

NEW YORK EMPOWERMENT ZONE CORPORATION

Meeting of the Directors
Wednesday, November 12, 2014 at 10:30 A.M.
36th floor Conference Room
Empire State Development Corporation
633 Third Avenue
New York, NY 10017

AGENDA

KENNETH ADAMS, CHAIR – CALL MEETING TO ORDER

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KENNETH ADAMS – MOTION TO ADJOURN MEETING

**NEW YORK EMPOWERMENT ZONE CORPORATION
MEETING OF THE DIRECTORS**

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

**June 30, 2014
10:30 a.m.**

ATTENDANCE:

Kenneth Adams, Chair, ESD, President & CEO,
Alicia Glen, Vice-Chair, NYC Deputy Mayor Economic Development
Javier Lopez, Designee, Congressman Jose E. Serrano's Office
Geoffrey Eaton, Designee, Congressman Rangel's Office
Marlene Citron, President, BOEDC
Kenneth Knuckles, President & CEO, UMEZ
Marion Phillips, Corporate Secretary, NYEZC

OTHERS PRESENT:

Jasmine Baker, ESD
Kim Bryan, NYC Law Department
Destiny Burns, ESD
Steven Cohen, ESD
Hope Knight, UMEZ
Joe Middleton, UMEZ
Verdery Roosevelt, UMEZ
Amanda Septimo, Cong. Serrano's Office
Barry Smith, UMEZ
Cheryl Simmons-Oliver, Cong. Serrano's Office
Sonam Velani, NYC Office of the Mayor
Robert White, ESD

ALSO PRESENT:

The Public

The Press
Toby Salinger, Commercial Observer

PROCEEDINGS

Chairman Adams greeted all present and introduced Vice-Chair Alicia Glen, NYC Deputy Mayor.

Chairman Adams: I would like to call to order the meeting of the New York Empowerment Zone Corporation for today, Monday, June 30th, 2014. All meetings of the New York Empowerment Zone Corporation Directors are public meetings and members of the public are, indeed, welcome to ask questions after each of the presentations. Those questions should be focused on the matters raised by the presentations themselves. Two minutes are allotted for comments from individuals and up to four minutes to individuals representing organizations. Following a question and answer period, a motion will be made and a vote will be cast.

The first item on the agenda is the approval of the minutes of the December 18th, 2013 meeting of the Directors.

Chairman Adams asked if any of the Directors had any questions, comments or corrections for the minutes.

Director Cintron cited several updates.

Chairman Adams and the rest of the Directors agreed that the vote to approve the minutes with corrections would occur at the end of the meeting, once Mr. Geoffrey Eaton has arrived to vote.

BOEDC Administrative Budget

Director Cintron presented the BOEDC Administrative Budget for fiscal year 2015. The request was for \$725,000, an increase over previous years. The increase reflects astronomical increases in fringe benefits and special medical coverage that previous budgets had not. It also reflects the fact that there is an increased interest among businesses to relocate to the Bronx especially after the fiscal crisis. This increased interest includes New York City companies moving to other boroughs as they've run out of space, international companies that are coming in our direction because of their interest in doing business within the State of New York and current Bronx businesses looking to expand.

Additional increases in the budget are due to costs associated with complying with ABO reporting.

Vice Chair Glen asked if the increase in staff salaries, which the vast majority of the increase is comprised of, is salary increases or additional personnel.

Director Cintron responded that it was not an increase in salary, but the amount of work that's being done by BOEDC staff in the Empowerment Zone.

Vice Chair Glen then asked whether the head count has increased.

Director Cintron responded no.

Vice Chair Glen asked Director Cintron to explain why the dollar amount for salaries increased 18 percent while there were no salary increases or addition to the headcount.

Director Cintron explained that the Bronx Empowerment Zone budget reflects the percent of staff time allocated to the Empowerment Zone. Salaries have not increased but the amount of time spent on the empowerment zone has increased along with the percentage paid by the empowerment zone.

Vice Chair Glen asked for the amount of the overall BOEDC budget and what percentage is covered by the Empowerment Zone.

Director Cintron advised that she did not know the exact number but explained that more than 70 percent of her salary is covered by the empowerment zone and 100 percent of the Empowerment Zone Executive Director.

Vice Chair Glen requested the staff head count and overall budget for BOEDC.

Director Cintron agreed.

Vice Chair Glen stated that she is uncomfortable with approving the budget without context with respect to the entire operation.

Chairman Adams acknowledged the Vice Chair's concern and recommended holding off on the budget increase until ABO compliance has been resolved. He referred to an ESD grant that is pending approval based upon compliance with the Authorities Budget Office (ABO). He said he does not feel that the Directors are in a position to grant an increase. He suggested continuing the operating budget at the current level for six months, the amount of time he estimates for BOEDC to become fully compliant with ABO and to satisfy the broader questions the Vice Chair has.

The Vice Chair stated that there is possibility of considering a broader budget at that time.

Director Cintron stated that compliance with ABO would occur in three months and proposed meeting again at that time.

Chairman Adams agreed that the ABO requirements were not too demanding and stated he hoped the \$85,000 budget increase would be enough to cover additional accounting, auditing and legal expenses.

Director Cintron added that the legal funds actually have more to do with collections issues and asked if there was any reason why the Directors would meet again in three months.

Chairman Adams left it up to the Directors, and confirmed that BOEDC could become compliant with ABO and respond to the Vice Chair's concerns within 90 days. He then made it clear that meeting within 90 days would not guarantee that the Directors would approve a budget increase of \$85,000 but that the possibility was up for discussion. He then asked the other Directors for their points of view.

Vice Chair Glen felt the request seems reasonable to get compliant with ABO and be able to provide a more holistic view of what the overall operating budget and headcount of the organization and in the meantime discuss other things of interest including the agenda moving forward and the administrations priorities.

Chairman Adams then made a motion to support a budget for BOEDC at the 2014 fiscal year's funding levels (of \$639,000 annually) for the next 90 days, during which time the staff of BOEDC will make its best efforts to become fully compliant with ABO reporting standards and, also, provide broader budget information at the request of the Deputy Mayor and the ESD. We'll do that together and we'll review that and then we'll have a basis for further discussion in about 90 days.

Director Cintron wanted the record to reflect that \$639,000 was the actual spending, and less than the amount that was approved for fiscal year 2014.

Vice Chair Glen also requested that BOEDC's materials presented to the NYEZ Directors include quarterly spending and comparisons to the amount budgeted as a balance sheet would reflect.

Chairman Adams added that the case for an increase should be accompanied by greater detail on the basis for the increase including healthcare and ABO compliance.

Chairman Adams entertained a motion for approval of BOEDC's budget at the annual rate of \$639,000 for a ninety day period Vice Chair Glen seconded. The abbreviated budget for BOEDC was approved by unanimous vote.

Now the staff of the Upper Manhattan Empowerment Zone Development Corporation will present various initiatives proposed by their office.

Futuro Media Group

Verdery Roosevelt presented the Futuro Media Group initiative for a one year capacity building grant of up to \$150,000. The total project cost is \$495,020 and organization will

leverage \$345,020 in additional support from the Ford Foundation for a leverage ratio of 1 to 2.3. Funds will be used to support strategic planning, a full-time director of development, consultants for outreach and fund raising activities and specialized fund raising software. The Futuro Media Group was established in 2010 by the award-winning journalist, Maria Hinojosa, to foster diversity and innovation in the public media, nurture the development of multi-cultural journalists and encourage civic engagement, particularly among the Latino population. Futuro Media is the executive producer for the NPR Program, Latino USA, which has been hosted by Ms. Hinojosa since she helped to create the program 20 years ago. Futuro Media is an excellent example of the emerging media industry in Upper Manhattan. Ms. Hinojosa has deliberately based Futuro's headquarters in Harlem, reflecting the organization's dedication to serving a diverse audience. She and seven other staff members live in Upper Manhattan.

In recognition of Futuro's commitment and accomplishments, the organization has been approved by the City as an anchor tenant in the proposed media arts center development at Mart 125. However, Futuro must first build this administrative capacity even while it is experiencing members' programmatic growth. This growth includes: The new hour-long format for Latino USA, previously only 30 minutes; A new eight-part Public Television series airing this fall; An Internet broadcast arrangement with SoundCloud and a 300 percent increase in the number of unique visitors to their website this year.

Futuro has also been working with local organizations to develop community activities in Upper Manhattan and hopes to expand its mentorship program for young media makers who, like Ms. Hinojosa, are documenting the evolving cultural landscape in our increasingly diverse society. Although challenged by this rapid expansion, Futuro is clear on the planning and fund raising components it must put in place to manage its future. This proposed grant would help Futuro create a strategic path to guide its growth and develop the critical fund raising capacity needed to execute that plan.

Chairman Adams asked if there were any questions or comments on the item.

Director Knuckles reiterated that this grant would leverage an additional \$345,000 from the Ford Foundation and added that UMEZ always seeks to leverage additional property sources, donor sources do with grant funds to non-profit cultural organizations.

Mr. Eaton added that Congressman Rangel's office particularly worked very closely with Ken and his staff on the project, and Mart 125, and that given the diversity of this Congressional District, this is a great addition to 125th Street and to this district in providing resources to tell the story of 125th.

Vice Chair Glen inquired whether the Ford Foundation grant is a multi-year grant.

Ms. Roosevelt replied yes.

Vice Chair Glen then asked about the duration of the UMEZ grant.

Ms. Roosevelt replied that this one is for 12 months and that Ford's extends over a two-year period.

