advocate for the preservation and growth of Harlem businesses. HBA, through its program offerings assists entrepreneurs with start-up issues, existing businesses with retention and expansion issues.

UMEZ's relationship with HBA dates back to 1998. This funding relationship consists of six completed grants; two Commercial Revitalization Initiative grants, a transitional grant and two performance-based grants. HBA met the benchmarks required under each of the previous grants. The value of these completed grants totaled more than \$2,221,000.

HBA has a 30-year presence in the Central Harlem community and has worked with local business and entrepreneurs to provide direct and practical business training and capital to start and expand businesses locally. HBA has developed cohesive public/private partnerships to assist existing and emerging businesses. The organization serves as an advocate for the preservation and retention of Harlem's business community. The organization is known for often "handholding" businesses through issues ranging from setting up recordkeeping and accounting systems to negotiating commercial leases with property owners. HBA programs and services provide access to a specific set of business services that are in direct response to the needs of businesses in Central Harlem.

More information on other HBA program is provided in Attachment A of this Document.

FUNDING SUMMARY

This funding proposal differs from previous funding recommendation in that it does not directly fund the organization's operations. Payments to HBA, via this agreement, will be based solely on the submission and acceptance of completed loan packages from businesses located in or seeking to locate in the area defined as the Upper Manhattan Empowerment Zone. This funding request proposes to compensate HBA for the services, or in this case the product, that it provides and nothing more.

Staff recognizes the terminal description applied to previous funding request. The proposed request will engage the recipient, not as a means to provide funding for the purposes of underwriting its operation, but as a qualified local service provider delivering a precise product for action to UMEZ/BRISC. Again, this request proposes to compensate HBA for the services, or in this case the product, that it will be providing.

PROJECT DESCRIPTION

The demand for small business loans has been an ongoing concern in many areas of northern Manhattan. And while UMEZ has created and supported many facilities to meet the demands in this area, the sustained outreach and technical support required to do so have limited its effectiveness. Via the proposed program, HBA will provide direct technical assistance and loan packing support to local businesses and entrepreneurs seeking to acquire financing from UMEZ and its small business lending facility through the BRISC. Upon the delivery of the agreed upon product, HBA will be compensated at an agreed upon rate for the actual delivery of that product to UMEZ/BRISC.

This funding proposal ensures that the local demand to capital, especially from qualified entrepreneurs and small business who are somewhat challenged, will be met. HBA continues to provide local small businesses and entrepreneurs with needed assistance in applying for capital and acquiring technical assistance and training. The presence and function of HBA, as a value added service provider, is crucial in the continued revitalization of Upper Manhattan.

Performance Benchmarks

The sole benchmark of this proposed funding request is the production and submission of a complete packaged loan request to UMEZ/BRISC. For each complete submission to UMEZ/BRISC, HBA will be compensated \$10,000. For loan packages presented to other alternative lending sources, HBA will be compensated at a reduced rate of \$5,000/package.

The maximum number of such packages that HBA will be compensated for is 12 loans per year for two years. No fewer than nine of the total packaged loans per year shall be prepared and presented to UMEZ/BRISC.

The proposed payment structure was derived from a review of HBA's staff time and cost allocation plans and compensates them for time, effort, and organizational resources devoted to the actual delivery of an end product to UMEZ/BRISC.

Product Benchmark

The process for provision and delivery of the product being sought from HBA will have three essential steps.

1. UMEZ/BRISC staff approval and periodic updates on the status of the business entity seeking a loan from UMEZ/BRISC. This step will ensure the legitimacy of all applicants.
2. Collection, review and evaluation of all documentation submitted by the prospective client for completion and appropriateness. This step will ensure the integrity and validity of the support documentation provided.
3. Submission of a complete loan package product on behalf of the potential loan client to UMEZ/BRISC.

A completed product submission per Step 3 above must include no fewer than items #1 through #9 below plus any additional item as defined by the type of funding request.

Documents Required for Initial Review

1. Completed Loan Application
2. Copy of Certificate of Incorporation or DBA/Business certificate
3. Copy of the Commercial Lease
4. Executive Summary or Comprehensive Business Plan
5. Last 3 Yrs. Business Tax Returns and Financial Statements for an Existing Business
6. Last 3 Yrs. Personal Tax Returns of the Principal(s)
7. Copy of Business Bank Statements – last 12 months (if applicable)
8. Completed Personal Financial Statement form (dated within 30 days of application)
9. Completed Vendex Forms

Additional Documents Required – Loans for Renovations

10. Identify renovations needed and corresponding costs
11. Submission of at least three (3) estimates from contractors
12. Letter of authorization from the landlord for the renovations

Additional Documents Required – Loans for Machinery and/or Equipment

- 13. Vendor estimates or purchase order
- 14. Description of machinery and/or equipment

Additional Documents Required – Loans to Purchase a Business

- 15. Copy of Purchase or Sales Agreement
- 16. Last 3 Yrs. Business Tax Returns and Financial Statements

DUE DILIGENCE

UMEZ Staff has familiarized itself with the operations and programs of HBA through a review of the following: (a) review of the audited financial statements for fiscal years 2010 and 2011 as well as the un-audited financial statements for the period ending December 31, 2012; (b) time and cost allocation information between program versus administrative duties by each team member; and (c) direct communications with the principals regarding their capacity, understanding of the work to be performed and their willingness to complete terms of the proposed agreement.

INVESTMENT ISSUES—MERITS AND CONSIDERATIONS

MERITS	CONSIDERATIONS
<ul style="list-style-type: none">• HBA will be paid only upon the delivery of a completed product• Program builds and extends the capacity of local business• Organizational longevity	<ul style="list-style-type: none">• Pay for product model• Limited job retention via the organization, however substantial job creation and retention could be realized by local businesses

Key Merits:

- **HBA will be paid only upon the delivery of a completed product** - The structure of the proposed grant places the entire grant amount “at risk” with payment to be made if and only when the grantee delivers a final product. Non performance essentially means no payment.
- **Capacity building platform** – From a strategic perspective, this grant is part of UMEZ’s overall small business strategy. It will increase the capacity of local businesses to access

UMEZ funded loan programs by providing the technical assistance and support needed for funding consideration.

- **Organizational longevity** – HBA is an established local organization with more than 30 years of experience assisting with the growth and development of small businesses in the Harlem community.

Key Considerations:

- **Pay for product model** – Funding model assumes some level of solvency with respect to service provider. HBA will be required to expend its resources and capital in advance in anticipation of acceptance and payment for submitted to UMEZ/BRISC. Beyond compensating the organization, as per their staff and cost allocations, the funding and payment model will remain oblivious to other operational and cash flow hardships the organization may encounter.
- **No direct job creation** – The proposed grant will compensate the grantee for only those personnel who contributes to the production of a complete loan package. It is hoped that the proposed grant will help the organization to leverage other funds that could attract key personnel to the organization. It is also hoped that through the services offered to the small business community (e.g., creating access to capital through loan packaging), increases in employment from the small business sector will result from their stabilization and growth.

RECOMMENDATION

The Staff of UMEZ seeks approval of a two year \$240,000 performance grant to Harlem Business Alliance for the identification, completion and submission of loan packages of \$50,000 or greater to the Upper Manhattan Empowerment Zone and the Business Resources and Investment Service Center for funding consideration.

ATTACHMENT A – HBA Programs

HBA Programs

DHHS/AFC Community Economic Development Program - HBA was awarded funding from the US Department of Health and Human Services Community Economic Development program. These funds enabled HBA to build out a newly refurbished space where they can provide services. These services are designed to help entrepreneurs with the development and implementation of business solutions that improve their efficiency, increase their capacity to be competitive, and maximize their profitability in order to facilitate their growth and create new jobs.

West Harlem Development Corporation - As a part of HBA's Back Office Support Initiative they were granted funds to provide back office support and technical assistance to at least 15 Community District 9 West Harlem small businesses. The grant also supports HBA's Loan Fund that makes low interest direct loans to Community District 9 West Harlem small businesses.

NYC DBS Financial Literacy Program – This is a NY City Council initiative which funds HBA to provide direct business services to Harlem residents and entrepreneurs. These services include financial literacy, business education and technology instruction via workshops and conferences; and intensive one-on-one technical assistance with business plan development, financial management, preparation of financial documents and direct assistance that enables clients to obtain financing.

NYC DBS MWBE Leadership Association – This association was created to provide services to assist minority and women-owned business enterprises enhance their ability to compete for city contracts. The primary goal of the program is to assist minority and women-owned firms certify and/or re-certify as M/WBEs with the City of New York. HBA is funded to provide these services through the delivery of intensive one-on-one assistance, workshops and networking events.

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND AN ECONOMIC AND PHYSICAL
DEVELOPMENT PROJECT**

AT A REGULAR MEETING HELD ON THE 24TH DAY OF JUNE 2014

WHEREAS, the Economic and Physical Development Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to a performance grant for a period of approximately two (2) years to HARLEM BUSINESS ALLIANCE to screen, diligence and package loan requests for Central Harlem businesses for the Business Resource and Investment Service Center, Inc. (the “Project”); and

WHEREAS, the Economic and Physical Development Committee has found it to be a desirable project, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a two (2) year grant not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Harlem Business Alliance – A \$240,000 grant to the identification, completion and submission of loan packages to UMEZ and BRISC for funding consideration.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to Harlem Business Alliance (the “Initiative”) for the identification, completion and submission of loan packages to UMEZ and BRISC for funding consideration, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for Grant to Union Settlement Association Initiative and
to Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone
Development Corporation ("UMEZ")
55 W 125th Street, 11th floor
New York, NY 10027

Contact: Kenneth J. Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A \$240,000 grant for the identification, completion and
submission of loan packages to UMEZ and BRISC for
funding consideration.

Total Initiative Cost: \$240,000

Proposed Empowerment Zone
("EZ") Investment: \$240,000 (Grant)

Funding Sources:

Federal EZ SSBG Funds:	\$	80,000
State EZ Funds:	\$	80,000
City EZ Funds:	\$	80,000
TOTAL	\$	240,000

Fiscal Year: 2015

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant from UMEZ to Union Settlement Association. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of recovered grants is subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Prepare and present up to 30 loan packages to BRISC or other alternate lending sources

V. Residents Benefits

This Initiative will benefit EZ residents by:

- Same as above

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.
- Achieve or maintain self-sufficiency by reducing or preventing social dependency.

This initiative will meet the following Federal programmatic options:

- New physical infrastructure development, which is feasible, attainable in the current economic environment and sustainable.
- Permanent job creation, including without limiting the foregoing, promotion, encouragement and creation of opportunities for small, medium and large business development in the EZ/EC that will create permanent jobs for the Enterprise Zone.
- Increasing the number of permanent-job creating new businesses in the EZ/EC.
- Leveraging of Federal, State, and City EZ/EC funding and not-for-profit funding with private capital.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Union Settlement Association – a \$240,000 grant to provide technical assistance to potential small business borrowers.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to Union Settlement Association (the “Initiative”) to provide technical assistance to potential small business borrowers, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

To: New York Empowerment Zone Corporation Board of Directors (the "Board")
From: Kenneth J. Knuckles, UMEZ, President & CEO
Date: June 30, 2014
Subject: Union Settlement Association (Union Settlement)
Request: \$240,000 Performance Grant

INITIATIVE SUMMARY

Organization: Union Settlement Association

Project Manager: Joseph Middleton

Contact: David Nocenti, Executive Director

Current Address: *Current Address:*
237 East 104th Street
New York, New York 10029

Phone (212) 828-6046

Type of Business: Not-For-Profit

Tax Structure: 501(C) (3)

IRS Tax ID#: 13-1632530

Year of Formation: 1895

Financing Requested: \$240,000 (Performance Grant)

Funding Sources:

Federal EZ funds	\$80,000.00	Grant
State EZ funds	80,000.00	Grant
City EZ funds	<u>80,000.00</u>	Grant
TOTAL	\$240,000.00	

Employment: 2.5 Full Time Equivalents

INVESTMENT PROPOSAL

The Upper Manhattan Empowerment Zone (UMEZ) staff seeks Board of Director's approval of a two year performance based grant up to \$240,000 to the Union Settlement Association (Union Settlement) to (i) identify potential loan clients seeking to borrow \$50,000 or more, (ii) package (assemble all documents necessary for an initial review) and (iii) deliver to the UMEZ for funding consideration by the Business Resource and Investment Service Center (BRISC).

Union Settlement replaces the East Harlem Business Capital Corporation (EHBCC) as UMEZ's community partner service provider in East Harlem. Because of a reduced level of funding, opportunities for small business service non-profits, EHBCC is in the process of being dissolved and its key staff members will be retained by Union Settlement to the business services outlined in this funding quest. The experienced staff of what was once EHBCC combined with the organizational provided by Union Settlement allows for the continued provision of crucial technical assistance to the area's small businesses and aspiring entrepreneurs. As a small business services technical assistance service provider in East Harlem, the Union Settlement will be compensated at an agreed upon rate for each complete packaged loans from businesses located in or seeking to locate in the area defined as the Upper Manhattan Empowerment Zone. For this product/service, Union Settlement will be compensated at a per unit rate of \$10,000 per completed plan up to maximum of \$240,000 for 24 complete loan packages.

UMEZ Staff believes this proposal meets the following investment criteria established by the UMEZ:

Investment Criteria		Comment
<input checked="" type="checkbox"/>	Strategic fit	Meets UMEZ's goals of increasing sustainable businesses and cultivating entrepreneurship in local neighborhoods.
<input checked="" type="checkbox"/>	Sustainable business	Union Settlement is an established local organization with more than a 110 year presence in the East Harlem community.
<input checked="" type="checkbox"/>	Realistic business plan	Program/project targets are consistent with the staff's capacity to produce the identified services.
<input checked="" type="checkbox"/>	Experienced management	Union Settlement has an experienced team of professionals in that manages this community-based organization.
<input checked="" type="checkbox"/>	Job retention	The proposed performance based grant provides support for Union Settlement's existing administrative and operating staff and help the organization leverage other funds that could attract key personnel to the organization.
<input checked="" type="checkbox"/>	Efficient investment	The structure of the proposed funding places the entire recommended amount "at risk" with the disbursement of payments based on the achievement or delivery of the targeted service goals. Non performance will have a financial consequence

		to the funded organization.
<input checked="" type="checkbox"/>	Community impact	The investment seeks to identify and provide technical assistance to help stabilized existing and start-up businesses.

PRELIMINARY TERMS

The following table summarizes the key terms for the Union Settlement performance grant.

SUMMARY OF FUNDING TERMS	
Grantee:	Union Settlement Association
Amount:	\$240,000 performance grant, to be implemented via two one-year program cycles.
Purpose:	To compensate the organization for identifying, assisting and packaging loan request to UMEZ and BRISC.
Grant Term:	July 1, 2014 through June 30, 2016
Other Requirements:	For each complete submission to UMEZ/BRISC, Union Settlement will be compensated \$10,000. For loan packages presented to other alternative lending sources, Union Settlement will be compensated at a reduced rate of \$5,000/package. The maximum number of such packages that Union Settlement will be compensated for is 12 loans per year for two years. No fewer than nine of the total packaged loans per year shall be prepared and presented to UMEZ/BRISC. Semi-annual evaluation of the organization's performance.

COMPANY DESCRIPTION

Union Settlement Association is nonprofit corporation created as an advocate for the needs of underserved communities. Since opening our doors in 1895, the organization has worked to bring education, wellness and community-building programs to the neighborhood by empowering individuals with opportunities to better their lives.

Union Settlement program and service include the following; adult education, college readiness, early childhood services, HIV programs, mental health services, senior services and youth focused programs.

Seeking to expand its service offerings and to further empower individuals, the Union Settlement FCU was chartered in 1957. The credit union is a non-for profit, member owned, financial cooperative dedicated to the economic development of East Harlem Community. It's field of membership includes anyone who lives, works, worships, attends school or participates in a program within the boundaries of 90th Street north to 125th Street, and from the East River Drive to the East side of Fifth Avenue. Earlier this year the Union Settlement FCU merged with the Lower East Side People's Federal Credit Union (LES People's FCU). LES People's FCU was chartered in 1986 as a member-owned, not-for-profit, community development financial institution. Its mission is to stimulate economic and community development by providing a safe, affordable and democratic alternative to traditional banks and by reinvesting its members' money in the communities it serves.