Chairman Adams asked whether Futuro has received other grants from Ford.

Ms. Roosevelt believes it may be the first one.

Chairman Adams complimented Futuro as a great organization and asked if this initiative is successful, how the organization will grow and how will it lead to employment for Harlem residents.

Ms. Roosevelt responded that the core administrative staff would not be more than 12 or 13. She stated that jobs would mostly be created in the television program. She added that there are a lot of staff people involved in creating Latino USA, the radio program and that the eight-part television series has more than doubled its employment. Finally, she stated that fund raising would be necessary to sustain the employment in that division.

Chairman Adams recommended ESD resources including the Governor's office in film and television, he added that expertise of the staff might be helpful to the organization.

Director Knuckles asked if Rhoda Glickman was the director to contact.

Chairman Adams verified that Rhoda Glickman runs the program and offered the possibility of introducing Futuro to lots of people in the industry.

Vice-Chair Glen added the new Commissioner of Media and Entertainment, Cynthia Lopez, with an extensive experience in documentary film making, is a great Latino leader in the field. She then said she would make sure the City's staff is available to assist if possible.

Chairman Adams entertained a motion for approval Director Knuckles properly moved and Mr. Eaton seconded. A \$150,000 grant for Futuro Media Group was approved by unanimous vote.

Museum of the City of New York

Ms. Roosevelt presented a three-year grant of up to \$1 million. The total project cost is \$15,250,950. UMEZ funds in the amount of \$769,280 would support specialized constructions, furnishings and soft costs for four public spaces that would generate new earned income for the museum; the museum shop, the museum cafe, the auditorium and the time space gallery; \$230,720 would support the creation of seven full-time staff positions in marketing, security, maintenance and digital technology needed to operate these spaces. The museum would leverage a total of \$14,250,950 over three years, producing a leverage ratio of

approximately 1 to 14.25. To date, the museum has secured \$9.1 million from the City and \$357,476 from its Board of Directors toward this project for the FY '15 grant period. The museum has become a vital part of the East Harlem community, using the 2005 grant from UMEZ to launch their "Find the Neighbor Campaign," which provides free admission to the museum for anyone who lives or works in East Harlem. Approximately 3,000 children from East Harlem schools participate each year in the museum's education programs. The museum has also created numerous internship opportunities for older students in the neighborhood to acquire training and work experience through various programs.

This project would fully activate the museum's earned revenue strategies that were identified through a technical assistance grant awarded by UMEZ in 2011. This is UMEZ's second capstone grant, a merit-based category for exemplary past grantees designed to support large scale growth that will lead to a significant transformation of organizational capacity. The museum is nearing the end of a ten-year, \$95 million capital project that will completely transform this landmark building on Fifth Avenue and attract many new tourists and citywide residents to East Harlem. This proposed grant would help ensure the completion of this amazing capital effort, strengthen the museum's capacity to generate earned revenue and help sustain the museum's growth well into the future.

Chairman Adams asked if there were any questions or comments on the item.

Mr. Eaton recalled that it's hard to believe that it's been ten years since he worked with Councilman Phil Reed and began this capital campaign with a \$4 million grant under the leadership of Gifford Miller. He announced that he is happy to see that the gap is now closed and this project is almost near completion. He fully supports the project and complimented the Museum as a wonderful institution and expressed gratitude that the community fought to keep it and not repurpose the building.

Chairman Adams thanked Mr. Eaton for the historical perspective.

Director Knuckles added that since UMEZ's involvement with the museum, in 2004, the emphasis has been to make MCNY a better neighbor, more responsive to its immediate environment both programmatically and with employment opportunities. He wanted to emphasize the involvement with the children of East Harlem. He also noted how the institution enhances tourism in the region.

Mr. Eaton added that the museum is a major stakeholder in the Museum Mile.

Chairman Adams asked if Empowerment Zone previously approved grants to the museum.

Director Knuckles advised that this is the third and capstone.

Ms. Roosevelt referenced a list on page 7 of the proposal showing how the Empowerment Zone has made modest investments compared to some of our other grantees and also noted that the museum has been exemplary in their application of the funds.

Chairman Adams inquired about the Museum's MWBE participation goals.

Ms. Roosevelt and Director Knuckles advised that New York City's MWBE requirements would be applied to the project due to City investment.

Chairman Adams stated that the Governor's goal is 20 percent and that in New York City we actually always aim higher than 20 in places with accessibility to MWBEs.

Chairman Adams entertained a motion for approval Mr. Eaton properly moved and Director Knuckles seconded. A \$1,000,000 grant for the Museum of the City of New York was approved by unanimous vote.

Harlem Business Alliance

Joseph Middleton presented a two year performance based grant to Harlem Business Alliance of up to \$240,000. HBA will identify potential borrowers for loans of \$50,000 or more, package the loan applications and deliver them to UMEZ for consideration by the Business Resource and Investment Service Center (BRISC). HBA will be compensated at the rate of \$10,000 per completed loan package submitted to BRISC and \$5,000 for loan packages submitted and accepted by another lender.

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 of Harlem growth and businesses. HBA, through this program offering, offers assistance to young entrepreneurs and startups, as well as existing businesses with retention and expansion issues. Staff recognizes the terminal description that's been applied to previous grants under UMEZ to HBA but this particular request engages HBA, not to underwrite its operation, but to provide qualified services to businesses as well as the final product to UMEZ.

Chairman Adams asked if there were any questions regarding the presentation.

Vice Chair Glen asked whether Harlem Business Alliance is responsible for sourcing and identifying potential applicants and for what funding are they then packaged for.

Mr. Middleton responded yes to the first inquiry and that the loan packages are submitted to UMEZ for acceptance to be passed on to BRISC for consideration.

Director Knuckles added that BRISC is the UMEZ's small business lending program.

Mr. Middleton added that UMEZ manages the HBA program and that the UMEZ project manager will be responsible for working with HBA to make sure those clients are qualified for the program and accepting the product as being complete. Then the client and the package are passed on to BRISC for consideration.

Vice Chair Glen inquired about the role of BRISC and whether BRISC is a CDFI.

Mr. Middleton responded that BRISC underwrites loans and conducts back office lending activities. BRISC is not a CDFI and does not provide business development assistance.

Director Knuckles added that BRISC is a subsidiary of UMEZ, which does small business lending between \$50,000 and \$250,000.

Vice-Chair Glen commented that the program is somewhat unusual and pointed out a disconnect in the loan sourcing area.

Mr. Middleton confirmed that BRISC has been challenged with identifying quality clients within its market reach. He added that this project is BRISC's strategy to move forward and address the concerns the Directors had previously made about the low number of loans closed. He stated that the goal is to identify fundable clients to increase lending.

Vice-Chair Glen asked whether formal analysis was conducted to demonstrate that there was an unmet demand for BRISC's products and how that was completed.

Mr. Middleton stated that it was a self-identification process. He stated that businesses came directly to BRISC with a funding need.

Vice-Chair Glen clarified her question and asked whether there is a business population who are not being served either through our existing capital access programs in the City of New York or through the 7A Program or through Quantum 4 or whether there is some additional framework around the gap in the market that BRISC is filling.

Ms. Knight added that a formal analysis has not yet been completed but one would be over the next six months.

Vice-Chair Glen added that if there is no gap in the market, there may be a duplication of efforts in the same territory.

Mr. Middleton stated that loans approved by BRISC are ones that banks would not approve and that potential borrowers have been rejected from a traditional lending institution. BRISC loans are primarily start-ups.

Vice-Chair Glen expressed interest in discussing lending efforts off line with the goal of ensuring that city and state funded organizations are not working at cross purposes. She

proposed discussing a framework for the business lending efforts for discussion at the next Directors meeting in September.

Chairman Adams added that the discussion should include what's available commercially.

Director Knuckles agreed.

Mr. Eaton added that HBA's incubator and educational space is quite crowded and invited the Directors to visit it.

Chairman Adams commended Mr. Middleton for his responses and for being responsive to the Directors concerns regarding BRISC's challenges discussed in the December meeting by coming up with new ways to engage small businesses. Specifically, getting a third party with greater capacity for community outreach, greater capacities to identify potential borrowers. He then asked how the \$10,000 figure was determined.

Mr. Middleton stated that UMEZ worked with both organizations and asked them to identify staffing and allocate the costs to provide the service. The larger of the two estimates was \$10,600 and we backed it down to \$10,000.

Chairman Adams verified that the minimum loan size is \$50,000 and observed that BRISC could potentially pay \$10,000 to close a \$50,000 loan or a \$250,000 loan. He then asked why a sliding fee was not considered.

Mr. Middleton said that scaling would have been a very difficult thing to do because UMEZ is aware of the cost of completing a business package.

Chairman Adams asked what the community partner has to accomplish in order to receive the \$10,000 payment.

Mr. Middleton said they would have to submit a completed package verified by UMEZ. UMEZ would be interacting with HBA from start to finish and would be confident that the product would be underwriteable while the loan would still be subject to the approval of the credit committee comprised of business owners and finance.

Chairman Adams verified that loan closure is not required for payment to the intermediary. He then asked if submission is sufficient as opposed to a traditional broker where a condition could be the closing of a loan.

Director Knuckles and Mr. Middleton clarified that while acceptance of a submission is the criterion used to determine whether payment is made to the intermediary, the criteria used to accept a submission is more stringent.

Director Knuckles added that contingencies happen and sometimes loans do not close due to collateral issues or other unforeseen circumstances and it wouldn't be fair to the organization that has expended time and resources bringing the loan to UMEZ.

Chairman Adams summarized the program and stated that he would be more comfortable if a control was put in place to prevent a program failure. The example would be accepting 24 submissions and 12 to 16 of them fail to meet the underwriting criteria. He suggested reviewing the program after the intermediary has submitted 6 packages.

Mr. Middleton said that periodic review is part of the process. A review of the partner would be triggered if the quality of the applications is low.

Hope Knight added that the proposal contains a 9-1 benchmark where UMEZ reviews the submissions and loan approvals and if there are many submissions and few loans, the process would re-evaluated.

Chairman Adams suggested a six month review. He reiterated that in a pay-for-performance model, performance should be considered a closed loan.

Vice-Chair Glen agreed.

Chairman Adams asked if there were any further comments or questions. There were none.

Chairman Adams entertained a motion for approval modified to include a six month program review.

Director Knuckles properly moved and Mr. Eaton seconded.
A grant of up to \$240,000 to Harlem Business Alliance was approved by unanimous vote.

Union Settlement

Mr. Middleton presented a grant of up to \$240,000 to Union Settlement. Union Settlement replaces East Harlem Business Capital as the fundraising community partner in East Harlem. Union Settlement has taken on some staff of the East Harlem Business Capital Corporation and inserted them into its business development unit.

Identical to that of the HBA program, it compensates them at the rate of \$10,000 per completed package. I guess we'll talk about that going forward. But nonetheless, it's the same program. They are also subject to periodic performance review as well as to being compensated upon the delivery and acceptance of a loan package by UMEZ to be considered by the BRISC. Again, we seek your approval on this one, as well which is also \$240,000 program to assist us in identification, packaging and delivery of UMEZ, at least 24 completed packages over the course of a two-year period.

Vice Chair Glen commented that this program is a little different because Union Settlement has its own credit union. She then asked whether the packages generated would be for loans for BRISC or the credit union.

Mr. Middleton responded that it would be for BRISC, not the credit union.

Vice Chair Glen asked what segments of the market the program is attempting to serve and if the credit union would not like to do this kind of lending because it's incredibly risky.

Mr. Middleton said that the credit union will not do start-ups and membership is required.

Chairman Adams pointed out that in both cases it appears that the partners have the option of actually taking the package to another lender and getting a \$5,000 fee.

Mr. Middleton confirmed and stated that a minimum of 9 of 12 must be submitted for consideration of a BRISC loan.

Chairman Adams asked what happens if Union Settlement identifies a potential borrower, completes this package, and BRISC doesn't make the loan but they find someone else to make the loan.

Mr. Middleton stated that once BRISC rejects a loan, UMEZ will not pay for another submission. It may redirect a package. Each package would only be paid for once.

Chairman Adams proposed the modification as with HBA that the program is reviewed in six months to ensure success.

Vice Chair Glen added that there has to be further discussion about what the asset strategy is.

Chairman Adams agreed.

Chairman Adams asked if there were any further comments or questions. There were none.

Chairman Adams entertained a motion for approval modified to include a six month program review.

Director Knuckles properly moved and Mr. Eaton seconded.

A grant of up to \$240,000 to Union Settlement was approved by unanimous vote.

Washington Heights Inwood Development Corporation

Mr. Middleton presented a \$400,000 loan and \$75,640 grant to Washington Heights Inwood Development Corp. ("WHIDC") to assist with capitalization and administration of its loan fund. The proposed loan will have an interest rate of one percent and a term of five years and the grant will be for a period of 18 months.

WHIDC was organized in 1970 to serve the residents and businesses in Washington Heights and the Inwood section of Northern Manhattan. Since the organization started providing loans through its BOSS micro loan program in 1995, it has made more than 380 loans, totaling up of \$5 million. These loans range from \$100 to \$50,000, with an average loan of \$24,000 and average interest rate of six percent. Dennis Reeder, the Executive Director of Development, now directs the BOSS Micro Loan Program. WHIDC employs four full-time staff members. The organization has an annual operating budget of \$528,000 and supports three main programs; the BOSS Micro Loan Program, the BOSS Child Care Development Program and La Plaza De Las Americas. As of December 31st, 2013, the organization had an active loan portfolio for 53 loans and with an outstanding loan balance of \$861,108. The program delinquency rate for the same period of time was 3.62 percent. The BOSS Loan Program is currently capitalized at \$900,000 and consists of the private and public sector grants, loans and lines of credit. Current funding sources for the loan program include, HSBC funds, Apple Bank, Empire State Development Corporation, BOC Partnership and U.S. Small Business Administration.

The proposed loan will be the third in a series of loans from UMEZ. The first loan was in 1996 for \$200,000 and the second in 1999 for \$100,000. Both loans were repaid prior to or on their maturity dates and of those loans made, \$300,000. WHIDC made a total of 76 loans and put more than \$750,000 of loan capital on the street, which means they turned it over at least two-and-a-half times. The proposed investment in this particular capitalization effort will leverage about another \$120,000 from other sources that WHIDC is currently pursuing.

Vice Chair Glen said it seems like it's working very well. Keep doing it.

Chairman Adams added that relating to the Vice Chair Glen's earlier question about strategies going forward that the program should be revisited for status.

Vice Chair Glen said the program seems to be performing very effectively and suggested that it's a comfort zone that should be maintained.

Chairman Adams commended Dennis Reeder for the great job he's doing at WHIDC. Chairman Adams asked if there were any further comments or questions. There were none.

Chairman Adams entertained a motion for approval modified to include a six month program review.

Director Knuckles properly moved and Mr. Eaton seconded. A loan of \$400,000 and a grant of up to \$75,640 to Washington Heights Inwood Development Corporation were approved by unanimous vote.

East Harlem Emergency Business Assistance Program

Mr. Middleton presented a matching grant of a \$100,000 to aid in the creation of an Emergency Business Assistance Program for those businesses impacted by the March 12th explosion in East Harlem. The final amount of this proposed matching grant would be determined by the amount of public funds raised by ESDC, HCDC and the private funds raised by Assemblyman Robert Rodriguez of East Harlem. The total pool for this program is expected to be approximately \$400,000. The program will provide eligible businesses and non-profits with forgivable loans to assist in the repair and replacement costs relating to the aforementioned event and related expense incurred for the period of time immediately after the explosion. The total number of businesses that have been affected by this particular incident has been estimated at about 60 businesses. The location of these businesses are limited to the area bounded East 115th Street and East 118th Street, Lexington and Madison Avenue.

The explosion itself completely destroyed two buildings on 116th Street and rendered a third business on 116th and Park Avenue structurally unsound. This joined the piano store, the church and three businesses that we consider the epicenter of this project. The total collaboration provides UMEZ with an opportunity to directly respond to immediate issues and to meet the challenges of an unanticipated tragedy in a manner consistent with its mission and local business needs. To help ensure the sustainability and profitability of the impacted small businesses, UMEZ, in collaboration with Empire State Development Corporation, HCDC and Assemblyman Robert Rodriguez proposed program offer forgivable loans not to exceed \$20,000 for any businesses at the epicenter destroyed in this particular event in the area immediately adjacent to the blast area and up to \$10,000 to businesses in the outer periphery of this particular blast area. The loans will be offered on a, "as funds permit" basis and to any small business in the event area seeking to participate in the program and will go as long as funds last or until December 31st, whichever comes first. If the business fails to meet these forgivable criteria, to remain in business for a period of one year, the loan will be amortized over a two-year period at three percent interest rate. All applications for the particular program is supported through the Central Harlem location, HCDC and ESDC staff will review, approve and make payment recommendation to UMEZ for payment. UMEZ will serve as a depositor for all program funds and will disburse all loan proceeds to the approved businesses.

Chairman Adams asked if there were any questions or comments.

Director Knuckles commented that after the tragedy UMEZ was in the midst of figuring out what might be helpful and received a call from Assemblyman Rodriguez. This program is intended to assist businesses directly impacted by the tragedy.

Mr. Eaton added that he actually knew those businesses and some of the people who died. A great store was destroyed and a major art center. The continuous burning and the smoke that traveled to the close by stores resulting in loss of their merchandise. He also spoke on behalf of Harlem Community Development Corporation who also recognized the tragedy and assisted.

Chairman Adams stated that he was glad Curtis Archer has been a helpful partner. Chairman Adams cautioned that protocols should be in place to ensure that fraud is minimized. Based on ESD's experience with other disaster recovery grants, which a forgivable loan is essentially a grant, he proposed verifying receipts and that double payments are not made.

Chairman Adams asked if there were any further comments or questions. There were none.

Chairman Adams entertained a motion for approval modified to include a six month program review.

Director Knuckles properly moved and Mr. Eaton seconded.

A grant of up to \$100,000 for the establishment of East Harlem Emergency Business Loan Fund was approved by unanimous vote.

BRISC Administrative Budget

Joseph Middleton presented a grant in the amount of \$369,108 to cover the BRISC Administrative budget for the 2015 fiscal year.

The proposed budget request represents a 13 percent increase from the FY '14 funding request and loan capital is not being sought as part of this request. BRISC, as a loan program, focuses on small businesses that offer valued services and products that are not provided in the Upper Manhattan community and support of UMEZ anchor project -- and supports the UMEZ anchor project. The BRISC investment strategy closely aligns with that of UMEZ and how delivery of the BRISC product involves many steps that often take place over an extended period of time and the technical assistance that is provided in a number of ways, ranging from one-on-one consultations to referrals to other resource providers.