Through this merged entity, LES People's FCU will offer a wide range of loan products for entrepreneurs operating retail businesses, restaurants, service and wholesale businesses, and light manufacturers. It also offers loans to small property owners that house 1 to 4 families and commercial spaces.

These loans can be used to purchase inventory, supplies or materials, acquire and/or improvement of machinery, equipment or real estate and provide working capital for growing businesses. The credit union credit facilities include a (1) a small business lending facility which provides small business loans of up to \$250,000 and (2) microenterprise loans of up to \$15,000.

Lower East Side People's Federal Credit Union also partners with the Small Business Administration (SBA) to offer loans through its SBA Express loan program.

More information on other Union Settlement programs is provided in Attachment A of this document.

UMEZ's relationship with the East Harlem community via our partnership with EHBCC dates back to 2000. The value of the six previously completed commercial revitalization and business services performance grants to the community totals more than \$3,262,000.

PROJECT DESCRIPTION

The demand for small business loans has been an ongoing concern in many areas of northern Manhattan. And while UMEZ has created and supported many facilities to meet the demands in this area, the sustained outreach and technical support required to do so have limited its effectiveness. Via the proposed program, Union Settlement will provide direct technical assistance and loan packing support to local businesses and entrepreneurs seeking to acquire financing from UMEZ and its small business lending facility through the BRISC. Upon the delivery of the agreed upon product, Union Settlement will be compensated at an agreed upon rate for the actual delivery of that product to UMEZ/BRISC.

This funding proposal ensures that the local demand for capital, especially from qualified entrepreneurs and small business who are somewhat challenged, will be met. Union Settlement is in a unique position to continue to provide local small businesses and entrepreneurs with needed assistance in applying for capital and acquiring technical assistance and training. The addition of key staff members from the East Harlem Business Capital Corporation augments Union Settlement's capacity as a value added service provider to small business in East Harlem.

Union Settlement's 115+ year presence in the East Harlem Community and provides a unique platform to provide this service to the community.

In addition to staff experience, Union Settlement will incorporate into its business services offering some of EHBCC most successful technical assistance program offerings. Those program offerings include following:

- The *BusinessWise* Program - an intensive 54-hour seminar designed to train entrepreneurs in specific business skills. Participants of this program study marketing, business management, bookkeeping, basic accounting, insurance, licensing, managing credit, collecting and paying taxes, budgeting/cash projection and the fundamentals of business law.
- A broad range one-on-one technical assistance, which includes assistance with incorporation, obtaining EIN numbers, obtaining specific certifications (Business Certificates, Food Handler, MWBE, etc.), identifying available commercial spaces and interpreting commercial leases.
- Via a carry-over grant from EHBCC from the NYC Department of Small Business Services, Union Settlement will offer technology training including a three-hour course of Basic Computer Skills, a 21-hour course in Microsoft Office suite (Word, Excel, PowerPoint and Outlook) and a 12-hour course in QuickBooks.

Program staff will also conduct extensive marketing and outreach to the East Harlem community to attract qualified prospective loan applicant for their loan packaging service.

Performance Benchmarks

The sole benchmark of this proposed funding request is the production and submission of a complete packaged loan request to UMEZ/BRISC. For each complete submission to UMEZ/BRISC, Union Settlement will be compensated \$10,000. For loan packages presented to other alternative lending sources, Union Settlement will be compensated at a reduced rate of \$5,000/package. The maximum number of such packages that Union Settlement will be compensated for is 12 loans per year for two years. No fewer than nine of the total packaged loans per year shall be prepared and presented to UMEZ/BRISC.

The proposed payment structure was derived from a review of Union Settlement's staff time and cost allocation plans and compensates them for time, effort, and organizational resources devoted to the actual delivery of an end product to UMEZ/BRISC.

Product Benchmark

The process for provision and delivery of the product being sought from Union Settlement will have three essential steps.

1. UMEZ/BRISC staff approval and periodic updates on the status of the business entity seeking a loan from UMEZ/BRISC. This step will ensure the legitimacy of all applicants.
2. Collection, review and evaluation of all documentation submitted by the prospective client for completion and appropriateness. This step will ensure the integrity and validity of the support documentation provided.
3. Submission of a complete loan package product on behalf of the potential loan client to UMEZ/BRISC.

A completed product submission per Step 3 above must include no fewer than items #1 through #9 below plus any additional item as defined by the type of funding request.

Documents Required for Initial Review

1. Completed Loan Application
2. Copy of Certificate of Incorporation or DBA/Business certificate
3. Copy of the Commercial Lease
4. Executive Summary or Comprehensive Business Plan
5. Last 3 Yrs. Business Tax Returns and Financial Statements for an Existing Business
6. Last 3 Yrs. Personal Tax Returns of the Principal(s)
7. Copy of Business Bank Statements – last 12 months (if applicable)
8. Completed Personal Financial Statement form (dated within 30 days of

- application)
 9. Completed Vendex Forms

Additional Documents Required – Loans for Renovations

10. Identify renovations needed and corresponding costs
11. Submission of at least three (3) estimates from contractors
12. Letter of authorization from the landlord for the renovations

Additional Documents Required – Loans for Machinery and/or Equipment

13. Vendor estimates or purchase order
14. Description of machinery and/or equipment

Additional Documents Required – Loans to Purchase a Business

15. Copy of Purchase or Sales Agreement
16. Last 3 Yrs. Business Tax Returns and Financial Statements

More information on other Union Settlement program is provided in Attachment A of this Document.

DUE DILIGENCE

UMEZ Staff has familiarized itself with the operations and programs of Union Settlement through a review of the following: time and cost allocation information between program versus administrative duties by each team member; and direct communications with the principals while performing the following due diligence work.

INVESTMENT ISSUES—MERITS AND CONSIDERATIONS

MERITS	CONSIDERATIONS
<ul style="list-style-type: none"> • Union Settlement will be paid only upon the delivery of a completed product • Program builds and extends the capacity of local business • Staff capacity 	<ul style="list-style-type: none"> • Pay for product model • Limited job retention via the organization, however substantial job creation and retention could be realized by local businesses

Key Merits:

- **Union Settlement will be paid only upon the delivery of a completed product** - The structure of the proposed grant places the entire grant amount “at risk” with payment to be made if and only when the grantee delivers a final product. Non performance essentially means no payment.
- **Capacity building platform** – From a strategic perspective, this grant is part of UMEZ’s overall small business strategy. It will increase the capacity of local businesses to access UMEZ funded loan programs by providing the technical assistance and support needed for funding consideration.
- **Staff capacity** – Union Settlement will be utilizing the staff and consultants from the former East Harlem Business Capital to deliver the end product for this agreement. Only those staff members are factored in the cost of delivering the service and product

Key Considerations:

- **Pay for product model** – Funding model assumes some level of solvency with respect to service provider. Union Settlement will be required to expend its resources and capital in advance in anticipation of acceptance and payment for submitted to UMEZ/BRISC. Beyond compensating the organization, as per their staff and cost allocations, the funding and payment model will remain oblivious to other operational and cash flow hardships the organization may encounter.
- **No direct job creation** – The proposed grant will compensate the grantee for only those personnel who contributes to the production of a complete loan package. It is hoped that the proposed grant will help the organization to leverage other funds that could attract key personnel to the organization. It is also hoped that through the services offered to the small business community (e.g., creating access to capital through loan packaging), increases in employment from the small business sector will result from their stabilization and growth.

RECOMMENDATION

The UMEZ Staff seeks the Board’s approval of a two-year \$240,400 performance grant to Union Settlement Association for the identification, completion and submission of loan packages of \$50,000 or greater to the Upper Manhattan Empowerment Zone and the Business Resources and Investment Service Center for funding consideration.

ATTACHMENTS

ATTACHMENT A – Union Settlement Programs

ATTACHMENT B – Union Settlement Financial Statements

ATTACHMENT A

UNION SETTLEMENT ASSOCIATION Programs

Adult Education program – An Adult Education Program that has 20 years of experience in helping East Harlem residents improve their literacy skills, gain citizenship, increase their computer aptitude and achieve their educational and career goals.

College Readiness - The mission of the Settlement College Readiness Program (SCRCP) is to enable New York City students to gain access to higher education through a unique program of counseling, academic enrichment and internship opportunities.

Early Childhood - Union Settlement's Early Childhood Program provides one-sixth of all childcare services in East Harlem.

Manhattan HIV CARE Network - East Harlem suffers from the city's second highest cumulative AIDS and living AIDS case rates. Each year, close to 200 community residents are diagnosed with HIV.

Mental Health - Union Settlement Mental Health Services is comprised of four specialized programs designed to address the varying needs of children, adolescents, adults and older persons living in East Harlem and citywide.

Senior Services - One of the largest providers of services to the elderly in East Harlem, Union Settlement currently serves over 1,200 older adults at their senior centers located throughout East Harlem and 400 additional homebound seniors through their Meals-on-Wheels program.

Youth at Union - Burdened with failing schools, high dropout rates and the threats posed by crime, substance abuse and hopelessness, East Harlem's young men and women are actively seeking opportunities to build brighter futures. Youth at Union provides such opportunities.

Small Business Lending

The Lower East Side People's Federal Credit Union offers a wide range of loan products for entrepreneurs operating retail businesses, restaurants, service and wholesale businesses, and light manufacturers. They also offer loans to small property owners that house 1 to 4 families and commercial spaces.

Small Business Loans small business loans of up to \$250,000. These loans require 20% collateral (as a deposit in a new business account), and offer interest rates of prime plus 4% to prime plus 12% (currently 7.25%-15.25 %*), depending on overall qualifications of borrower.

Microenterprise Loans up to \$15,000. These loans are designed to increase access to credit and opportunities, especially for women and minorities. Microenterprise loans require 15% collateral (as a deposit in a new business account), and are often coupled with complementary business assistance services. The interest rates range from prime plus 7.74% to prime plus 12.74% (currently 10.99%-15.99% *), depending on credit score.

SBA Express loan program provides an accelerated 36-hour turnaround time for SBA review loan guarantee program. Under this SBA guarantee program the interest rate is prime plus 4.5% for loans of more than \$50,000, and prime plus 6.5% for loans of less than \$50,000 (currently 7.75% and 9.75%, respectively*).

ATTACHMENT B
UNION SETTLEMENT ASSOCIATION

STATEMENT OF FINANCIAL POSITION
For the fiscal year ended June 30, 2013

	2012	2013
	AUDITED	UNAUDITED
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$190,284	\$305,773
Investments	249,911	247,081
Accounts Receivable	788,864	1,228,199
Prepaid Expenses	2,322	54,190
Other	13,000	
Due From Government	2,200,641	2,438,254
Total Current Assets	3,445,022	4,273,497

Long Term Assets:

Fixed Assets, Net	85,587	77,584
Total Long Term Assets	85,587	77,584
Total Assets	\$3,530,609	\$4,351,081

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$1,124,364	\$867,915
Accrued wages and fringes	802,319	1,423,009
Advances Payable	114,270	
Deferred Income	150,000	100,000
Due to Government	197,859	482,838
Current Portion of Pension	320,000	320,000
Total Current Liabilities	2,708,812	3,193,762

Long Term Liabilities:

Liability for Pension Benefits	4,100,538	3,812,752
Total Long Term Liabilities	4,100,538	3,812,752
Total Liabilities	6,809,350	7,006,514
Unrestricted	(3,482,779)	(3,021,225)
Temporarily Restricted	29,573	118,750
Permanently Restricted	174,465	247,042
Total Net Assets	-3,278,741	-2,655,433

Total Liabilities and Net Assets

\$3,530,609 **\$4,351,081**

STATEMENT OF ACTIVITIES
For the fiscal year ended June 30, 2013

	2012	2013
	AUDITED	UNAUDITED
TOTAL SUPPORT AND REVENUES		
Foundations/Corporations	\$1,065,027	\$1,447,956
Individuals	358,773	504,468
In-kind Services	1,386,260	1,220,619
Other Community groups	1,717,043	1,673,455
Government Grants and Contracts	9,300,980	11,107,627
Program and Managed Care	4,383,249	3,609,786
Other Revenues	1,542,429	1,454,459
Total Support and Revenues	\$19,753,761	\$21,018,370

EXPENDITURES

Youth Services	\$2,991,675	\$2,922,181
Early Childhood Services	6,513,085	8,654,960
Services for Older Adults	2,041,173	2,322,669
Counseling and HIV Care Services	4,136,195	4,280,681
Adult Education	359,661	340,129
Other Program Services	380,051	153,012
Total Program Services	\$16,421,840	\$18,673,632

ADMINISTRATIVE COSTS

Administrative Support	\$2,846,956	\$1,760,185
Publicity and Fundraising	377,594	413,768
Total Administrative Costs	3,224,550	2,173,953
Total Expenditures	\$19,646,390	\$20,847,585

Change in Net Assets
Unrealized Pension Plan Market Gain (Loss)

\$107,371
(\$1,282,431)

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND AN ECONOMIC AND PHYSICAL
DEVELOPMENT PROJECT**

AT A REGULAR MEETING HELD ON THE 24TH DAY OF JUNE 2014

WHEREAS, the Economic and Physical Development Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to a performance grant for a period of approximately two (2) years to UNION SETTLEMENT ASSOCIATION to screen, diligence and package loan requests for East Harlem businesses for the Business Resource and Investment Service Center, Inc. (the “Project”); and

WHEREAS, the Economic and Physical Development Committee has found it to be a desirable project, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a two (2) year grant not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Union Settlement Association – A \$240,000 grant for the identification, completion and submission of loan packages to UMEZ and BRISC for funding consideration.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to Union Settlement Association (the “Initiative”) for the identification, completion and submission of loan packages to UMEZ and BRISC for funding consideration, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for Grant to Union Settlement Association Initiative and
to Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone
Development Corporation ("UMEZ")
55 W 125th Street, 11th floor
New York, NY 10027

Contact: Kenneth J. Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A \$240,000 grant for the identification, completion and
submission of loan packages to UMEZ and BRISC for
funding consideration.

Total Initiative Cost: \$240,000

Proposed Empowerment Zone \$240,000 (Grant)
("EZ") Investment:

Funding Sources:

Federal EZ SSBG Funds:	\$	80,000
State EZ Funds:	\$	80,000
City EZ Funds:	\$	80,000
TOTAL	\$	240,000

Fiscal Year: 2015

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant from UMEZ to Union Settlement Association. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of recovered grants is subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Prepare and present up to 30 loan packages to BRISC or other alternate lending sources

V. Residents Benefits

This Initiative will benefit EZ residents by:

- Same as above

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.
- Achieve or maintain self-sufficiency by reducing or preventing social dependency.

This initiative will meet the following Federal programmatic options:

- New physical infrastructure development, which is feasible, attainable in the current economic environment and sustainable.
- Permanent job creation, including without limiting the foregoing, promotion, encouragement and creation of opportunities for small, medium and large business development in the EZ/EC that will create permanent jobs for the Enterprise Zone.
- Increasing the number of permanent-job creating new businesses in the EZ/EC.
- Leveraging of Federal, State, and City EZ/EC funding and not-for-profit funding with private capital.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Union Settlement Association – a \$240,000 grant to provide technical assistance to potential small business borrowers.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to Union Settlement Association (the “Initiative”) to provide technical assistance to potential small business borrowers, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

To: New York Empowerment Zone Corporation Board of Directors (the "Board")
From: Kenneth J. Knuckles, UMEZ, President & CEO
Date: June 30, 2014
Subject: Union Settlement Association (Union Settlement)
Request: \$240,000 Performance Grant

INITIATIVE SUMMARY

Organization: Union Settlement Association

Project Manager: Joseph Middleton

Contact: David Nocenti, Executive Director

Current Address: *Current Address:*
237 East 104th Street
New York, New York 10029

Phone (212) 828-6046

Type of Business: Not-For-Profit

Tax Structure: 501(C) (3)

IRS Tax ID#: 13-1632530

Year of Formation: 1895

Financing Requested: \$240,000 (Performance Grant)

Funding Sources:	Federal EZ funds	\$80,000.00	Grant
	State EZ funds	80,000.00	Grant
	City EZ funds	<u>80,000.00</u>	Grant
	TOTAL	\$240,000.00	

Employment: 2.5 Full Time Equivalents

INVESTMENT PROPOSAL

The Upper Manhattan Empowerment Zone (UMEZ) staff seeks Board of Director's approval of a two year performance based grant up to \$240,000 to the Union Settlement Association (Union Settlement) to (i) identify potential loan clients seeking to borrow \$50,000 or more, (ii) package (assemble all documents necessary for an initial review) and (iii) deliver to the UMEZ for funding consideration by the Business Resource and Investment Service Center (BRISC).