The BRISC going forward and to move beyond the limited number of loans that are made in FY '14 fiscal year, will utilize a wide range of resources to better coordinate its efforts with a number of existing local and underutilized assets that expand on the neighborhood reach in an effort to: 1. Augment the number of initial loan inquiries. 2. Provide sustained technical assistance to those interested and qualified applicants at the neighborhood level; and, 3. To

provide additional follow-up and support to pending inquiries when appropriate and where applicable. We hope to achieve our goals by focusing more intently on and optimizing our use of the following categories of resources; that being the community partners we discussed earlier, hiring a dedicated business specialist to market, promote and assist in the coordination of our and other small business programs, the greater engagement of sourcing traditional and other alternative lending institutions and business services entities. There are two-and-one-quarter full-time programs that comprise of the staff that will be associated with the BRISC project, in addition to one other full-time staff position to -- the addition of one full-time staff position. The balance of the full-time equivalent should be comprised of partial contribution from the additional staff member and a business outreach specialist person, respectively. In addition, in FY '15, we will engage the resources to help determine if there are emerging market segments in the UMEZ market that this should be -- should target and determine if BRISC is offering the most appropriate product for this particular market. Therefore, I propose -- therefore, our '15 proposed budget -- and again, it is 13 percent less than it was in the previous year. And we seek your approval of a \$369,108 budget to cover BRISC administrative funds' needs for FY '15.

Vice Chair Glen reiterated the need to have a broader discussion going forward regarding the lending programs.

Chairman Adams asked if there were any further comments or questions. There were none.

Chairman Adams entertained a motion for approval modified to include a six month program review.

Director Knuckles properly moved and Mr. Eaton seconded.
The BRISC administrative budget was approved by unanimous vote.

UMEZ Administrative Budget

Barry Smith presented the UMEZ Administrative Budget of \$3,327,145 for fiscal year 2015. As in the past four years, the UMEZ administrative budget is exclusively funded from loan repayments.

The FY '15 budget is approximately \$95,000 or about three percent lower than the '14 budget had been. Major changes this year on the presentation that's in the book, line 11, a \$67,500 office rent due to our lease carrying two months free rent for each of the first two years of our lease. UMEZ is now in the third year of the lease so that reduction is no longer in place. That's offset in line 13 it increased the budgeted real estate taxes of \$45,000. Based on the experience this year, the taxes are substantially lower than in previous offers so the budget last year based on previous offers. On line 31, there is a decrease in the category there isn't one this year.

Chairman Adams commented that the three percent decrease in the overall budget is notable and important.

Vice Chair Glen verified that Mr. Smith presented UMEZ's entire budget.

Chairman Adams confirmed that Mr. Smith presented the full picture and then asked about the new office space at 55 W. 125th Street.

Director Knuckles responded that it is great.

Vice Chair Glen asked about the cost per foot.
Mr. Smith responded \$34 per square foot.

Chairman Adams entertained a motion for approval Director Knuckles properly moved and Mr. Eaton seconded. The UMEZ Administrative Budget of \$3,327,145 for fiscal year 2015 was approved by unanimous vote.

Minutes – December 18, 2013 NYEYC Directors Meeting

Director Adams stated that some important additions, critical details around the description of the Fresh Direct project and other investments in the Hunts Point Terminal Market, were noted and amendment will be made.

The following updates/corrections to Director Cintron's statements made at the meeting:

- Page 8, line 2 - the y was left off of the word many
- Fresh Direct employs 2800 New York City workers. The minutes will now indicate that the number includes 600 Bronx residents
- The Freezer would meet the needs of the fish market, meat market as well as Golden Crust from needing to leave the state for cold storage

Chairman Adams entertained a motion for approval of the updated minutes for the December 2013 Directors meeting.

Mr. Eaton properly moved and Director Cintron seconded.
The minutes of the December 2013 meeting are hereby adopted.

NYEYC Corporate Budget

Marion Phillips III presented the NYEZC corporate budget for fiscal year 2015. I'll just go fast. This item needs an action item from the Directors to vote upon. It's the approval of the corporate budget for \$449,387 for fiscal year '15. As you all know, that the City and State both have the opportunity to use \$135,000 each related to their own staffing so that \$200 -- I'm sorry, \$449,000, you reduce it by 270, and we would be able to find out what the Corporation costs actually are. So the budget is approximately \$50,000 lower than what it was in the previous year.

Mr. Phillips explained that of the \$449,387 \$135,000 is allocated to the City and State to offset Empowerment Zone staff.

Chairman Adams entertained a motion for approval.

Director Knuckles properly moved and Chairman Adams seconded.
The NYEZC Administrative budget for fiscal year 2015 was approved by unanimous vote.

Secretary's Report

In the interest of time Mr. Phillips suggested that the Directors review the Secretary's Report in the Board Book. He stated that it contains the Distribution Report and Administration Report as of June 30, 2014. The report reflects all income, expenses loan repayments and disbursements over the past 18 years.

Chairman Adams verified that the Secretary's report is for informational purposes and requires no particular board action.

Chairman Adams asked if there was any other business.

Chairman Adams made a motion to adjourn

Chairman Adams entertained a motion for approval modified to include a six month program review.

Mr. Eaton properly moved and Director Knuckles seconded.

The meeting was adjourned at 11:58 am.

FOR CONSIDERATION

November 12, 2014

TO: The Directors

FROM: Kenneth Adams

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

REQUEST FOR: **Authorization for Loan to Victoria Tower Initiative and to Take Related Actions.**

I. Initiative Summary

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

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

Proposed Initiative: A \$10,000,000 loan to finance the hotel construction to be franchised under the Marriott Renaissance at 233 West 125th Street.

Total Initiative Cost: \$164,731,000

Proposed Empowerment Zone ("EZ") Investment: \$10M Subordinated Loan

Funding Sources:

Federal EZ SSBG Funds:	3,333,334.00
State EZ Funds:	3,333,333.00
City EZ Funds:	3,333,333.00
Senior Loan:	106,000,000.00
HDC Subsidy:	7,400,000.00
LIHTC:	13,376,000.00
CFA Grant	5,000,000.00
Cultural Buildout Credit:	12,600,000.00
Developer's Equity:	10,355,000.00
Total	164,731,000.00

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 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 loan from UMEZ to **Victoria Tower**. 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 the loan made under this initiative is further subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Create 192 affordable housing units
- Over 370 full-time equivalent jobs
- Creates cultural space and prime retail spaces on 125th street.

V. Residents Benefits

This Initiative will benefit EZ residents by:

- 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.

This initiative will meet the following Federal programmatic options:

- Programs that promote home ownership, education, or other routes to economic independence for low-income families, youths and other individuals.
- 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.

VII. Additional Materials

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

November 12, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Victoria Tower
– a \$10,000,000 subordinate loan to finance the hotel construction franchised under the Marriott Renaissance at 233 West 125th Street.

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 to Victoria Tower (the “Initiative”) to finance the hotel construction franchised under the Marriott Renaissance at 233 West 125th Street, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed TEN MILLION DOLLARS (\$10,000,000) 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 loan in an amount not to exceed TEN MILLION DOLLARS (\$10,000,000) 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

TO: New York Empowerment Zone Board of Directors

FROM: Kenneth J. Knuckles, President and CEO
Upper Manhattan Empowerment Zone

DATE: October 31, 2014

SUBJECT: Victoria Tower

REQUEST FOR: Subordinated mortgage loan of up to \$10,000,000

I. PROPOSAL SUMMARY

PROJECT MANAGER: Alexandre Cheval

COMPANY: 233 W 125th Danforth, LLC

CONTACT: Joseph Yi

ADDRESS: 202 Centre St, New York, NY 10013

TELEPHONE/FAX/E-MAIL: (212) 334-3338/ joseph.yi@lamgroupnyc.com

TYPE OF BUSINESS: Hotel, Retail, Residential, Parking garage

TAX STRUCTURE: LLC

IRS ID #: N.A.

DATE INCORPORATED: 2008

TOTAL PROJECT COST: \$164,731,000

FINANCING REQUESTED: \$10,000,000

FUNDING SOURCES:

Federal SBG EZ Funds	\$ 3,333,333.33
State EZ Funds:	\$ 3,333,333.33
City EZ Funds:	\$ 3,333,333.33
Others:	\$ <u>0.00</u>
TOTAL	\$ 10,000,000.00

Employment: 373

FOR CONSIDERATION

To: Economic and Physical Development Committee (“the Committee”)
From: Hope Knight, Alexandre Cheval
Date: October 24, 2014
Subject: Victoria Tower (“Victoria Tower”, or the “Project”)
Request: \$10,000,000 Subordinated UMEZ Loan



Investment Proposal

UMEZ Staff seeks the Committee’s recommendation for conditional approval by the UMEZ Board of a \$10,000,000 subordinated mortgage loan to finance the construction of the Victoria tower, a 27-story, 380,000 square foot hotel, retail, cultural and residential center to be located next to the Apollo Theater on 125th Street. The \$164 million project is led by experienced developers Lam Group and Exact Capital along with Harlem-based developer Danforth Development Partners (the “Developers”.) UMEZ’s loan will have a three-year maturity with a six-month extension option and will be co-terminus with the senior construction loan.

The Victoria Tower will create significant benefits for Upper Manhattan, including a 208-key full service hotel, 23,000 square feet of prime retail space on 125th Street, and 25,000 square feet of cultural programming space. In addition, the Project will also create over 370 full-time equivalent (“FTE”) jobs and 96 affordable housing units representing 50% of all residential units.

The project will be financed using a combination of developer equity, senior debt, Low Income Housing Tax Credits (“LIHTC”), EB-5 financing and state grants.

UMEZ Staff is requesting the Committee’s recommendation for approval subject to the borrower (i) closing on the site with the State and (ii) securing 100% of Project financing sources prior to closing. The State has required that the Project financing structure be arranged to execute the land lease and purchase agreement with the borrower. The borrower is also waiting for the final approval of a number of subsidies that will go into the capital stack. UMEZ Staff requests a recommendation for approval on the condition that those grants are approved, or that the borrower obtains satisfactory alternative sources, and that the land agreement is signed with the State.

UMEZ Staff believes this proposal meets the investment criteria established by the UMEZ Board in February 2004:

Investment Criteria		Comment
<input checked="" type="checkbox"/>	Strategic fit	The Project will turn an inactive site on 125 th St into a vibrant cultural and residential space. The Victoria Hotel will increase Harlem’s attractiveness as a cultural and tourism destination.
<input checked="" type="checkbox"/>	Sustainable business	The hotel segment will be run under the [REDACTED] franchise by an experienced operator. The residential condominium will have sustainable rent revenues.
<input checked="" type="checkbox"/>	Realistic business plan	Projections are based on occupancy and price projections by a reputable hospitality industry consultant and reasonable management projections.
<input checked="" type="checkbox"/>	Experienced management	The joint team of developers has extensive experience in both hotel and condominium construction.
<input checked="" type="checkbox"/>	Predictable cash flows	Cash-flows will be derived from hotel room revenues, rents from condominiums and retail space, as well as parking revenues.
<input checked="" type="checkbox"/>	Adequate capital structure	Adequate equity contribution (29% of project costs including cash subsidies.)
<input checked="" type="checkbox"/>	Creation of at least 5 jobs	Based on the developers’ estimates, the Project will help create or maintain over 370 Full-time Equivalent (“FTE”) jobs in Upper Manhattan.
<input checked="" type="checkbox"/>	Efficient investment	Approximately \$27,000 per FTE job, which is under UMEZ’s \$35,000 threshold. UMEZ’s \$10 million commitment will leverage over \$110 million in private investment in Upper Manhattan.
<input checked="" type="checkbox"/>	Community impact	The Project will provide quality cultural space.

With this Project, UMEZ will further its mission of attracting new businesses, creating jobs and increasing sustainable businesses. Based on UMEZ Staff’s assessment of the Project’s merits and long-term beneficial impacts on Upper Manhattan, Staff requests the Committee’s recommendation to the Board for conditional approval of the \$10,000,000 subordinated mortgage loan requested for the construction of the Victoria Tower.

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Request Description

1. Project Description

The Lam Group, Exact Capital Corporation and Danforth Development Partners LLC are currently seeking financing to build a 27-story, 380,000 square foot mixed-use building at 233 West 125th Street, the site of the former Victoria Theater. The site, located near the Apollo Theater, has been inactive since 1989.

The developers intends to build a new development which will consist of the following elements: (i) a 208 key full service hotel, (ii) 192 unit apartments, 50% free market and 50% affordable, (iii) 23,000 sf of retail space, (iv) approximately 25,000 sf for a cultural facility which will be provided to a cultural organization(s) on a “maintenance cost only” basis, and (v) an underground parking garage. The building is registered as a landmark, and the project design includes certain historic preservation aspects such as retaining and restoring the Theatre’s south building, including the original lobby, grand stair to the balcony level, facade marquee and blade sign. The building was designed by Aufgang Architects, a minority-owned firm specialized in commercial real estate. The Victoria tower is the most significant redevelopment project in Harlem of the past 25 years.

Victoria Tower Rendition



Hotel Segment

The Hotel will contain 208 guest rooms, a ballroom, restaurant, and bar with an outdoor balcony overlooking 125th St. The hotel will be a [REDACTED] Hotel; the developers have entered into an agreement with [REDACTED] to operate under the [REDACTED] brand under a [REDACTED] franchise agreement.

Residential Segment

The residential component of the Project, accessible from 126th Street, will offer modern studio, one and two-bedroom rental apartments. The residential building will contain its own private entry, elevators, and circulation core. 50% of the units will be made available at market rates, with 30% moderate income units, and 20% low income units.

Parking

Located below grade and primarily on the northern part of the lot, a pay-as-you-go parking garage which will go to a depth of approximately 15 feet into the cellar will be accessible to vehicular traffic from 126th street. The parking for approximately 90 vehicles will use stackers to effectively double the amount of cars that can be parked.

Retail

The Retail offering will be located on both the first and second floors of the building, and will altogether occupy approximately 23,000 sf. On the first floor, two small units will be located on each side of the Historical Preservation space. On the second floor the retail space will occupy the full floor plate of the building from 125th Street to 126th Street.

Cultural Center

Located on the third and fourth floors, the Cultural Arts space will be comprised of offices and performance space for a consortium of arts partners that include [REDACTED]. The facilities will utilize 24,000 sf of space and includes offices, conference rooms, and administrative areas on the third floor as well as a 199-seat black box theater and a 99-seat theater on the fourth floor.

2. Sources & Uses of Funds

Total Project costs amount to \$164.7 million, or \$436/sf. The Project will be financed with a mix of developer equity, debt, and various city, state and federal subsidies. In addition to a 6% equity contribution, debt financing includes a \$106 million senior loan, as well as UMEZ’s \$10 million subordinated loan. Major construction items are land acquisition for \$27 million or 17% of Project costs (see explanation of agreement with HCDC on p.13), hard costs (66%) and soft costs (7%). Contingency amounts to 5% of both hard and soft costs, and the developers’ fee to \$3 million (2%). Financing costs of \$8 million (5%) include fees as well as interest paid during construction on the senior facility.

Total Sources & Uses					
Source	\$'000	% Uses	\$'000	% \$/sf	
Senior Loan	106,000	64% Land	27,190	17%	72
HDC Subsidy	7,400	4% Hard Costs	108,523	66%	287
LIHTC	13,376	8% Soft Costs	10,964	7%	29
CFA Grant	5,000	3% Contingency	6,272	4%	17
Cultural Buildout Credit	12,600	8% Developer Fee	3,248	2%	9
UMEZ Loan	10,000	6% Financing Costs	8,534	5%	23
MERF Loan	0	0%			
Developer Equity	10,355	6%			
Total	164,731	100% Total	164,731	100%	436

The Project will use:

- Cultural build-out credit: The City has allocated \$12.6 million in capital funds toward the nonprofit cultural component of the development. These capital funds may be used for the build-out and equipping of the cultural condominium.
- Empire State Development Grant: the State of New York’s economic development funding program awards grants to projects which support the economic development and spur job creation. \$5 million will be made available for this Project.
- HDC subsidy: Housing and Development will provide \$7.4 million to finance the Project in exchange for making 50% of the residential units available to individuals earning less than 130% of the AMI.

3. Preliminary Terms and Economics

UMEZ Summary Loan Terms	
Borrower	233 West 125 th Street Danforth, LLC
Security Type	Subordinated Loan
Principal Amount	\$10,000,000
Purpose	To construct the hotel condominium
Maturity	36 months plus one 6-month extension option
Repayment	Interest only; full repayment at maturity
Ranking	Subordinate to senior construction loan
Security	Second mortgage on project assets
Commitment Fee	1%
Interest rate	6%, of which 3% is capitalized interest

UMEZ Expected Income

Based on a 1% commitment fee, UMEZ would earn \$100,000 in fees at closing, as well as over \$1.8 million in loan interest income throughout the life of the facility for a total income of \$1.9 million (\$2.2 million if the loan is extended by 6 months.)

Project Overview

1. The Victoria Theater

Project Location

The Project Site is an approximately 20,000 sf, T-shaped through lot with approximately 50 feet of frontage along West 125th Street and 150 feet of frontage along West 126th Street. The current three-story, 40,000 sf structure consists of two buildings: the South Building, which fronts onto West 125th Street and contains the original entrance and lobby of the theater; and the North Building, which is located on West 126th Street and contains the former theater auditorium and other accessory public spaces.

Current Victoria Theater



Victoria Theater History

Built in 1917 and designed by Thomas W. Lamb, a notable and prolific theater architect of the era, the Victoria Theater was owned and operated by Loew's Corporation. Converted to a multi-screen movie theater in 1987, it subsequently closed in 1989, and has been vacant since.

In 1977 the Harlem Urban Development Corporation, a New York State economic development agency and the predecessor to Harlem CDC ("HCDC"), acquired fee title interest in the Project Site. In 2007, HCDC issued a Request For Proposal for the redevelopment of the site.

Future Rendition – 125th View



Future Rendition – 126th View



2. Project Overview

In 2007 Danforth Development Partners was designated the Project developer by HCDC to revitalize the site by creating a project that would bring jobs and vitality to the surrounding area. In the spring 2011, Danforth formed a joint venture with Exact Capital who has provided additional equity investment as well as the lead role in developing the Project. In the spring of 2014 the Lam Group joined the partnership to provide additional financial strength to the project and its expertise in hotel development.

The project will consist of (i) a 208-key full service hotel, (ii) approximately 23,000 square feet of retail space (iii), approximately 25,000 square feet of cultural programming and event and support space, and (iv) a 192 residential apartment unit with 50% of affordable housing units and 50% of market rate units. Each segment will be a separate condominium entity, all of which to be owned by the Project Company, at the exception of the cultural condominium (see details below.)