Union Settlement replaces the East Harlem Business Capital Corporation (EHBCC) as UMEZ's community partner service provider in East Harlem. Because of a reduced level of funding, opportunities for small business service non-profits, EHBCC is in the process of being dissolved and its key staff members will be retained by Union Settlement to the business services outlined in this funding quest. The experienced staff of what was once EHBCC combined with the organizational provided by Union Settlement allows for the continued provision of crucial technical assistance to the area's small businesses and aspiring entrepreneurs. As a small business services technical assistance service provider in East Harlem, the Union Settlement will be compensated at an agreed upon rate for each complete packaged loans from businesses located in or seeking to locate in the area defined as the Upper Manhattan Empowerment Zone. For this product/service, Union Settlement will be compensated at a per unit rate of \$10,000 per completed plan up to maximum of \$240,000 for 24 complete loan packages.

UMEZ Staff believes this proposal meets the following investment criteria established by the UMEZ:

Investment Criteria		Comment
<input checked="" type="checkbox"/>	Strategic fit	Meets UMEZ's goals of increasing sustainable businesses and cultivating entrepreneurship in local neighborhoods.
<input checked="" type="checkbox"/>	Sustainable business	Union Settlement is an established local organization with more than a 110 year presence in the East Harlem community.
<input checked="" type="checkbox"/>	Realistic business plan	Program/project targets are consistent with the staff's capacity to produce the identified services.
<input checked="" type="checkbox"/>	Experienced management	Union Settlement has an experienced team of professionals in that manages this community-based organization.
<input checked="" type="checkbox"/>	Job retention	The proposed performance based grant provides support for Union Settlement's existing administrative and operating staff and help the organization leverage other funds that could attract key personnel to the organization.
<input checked="" type="checkbox"/>	Efficient investment	The structure of the proposed funding places the entire recommended amount "at risk" with the disbursement of payments based on the achievement or delivery of the targeted service goals. Non performance will have a financial consequence

		to the funded organization.
<input checked="" type="checkbox"/>	Community impact	The investment seeks to identify and provide technical assistance to help stabilized existing and start-up businesses.

PRELIMINARY TERMS

The following table summarizes the key terms for the Union Settlement performance grant.

SUMMARY OF FUNDING TERMS	
Grantee:	Union Settlement Association
Amount:	\$240,000 performance grant, to be implemented via two one-year program cycles.
Purpose:	To compensate the organization for identifying, assisting and packaging loan request to UMEZ and BRISC.
Grant Term:	July 1, 2014 through June 30, 2016
Other Requirements:	For each complete submission to UMEZ/BRISC, Union Settlement will be compensated \$10,000. For loan packages presented to other alternative lending sources, Union Settlement will be compensated at a reduced rate of \$5,000/package. The maximum number of such packages that Union Settlement will be compensated for is 12 loans per year for two years. No fewer than nine of the total packaged loans per year shall be prepared and presented to UMEZ/BRISC. Semi-annual evaluation of the organization's performance.

COMPANY DESCRIPTION

Union Settlement Association is nonprofit corporation created as an advocate for the needs of underserved communities. Since opening our doors in 1895, the organization has worked to bring education, wellness and community-building programs to the neighborhood by empowering individuals with opportunities to better their lives.

Union Settlement program and service include the following; adult education, college readiness, early childhood services, HIV programs, mental health services, senior services and youth focused programs.

Seeking to expand its service offerings and to further empower individuals, the Union Settlement FCU was chartered in 1957. The credit union is a non-for profit, member owned, financial cooperative dedicated to the economic development of East Harlem Community. It's field of membership includes anyone who lives, works, worships, attends school or participates in a program within the boundaries of 90th Street north to 125th Street, and from the East River Drive to the East side of Fifth Avenue. Earlier this year the Union Settlement FCU merged with the Lower East Side People's Federal Credit Union (LES People's FCU). LES People's FCU was chartered in 1986 as a member-owned, not-for-profit, community development financial institution. Its mission is to stimulate economic and community development by providing a safe, affordable and democratic alternative to traditional banks and by reinvesting its members' money in the communities it serves.

Through this merged entity, LES People's FCU will offer a wide range of loan products for entrepreneurs operating retail businesses, restaurants, service and wholesale businesses, and light manufacturers. It also offers loans to small property owners that house 1 to 4 families and commercial spaces.

These loans can be used to purchase inventory, supplies or materials, acquire and/or improvement of machinery, equipment or real estate and provide working capital for growing businesses. The credit union credit facilities include a (1) a small business lending facility which provides small business loans of up to \$250,000 and (2) microenterprise loans of up to \$15,000.

Lower East Side People's Federal Credit Union also partners with the Small Business Administration (SBA) to offer loans through its SBA Express loan program.

More information on other Union Settlement programs is provided in Attachment A of this document.

UMEZ's relationship with the East Harlem community via our partnership with EHBCC dates back to 2000. The value of the six previously completed commercial revitalization and business services performance grants to the community totals more than \$3,262,000.

PROJECT DESCRIPTION

The demand for small business loans has been an ongoing concern in many areas of northern Manhattan. And while UMEZ has created and supported many facilities to meet the demands in this area, the sustained outreach and technical support required to do so have limited its effectiveness. Via the proposed program, Union Settlement will provide direct technical assistance and loan packing support to local businesses and entrepreneurs seeking to acquire financing from UMEZ and its small business lending facility through the BRISC. Upon the delivery of the agreed upon product, Union Settlement will be compensated at an agreed upon rate for the actual delivery of that product to UMEZ/BRISC.

This funding proposal ensures that the local demand for capital, especially from qualified entrepreneurs and small business who are somewhat challenged, will be met. Union Settlement is in a unique position to continue to provide local small businesses and entrepreneurs with needed assistance in applying for capital and acquiring technical assistance and training. The addition of key staff members from the East Harlem Business Capital Corporation augments Union Settlement's capacity as a value added service provider to small business in East Harlem.

Union Settlement's 115+ year presence in the East Harlem Community and provides a unique platform to provide this service to the community.

In addition to staff experience, Union Settlement will incorporate into its business services offering some of EHBC most successful technical assistance program offerings. Those program offerings include following:

- The *BusinessWise* Program - an intensive 54-hour seminar designed to train entrepreneurs in specific business skills. Participants of this program study marketing, business management, bookkeeping, basic accounting, insurance, licensing, managing credit, collecting and paying taxes, budgeting/cash projection and the fundamentals of business law.
- A broad range one-on-one technical assistance, which includes assistance with incorporation, obtaining EIN numbers, obtaining specific certifications (Business Certificates, Food Handler, MWBE, etc.), identifying available commercial spaces and interpreting commercial leases.
- Via a carry-over grant from EHBC from the NYC Department of Small Business Services, Union Settlement will offer technology training including a three-hour course of Basic Computer Skills, a 21-hour course in Microsoft Office suite (Word, Excel, PowerPoint and Outlook) and a 12-hour course in QuickBooks.

Program staff will also conduct extensive marketing and outreach to the East Harlem community to attract qualified prospective loan applicant for their loan packaging service.

Performance Benchmarks

The sole benchmark of this proposed funding request is the production and submission of a complete packaged loan request to UMEZ/BRISC. For each complete submission to UMEZ/BRISC, Union Settlement will be compensated \$10,000. For loan packages presented to other alternative lending sources, Union Settlement will be compensated at a reduced rate of \$5,000/package. The maximum number of such packages that Union Settlement will be compensated for is 12 loans per year for two years. No fewer than nine of the total packaged loans per year shall be prepared and presented to UMEZ/BRISC.

The proposed payment structure was derived from a review of Union Settlement's staff time and cost allocation plans and compensates them for time, effort, and organizational resources devoted to the actual delivery of an end product to UMEZ/BRISC.

Product Benchmark

The process for provision and delivery of the product being sought from Union Settlement will have three essential steps.

1. UMEZ/BRISC staff approval and periodic updates on the status of the business entity seeking a loan from UMEZ/BRISC. This step will ensure the legitimacy of all applicants.
2. Collection, review and evaluation of all documentation submitted by the prospective client for completion and appropriateness. This step will ensure the integrity and validity of the support documentation provided.
3. Submission of a complete loan package product on behalf of the potential loan client to UMEZ/BRISC.

A completed product submission per Step 3 above must include no fewer than items #1 through #9 below plus any additional item as defined by the type of funding request.

Documents Required for Initial Review

1. Completed Loan Application
2. Copy of Certificate of Incorporation or DBA/Business certificate
3. Copy of the Commercial Lease
4. Executive Summary or Comprehensive Business Plan
5. Last 3 Yrs. Business Tax Returns and Financial Statements for an Existing Business
6. Last 3 Yrs. Personal Tax Returns of the Principal(s)
7. Copy of Business Bank Statements – last 12 months (if applicable)
8. Completed Personal Financial Statement form (dated within 30 days of

application)

9. Completed Vendex Forms

Additional Documents Required – Loans for Renovations

- 10. Identify renovations needed and corresponding costs
- 11. Submission of at least three (3) estimates from contractors
- 12. Letter of authorization from the landlord for the renovations

Additional Documents Required – Loans for Machinery and/or Equipment

- 13. Vendor estimates or purchase order
- 14. Description of machinery and/or equipment

Additional Documents Required – Loans to Purchase a Business

- 15. Copy of Purchase or Sales Agreement
- 16. Last 3 Yrs. Business Tax Returns and Financial Statements

More information on other Union Settlement program is provided in Attachment A of this Document.

DUE DILIGENCE

UMEZ Staff has familiarized itself with the operations and programs of Union Settlement through a review of the following: time and cost allocation information between program versus administrative duties by each team member; and direct communications with the principals while performing the following due diligence work.

INVESTMENT ISSUES—MERITS AND CONSIDERATIONS

MERITS	CONSIDERATIONS
<ul style="list-style-type: none">• Union Settlement will be paid only upon the delivery of a completed product• Program builds and extends the capacity of local business• Staff capacity	<ul style="list-style-type: none">• Pay for product model• Limited job retention via the organization, however substantial job creation and retention could be realized by local businesses

Key Merits:

- **Union Settlement will be paid only upon the delivery of a completed product** - The structure of the proposed grant places the entire grant amount “at risk” with payment to be made if and only when the grantee delivers a final product. Non performance essentially means no payment.
- **Capacity building platform** – From a strategic perspective, this grant is part of UMEZ’s overall small business strategy. It will increase the capacity of local businesses to access UMEZ funded loan programs by providing the technical assistance and support needed for funding consideration.
- **Staff capacity** – Union Settlement will be utilizing the staff and consultants from the former East Harlem Business Capital to deliver the end product for this agreement. Only those staff members are factored in the cost of delivering the service and product

Key Considerations:

- **Pay for product model** – Funding model assumes some level of solvency with respect to service provider. Union Settlement will be required to expend its resources and capital in advance in anticipation of acceptance and payment for submitted to UMEZ/BRISC. Beyond compensating the organization, as per their staff and cost allocations, the funding and payment model will remain oblivious to other operational and cash flow hardships the organization may encounter.
- **No direct job creation** – The proposed grant will compensate the grantee for only those personnel who contributes to the production of a complete loan package. It is hoped that the proposed grant will help the organization to leverage other funds that could attract key personnel to the organization. It is also hoped that through the services offered to the small business community (e.g., creating access to capital though loan packaging), increases in employment from the small business sector will result from their stabilization and growth.

RECOMMENDATION

The UMEZ Staff seeks the Board’s approval of a two-year \$240,400 performance grant to Union Settlement Association for the identification, completion and submission of loan packages of \$50,000 or greater to the Upper Manhattan Empowerment Zone and the Business Resources and Investment Service Center for funding consideration.

ATTACHMENTS

ATTACHMENT A – Union Settlement Programs

ATTACHMENT B – Union Settlement Financial Statements

ATTACHMENT A

UNION SETTLEMENT ASSOCIATION Programs

Adult Education program – An Adult Education Program that has 20 years of experience in helping East Harlem residents improve their literacy skills, gain citizenship, increase their computer aptitude and achieve their educational and career goals.

College Readiness - The mission of the Settlement College Readiness Program (SCRIP) is to enable New York City students to gain access to higher education through a unique program of counseling, academic enrichment and internship opportunities.

Early Childhood - Union Settlement's Early Childhood Program provides one-sixth of all childcare services in East Harlem.

Manhattan HIV CARE Network - East Harlem suffers from the city's second highest cumulative AIDS and living AIDS case rates. Each year, close to 200 community residents are diagnosed with HIV.

Mental Health - Union Settlement Mental Health Services is comprised of four specialized programs designed to address the varying needs of children, adolescents, adults and older persons living in East Harlem and citywide.

Senior Services - One of the largest providers of services to the elderly in East Harlem, Union Settlement currently serves over 1,200 older adults at their senior centers located throughout East Harlem and 400 additional homebound seniors through their Meals-on-Wheels program.

Youth at Union - Burdened with failing schools, high dropout rates and the threats posed by crime, substance abuse and hopelessness, East Harlem's young men and women are actively seeking opportunities to build brighter futures. Youth at Union provides such opportunities.

Small Business Lending

The Lower East Side People's Federal Credit Union offers a wide range of loan products for entrepreneurs operating retail businesses, restaurants, service and wholesale businesses, and light manufacturers. They also offer loans to small property owners that house 1 to 4 families and commercial spaces.

Small Business Loans small business loans of up to \$250,000. These loans require 20% collateral (as a deposit in a new business account), and offer interest rates of prime plus 4% to prime plus 12% (currently 7.25%-15.25 %*), depending on overall qualifications of borrower.

Microenterprise Loans up to \$15,000. These loans are designed to increase access to credit and opportunities, especially for women and minorities. Microenterprise loans require 15% collateral (as a deposit in a new business account), and are often coupled with complementary business assistance services. The interest rates range from prime plus 7.74% to prime plus 12.74% (currently 10.99%-15.99% *), depending on credit score.

SBA Express loan program provides an accelerated 36-hour turnaround time for SBA review loan guarantee program. Under this SBA guarantee program the interest rate is prime plus 4.5% for loans of more than \$50,000, and prime plus 6.5% for loans of less than \$50,000 (currently 7.75% and 9.75%, respectively*).