Project Costs by Component

Component	Square Feet	Construction Costs (\$'000)	Construction Costs (\$/sf)
Hotel	133,331	67,388	505
Residential, Retail & Cultural	249,717	95,392	382
Total	383,048	162,780	425

The Project will be located next to the Apollo Theater. The hotel lobby will be on 125th street, while residential units will be accessed by 126th Street. At 27 stories, the project will be the one of the tallest buildings in the area with a clear view of Central Park. The building was designed by Aufgang Architects, a firm with over 40 years of experience in commercial and residential real estate design.

Hotel Condominium

The Lam Group has signed an agreement with [REDACTED] to operate the hotel under the [REDACTED] brand. The hotel will contain 208 guest rooms, a ballroom, restaurant, and bar with an outdoor balcony overlooking 125th St. The hotel will be operated under a [REDACTED] franchise agreement.

The hotel will market to both domestic and international travelers - both leisure and business. HVS, a consultancy specialized in the lodging industry, reports in a study of that the area can support around 1500 rooms vs. 124 currently, and that the will Victoria be a catalyst for future hotel development in Harlem. (See study summary in Attachment A on p. 24.)

A marketing campaign to promote the hotel opening will include: (i) [REDACTED] general marketing and reservation system, (ii) online advertising, (iii) travel agents, (iv) local marketing and (v) international marketing. With its quality amenity spaces including a fine dining restaurant, lounge, and ballroom and the performing arts theater, the Victoria will be another destination in Harlem that will spur national and international tourism. Having overnight guests in Harlem, that will spend their money locally throughout their stay rather than current tours which only visit Harlem for a short period due to lack of hotel options, will create significant economic benefits in the area.

Retail Condominium

23,000 square feet of retail space will be available at the Victoria. Split between the first and second floor, it will have direct access to 125th street. The developers are currently in discussions to identify an anchor tenant. There have been indications from [REDACTED] and the discussions are expected to last another 3-6 months before tenants are secured.

Cultural Condominium

Under the Harlem CDC RFP, the developers are required to build out approximately 25,000 sf of the Project Site as a cultural arts center for use as performance and administrative office space for cultural arts organizations. The cultural arts center will feature a 199-seat black box theatre and a 99-seat flexible performance space, as well as exhibit and rehearsal spaces, a public lobby/event space, scenery and costume shops, meeting and educational spaces, dressing rooms, other backstage spaces, and a box office.

Harlem CDC will retain ownership of the Cultural Condominium unit and will then make the unit available for use as a permanent home to cultural institutions it selects. The cultural space will be either leased or sold to the cultural organizations for a nominal amount, with the organizations being responsible for providing furniture, fixtures and equipment and operating costs for the cultural space. The initial cultural arts organizations that Harlem CDC anticipates would occupy the space are [REDACTED]

[REDACTED] The cultural space component of the Project is being handled by Empire State Development (“ESD”.) The developers’ involvement is limited to building the space and transferring it to the State.

Residential Condominium

The residential component of the Project will provide rental units at both market and subsidized rates. The units were developed under the New York City Housing Development Corporation (“HDC”) Mixed-Income Program, which provides financial incentives for developers to set aside a portion of the units built for affordable housing. 20% of the apartments will be restricted to tenants earning up to 40% of the area median income (AMI), 30% of the apartments will be restricted to tenants earning up to 130% of AMI and 50% of the apartment will be rented at market rate. The New York State AMI for 2013 is \$85,900 for a family of four. The units will remain affordable for 50 years, 20 years beyond the guidelines of HDC. The residential condominiums will be managed by [REDACTED], an established property management company with 45 years of experience in various types of properties.

3. Construction & Timeline

Construction is expected to last 30 months, for an opening scheduled 36 months from start. The senior construction loan will have a 36-month maturity, and include an option to extend for another six months, giving a buffer period of up to 12 months after the scheduled completion date to refinance the loan. Construction will be handled by [REDACTED], an experienced New-York-based as the General Contractor under a Guaranteed Maximum Price structure.

Demolition is expected to begin by year-end. Ground breaking is scheduled for Spring 2015, and substantial completion and opening are expected in Summer 2017.

4. Operating Structure

Post-construction, the condominiums will be managed by experienced operating companies. The Lam Group’s Real Hospitality Group will manage the hotel. The company currently manages over 37 hotels around New York City and in the northeast, including [REDACTED] brand hotels in New York. The condominiums will be run by Prestige Management, an experienced property manager from the Bronx. While no operating agreements will be signed prior to closing, they are highly standard documents and the negotiations of these agreements are not expected to materially impact the Project.

5. Upper Manhattan Benefits

The Victoria Theater project will create significant employment, housing, economic, and cultural benefits in Upper Manhattan. The Project will improve the infrastructure of the area through the redevelopment of a dilapidated site adjacent to the Apollo Theater on 125th Street. The project will also provide the first full service hotel in Harlem in 80 years.

Job creation

The project will generate approximately 575 construction jobs and 373 full time positions. With the creation of 373 permanent jobs, many of them are introductory jobs that allow local residents to enter the workforce, the Project will have a significant impact on unemployment in Upper Manhattan.

Economic activity & Tourism

According to a study made by ESD, the personal income that would be earned by the Project’s permanent direct employees is estimated at \$19 million, and an estimated \$28 million when accounting for indirect and induced employment. Total New York State tax revenue generated by Project operations is an estimated \$4.7 million, with an additional \$4.5 million for New York City, for total tax revenues of \$9.2 million.

HVS, a hospitality consulting company, described the development of the Harlem lodging market as being in “in its budding stages”. The firm estimates minimum potential room night demand to be approximately 319,000. This estimate would support a total room supply of roughly 1,105 guestrooms at a 79% occupancy rate (see market study in Attachment A on p.22) HVS also indicated that the new opening of a new hotel will enable Harlem to meet a critical mass of lodging options and establish itself as a lodging destination, which will attract more clients to existing hotels as well.

Additional Affordable Housing Units in Upper Manhattan

Another benefit to Upper Manhattan is that half of the Project's residential units, or 96 apartments, will be made available to low to moderate rate income households. Upper Manhattan is experiencing sharp increases in housing costs for both owners and renters resulting from an influx of new residents. The need for affordable housing is expected to increase as the population continues to grow, and while funding housing is not within UMEZ's mission, the Project will have a positive impact on local housing needs.

Key partners & Organizational Structure

1. Key Partners

The Lam Group – Developer

The Lam Group is a privately held real estate investment firm with a portfolio comprising residential, office, retail, and hotel properties. Located in New York City, the Group has over 30 years of real estate investment, acquisition and development experience. The firm has developed more than 40 properties totaling approximately 2 million square feet, mostly in New York City. Since 1997, the Lam Group has become one of the leading owners, developers and operators of franchised hotels in the city. Through strategic partnerships with top luxury hotel franchises including Starwood, Marriott International, Hilton and Wyndham, Lam Group has built a strong reputation in hotel construction and management. Through a fully-owned subsidiary, Real Hospitality Group LLC, the group operates and manages its hotel portfolio as well as third party-owned hotels.

The Lam Group has developed 27 hotels, with 9 more under development. The Group notably developed the Aloft Hotel on 124th Street. The group also owns and manages 11 hotels in the New York area with brands such as Hilton, Starwood, Marriott and Intercontinental.

Exact Capital Corporation – Developer

Exact Capital is a New York-based real estate development firm with more over thirty years of experience in the industry. The firm especially focuses on mixed use residential as well as commercial real estate. The group has developed a range of real estate development projects from affordable housing to luxury condominiums to mixed use commercial developments. Exact's projects include the Livmor Condominium, a 160,000 sf \$48 million new construction project in Harlem, 374 Manhattan Avenue, a \$7 million gut-renovation condominium project in Harlem, Diego Beekman Houses, a \$33 million renovation of a 1,240 unit low-income property in the South Bronx, and 1800 Southern Boulevard, a 68 unit \$23 million new development on a former Brownfield site in the West Farms Square section of the Bronx.

Danforth Development Partners LLC – Developer

Danforth Development Partners is a minority-owned Harlem based real estate development company with extensive experience in commercial real estate development. The firm has strong experience in Harlem, where it notably led the development of office space building at 55 West 125th Street and 25 West 125th Street. The group is led by Steven Williams, also the CEO of construction firm Legacy Construction. Mr. Williams has over 25 years of experience in real estate development and has developed over 6,000 residential units throughout his career.



Aufgang Architects

Created in 1971, the firm specializes in commercial and residential development. Over the past 15 years, the firm has designed over 15,000 units of new and preservation affordable housing. Aufgang architects, led by experienced principal Ariel Aufgang, is very active in the New York City area and has designed multiple buildings in Upper Manhattan and the Bronx, including notably St Ann's Terrace 8 residential buildings in the South Bronx.

Prestige Management – Residential Unit Manager

The residential condominiums will be managed by Prestige Management, an established property management company with 45 years of experience in managing properties supervised by the Department of Housing and Urban Development, the Division of Housing and Community Renewal, and the Department of Housing and Preservation agencies (Mitchell Lamas), as well as LIHTC, privately-owned, and commercial buildings. The group manages \$200 million in assets and has an annual operating budget in excess of \$70 million.

2. Cultural Tenants

In 2011, these Cultural Partners worked with Harlem CDC and consultants to review and refine the build program for the Cultural Condominium Unit. They are currently working with legal counsel to both structure an umbrella organization for the four Cultural Partners and advise on creating strategic plans for the operation, management and maintenance of the and Cultural Condominium Unit.