ATTACHMENT B UNION SETTLEMENT ASSOCIATION

STATEMENT OF FINANCIAL POSITION For the fiscal year ended June 30, 2013

	2012	2013
	AUDITED	UNAUDITED
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$190,284	\$305,773
Investments	249,911	247,081
Accounts Receivable	788,864	1,228,199
Prepaid Expenses	2,322	54,190
Other	13,000	
Due From Government	2,200,641	2,438,254
Total Current Assets	3,445,022	4,273,497

Long Term Assets:

Fixed Assets, Net	85,587	77,584
Total Long Term Assets	85,587	77,584
Total Assets	\$3,530,609	\$4,351,081

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$1,124,364	\$867,915
Accrued wages and fringes	802,319	1,423,009
Advances Payable	114,270	
Deferred Income	150,000	100,000
Due to Government	197,859	482,838
Current Portion of Pension	320,000	320,000
Total Current Liabilities	2,708,812	3,193,762

Long Term Liabilities:

Liability for Pension Benefits	4,100,538	3,812,752
Total Long Term Liabilities	4,100,538	3,812,752
Total Liabilities	6,809,350	7,006,514
Unrestricted	(3,482,779)	(3,021,225)
Temporarily Restricted	29,573	118,750
Permanently Restricted	174,465	247,042
Total Net Assets	-3,278,741	-2,655,433

Total Liabilities and Net Assets

	\$3,530,609	\$4,351,081
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STATEMENT OF ACTIVITIES For the fiscal year ended June 30, 2013

	2012	2013
	AUDITED	UNAUDITED
TOTAL SUPPORT AND REVENUES		
Foundations/Corporations	\$1,065,027	\$1,447,956
Individuals	358,773	504,468
In-kind Services	1,386,260	1,220,619
Other Community groups	1,717,043	1,673,455
Government Grants and Contracts	9,300,980	11,107,627
Program and Managed Care	4,383,249	3,609,786
Other Revenues	1,542,429	1,454,459
Total Support and Revenues	\$19,753,761	\$21,018,370

EXPENDITURES

Youth Services	\$2,991,675	\$2,922,181
Early Childhood Services	6,513,085	8,654,960
Services for Older Adults	2,041,173	2,322,669
Counseling and HIV Care Services	4,136,195	4,280,681
Adult Education	359,661	340,129
Other Program Services	380,051	153,012
Total Program Services	\$16,421,840	\$18,673,632

ADMINISTRATIVE COSTS

Administrative Support	\$2,846,956	\$1,760,185
Publicity and Fundraising	377,594	413,768
Total Administrative Costs	3,224,550	2,173,953
Total Expenditures	\$19,646,390	\$20,847,585

Change in Net Assets

Unrealized Pension Plan Market Gain (Loss)	\$107,371	\$170,785
	(\$1,282,431)	\$444,695

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND AN ECONOMIC AND PHYSICAL
DEVELOPMENT PROJECT**

AT A REGULAR MEETING HELD ON THE 24TH DAY OF JUNE 2014

WHEREAS, the Economic and Physical Development Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to a performance grant for a period of approximately two (2) years to UNION SETTLEMENT ASSOCIATION to screen, diligence and package loan requests for East Harlem businesses for the Business Resource and Investment Service Center, Inc. (the “Project”); and

WHEREAS, the Economic and Physical Development Committee has found it to be a desirable project, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a two (2) year grant not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Union Settlement Association – A \$240,000 grant for the identification, completion and submission of loan packages to UMEZ and BRISC for funding consideration.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to Union Settlement Association (the “Initiative”) for the identification, completion and submission of loan packages to UMEZ and BRISC for funding consideration, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed TWO HUNDRED FORTY THOUSAND DOLLARS (\$240,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for Grant and Loan to Washington Heights and Inwood
Development Corporation and to Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone
Development Corporation ("UMEZ")
55 W 125th Street, 11th floor
New York, NY 10027

Contact: Kenneth Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A \$400,000 loan and \$75,640 grant to Washington Heights
and Inwood Development Corporation for its Business
Operating Success System ("BO\$\$") micro business loan
program.

Total Initiative Cost: \$475,640

Proposed Empowerment Zone \$400,000 (Loan)
("EZ") Investment: \$75,640 (Grant)

Funding Sources:

Federal EZ SSBG Funds:	\$	133,334	Loan
State EZ Funds:	\$	133,333	Loan
City EZ Funds:	\$	133,333	Loan
Federal EZ SSBG Funds:	\$	25,214	Grant
State EZ Funds:	\$	25,213	Grant
City EZ Funds:	\$	25,213	Grant
TOTAL	\$	475,640	

Fiscal Year:

2015

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant/loan.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant/loan from UMEZ to Washington Heights and Inwood Development Corporation. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of interest and principal payments for loans made under this initiative is further subject to the approval of New York Empowerment Zone Corporation's Board of Directors. The disposition of recovered grants is likewise subject to Directors' approval.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Create new small businesses
- Provide loans ranging from \$400 to \$50,000

V. Residents Benefits

This Initiative will benefit EZ residents by creating jobs and strengthening businesses.

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.
- Achieve or maintain self-sufficiency by reducing or preventing social dependency.
- Prevent or remedy the neglect, abuse, or exploitation of children and adults incapable of protecting their own interests and/or preserve, rehabilitate or reunite families.

This initiative will meet the following Federal programmatic options:

- Economic development services focused on disadvantaged adults and youths including skills training, transportation services and job, housing and financial management counseling.
- Permanent job creation, including without limiting the foregoing, promotion, encouragement and creation of opportunities for small, medium and large business development in the EZ/EC that will create permanent jobs for the Enterprise Zone.
- Increasing the number of permanent-job creating new businesses in the EZ/EC.
- Leveraging of Federal, State, and City EZ/EC funding and not-for-profit funding with private capital.
- The needs of existing businesses in the EZ/EC, including without limiting the foregoing, expansion of such existing businesses to stimulate job creation.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

To: New York Empowerment Zone Corporation Board of Directors (the "Board")
From: Kenneth J. Knuckles, UMEZ, President & CEO
Date: June 24, 2014
Subject: Washington Heights and Inwood Development Corporation Business Operating Success System Micro Business Loan Program
Request For: \$400,000 Loan
\$75,640 Grant

INITIATIVE SUMMARY

COMPANY: Washington Heights and Inwood Development Corporation
PROJECT MANAGER: Hope Knight, COO, UMEZ
CONTACT: Dennis C. Reeder
ADDRESS: 57 Wadsworth Ave.
NY, NY 10033
PHONE/FAX: (212) 795-1600 / (212) 781-4051
TYPE OF BUSINESS: Micro Business Loan Program
TAX STRUCTURE: 501c(3)
IRS TAX ID#: 13-2930346
DATE INCORPORATED: August 9, 1978
TOTAL PROJECT COST: \$475,640
FINANCING REQUESTED: \$400,000 (Loan)
\$ 75,640 (Grant)

FUNDING SOURCES:

Uses of Funds

Loan Pool	\$400,000
<u>Admin. Support</u>	<u>75,640</u>
TOTAL	\$475,640

Sources of Funds

<u>Sources of Funds</u>	<u>Amount</u>	<u>% of Total</u>	<u>Security</u>	<u>Terms</u>
Federal EZ funds	\$ 133,333.34	28.0	Loan	3.00%, 5 Yrs.
State EZ funds	133,333.33	28.0	Loan	3.00%, 5 Yrs.
City EZ funds	133,333.33	28.0	Loan	3.00%, 5 Yrs.
Federal EZ funds	25, 213.34	5.33	Grant	
State EZ funds	25, 213.33	5.33	Grant	
<u>City EZ funds</u>	<u>25, 213.33</u>	<u>5.33</u>	<u>Grant</u>	
TOTAL	\$475,640.00	100.0%		

PROPOSAL SUMMARY

The Washington Heights and Inwood Development Corporation (WHIDC) is proposing to augment the capacity of its Business Operating Success System ("BO\$\$") Micro Business Loan Program with a \$400,000 loan and \$75,640 grant from the Upper Manhattan Empowerment Zone ("UMEZ"). The loan program currently services entrepreneurs and small businesses located primarily within the Washington Heights and Inwood community of Manhattan. The requested \$400,000 loan would be used as loan capital and the \$75,640 grant would be used to cover the costs of assisting, marketing, evaluating, monitoring and servicing loan applicants/awardees. WHIDC is seeking a loan with an interest rate of 1% and a term of five (5) years.

DESCRIPTION OF BUSINESS

WHIDC was organized in 1978 to serve the residents and businesses in the Washington Heights and Inwood section of northern Manhattan. WHIDC's initial program was centered on commercial revitalization and capital improvements to 181st Street. Other efforts included a housing development program, as well as the development of a marina/restaurant facility on the Hudson at Dyckman Street.

The BO\$\$ Micro Business Loan Program has made 387 loans totaling over \$5,887,000 since the loan program's first loan in 1995. The size of those loans ranges from \$100 to \$50,000. Two thirds of these loans have gone to small storefront businesses with the balance going to street vendors, and in-home businesses. A third of their loans go to start-up businesses. Of the loans to individuals, 96% have gone to minority- owned and over 40% went to women-owned businesses. The current minimum loan is \$400 with a maximum of \$50,000 with an average interest rate of 6% per year.

The BO\$\$ loan program fills the need for commercial loans in amounts under \$50,000. Small loans of this size are impossible to get from banks, the SBA and other community loan programs. This reality reduces the ability of northern Manhattan entrepreneurs with limited funds to start or maintain businesses. Because of cultural and language difference, the vast majority of micro-entrepreneurs will not travel outside of their community to secure business assistance, especially if their capital needs are less than \$20,000. This creates a strong need to provide micro business development services in their communities that will assist them directly. BO\$\$'s loan program has successfully filled that need and will continue to do so with the support of UMEZ and other lending institutions.

UMEZ Staff seeks approval recommendation from the Board of a \$400,000 term loan and \$75,640 UMEZ restricted grant to Washington Heights Inwood Development Corporation, to help meet the growing demand for micro-loans in Upper Manhattan.

UMEZ Staff believes this proposal meets the investment criteria established by the UMEZ Board:

Investment Criteria		Comment
<input checked="" type="checkbox"/>	Strategic fit	WHIDC's model is in line with UMEZ's goals of attracting new businesses, creating jobs and increasing sustainable businesses

<input checked="" type="checkbox"/>	Sustainable business	WHIDC was created in 1978 and has been lending to small and micro-businesses since 1995 (more than 22 years)
<input checked="" type="checkbox"/>	Realistic business plan	Projections are based on historical growth trends for WHIDC
<input checked="" type="checkbox"/>	Experienced management	WHIDC is comprised of an experienced team of professionals in lending, financial literacy, and community development finance
<input checked="" type="checkbox"/>	Predictable cash flows	WHIDC has a stable portfolio with a loan repayment rate >93%
<input checked="" type="checkbox"/>	Adequate capital structure	WHIDC is continuously fundraising and closely aligning lending with new capital commitments. Program funding and loan fund capitalization has stable and responded to market demands.
<input checked="" type="checkbox"/>	Creation of at least 5 jobs	Based on the projected number of immediate borrowers, the \$400,000 loan will facilitate lending to at least 15 businesses and will help to create and sustain over 20 jobs (principally through self-employment).
<input checked="" type="checkbox"/>	Efficient investment	WHIDC's lending model and experience should allow for efficient deployment of loan capital in target market.
<input checked="" type="checkbox"/>	Community impact	The investment provides needed capital for an underserved business population with loans averaging \$25,000. In addition to capital, the investment will assist in providing technical assistance and build financial literacy amongst borrowers.

PRELIMINARY TERMS

The following table summarizes the key terms for the each facility. Refer to the attached Term Sheet for additional details.

Facility A: \$400,000 UMEZ Loan

SUMMARY LOAN TERMS	
Borrower:	Washington Heights and Inwood Development Corporation
Security Type:	Unsecured Loan
Principal Amount:	\$400,000
Purpose:	To provide micro-loans for Upper Manhattan businesses and entrepreneurs
Maturity:	Five (5) years from closing
Repayment:	Upon the fifth (5 th) anniversary of the closing date, a lump-sum principal payment of \$400,000 is required
Conditions:	N/A
Ranking:	Pari-passu with other unsecured creditors

Covenants:	<ul style="list-style-type: none"> • Disbursements made in \$100,000 tranches. However, 75% of the proposed capitalization must be deployed before the final tranche is released. • Loan proceeds funds may only be used for loan capital to small businesses located within or in close proximity to the boundaries of the Upper Manhattan Empowerment Zone. • Quarterly loan production reports • Semi-annual financial statements of the Borrower • Annual audited financial statements of the Borrower • Loans disbursed with these funds will be limited to a maximum (1) application fee of 1%, (2) a maximum interest rate of 9% and (3) no closing cost. • Borrower will continue to operate the organization in a manner consistent with past practices • Cross-default provisions with loan covenants of other lenders
Coupon:	1% coupon

Facility B: UMEZ Restricted Grant up to \$75,640

SUMMARY GRANT TERMS	
Borrower:	Washington Heights and Inwood Development Corporation
Security Type:	Restricted Grant
Amount:	\$75,640
Purpose:	To provide subsidy for Program Expenses incurred on a reimbursement basis.
Grant Maturity:	December 31, 2015
Disbursement:	<ul style="list-style-type: none"> • \$25,000 initial advance to be disbursed at loan closing • \$12,740 to be made available at the end of the program's third quarter with proof of expenditures relating to the initial disbursement • \$12,700 to be made available at the end of the program's fourth quarter with proof of expenditures relating to the second disbursement • \$12,700 to be made available at the end of the program's fifth quarter with proof of expenditures relating to the second disbursement • \$12,500 to be made available at the end of the program's final quarter with proof of expenditures relating to the third disbursement
Requirements:	Grant will be restricted to the reimbursement of Program Expenses

SOURCES AND USES

SOURCES			USES		
UMEZ Grant	\$75,640	16.0%	Reimbursement of Program Expenses	\$75,640	16.0%
UMEZ Loan	\$400,000	84.0%	Upper Manhattan Loan Capital	\$400,000	84.0%
Total	\$475,640	100.0%	Total	\$475,640	100.0%

UMEZ seeks to provide a \$475,000 commitment to WHIDC which will include a \$400,000 unsecured loan and a \$75,640 restricted grant to support greater demand for small and micro-business loans and provide a subsidy for Program. The \$400,000 loan will be used to help meet the demand for capital to low-income entrepreneurs in northern Manhattan. The \$75,640 grant will be disbursed for expenses and will be restricted to the reimbursement of program overhead expenses such as rent, office expenses and salaries.

PROJECT SUMMARY

The Washington Heights and Inwood Development Corporation (WHIDC) was organized in 1978 to serve the residents and businesses in Northern Manhattan. The primary mission of WHIDC is to encourage the development and retention of businesses and jobs in the community through the provision of capital, research, technical, management and commercial revitalization services to entrepreneurs and business owners. WHIDC's business development services are directed primarily to businesses in Washington Heights, Inwood, Harlem, East Harlem, Marble Hill and the Western Bronx.

WHIDC has over 36 years of experience in economic development activities in the Washington Heights community. Dennis Reeder, the organization's Executive Director, has been with WHIDC since 1980 and developed and now directs the BO\$\$ micro-loan program.

WHIDC employs four full-time staff members. The Executive Director, Dennis Reeder, manages and directs the BO\$\$ TA and lending programs; Counselor/Loan Officer, Zuleika Gavilanes, evaluates client credit worthiness and provides one-on-one business counseling; Business Counselor/Loan Officer, Maria Bassallo; and Business Counselor, Geiny Paulino, provides classroom training and one-on-one business counseling to the organization's Childcare Business Development Program participants and graduates.

The organization's annual operating budget of \$528,000 supports the following programs.

The BO\$\$ Micro Business Loan Program was one of the first Community Development Financial Institutions certified by the US Treasury Department in New York.

BO\$\$ Childcare Business Development Program: This program provides Spanish language business development/self employment services to in-home and group childcare providers in Upper Manhattan. The program includes a 22-session Spanish-language classroom training seminar that assists enrollees with marketing skills, accounting systems, finance, taxes, contracts, liability issues and success planning.

La Plaza De Las Americas: WHDC has managed the year-round La Plaza De Las Americas street vendors market on West 175th Street between Wadsworth and Broadway since 1994. La Plaza serves as a micro-business "incubator" for between 20 and 50 individuals (depending on the season).

DESCRIPTION OF PROJECT: *Business Opportunity Success System ("B.O.\$.\$")*

BO\$\$ focuses on the delivery of capital, technical assistance and referral services to micro-enterprises. WHDC defines micro-enterprises as those businesses with less than ten employees and annual gross income of less than \$500,000.

WHDC, through its BO\$\$ micro business development program, operates a loan program to service very small businesses. From its first loan in April of 1995 through December 31, 2013, the program has awarded over \$5,887,695 to 387 micro-entrepreneurs. Their maximum loan size is \$50,000, although they do make larger loans to certain targeted business types that show particular potential and have documented needs.

Most BO\$\$ loans are made to business operators who either live in or operate their business in Washington Heights and Inwood, which is defined as all of Manhattan north of 155th Street. They also make loans in Harlem and the Western Bronx.

BO\$\$ Loans are made only to individuals. Individuals may apply for a loan on behalf of their corporation or partnership, but will be personally liable for the loan. Loans can be used for any legitimate business purpose such as cash flow, equipment, inventory or debt refinancing.

Micro business owners/entrepreneurs may apply for a BO\$\$ loan in any amount from \$400 to \$50,000. Referrals for larger loans are made to traditional and alternative lending institutions. The current interest rate for the BO\$\$ loan program participants is 9% per year. The maximum term of BO\$\$ loans under \$10,000 is usually one year. Their maximum term for regular BO\$\$ loans is five years.

There is a non-returnable loan application fee of \$25 for BO\$\$ loans ranging from \$400 to \$1000, \$75 for loans from \$1001 to \$5,000, \$150 for loans from \$5,001 to \$10,000 and \$200 for loans from \$10,001 to \$20,000 and 1% of the loan amount for loans over \$20,001. Fees and monthly loan payments must be made by check or money order. There are no closing costs or prepayment fees.

For BO\$\$ loans, the owner/entrepreneur must provide WHDC with evidence of having a good credit history. Such evidence might include three consecutive months of paid rent, telephone, utility, car or other loan payments. Applicants must provide WHDC with proof of their income, such as pay stubs and/or a copy of their W-2 form or last year's personal ("Schedule C") or business income tax return.

Loans over \$50,000 can be secured through linkages with other lenders. Those larger loans may require more detailed documentation and may require a minimum of two to three years of tax returns, collateral and audited financial statements. The fee structure for those larger loans may differ, based on the loan provider.

The average time between the submission of a completed application and the approval/check disbursement is four weeks.

The BO\$\$ micro business loan program has been made possible by an initial capitalization grant from JP Morgan Chase with additional grants in support of the program's capitalization and/or from HSBC Bank USA, Bank of New York, Capital One, Apple Bank, the Empire State Development Corporation, and the US Small Business Administration.

UMEZ funds will be used for the following: (i) \$400,000 would be used to capitalize the organization's revolving loan fund and (ii) a \$75,460 grant would be used to cover the costs of assisting, marketing, evaluating, monitoring and servicing loan applicants.

BO\$\$ Program Performance

During 2012, the organization approved 13 loans and deployed \$316,850 to area businesses. The average loan size was \$24,352 with an average interest rate of 6% and three year term. As of December 31, 2013, the organization active portfolio consisted of 53 loans with a total outstanding principal balance of \$861,108. The program's delinquency rate, for the same period ending date, was 3.62%. That delinquency rate is slightly higher than the delinquency rate for Acción -- 3.0% for 2012.

WHDC/BO\$\$ Loan Quality Report as of 12/31/13

	# Loans	Principal
Total# of Loans/Principal Outstanding as of 12/31/13:	52	\$ 861,108
Principal Loans <u>Current</u> as of 12/31/13:	39	\$ 829,917
Delinquency Status		
<u>Past Due</u> 31-60 days:	6	\$ 3,354
<u>Past Due</u> 61-90 days:	3	\$ 17,131
<u>Past Due</u> 91+ Days:	4	\$ 10,706
Total Principal Late of as 12/31/13	13	\$ 31,191
Delinquency Ratio (\$31,191+\$861,108)	3.62%	
Writeoffs	4	\$ 27,155
Loan Loss Rate	3.15%	
Total Loan Loss Reserve Cash as of 12/31/13:	\$132,029	
Loan Loss Reserve Ratio (reserves/principal)	15.33%	

Current funding sources for the loan fund include HSBC, Apple Bank, Empire State Development Corporation, BOC Partnership and the U.S. Small Business Administration.

DOES THE PROPOSAL MEET EZ INVESTMENT CRITERIA?

A. Impact

- The program will provide access to loans of at least \$50,000 to small and micro-businesses in the Washington Heights and Inwood community.

- Allowing for owner equity investments, continued moderate default rates, and maintenance of interest rates at current levels, the UMEZ \$400,000 investment will leverage an equivalent amount from other sources for additional investment in Upper Manhattan.

B. Feasibility

- Recommended UMEZ investment will immediately increase WHDC's capacity to lend to at least 15 businesses.
- The UMEZ investment is expected to leverage an amount equal to or greater than the proposed investment amount of \$400,000 from various entities.

C. Sustainability

- The BO\$\$ loan fund is currently capitalized at approximately \$900,000, consisting of private and public sector grants, loans and a line of credit.
- Less than 6% of all loans made have been written off.
- Since closing on its initial loan to its first client in March 1995, WHDC has made 387 loans totaling \$5,887,695.

D. Management

- WHDC has over 36 years of experience in economic development activities in the Washington Heights community. Dennis C. Reeder, Executive Director, has been with WHDC since 1980 and developed and directed the BO\$\$ micro-loan program.

E. Strengths

- WHDC has operated the BO\$\$ micro business development program since 1995, 19 years, and has been in existence since 1978, more than 36 years.
- WHDC has been retained on a consultant basis to assist them in setting up other micro loan programs using the BO\$\$ model.
- WHDC has a sound fiscal management system.
- The BO\$\$ micro-loan program has made 387 loans totaling over \$5,887,000 since the loan program's inception in 1995. As of December 31, 2013, its portfolio delinquency rate was 13.22% and a loan loss rate of 6.59%.
- Limited exposure of approved loans – the term of some loans have been as little as one year. The average term for a BO\$\$ loan is three years.

F. Risks

- Lending to small businesses is a high-risk venture. However, the organization strong management systems, client relations and technical assistance allow for early intervention and corrective action on the part of WHDC to limit delinquencies and loan losses.

BENCHMARKS

The initiative will augment an existing micro-loan fund that will provide an additional \$400,000 in loan capital to Empowerment Zone residents. This additional capitalization will provide for at least 15

additional loans to start-ups and existing businesses and aid in the creation and retention of approximately 20 jobs.

COLLATERAL

Although no collateral inherently backs the loan pool, a loan loss rate of 6.59% ensures the survival of the loan fund and some protection of the UMEZ investment.

FINANCIAL ANALYSIS

The BO\$\$ loan fund is currently capitalized at just above \$900,000 consisting of private and public sector grants, and loans.

BO\$\$ will make loans totaling \$400,000 within two years of receipt of EZ funds. Interest rates to loan recipients will not exceed 9%.

The \$400,000 investment will allow WHIDC to leverage a one-to-one match from other potential capitalization sources.

RECOMMENDATION

The Staff of UMEZ seeks approval of financing for the Washington Heights Inwood Development Corporation's funding request, as follows:

UMEZ Grant Fund Amount:	\$75,640
UMEZ Loan Fund Amount:	\$400,000
Term:	5 years
Rate:	1%
Facility Fee:	TBD

Attachments

ATTACHMENT A – 2014 Operating Budget

ATTACHMENT B – WHIDC Loan Report 2007 - 2013

ATTACHMENT A

WHIDC 2014 Operating Budget

Component 1: BO\$\$ Business Development Program

BO\$\$ Personnel	\$209,550	
BO\$\$ Fringe @ 24% of Wages	\$50,292	
Subtotal, OTPS	\$114,600	
Interest On Loans (debt capital in loan	\$15,000	
Other Interest & bank charges	\$2,900	
BO\$\$ Loan Write-Offs	\$46,000	
	<hr/>	
BO\$\$ Operating Expense Total		\$438,342

Component 2: Community Promotion Programs

Mid Evil Festival Personnel	\$18,200	
Med. Fest. Fringe @ 18%	\$3,276	
Consultants	\$9,650	
Publicity/Program Printing	\$4,600	
Festival OTPS	\$24,400	
Entertainment	\$23,250	
Site Costs	\$6,600	
	<hr/>	
Total Community Promotion		\$89,976

Total Expenses		<hr/>
		\$528,318

ATTACHMENT B

WHDC/BO\$ BUSINESS LOAN REPORTS 2007-2013

	CY 2007	CY2008	CY 2009	CY2010	CY2011	CY2012	CY2013
# Business Loan Applications:	23	16	19	21	34	12	19
Bus. Loans: Number Approved	9	6	8	6	27	10	13
Bus. Loans: \$ Amt. Approved	\$146,766	\$80,430	\$149,250	\$105,000	\$400,511	\$159,113	\$316,580
Number Closed	9	6	8	6	27	9	13
\$ Amt. Closed	\$146,766	\$80,430	\$149,250	\$105,000	\$400,511	\$147,113	\$316,580
# of Loans Closed M/WBE's	9	6	8	6	27	9	13
\$ Amt Closed M/WBE's	\$146,766	\$80,430	\$149,250	\$105,000	\$400,511	\$147,113	\$316,580
Average Loan Size	\$16,307	\$13,405	\$18,656	\$17,500	\$14,834	\$16,345	24,352
Average Interest Rate:	8.40%	9.10%	9.00%	9.00%	9.00%	6.70%	6.00%
Average Loan Term:	17 mo's	21 mo's	24 mo's	32 mo's	30mo's	30 mo's	36mo's

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND AN ECONOMIC AND PHYSICAL
DEVELOPMENT PROJECT**

AT A REGULAR MEETING HELD ON THE 24th DAY OF JUNE 2014

WHEREAS, the Economic and Physical Development Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to a funding proposal to WASHINGTON HEIGHTS INWOOD DEVELOPMENT CORPORATION to provide (i) additional capitalization for the organization’s micro loan fund and (ii) funding to underwrite a portion of the organization’s administrative expenses (the “Project”); and

WHEREAS, the Economic and Physical Development Committee has found it to be a desirable project, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund an amount up to FOUR HUNDRED SEVENTY-FIVE THOUSAND SIX HUNDRED FOUR DOLLARS (\$475,604) representing (i) a five (5) year loan not to exceed FOUR HUNDRED THOUSAND DOLLARS (\$400,000) and (ii) an eighteen (18) month grant not to exceed SEVENTY-FIVE THOUSAND SIX HUNDRED FOUR DOLLARS (\$75,604), subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Washington Heights and Inwood Development Corporation - A \$400,000 loan and \$75,640 grant for its Business Operating Success System (“BO\$\$”) Micro Business Loan Program.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a loan and grant to Washington Heights and Inwood Development Corporation (the “Initiative”) for its Business Operating Success System (“BO\$\$”) Micro Business Loan Program, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed FOUR HUNDRED SEVENTY FIVE THOUSAND SIX HUNDRED FORTY DOLLARS (\$475,640) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing loan and grant for under the new Initiative, UMEZ shall require the Corporation’s Board of Director’s approval on each individual project; and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a loan and grant an amount not to exceed FOUR HUNDRED SEVENTY FIVE THOUSAND SIX HUNDRED FORTY DOLLARS (\$475,640) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for Grant to the East Harlem Small Business Emergency
Loan Program and to Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone
Development Corporation ("UMEZ")
55 W 125th Street, 11th floor
New York, NY 10027

Contact: Kenneth J. Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A \$ 100,000 grant to aid in the creation of an emergency
response program for businesses impacted by the March
12, 2014 explosion in East Harlem.

Total Initiative Cost: \$400,000

Proposed Empowerment Zone \$ 100,000 (Grant)
("EZ") Investment:

Funding Sources:

Federal EZ SSBG Funds:	\$	33,334
State EZ Funds:	\$	33,333
City EZ Funds:	\$	33,333
Harlem Community Development Corporation:	\$	100,000
Empire State Development Corporation	\$	100,000
NYS Assemblyman Robert Rodriguez:	\$	100,000
TOTAL	\$	400,000

Fiscal Year:

2015

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant from UMEZ to East Harlem Small Business Emergency Loan Program. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of recovered grants is subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Assist small businesses affected by disaster

V. Residents Benefits

This Initiative will benefit EZ residents by:

- Same as above

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.

This initiative will meet the following Federal programmatic options:

- New physical infrastructure development, which is feasible, attainable in the current economic environment and sustainable.
- The needs of existing businesses in the EZ/EC, including without limiting the foregoing, expansion of such existing businesses to stimulate job creation.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

To: New York Empowerment Zone Corporation Board of Directors (the “Board”)
From: Kenneth J. Knuckles, UMEZ, President and CEO
Date: June 30, 2014
Subject: East Harlem Small Business Emergency Loan Program
Request: Matching Grant Up to \$100,000

Overview

UMEZ Staff seeks approval from the New York Empowerment Zone Corporation Board of Directors for a matching grant up to \$100,000 to aid in the creation of an emergency response program for businesses (the East Harlem Small Business Emergency Grant Program, (“EHSBG”) impacted by the March 12, 2014 explosion in East Harlem. The final amount of the proposed matching grant will be determined by the amount public funds raised by the Empire State Development Corporation and the Harlem Community Development Corporation and private funds raised by New York State Assemblyman Robert Rodriguez of East Harlem. The total pool of funds for this program is expected to be \$400,000. The program once capitalized, will provide eligible businesses or non-profits with forgivable loans to assist with repair or replacement costs relating to aforementioned event as well as other operational costs incurred after the explosion. The program will offer individual forgivable loans ranging from \$10,000, for those least impacted, and up to \$20,000, for those businesses that were located at the event’s epicenter. The total number of businesses that has been identified as eligible to participate in all combined categories of this program is estimated at 60 local businesses. The program will be limited only to those businesses in operation as of March 11, 2014 and located in the area bounded by East 115th and East 118th Streets, and Lexington and Madison Avenues.

Background

An explosion caused by a gas leak destroyed two mixed use buildings in the East Harlem neighborhood on March 12, 2014. The buildings destroyed were located just north of 116th Street, at 1644 and 1646 Park Avenue. The two collapsed buildings were five stories tall and contained 15 residential apartment units. 1644 Park Avenue housed an Evangelical Church on the ground floor and 1646 Park Avenue had a piano store occupying its ground floor commercial space. A third building, a one story commercial building that housed a tax preparer service, a money transfer business and a deli, on the corner of 116th Street and Park Avenue was later declared structurally unsound by the City of New York.

Beyond the immediate two buildings that were destroyed and the third one story commercial building that was declared structurally unsound (“epicenter businesses”), 15 contiguous businesses (“adjacent businesses”) were physically impacted by the explosion via debris and concussion waves (broken windows, cracked walls etc). And approximately 42 additional peripheral (“peripheral businesses”) businesses were impacted in many other direct and indirect ways, e.g., street closings and loss of power, events that, in some case, lasted a number of weeks as the city worked to clear the area.

The City’s Department of Small Business Services’ through its Small Business Emergency Response Unit has been working with a number of government and relevant entities, such as the New York City Police Department, the New York Fire Department, the New York State Department of Finance, and Con Edison, to mitigate the financial impact of the explosion on the impacted businesses.

UMEZ Challenge

Small businesses are faced with a number of daily challenges, many of which may be routine. Then there are those times when an event occurs that is not only beyond an individual business' control, but impact a number of small businesses in similar ways all at once; the March 12, 2014 East Harlem Explosion was such an event. That event completely destroyed one business, physically damaged and altered the operations of approximately 60 businesses in an East Harlem neighborhood. The proposed collaboration provides UMEZ, in collaboration with State Assemblyman Robert Rodriguez, HCDC and ESDC, with an opportunity directly respond to an immediate issue and to meet the challenges of an unanticipated tragedy in a manner consistent with its mission and local needs.