[REDACTED]

[REDACTED]

[REDACTED]

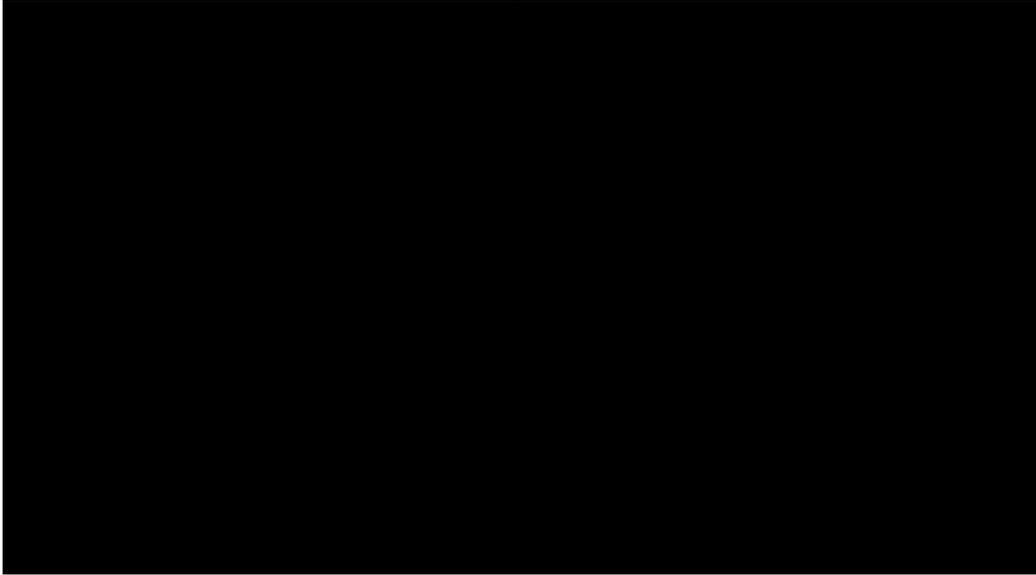
[REDACTED]

3. Project Structure

The Borrower, 233 W 125th Danforth, LLC (or the “Project Company”), will own 100% of all the condominium units except for the cultural unit ownership which will be retained by HCDC. In addition, the LIHTC provider will retain a 99% ownership of the affordable housing units until the expiration of the LIHTC credits after 10 years. UMEZ’s loan will be a subordinated lender to the senior loan and the UMEZ loan will be secured by a subordinated mortgage.

[REDACTED]

Ownership Structure



Site Ownership and Ground Lease

The Project Site is currently owned by Harlem CDC, and is therefore exempt from taxes. In order to retain this status during construction, the project Company will enter into a Ground Lease with Harlem CDC. Under the agreement, the developers will design, develop, construct, and operate the Project under a “triple net” basis, with the developer responsible for all costs of operations. The Project Company will pay to Harlem CDC Base Rent of \$1 per month during construction. HCDC will then transfer title to the, Hotel, Residential Retail and Parking condominium units to the developers upon receipt of a temporary Certificate of Occupancy for the Project and compliance with any other conditions of the Ground Lease. Post-completion, the property will be subject to standard real estate taxes.

Land acquisition Costs

The land will be acquired by the developers for a total value of \$25 million, of which \$5 million will be paid in cash. The value of the cultural space buildout is credited to the developers in the acquisition price. The value of extending the life of the affordable housing units by 20 years (\$7.4 million) will also be credited to the Project.

In addition, HCDC expects to require the developers to enter into an agreement which will cause the developers to repay all or a portion of \$7.4 million if the developers decide to turn the affordable units into market rate units before the end of the affordability regulatory period. No repayment would be required so long as the Project is in compliance with affordability regulations. The terms and conditions of any such agreement have not yet been finalized.

Total Project costs in the budget include approximately \$27 million in land acquisition costs, which corresponds to the \$25 million mentioned above, as well as accounts payables picked up by the developers upon entry into the partnership and which were labeled as acquisition costs.

Land Acquisition Costs

Item	Amount (\$'000)
Deposit	1,000
Payment at Execution of Ground Lease	4,000
Credit for Cultural Buildout	12,600
Affordability Enforcement Mortgage	7,400
Title	90
Other Fees & Expenses	100
SW Legacy Accounts Payable	500
Meyer Jabara	500
Choice	1,000
Total	27,190

Financial Summary

1. Budget

Total Project costs amount to \$164.7 million, or \$436 / sf. Hard costs (\$108 million), land acquisition (\$27 million) and soft costs (\$11 million) constitute the largest cost items. A 5% contingency on hard and soft costs was budgeted. Financing costs will amount to \$8.5 million, in construction interest expense and fees. Total developer fees for the Project amounts to \$3.2 million or 2% of Project costs.

Victoria Tower Budget			
In \$'000	\$'000	%	\$/sf
Land	27,190	17%	72
Hard costs - Hotel	42,727	26%	113
Hard costs - Residential	44,588	27%	118
Hard costs - Theater	11,306	7%	30
Hard costs - Commercial	6,552	4%	17
Hard costs - Parking	2,065	1%	5
Tenant Improvement Costs	1,285	1%	3
Total Hard Costs	108,523	66%	287
FFE	3,165	2%	8
Architect & Design	3,089	2%	8
Insurance	700	0%	2
Pre-opening Costs	1,701	1%	5
Other Soft Costs	2,309	1%	6
Total Soft Costs	10,964	7%	29
Contingency	6,272	4%	17
Developer's fee	3,248	2%	9
Financing Costs	8,534	5%	23
Total Costs	164,731	100%	436

2. Sources & Uses

The Project will be financed with a mix of developer equity, debt, and various city, state and federal subsidies. The developers will contribute \$10 million in equity (6% of project costs.) The Project will also be financed with debt, including a \$106 million senior construction loan (64% of project costs), as well as a \$10 million UMEZ subordinated debt (6%.)

The City has allocated \$12.6 million in capital funds toward the nonprofit cultural component of the development. These capital funds may be used for the build-out and equipping of the cultural condominium. The Victoria Project is also in the process of securing a \$5 million CFA grant from the State of New York's economic development funding program. The program, which awards grants to projects which support economic development and spur job creation, made available over \$750 million in State resources across the state, including \$220 million in competitive funds from Empire State Development. Awards are expected to be announced by the end of 2014. Finally, in exchange for creating 96 affordable housing units to individuals earning less than 130% of the AMI, HDC will provide \$7.4 million in cash to finance the Project. Finally, the Project will use \$12.6 million in LIHTC to finance the affordable section of the residential unit. Awards for LIHTC are expected to be announced by the end of the year.

These numbers are also higher than what has been seen at the Aloft Harlem hotel. The Aloft hotel, Victoria’s closest competitor, had a 79.8% occupancy rate in 2013, which climbed to 80.3% between January and August 2014, after struggling in the first two years of operations. Aloft Harlem’s performance in 2010-2012 was not up to expectations and can be attributed to management difficulties (Aloft Harlem is operated by a Texas based consultant with no other hotel experience in NYC), as well as to the fact that Harlem had yet to establish itself as a lodging venue. According to HVS, the opening of the [REDACTED] hotel should boost occupancy at the Aloft rather than compete directly with it by turning Harlem into an established lodging destination. The Lam Group expects that the Victoria will reach higher occupancy rates than the Aloft due to a better brand recognition, and thanks to the group’s significant experience with the Manhattan market and its ability to consistently obtain higher occupancy rates than the market.

The average room rate of \$185 represents a 35% discount compared with the industry average for New York City, and is in line with the HVS projections for the Victoria. Please see the Market Analysis section in Attachment A on p.24 for more details.

Food and beverage expenses are expected to reach \$40 per occupied room. According to the Lam Group, the industry average for upper upscale is \$40 to \$70, and projections are therefore on the lower end. UMEZ Staff ran some sensitivities to ensure that the Project would be able to repay its debt even if this level of performance did not materialize at the hotel (please see p.30.)

Hotel Revenues and NOI (\$'000)								
\$'000	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Available Rooms	77,015	77,015	77,015	77,015	77,015	77,015	77,015	77,015
Occupied Rooms	60,842	63,152	64,693	64,693	64,693	64,693	64,693	64,693
Occupancy (%)	79%	82%	84%	84%	84%	84%	84%	84%
Average Room Rate (\$)	225	236	248	254	261	267	274	281
RevPAR (\$)	178	194	208	214	219	224	230	236
Room Revenues (\$'000)	13,689	14,920	16,048	16,449	16,860	17,282	17,714	18,157
Food & Beverage & Other	2,263	2,670	2,740	3,132	3,283	3,443	3,512	3,582
Total Revenues	15,952	17,589	18,788	19,581	20,144	20,725	21,226	21,739
Operating Expenses	9,523	10,387	11,092	11,712	12,079	12,632	12,930	13,231
Hotel NOI	6,429	7,202	7,697	7,869	8,065	8,092	8,295	8,508

Residential Revenues

Residential revenues will reach \$4.3 million in the first operating year, of which 70% will be generated by market rate units. Average asking rent for the market units will be \$49/sf, or \$1,800/month for a studio, \$2,500/month for a one bedroom, and \$2,900/month for a two-bedroom. These rates are based on current market rates, increased by 2% per year until 2017.