SUMMARY TERMS	
Amount:	A Grant Up To \$100,000
Purpose:	Provision of forgivable loans for Event Area business or non-profit to aid in the replacement physical items (e.g., inventory, window or sign replacement) lost as a result of the March 12 th Explosion and to assist in certain expenses incurred or loss of revenue experienced immediately and for a defined period of time after the event. The location of the eligible business will determine the size of each forgivable loan, however, no loan amount shall exceed \$20,000.
Location Categories	<p>The impact of the explosion on the event area businesses wanes the further ones moves from the epicenter, the physical and economic impact followed a similar pattern, which is evident in the level and amount of physical and financial damaged incurred by local businesses. The following categories were devised to reflect the level of devastation and guide the program's financial response.</p> <ol style="list-style-type: none">1. "Epicenter Businesses": Businesses that were completely destroyed by the explosion of deemed uninhabitable and forced to close as a result of the explosion.<ul style="list-style-type: none">• Maximum Repair and Replace Portion: TBD.• Maximum Working Capital Portion: TBD.• Or a Total Amount of \$20,000.2. "Adjacent Businesses": Businesses in the immediate vicinity of the blast area that experienced observable property damage along with verifiable financial losses as a result of the explosion or an emergency response to it.<ul style="list-style-type: none">• Maximum Repair and Replace Portion: TBD• Maximum Working Capital Portion: TBD• Or a Total Amount of \$20,000.3. "Peripheral Businesses": Business in an area just beyond those businesses adjacent to the blast area that incurred verifiable losses, property or financial losses due to the explosion of governmental or emergency responses to it.<ul style="list-style-type: none">• Maximum Repair and Replace Portion: TBD.• Maximum Working Capital Portion: TBD.

	<ul style="list-style-type: none"> • Or a Total Amount of: \$10,000.
Basic Business Eligibility:	<ol style="list-style-type: none"> 1. Must be a legally established businesses or a non-profit organization (religious institutions without a non-sectarian business venture, e.g., daycare center, thrift shop are not eligible); 2. Must have been in operation on or before March 11, 2014; 3. Must be located in the area bounded by East 115th and East 118th Streets, and Lexington and Madison Avenues; and (Businesses with an outstanding loan balance with ESD or any of its subsidiaries or who have liens or judgments are not eligible for the program.)
Program Term:	December 31, 2014 or as funds permit.
Business Impact:	The program is expected to have a direct impact on approximately 60 local area businesses.

The Program

To help ensure the sustainability and profitability of local and small businesses in the Event Area by contribution to pool of funds that will offer forgivable loans, up to an amount not to exceed \$20,000 for Epicenter Businesses, \$20,000 for Adjacent Businesses and \$10,000 for Peripheral Businesses, to help offset the cost of repairing and sustaining their businesses through and after a recent and local catastrophic event. The program will be made available to only those businesses that were in operation on or before March 11, 2014.

FORGIVABLE LOAN STRUCTURE	
Loan Amount:	<p>Loan size will be on two expense categories, the maximum for these categories will be governed by the location of the business as defined above.</p> <p>Category 1 – Repair and Replace: This portion of the grant will cover the cost of replacing physical items lost in the blast for physical items (e.g., inventory, window or sign replacement)</p> <p>Category 2 – Working Capital: One month of rent and utility costs as an advance for working capital expenditures and will be calculated based on pre-blast rent and utility costs.</p>
Rate:	3%
Purpose:	Loan proceeds may be used by the applicant for business purposes only.
Terms:	Loans will be structured as one year forgivable loan. The entire amount of the loan will be forgiven one year after initial disbursement, providing the participating business remained in operation during that period of time.

Amortization:	If businesses fail to meet the forgiveness criteria, loans will be amortized over a two year period.
Security:	None

Loans will be offered on a “as funds permit basis” to any event area small businesses seeking to participate in the program. The program will make available forgivable loans to eligible businesses as long funds permit or until December 31, 2014, whichever comes first.

Through the proposed grant, UMEZ will provide a “one-to-one” match of the funds raised by each of the following entities: Empire State Development Corporation, Harlem Community Development Corporation and the Office of New York State Assemblyman Robert Rodriguez. The program, once capitalized, with the goal of creating a total pool of \$400,000, will provide eligible businesses or non-profits with forgivable loans to assist with repair or replacement costs relating to aforementioned event as well as other operational costs incurred after the explosion.

EMERGENCY FORGIVABLE LOAN PROGRAM FUNDING SOURCES		
NYS Assemblyman Robert Rodriguez*	\$ 100,000	25%
Upper Manhattan Empowerment Zone	\$ 100,000	25%
Harlem Community Development Corporation	\$ 100,000	25%
<u>Empire State Development Corporation</u>	\$ 100,000	25%
	\$ 400,000	100%

* To be raised from private sources

The program is designed specifically for existing businesses that are located in the Event Area. Proceeds from this program may be used for the following:

- Storefront improvement projects (e.g. , window replacement, signage);
- Equipment and machinery purchase (provided the item to be purchase were previously listed in a proof of loss statement or comparable document);
- Working capital, e.g., rent (maximum one month), utilities (for any period after the event date); and
- May utilize program support to relocate to an alternate location in Upper Manhattan.

Non-profits will not eligible for working capital support.

Application Process

All applications for this program will be supported through a centralized location in East Harlem.

Program Approval and Administration

Once received and confirmed as complete by HCDC/ESD, the review and administration of the EHSBG program will be conducted as follows:

- Application review and case management handled by HCDC/ESD staff

- Application approval and payment determination/recommendation will be made by the staff of HCDC/ESD with written affirmation of completeness transmitted to UMEZ.
- Review and appeal of any decision made by the staff of HCDC/ESD will be subject to the appeals process implemented by HCDC/ESD.

Loan Closing and Payment Disbursement

UMEZ will serve as a depository for all program funds and will disburse all loan proceeds to the approved small businesses or to the specified vendor on behalf of the approved businesses.

No fees shall be assessed, collected by or offered to any of the offices or entities participating in this program.

Recommendation

UMEZ staff seek approval from the Board of a \$100,000 grant to aid in the creation of a business emergency response program in East Harlem to commence upon program approval and expiring on December 31, 2014 or as funds permit.

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – East Harlem Small Business Emergency Loan Program – a \$100,000 grant to complete its Modernization and Expansion Project.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to East Harlem Small Business Emergency Loan Program (the “Initiative”) to complete its Modernization and Expansion Project, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed ONE HUNDRED THOUSAND DOLLARS (\$100,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed ONE HUNDRED THOUSAND DOLLARS (\$100,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND AN ECONOMIC AND PHYSICAL
DEVELOPMENT PROGRAM**

AT A REGULAR MEETING HELD ON THE 24th DAY OF JUNE 2014

WHEREAS, the Economic and Physical Development Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to a grant to establish a forgivable loan program, together with the Empire State Development Corporation (“ESDC”) and the Harlem Community Development Corporation (“HCDC”), for businesses adversely affected by the March 12, 2014 gas explosion in East Harlem, which will be funded in part by a grant by UMEZ and matching funds from ESDC and HCDC (the “Program”); and

WHEREAS, the Economic and Physical Development Committee has found it to be a desirable program, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Program and authorizes UMEZ to submit the Program to the New York Empowerment Zone Corporation for authorization to fund a grant not to exceed ONE HUNDRED THOUSAND DOLLARS (\$100,000), subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Program authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – East Harlem Small Business Emergency Loan Program – A \$ 100,000 grant to aid in the creation of an emergency response program for businesses impacted by the March 12, 2014 explosion in East Harlem.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ") initiative for a grant to East Harlem Small Business Emergency Loan Program (the "Initiative") to aid in the creation of an emergency response program for businesses impacted by the March 12, 2014 explosion in East Harlem, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed ONE HUNDRED THOUSAND DOLLARS (\$100,000) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the City of New York (the "City") and others ("MOU"); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed ONE HUNDRED THOUSAND DOLLARS (\$100,000) in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION
June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for a Grant to the Business Resource & Investment
Service Center and to Take Related Action.**

The Directors are requested to approve a grant to the Business Resource & Investment Service Center ("BRISC") for fiscal year 2015 administrative budget in the amount of THREE HUNDRED SIXTY NINE THOUSAND ONE HUNDRED EIGHT DOLLARS (\$369,108).

**Business Resource & Investment Service Center
Annual Administrative Operating Fund Statement
For the period July 1, 2014 to June 30, 2015**

<u>Item</u>	<u>Total</u>
<u>Personnel</u>	
Salaries & Wages	\$ 159,559.00
Fringe Benefits	\$ 51,059.00
<u>Non-Personnel</u>	
Office Supplies	\$ 1,000.00
Travel	\$ 700.00
Equipment Rental	\$ 2,400.00
Office Rent	\$ 69,500.00
Real Estate Taxes	\$ 2,000.00
Equipment & Software Purchases/Repairs	\$ 2,500.00
Telephone	\$ 3,000.00
Utilities	\$ 6,000.00
Postage	\$ 500.00
Subscriptions/UCC Investigations	\$ 6,000.00
Board Expenses	\$ 1,000.00
Legal	\$ 25,000.00
Financial Audits	\$ 12,590.00
Temporary Staff/Other Consulting	\$ 5,000.00
Liability Insurance	\$ 9,500.00
Alarm & Protection	\$ 1,800.00
ADP Charges	\$ 1,500.00
Other (Administrative fees related to above)	\$ 8,500.00
TOTAL	\$ 369,108.00

*80% of the Office Rent expense is allocated to UMEZ and 20% to BRISC.

**Business Resource and Investment Service Center
Proposed Annual Administrative Budget
For period July 1, 2014 - June 30, 2015**

	FY-2015 Budget Amount	FY-2014 Budget Amount	FY-2014 Projected Expenses
Personnel Services:			
Line #			
1	159,559	166,148	75,000
2	51,059	53,167	24,000
Non-Personnel Services:			
3	1,000	4,000	750
4	700	700	500
5	2,400	5,800	1,200
6 *	69,500	56,000	57,925
7	2,000	20,000	2,000
8	2,500	2,500	500
9	3,000	15,000	2,500
10	6,000	7,000	1,500
11	500	1,000	100
12	6,000	15,000	2,500
13	1,000	1,000	250
14	25,000	23,000	3,000
15	12,590	22,500	12,590
16	5,000	15,000	5,000
17	9,500	9,500	8,500
18	1,800	1,800	200
19	1,500	3,500	350
20	8,500	2,500	7,500
	<u>369,108</u>	<u>425,115</u>	<u>205,865</u>

* 80% of the Office Rent expense is allocated to UMEZ and 20% to BRISC.

FOR CONSIDERATION

To: New York Empowerment Zone Corporation Board of Directors (the "Board")
From: Kenneth J. Knuckles, UMEZ, President & CEO
Date: June 30, 2014
Subject: \$369,108 Grant: FY 2015 BRISC Administrative Budget

INITIATIVE SUMMARY

Organization: Business Resource and Investment Service Center ("BRISC")

Project Manager: Hope Knight

Contact: Hope Knight, UMEZ Chief Operating Officer

Current Address: *Current Address:*
55 West 125th Street, 11th Floor
New York, NY 10027

Phone/Fax: (212) 410-0030 / (212) 410-9616

Type of Business: Not-For-Profit / Business Service

Tax Structure: 501(C) (3)

IRS Tax ID#: 13-3925609

Date Incorporated: 1996

Financing Requested: \$369,108 (Administrative Budget)

Funding Sources:	Federal EZ funds	\$ 123,036	Grant
	State EZ funds	123,036	Grant
	<u>City EZ funds</u>	<u>123,036</u>	Grant
	TOTAL	\$ 369,108	

Employment: Two and one quarter (2.25) full-time positions will be retained.

Investment Proposal

The Business Resources and Investment Service Center (“BRISC”) is the Upper Manhattan Empowerment Zone’s (“UMEZ”) institutional response to small business needs within the Zone. The BRISC mission is to provide capital and technical assistance to entrepreneurs and small businesses that will have a positive economic impact in the Empowerment Zone. The BRISC loan program offers affordable near-equity loans ranging from \$50,000 to \$250,000 to an “un-bankable” business clientele. These businesses have difficulties obtaining capital from traditional capital sources, such as commercial banks. Technical assistance is also a service of the BRISC program as this is a critical need for small businesses in the Empowerment Zone. Technical assistance and other non-cash resources are just as critical to the success of small businesses as is access to capital.

Because of the “un-bankability” of the typical BRISC client, the service delivery model is both arduous and lengthy. Staff receives a multitude of loan requests mostly via phone; however, some in-person. Time is spent screening these inquiries to determine more substantial loan requests – requests that meet the BRISC initial investment evaluation criteria and that have other characteristics attributing to further due diligence. These requests are then given further due diligence by staff and are deemed under “review” for a possible presentation to the BRISC Loan Approval Committee. Significant time is spent handling loan request inquiries and screenings, and reviewing loan requests by staff – a fraction of which make it to the presentation phase. Loan requests that do not result in a proposal to Loan Approval Committee usually still involve hours of consultation and technical assistance in regard to referrals and advisory services. For the FYTD 2014, Staff reviewed 14 qualified loan requests.

The UMEZ Staff is seeking a Grant in the amount of \$369,108 to cover the BRISC administrative budget for the 2015 fiscal period. Please see *Attachment 1* for a year over year budget comparative. The proposed funding request represents a 13% decrease from the FY 14 request. Loan capital is not being sought at this time.

Preliminary Terms

SUMMARY GRANT TERMS	
Grantee:	Business Resource and Investment Service Center (“BRISC”)
Security Type:	Grant
Amount:	\$369,108
Purpose:	To finance the administrative and operational cost of BRISC
Grant Term:	12 months

Initiative Description

The BRISC loan program focuses on small businesses that: offer valued products or services that are not provided in the Upper Manhattan community; that support UMEZ anchor projects; that are expanding into and/or within the Empowerment Zone and that will become more competitive with BRISC support. The BRISC investment strategy closely aligns with that of UMEZ and includes, but is not limited to, the following: Management with proven (or comparable) experience in the specific industry; Business Plans reflecting a deep understanding of the business and the requirements necessary to realize objectives; Operations with sufficient and/or predictable cash flow based on historical financials and reasonable projections; and, businesses with adequate capital structures based on business type, cash flow, collateral and equity contributions.

Delivery of the BRISC product involves many steps and often takes place over an extended period of time. The technical assistance that is rendered is provided in a number of ways, ranging from one-on-one consultations to referrals to other providers of resources.

Expanded Outreach

The BRISC, going forward, will utilize a wide range of resources and better coordinate its efforts with a number of existing local and underutilized assets to expand our neighborhood reach in an effort to (1) augment the number of initial inquiries, (2) provide sustained technical assistance to those interested and qualified applicants at the neighborhood level and (3) provide additional follow-up support to pending inquiries when appropriate and applicable.

We hope to achieve the preceding by focusing more intently on and optimizing our use of the following categories of resources.

1. UMEZ Community Partners – For a number of years UMEZ has maintained a network of community partners whose primary purpose has been the assist in the capacity building of local businesses and to help them to identify and apply for access to capital program. These organizations are located throughout Harlem and Northern Manhattan. BRISC will coordinate with UMEZ to work these organizations to identify, screen and package for review loan requests from small businesses seeking loans of \$50,000 and greater.
2. Dedicated Personnel – A dedicated business outreach specialist will be hired to market, promote and assist in the coordination of our and other small business and access to capital programs. This individual will seek out and engage potential applicants, market BRISC and its lending facilities at Upper Manhattan business events and programs, and develop and cultivate relationships with area banks and other non-traditional lending institutions.
3. Traditional and Alternative Lending Institutions and Business Services Entities -
 - a. Traditional lending institutions (e.g., banks and credit unions) – In the past, a number of qualified applicants were referrals from traditional lending institutions. The un-qualified bank commercial loan client is the BRISC target client. This relationship will be expanded and strengthened going forward.
 - b. Micro loan organizations – Efforts will be made to establish a more formal referral system with local micro lenders. Staff, building upon our proposed and previous formal relationship with entities like as the Washington Heights Inwood Development Corporation and Accion, will engage these entities with the intent of marketing the BRISC product to those businesses in need of capital above the maximum for micro-lenders.
 - c. Business service organizations –These entities often serve on the front lines of entrepreneurs transiting from concept to actualization and range from governmental entities, such as the City’s Business Solutions Center and the State’s Entrepreneurial Training programs, to private non-profit program, such as the Workshops In Business Opportunities. UMEZ will increase and strengthen its ties to these gateway institutions to market the BRISC’s lending services to aspiring entrepreneurs and growing small businesses.
 - d. Other Community Development Financial Institutions (“CDFI”) and alternative small business lenders – Efforts will be made to identify and work with other CDFIs and alternative lenders, such as TruFund, to identify potential clients and ascertain best

practices with regards to small business lending facilities between \$100,000 and \$250,000.

Anticipated Increase in Initial Inquiries and OLRs

The goals of the enhanced preceding efforts are:

1. An increased number of the prepackaged loan applications to the BRISC.
2. Assist a higher number of those entrepreneurs and small business identified with a discrete defined baseline of technical support to generate and assemble all loan related documentation required for consideration by BRISC.
3. To identify, with greater certainty, stronger individual applicant and an expanded pool of potential loan applicants who are seeking to borrow between \$50,000 and \$250,000.

The quality of the increased loan request will range from a simple referral, such as a bank referral of a long standing customer, to a prepackaged basic loan request with a completed set of initial checklist items from one of UMEZ’s community partners. With a renewed effort and greater emphasis on qualified request, as opposed to routine inquiries, the number of QLRs is expected to increase considerably over the last and previous year levels. It is also anticipated that a higher percentage of the higher quality QLRs will be added to the more substantive BRISC pipeline for funding consideration.

Technical Assistance Timeframe

Pre-Underwriting	Underwriting	Closing	Post Closing
6 - 24 Months		2 - 6 Months	Ongoing
60%		10%	30%

Proof of the complexity involved in the BRISC process and its clients can be seen the approval of one of the organization’s most recent closing – Peartree Preschool. This client first approached BRISC in FY11. That loan was approved in FY12 and closed in FY13. (See *Attachment 2* for details relating the BRISC’s Technical Assistance Timetable.)

FY 2014 Observations and Strategic Directives

As a lender in the Upper Manhattan alternative lending space, it has been noted that the average funding request faces many challenges. These challenges are exacerbated and compounded by the fact that vast majority of our Qualified Loan Requests (“QLR”) have been from start-ups and are expected to follow this trend in the future. The challenges that our clientele have faced and are expected to continue to face include the following.

Sourcing/Underwriting

- Under capitalization/Additional strains on financial resources.
- Scarcity of “credit-worthy” applicants meeting minimal underwriting requirements.
- Insufficient collateral packages to mitigate portfolio losses.
- High Leverage – requiring “near-equity” debt.

Business Operations (as they relate to existing businesses)

- Continuation of poor financial management practices (e.g. poor books/records, non-payment/filing of taxes, delinquencies on existing indebtedness, etc.).
- Critical arrearages – sales taxes, payroll taxes, rent, vendors
- Business plan execution delays and changes.

Portfolio

- Slower than expected payment patterns.
- Limited resources to provide increasing levels of technical assistance/consulting to borrowers.
- Existing borrowers have fewer personal resources to rely on than in past years.

The challenges listed above, among other items, are attributable to a loan portfolio characterized by the need for restructurings and higher losses than traditional commercial loan institutions. A large percentage of the BRISC portfolio required repayment restructuring.

Unfortunately some clients do not respond to payment restructuring attempts and/or the business does not sustain itself to repay loan obligations. In FYTD 2014, as was the case in previous years, a great deal more staff time was spent on the collections process both internally and managing third party external collection agencies

Restructuring Loans:

- Round I - Obtain financial reporting and assess realities of marketplace and business operations
 - Extend interest only period
 - Maturity date unchanged
- Round II - Match loan structure to business reality and seek to lower principal exposure
 - Extend maturity
 - Change amortization to fit business performance
 - Extend interest only period
 - Draw on letters of credit where appropriate

Collections/Litigation:

- Obtain judgment
- Payment stipulations
- Engage collection agency

BRISC has implemented a strategic response to these challenges which entails (i) better management of the capital structures of new loan requests, (ii) the establishment of operating reserves in cases of limited collateral offered by the borrower, (iii) earlier intervention and more closely monitoring of the portfolio clients including verifying rent payments, (iv) monitoring monthly financial statements, (v) obtaining proof of sales and payroll tax payments, (vi) filing for judgments sooner and (vii) encouraging a voluntary transfer of under-performing businesses. Our efforts along these lines did not yield any increase in our overall repayments to date (i.e., repayments, prepayments and litigation recoveries). In fact, year to date total for all repayments as of April 2014 was 60%. (Attachment 3)

Operations Update

It is anticipated that with the preceding changes in outreach and loan sourcing strategies, the technical assistance and start to finish approval times will be shortened slightly at the BRISC level. The added responsibility centers of the

community partners may or may not have any impact on the approval time table. It is anticipated that with the engagement of UMEZ's community partners to package qualified loan inquiries, some reduction in the amount of time incurred in the pre-underwriting phase may be reduced and a higher quality or process friendly QLR will be produced.

FYTD 2014

For FYTD 2014, BRISC closed one loan transaction, one additional loan was approved. A third loan was underwritten, however, approval was not sought due to the discovery of an operational risk that the loan client was not willing to mitigate.

Staff reviewed 14 qualified loan requests. (A qualified loan request consists of small business loan inquiries that have any probability of moving forward to proposal phase with continued diligence from the borrower in conjunction with meeting all BRISC due diligence requirements.) Of the 14 qualified loan requests, three (3) prospective transactions have been added to the pipeline. One of the four preceding prospective transactions was approved for funding during the current fiscal year, two others are being prepared to present to the BRISC Loan Committee and final prospect is an active carry-over the last fiscal year. As noted previously, the pre-underwriting / underwriting phase can take a significant portion of time and technical assistance; however, the BRISC Staff continues to work with small businesses through the entire loan process. (Please see *Attachment 5* for a list of qualified loan requests received to date for FY 14 and moving into FY15.)

Loans Closed

Business Name	Product / Service	Approval Amount	Closing
Savann Restaurant	Restaurant	\$90,000	October 30, 2013
	Total	\$90,000	

Loans Approved

Business Name	Product / Service	Approval Amount	Closing
Park on 112	Restaurant	\$150,000	September 17, 2013
	Total	\$150,000	

FY15 Pipeline

Business Name	Product / Service	Loan Request
Dr. Maryann Roirdon (Dentist)	Restaurant	\$250,000
Rebounds NYC Sports Grill	Restaurant	\$100,000
Olympia Bar and Grill	Restaurant	\$200,000
	Total	\$550,000

Pipeline transactions consists of loan requests in which significant due diligence is in progress and has been completed. In some cases prospective borrowers are working on raising additional capital, or gathering documentation and organizing books and records.

(A limited year to date report on the entire BRISC portfolio is presented in *Attachment 5* of this document.)

As illustrated through representations of other alternative financial institutions including ACCION and TruFund, managing and sustaining the existing portfolio of businesses to prevent losses have become a significant priority

amongst lenders. Despite a slowly recovering economy, BRISC has continued to make proactive changes to its practices to achieve continued successes in our goals to productively service the small business community of Upper Manhattan. Future operating goals include:

- Reducing portfolio delinquencies (through early intervention and continued recovery efforts)
- Continued collaboration with other community development programs and organizations
- Continued marketing efforts of BRISC services to Washington Heights, Inwood and East Harlem

Staffing

There are two and one quarter (2.25) full-time equivalents (FTE's) that comprise the BRISC staff and that are associated with the BRISC budget. In addition to one full time BRISC staff positions, the balance of the full-time equivalents will be comprised of partial contributions from a Business Investments staff member and a Business Outreach Specialist positions who, respectively, will assist in underwriting and sourcing of BRISC loans.

Budget

The FY15 proposed budget is \$369,108, a 13% decrease from last year's budget. This reduction is attributed to office rent and some OTPS cost being prorated at the rate of 20% of the total occupancy cost, real estate taxes, less communications and temporary staff cost,

Recommendation

UMEZ seeks the Board of Director's approval of a grant in the amount of \$369,108 to cover the BRISC administrative budget for the 2015 fiscal period.

Attachments:

1. BRISC Administrative Budget Comparison
2. Technical Assistance Support Timetable
3. Portfolio Year to Year as of April 30, 2014
4. Qualifying Loan Requests
5. BRISC Portfolio Activity Report as of April 30, 2014

Attachment 1

Business Resource and Investment Service Center Proposed Annual Administrative Budget For Period July 1, 2014 - June 30, 2015

	FY-2015 Budget Amount	FY-2014 Budget Amount	FY-2014 Projected Expenses
Personnel Services:			
Line #	159,559	166,148	75,000
1 Salaries & Wages	51,059	53,167	24,000
2 Fringe Benefits			
Non-Personnel Services			
3 Office Supplies	1,000	4,000	750
4 Travel	700	700	500
5 Equipment Rental(telephone, mailing machine & server)	2,400	5,800	1,200
6 * Office Rent	69,500	56,000	57,925
7 Real Estate Taxes	2,000	20,000	2,000
8 Equipment & Software Purchases/Repairs	2,500	2,500	500
9 Telephone / Internet Access/Data Backup	3,000	15,000	2,500
10 Utilities	6,000	7,000	1,500
11 Postage	500	1,000	100
12 Subscriptions / UCC Investigations	6,000	15,000	2,500
13 Board Expenses	1,000	1,000	250
14 Legal	25,000	23,000	3,000
15 Financial Audits	12,590	22,500	12,590
16 Temporary Staff & Other Consulting Services	5,000	15,000	5,000
17 Liability Insurance	9,500	9,500	8,500
18 Alarm & Protection	1,800	1,800	200
19 ADP Charges	1,500	3,500	350
20 Other (Administrative fees related to above)	8,500	2,500	7,500
	369,108	425,115	205,865

* 80% of the Office Rent expense is allocated to UMEZ and 20% to BRISC.

BRISC Staffing Breakdown FY 2015

Number	Name	Title		BRISC Allocation
1	Cheval, Alexander	Sr. Investment Analyst	20%	16,000
2	Vacant	SVP	25%	35,000
3	Middleton, Joseph		100%	71,059
4	Vacant	Business Outreach Specialis	75%	37,500
				159,559
Benefits			32.0%	51,059

Attachment 2

Technical Assistance Support Timetable

Technical assistance provided by staff throughout the entire loan process with an emphasis on Post Closing.

From beginning-to-end technical assistance is provided.

Pre-Underwriting	Underwriting	Closing	Post Closing
<ul style="list-style-type: none"> • Business Plans • Books/Records • Business Models • Management Experience • Project Scaling 	<ul style="list-style-type: none"> • Business Analysis • Business Advisory • Books/Records • Financial Projections • Payback Analysis • Loan Structure • Property Leasing Terms 	<ul style="list-style-type: none"> • Corporate Documents • Tax Arrearages • Insurance Documents • Equity Contributions • Books/Records • Collateral • Verifications <ul style="list-style-type: none"> - rent estoppels - tax filings/payments - real estate ownerships - etc. 	<ul style="list-style-type: none"> • Restructures • Distressed Situations • Business Advisory • Monitoring/Defaults • Books/Records • Payments • Collections
6 - 24 Months		2 - 6 Months	Ongoing
60%		10%	30%

Throughout the underwriting process, there is a great deal of technical assistance that is administered by staff to the client. This technical assistance is very comprehensive and begins in the loan request review process and continues right to the closing of the loan. In some cases, it continues throughout the post-closing period. This technical assistance ranges from completing valuation analysis for acquisitions; creating reasonable business financial projections for loan requests; determining appropriate capitalization needs; assisting in obtaining additional capital; books and record keeping consulting; tax, liens and judgment determinations and resolutions; verifications and filings of all taxes and the documentation of all tax payment plans for taxes owed; and loan repayment restructurings.

Continued financial distress within the small business community has attributed to:

- Increase in funding needs of existing businesses in Upper Manhattan
- Weighted shift in the technical assistance needs within the existing portfolio resulting in:
- Restructuring
- Business Advisement
- Increased collection efforts
- Litigations

Attachment 3

Business Resource Investment Service Center
Portfolio Quality Report

April 30, 2014

April 30, 2013

April 30, 2012

Portfolio Overview	BRISC PORTFOLIO II			BRISC PORTFOLIO II			BRISC PORTFOLIO II		
	# Loans	Principal	%	# Loans	Principal	%	# Loans	Principal	%
Scheduled Amortization ⁽¹⁾ Litigation	13 9	\$1,493,656 \$1,097,276	30% 22%	14 9	\$1,650,000 \$1,122,655	34% 23%	14 6	\$1,706,012 \$752,521	40% 17%
Loans Outstanding	22	\$2,590,932	53%	23	\$2,772,655	58%	20	\$2,458,533	57%
Litigation Recoveries ⁽²⁾ Permanent Write-Offs ⁽³⁾	4	\$154,508 \$138,394	3% 3%	3	\$134,724 \$138,394	3% 3%	1	\$129,129 \$138,394	3% 3%
Loan Prepayments ⁽⁴⁾ Loan Repayments to Date ⁽⁵⁾	4 Various	\$725,000 \$1,302,342	15% 27%	3 Various	\$650,000 \$1,125,403	13% 23%	3 Various	\$650,000 \$924,385	15% 21%
Loan Advances	30	\$4,911,176	100%	29	\$4,821,176	100%	24	\$4,300,441	100%
Portfolio Aging	# Loans	Principal	%	# Loans	Principal	%	# Loans	Principal	%
Current	3	\$433,545	17%	4	\$569,175	21%	5	\$550,516	22%
Past due 1 - 30 days	2	\$212,738	8%	1	\$98,218	4%	1	\$161,863	7%
Past due 30 - 60 days	1	\$47,697	2%	0	\$0	0%	0	\$0	0%
Past due 60 - 90 Days	0	\$0	0%	2	\$103,014	4%	0	\$0	0%
Past due 90 - 120 Days	0	\$0	0%	0	\$0	0%	4	\$621,547	25%
Past due > 120 Days	7	\$789,676	31%	7	\$879,593	32%	4	\$372,086	15%
Loans in Litigation	9	\$1,097,276	42%	9	\$1,122,655	40%	6	\$752,521	31%
Loans Outstanding Aging	22	\$2,590,932	100%	23	\$2,772,655	100%	20	\$2,458,533	100%
Allowance for Bad Debts	9	\$940,789	36%	7	\$726,597	26%	5	\$365,211	13%
Write-offs ⁽⁶⁾	8	\$946,613	37%	8	\$956,002	34%	7	\$858,210	21%
Total Allowance for Bad Debts	17	\$1,887,402		15	\$1,682,599		12	\$1,223,421	

(1) Includes restructured loans, past due loans and loans in its interest only phase.
 (2) BRISC recovered \$67,070 in litigation from Karrot Incorporated. The remaining balance was paid in accordance with the loan repayment schedule. BRISC also recovered approximately \$50,000 in litigation for Big Apple Jazz LLC. Robert's Organic and Society Café have signed stipulations and are in recovery. The amounts received as of date are \$9,389 and \$15,990 respectively.
 (3) \$50,000 of the Big Apple Jazz balance was subsequently written off. Dagaz International outstanding balance of \$88,394 was written-off because the company's and principals' debt was discharged in bankruptcy.
 (4) Includes Jou Jou Restaurant, \$250,000, Fisher Of Men Restaurant \$150,000, Urbivore Worldwide \$250,000 and Acelero, Inc. \$75,000
 (5) Includes total borrower repayments on outstanding loan balances to date.
 (6) Internally written off accounts in extreme distress and/or litigation. Could potentially be recovered.

Attachment 4

**Qualifying Loan Requests (QLR)
FYTD April 30, 2014**

FY	Qualified Loan Requests		Start-Ups		Existing Businesses	
	Requests	%		%		%
FYTD'14	14	100%	11	79%	3	21%
FY '13	20	100%	18	90%	2	10%
FY '12	28	100%	22	79%	6	21%
FY '11	27	100%	16	59%	11	41%
FY '10	34	100%	21	62%	13	38%
FY '09	29	100%	15	52%	14	48%
FY '08	40	100%	25	63%	15	38%
FY '07	35	100%	22	63%	13	37%
FY '06	30	100%	19	63%	11	37%
Total	257	100%	169	66%	88	34%

As of fiscal year to date April 30, 2014, there have been 14 requests which have skewed towards start-up businesses. Despite challenges in this lending environment, BRISC continues to service loan inquiries and work closely with borrowers on financing and technical assistance needs. A list of Qualifying Loan Requests to date is as follows:

	Business Name	Industry	Business Status	
			Existing	Start-up
1	pM Squared	Lodging		X
2	Madison Financial Group	Financial		X
3	Sudsy Waters	Service	X	
4	Teasoro	Restaurant		X
5	2070 Restaurant Group LLC	Restaurant		X
6	Carvin's Mini Donuts	Restaurant		X
7	Rebounds NYC Sports Grill	Restaurant		X
8	FlameKeepers Hat Club	Retail		X
9	Dr. Maryann Roirdon (Dentist)	Medical	X	
10	Harlem Food Bar	Restaurant	X	
11	Safari Café	Restaurant		X
12	Olympia Bar and Grill	Restaurant		X
13	LNR Enterprises	Financial		X
14	Londell 's Jazz	Restaurant		X
Total			3	11

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND AN ECONOMIC AND PHYSICAL
DEVELOPMENT INITIATIVE**

AT A REGULAR MEETING HELD ON THE 24th DAY OF JUNE, 2014

WHEREAS, the Economic and Physical Development Committee has reviewed the materials presented to it, a copy of which has been filed with the records of Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to the Business Resource and Investment Service Center, Inc. (“BRISC”), an economic development initiative, facilitated through a total investment of up to THREE HUNDRED SIXTY-NINE THOUSAND ONE HUNDRED EIGHT DOLLARS (\$369,108), for administrative expenses; and

WHEREAS, the Economic and Physical Development Committee has found it to be a desirable initiative, consistent with the New York Empowerment Zone’s Strategic Plan, and the Investment Criteria for initiatives seeking financial support;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors authorizes UMEZ to submit the Business Resource and Investment Service Center, Inc. initiative to the New York Empowerment Zone Corporation for authorization to fund an investment not to exceed THREE HUNDRED SIXTY-NINE THOUSAND ONE HUNDRED EIGHT DOLLARS (\$369,108), subject to the terms and conditions included in the presentation material.

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions

June 30, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION - Business Resource & Investment Service Center – Authorization of \$369,108 grant for administrative budget for fiscal year 2015.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ") initiative for a grant to BRISC for their administrative budget for fiscal year 2015. The Corporation is hereby authorized to disburse to Business Service & Investment Service Center ("BRISC") (the "Initiative") an amount not to exceed THREE HUNDRED SIXTY NINE THOUSAND ONE HUNDRED EIGHT DOLLARS (\$369,108) for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the City of New York (the "City") and others ("MOU"); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed THREE HUNDRED SIXTY NINE THOUSAND ONE HUNDRED EIGHT DOLLARS (\$369,108) in accordance with the MOU; and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone Development Corporation

REQUEST FOR: **Authorization for Upper Manhattan Empowerment Zone Development Corporation's Administrative Budget Fiscal Year 2015 and to Take Related Action.**

The Directors are requested to approve an operating budget for fiscal year 2015 for the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ"). The Operating Principles Memorandum of Understanding, dated January 19, 1996, (the "MOU") authorizes each Local Development Corporation to use up to 15% of its proportional share of the Zone Funds aggregate for the entire period of designation for costs and expenses of administration. UMEZ's proposed administrative budget fiscal year 2014 is THREE MILLION THREE HUNDRED TWENTY SEVEN THOUSAND ONE HUNDRED FORTY FIVE DOLLARS (\$3,327,145).

**Upper Manhattan Empowerment Zone Development Corporation
Annual Administrative Operating Fund Statement
For the period July 1, 2014 to June 30, 2015**

	Total funding Request from Loan Repayment
Personnel	
Salaries & Wages	\$ 1,965,228.00
Fringe Benefits	628,873.00
Non-Personnel	
Office Supplies	15,000.00
Travel	7,500.00
Training/Conference:	
Training & Conference Fees	8,000.00
Lodging	2,000.00
Meals	6,000.00
Equipment Rental	25,000.00
Office Rent	347,544.00
Office Rental Income	(69,500.00)
Real Estate Taxes	10,000.00
Equipment & Software Purchase	10,000.00
Maintenance & Repairs	10,000.00
Telephone/Communications	20,000.00
Internet Access/Data Backup	35,000.00
Utilities	20,000.00
Postage, Messenger & Courier Service	
Postage	1,500.00
Messenger	1,500.00
Courier Services	1,500.00
Printing & Reproduction	2,500.00
Publications/Outreach	2,000.00
Subscriptions	20,000.00
Consultants:	
Legal	50,000.00
Financial Audits	40,000.00
Temp. Staff/Other Consulting	90,000.00
Fellows/Internships	5,000.00
Liability Insurance	50,000.00
Board Expenses	8,000.00
Alarm & Protection	5,000.00
Miscellaneous	
ADP Charges	7,000.00
Other Miscellaneous Expenses	2,500.00
Total	\$ 3,327,145.00

Upper Manhattan Empowerment Zone Development Corporation
Proposed Annual Administrative Budget
For period July 1, 2014 - June 30, 2015

		FY-2015 Budget Amount	FY-2014 Budget Amount	FY-2014 Projected Expense
Personnel Services:				
Line #				
1	Salaries & Wages	1,965,228	1,990,710	1,550,000
2	Fringe Benefits	628,873	637,027	575,000
Non-Personnel Services:				
3	Office Supplies	15,000	20,000	12,000
4	Travel	7,500	10,000	6,500
5	Training / Conference:			
6	Training & Conference Fees	8,000	7,000	8,000
7	Lodging	2,000	4,000	
8	Meals	6,000	6,000	5,750
9	Equipment Rental (mailing machine, cooler & copier)	25,000	20,000	27,500
10	Occupancy Cost:			
11 *	Office Rent	347,544	280,000	279,000
12	Office Rental Income	(69,500)	(56,000)	
13	Real Estate Taxes	10,000	55,000	8,000
14	Operating Expenses			
15	Equipment & Software Purchases	10,000	10,000	9,000
16	Maintenance & Repairs	10,000	10,000	7,000
17	Telephone/Communications	20,000	20,000	18,000
18	Internet Access/Data Backup	35,000	45,000	42,500
19	Utilities	20,000	28,000	12,000
20	Postage, messenger, & Courier services:			
21	US Postage	1,500	3,000	1,000
22	Messenger Services	1,500	2,000	1,000
23	Courier Services	1,500	2,000	1,000
24	Printing & Reproduction	2,500	2,000	4,000
25	Publication	2,000	2,000	1,000
26	Subscriptions/Memberships	20,000	19,000	19,500
27	Consultants:			
28	Legal	50,000	28,000	50,000
29	Financial Audits	40,000	40,000	37,210
30	Temporary Staff & Other Consulting Services	90,000	70,000	215,000
31	Fellows/Internships	5,000	70,000	65,000
32	Liability Insurance	50,000	75,000	40,000
33	Board Expenses	8,000	8,000	7,500
34	Alarm & Protection	5,000	5,000	4,500
35	Miscellaneous			
36	ADP Charges	7,000	7,000	6,500
37	Other (Administrative fees related to above)	2,500	2,500	10,000
		<u>3,327,145</u>	<u>3,422,237</u>	<u>3,023,460</u>

* 80% of the Office Rent expense is allocated to UMEZ and 20% to BRISC.

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

REGARDING APPROVAL OF FISCAL YEAR 2014-2015 BUDGET

AT A REGULAR MEETING HELD ON THE 24th DAY OF JUNE 2014

BE IT RESOLVED, that on the basis of the material presented to the Board of Directors of the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ"), a copy of which has been filed with the records of UMEZ, relating to the fiscal year 2014-2015 budget, the Directors authorize an administrative budget for fiscal year 2014-2015 in the amount of THREE MILLION THREE HUNDRED TWENTY-SEVEN THOUSAND ONE HUNDRED FORTY-FIVE DOLLARS (\$3,327,145), for administrative, operational and related expenses of the Upper Manhattan Empowerment Zone Development Corporation;

BE IT FURTHER RESOLVED, that the President and CEO or his or her successor or respective designees, are hereby authorized on behalf of UMEZ to approve expenditures, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

June 30, 2014

**UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Authorization
of \$3,327,145 administrative budget for fiscal year 2015.**

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), the Directors hereby authorize an administrative budget of THREE MILLION THREE HUNDRED TWENTY SEVEN THOUSAND ONE HUNDRED FORTY FIVE DOLLARS (\$3,327,145) for the fiscal year 2015, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

June 30, 2014

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York Empowerment Zone Corporation

REQUEST FOR: **New York Empowerment Zone Corporation (the "Corporation") Budget Fiscal Year 2015**

The Directors are requested to approve an operating budget for fiscal year 2015 for the Corporation. The Operating Principles Memorandum of Understanding, dated January 19, 1996, (the "MOU") requires that the Directors appropriate funding for the maintenance, staffing and expenses of the Corporation. The MOU specifies that the Corporation's budget may include: funding of State and City staff dedicated to the Corporation/Empowerment Zone; the costs of audits; and other anticipated expenses. New York Urban Development Corporation d/b/a Empire State Development Corporation ("ESDC") absorbs certain expenses for the Corporation, such as rent, telephone, postage, etc. The Corporation's proposed fiscal 2015 budget is FOUR HUNDRED FORTY NINE THOUSAND THREE HUNDRED EIGHTY SEVEN DOLLARS AND EIGHTY THREE CENTS (\$449,387.83). In addition, the Directors are requested to ratify the expenses of the Corporation approved by the President and Treasurer to date.

**New York Empowerment Zone Corporation
Annual Administrative Operating Fund Statement
For the period July 1, 2014 to June 30, 2015**

<u>Item</u>	<u>City</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
<u>Personnel</u>				
Salaries (4)	171,000.67 ¹	170,999.66 ²	35,999.67	378,000.00
Fringe Benefits (@35% of 2 Salaries)	12,600.00	12,600.00	12,600.00	37,800.00
Sub Total	183,600.67	183,599.66	48,599.67	415,800.00
<u>Non-Personnel</u>				
Audit	7,666.67	7,666.66	7,666.67	23,000.00
Insurance	2,996.85	2,996.85	2,996.85	8,990.55
Office Supplies	498.12	498.11	498.12	1,494.35
Miscellaneous (Telephone, Postage etc)	34.31	34.31	34.31	102.93
Sub Total	11,195.95	11,195.93	11,195.95	33,587.83
Grant Total	194,796.62	194,795.59	59,795.62	449,387.83

¹ This figure includes the \$135,000 referenced in the MOU for employees of New York City Mayor's EZ Office. The MOU authorizes the City to deduct that amount from its annual contribution to the Empowerment Zone.

² This figure includes the \$135,000 referenced in the MOU for employees of Empire State Development Corporation. The MOU authorizes the State to deduct that amount from its annual contribution to the Empowerment Zone.

June 30, 2014

NEW YORK EMPOWERMENT ZONE CORPORATION - Fiscal Year 2015 Budget – Authorization of \$499,387.83 administrative budget for fiscal year 2015.

RESOLVED, that on the basis of the materials (the "Materials") presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the New York Empowerment Zone Corporation (the "Corporation"), the Directors hereby authorize an operating budget for the Corporation of FOUR HUNDRED FORTY NINE THOUSAND THREE HUNDRED EIGHTY SEVEN DOLLARS AND EIGHTY THREE CENTS (\$449,387.83). for fiscal year 2015, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the "State"), the city of New York (the "City") and others ("MOU") and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR INFORMATION
June 30, 2014

TO: The Directors
FROM: Kenneth Adams
DATE: June 30, 2014

SUBJECT: Summary of Empowerment Zone Funds

The following list itemizes the total amount of Federal Social Services Block Grant funds, New York State and the City of New York funds approved and disbursed to the Empowerment Zone from July 1, 1995 to date (May 2014).

	UMEZ	BOEDC	NYEYC	TOTAL
Credits				
EZ Grant Allocation	\$ 244,020,000.00	\$ 49,980,000.00	\$ 6,000,000.00	\$ 300,000,000.00
Loan Repayments (April, 2014)	\$ 34,035,367.00	\$ 29,080,620.80	\$ -	\$ 63,115,977.80
Total Funds Received	\$ 278,055,367.00	\$ 79,060,620.80	\$ 6,000,000.00	\$ 363,115,977.80
Balance of Loans Due	\$ 25,223,669.00	\$ 9,616,454.65	\$ -	\$ 34,840,123.65
Total Credits	\$ 303,279,026.00	\$ 88,677,075.45	\$ 6,000,000.00	\$ 397,956,101.45
Debits				
Total Approved for Initiatives from EZ Funds	\$ 206,670,000.00	\$ 42,330,000.00	\$ -	\$ 249,000,000.00
Total Approved for Initiatives from Loan Repayments	\$ -	\$ 10,178,764.51	\$ -	\$ 10,178,764.51
Sub-Total Approved for Initiatives	\$ 206,670,000.00	\$ 52,508,764.51	\$ -	\$ 259,178,764.51
Total Approved for Admin from EZ Funds	\$ 37,350,000.00	\$ 7,650,000.00	\$ 6,757,857.30	\$ 51,757,857.30
Total Approved for Admin from Loan Repayments	\$ 20,226,211.57	\$ 5,346,400.45	\$ -	\$ 25,572,612.02
Sub-Total Approved for Admin	\$ 57,576,211.57	\$ 12,996,400.45	\$ 6,757,857.30	\$ 77,330,469.32
Total Approved	\$ 264,246,211.57	\$ 65,505,164.96	\$ 6,757,857.30	\$ 336,509,233.83
Total Disbursed for Initiatives from EZ Funds	\$ 175,116,958.74	\$ 42,167,907.06	\$ -	\$ 217,284,865.80
Total Disbursed for Initiatives from Loan Repayments	\$ -	\$ 7,062,658.89	\$ -	\$ 7,062,658.89
Sub-Total Disbursed for Initiatives	\$ 175,116,958.74	\$ 49,230,565.95	\$ -	\$ 224,347,524.69
Total Disbursed for Admin from EZ Funds	\$ 37,350,000.00	\$ 7,650,000.00	\$ 6,219,073.59	\$ 51,219,073.59
Total Disbursed for Admin from Loan Repayments	\$ 18,515,091.57	\$ 5,108,669.70	\$ -	\$ 23,623,761.27
Sub-Total Disbursed for Admin	\$ 55,865,091.57	\$ 12,758,669.70	\$ 6,219,073.59	\$ 74,842,834.86
Total Disbursed	\$ 230,982,050.31	\$ 61,989,235.65	\$ 6,219,073.59	\$ 299,190,359.55
Balance (Funds Received Minus Approved)				
Uncommitted EZ Funds	\$ -	\$ -	\$ (757,857.30)	\$ (757,857.30)
Uncommitted Loan Repayments	\$ 13,809,145.43	\$ 13,555,455.84	\$ -	\$ 27,364,601.27
Total Uncommitted Funds	\$ 13,809,145.43	\$ 13,555,455.84	\$ (757,857.30)	\$ 26,606,743.97

	Disbursements by Source			Total Disbursements
	Federal	State	City	
UMEZ	\$ 81,482,051.82	\$ 65,187,408.17	\$ 65,797,498.75	\$ 212,466,958.74
BOEDC	\$ 16,802,500.05	\$ 16,564,298.05	\$ 16,451,108.96	\$ 49,817,907.06
NYEYC	\$ 1,104,300.20	\$ 3,335,474.32	\$ 1,779,299.07	\$ 6,219,073.59
TOTAL	\$ 99,388,852.07	\$ 85,087,180.54	\$ 84,027,906.78	\$ 268,503,939.39
				\$ 30,686,420.16
				\$ 299,190,359.55