Available Units & Asking Rents								
	Market		40% AMI		60% AMI		130% AMI	
	# Units	Asking Rent	# Units	Asking Rent	# Units	Asking Rent	# Units	Asking Rent
Studio	10	1,883	12	515	4	815	5	1,922
One Bedroom	50	2,529	9	554	10	876	12	2,059
Two Bedroom	36	3,118	20	676	9	1,062	13	2,471
Total	96		41		23		30	

Affordable units will be available at much lower prices. Studios will start at \$515 per month for those earning less than 40% of the Area Median Income; one and two bedrooms will start at \$554 and \$676 respectively. The projections assume a standard vacancy rate of 2.5%. Actual vacancy on the affordable units should be very low given the low rent burden. Operating expenses assumptions are based on market comparables, and the developers' experience in the segment. These assumptions are also tested in UMEZ's sensitivity analysis below.

Residential Revenues & NOI

\$'000	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues - Market Rate Units	3,114	3,191	3,271	3,353	3,437	3,523	3,611	3,701
Revenues - Affordable Units	1,352	1,386	1,421	1,456	1,493	1,530	1,568	1,608
Vacancies (2.5%)	112	114	117	120	123	126	129	133
Total Residential Revenues	4,354	4,463	4,575	4,689	4,806	4,927	5,050	5,176
Operating Expenses	1,200	1,230	1,261	1,292	1,325	1,358	1,392	1,426
Residential NOI	3,154	3,233	3,314	3,397	3,482	3,569	3,658	3,750

Retail & Parking Revenues

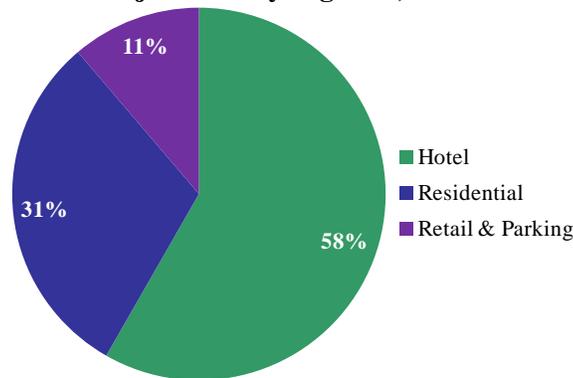
Retail revenues are based on asking rents of \$50 per square foot. Leases are currently being negotiated. Projections assume a standard 10% vacancy rate on the retail space. The relatively lower rent projected by the Developers (ground level retail space on 125th street can be rented for over \$150/sf) accounts for the fact that the retail space will have limited visibility from street level, [REDACTED] and similar names which have indicated an interest in taking a lease at the Victoria draw numerous shoppers regardless of their street level presence and are likely to be interested by such large space with comparatively low rent. Parking revenues should amount to \$230,000 per year, based on a monthly rent rate of \$150 for 90 spaces, and taking into account a 20% vacancy rate.

Retail & Parking Revenues & NOI

\$'000	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Retail								
Available Square Feet (sf)	25,694	25,694	25,694	25,694	25,694	25,694	25,694	25,694
Asking Rent (\$)	50	51	52	53	54	55	56	57
Rent Income (\$'000)	1,285	1,310	1,337	1,363	1,391	1,418	1,447	1,476
Vacancy (%)	10%	10%	10%	10%	10%	10%	10%	10%
Total Retail Rent Revenues	1,156	1,179	1,203	1,227	1,252	1,277	1,302	1,328
Parking								
Parking spots	90	90	90	90	90	90	90	90
Monthly Rent	150	153	156.06	159.181	162.365	165.612	168.924	172.303
Parking Revenues	162	165.24	168.545	171.916	175.354	178.861	182.438	186.087
Parking Vacancy (%)	20%	20%	20%	20%	20%	20%	20%	20%
Total Parking Revenues	130	132	135	138	140	143	146	149
Total Retail & Parking Rev	1,286	1,312	1,338	1,365	1,392	1,420	1,448	1,477
Non-reimbursed Retail Expens	128	131	134	136	139	142	145	148
Parking Operating Expenses	49	50	51	52	53	54	55	56
Retail & Parking NOI	1,109	1,131	1,154	1,177	1,200	1,224	1,249	1,274

Overall, hotel revenues will generate the bulk of the Project's cash flows. Market rate rentals are the second largest cash-flow provider (25%.)

Project NOI by Segment, 2017



Total Project Revenues and Net Operating Income

\$'000	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues - Hotel	15,952	17,589	18,788	19,581	20,144	20,725	21,226	21,739
Revenues - Residential	4,355	4,464	4,575	4,690	4,807	4,927	5,050	5,177
Revenues - Retail & Parking	1,286	1,312	1,338	1,365	1,392	1,420	1,448	1,477
Total Revenues	21,593	23,365	24,701	25,635	26,343	27,072	27,724	28,392
Opex - Hotel	9,523	10,387	11,092	11,712	12,079	12,632	12,930	13,231
Opex - Residential	1,200	1,230	1,261	1,292	1,325	1,358	1,392	1,426
Opex - Retail & Parking	177	181	184	188	192	196	199	203
Total Operating Expenses	10,900	11,798	12,537	13,192	13,595	14,185	14,521	14,861
Net Operating Income	10,693	11,567	12,165	12,443	12,747	12,886	13,203	13,532

Financing Assumptions

The Projections below assume that post-construction, the senior construction loan as well as UMEZ's loan will be refinanced by long-term facilities. The Lam Group has extensive experience in refinancing operating hotels, usually at 70% loan-to-value. The residential units can also be refinanced with long-term, low-interest rates given their relatively low-risk business model.

Base Case and Sensitivities

Total Project revenues are expected to reach \$22 million in its first operating year, then gradually increase to \$29 million as hotel occupancy and average rates improve, and rents increase on the residential component. Net operating income will reach \$11.1 million in the first year of operations, increasing to \$15.5 million by year 10.

Given that the maturity of UMEZ's loan matches the maturity of the construction loan, six months post construction completion, the Project will service debt (interest-only) for between six to twelve months post-completion. Based on base case projections, the debt service coverage ratio ("DSCR") would stand at 1.74x during that period of up to one year.

Thanks to the diversified profile of the mixed-used project, and the fact that debt service will be interest-only on both the senior and the subordinated loan, debt service coverage ratios for the project are strong and resilient to stress scenarios. The table below tests the Project's ability to repay debt in the event that the ramp-up period after opening is slower than anticipated. DSCR still stands at 1.29x with a lower occupancy rate at the hotel of 60% and a 15% vacancy on all residential units (base case assumptions are 79% and 2.5% respectively.) With a 45% occupancy rate at the hotel and a 15% residential vacancy rate, the Project would still be able to service its debt.

Scenario	DSCR
Management Case (79% hotel occupancy, 2.5% residential vacancy)	1.74x
60% hotel occupancy; 15% residential and commercial vacancy	1.29x
Breakeven: 45% hotel occupancy, 15% residential vacancy	1.00x

The loans will then be refinanced based on the Project's cash-flows and appraised value at the time; the amount of the take-out loans will be sufficient to repay both the senior loan, as well as UMEZ's facility. In the event that the developers are unable to refinance the Project debt, UMEZ's debt could be repaid from Project cash-flows in 16 years (please see Attachment B p.30.)

5. Appraisal, Refinancing & Sale

Current projections assume that the developers will retain ownership of the Project for 10 years post-construction. Loan documents will require owners to retain a majority ownership until maturity of all facilities, or take out the loans.

The UMEZ loan will be refinanced with the senior loan. Because half the interest payments on the UMEZ loan will be capitalized, the UMEZ loan outstanding at maturity will amount to \$10.9 million (\$11.05 million if the loan is extended by six months.) Total debt outstanding will therefore amount to \$116.9 million.

Based on projected revenues and conservative cap rates, the Project would be able to refinance its existing obligations in its first operating year. Based on a 7.5% cap rate, the hotel and commercial segment is valued at approximately \$117 million, and the residential units are valued at \$73 million, for a combined value of \$191 million, compared with a \$115 million debt package, or a loan-to-value ratio of 60%. Assuming that the loans would be refinanced at 70% LTV, the proceeds would be sufficient to repay the existing loans.

Refinancing Analysis

Refinancing Analysis	
Hotel & Commercial Segment	
NOI	7,538
Cap Rate	7.5%
Implied Value	100,504
Loan-to-Value	70%
Refinancing Available - Hotel & Comm	70,353
Residential Segment	
Cap Rate - Resi	4.5%
Implied Resi Value	70,097
LTV - Resi	70%
Refinancing Available - Resi Segment	49,068
Total Loan refinancing Available	119,421
Debt Outstanding	116,900

In the event that the developers are not able to refinance the loan, both the senior and subordinated facilities will benefit from a joint and several payment guarantee from all the developers.

Merits and Considerations

MERITS	CONSIDERATIONS
<ul style="list-style-type: none"> • New hotel in Upper Manhattan • Experienced and well-capitalized developers • Flagship transaction • Strong community benefits • Strong leverage of private investments 	<ul style="list-style-type: none"> • Joint financing for hotel and residential units • Hotel Revenues Dependency • Refinancing Risk

Merits

New hotel in Upper Manhattan. The Victoria hotel will be the third hotel to open in Upper Manhattan, after the Aloft Harlem, and the Washington Heights 514 west 168th Street hotel currently under construction. The hotel will generate more economic activity in Upper Manhattan and attract more tourists to the area.

Experienced and well-capitalized developers. The developers of the Project collectively have many years of experience in commercial real estate. The Lam Group, which will focus on the hotel section, has built over 27 hotels in New York City and has extensive experience with residential real estate and significant experience with affordable housing financing. The developers have strong financial capabilities to build the Project. The Lam Group's Portfolio valued at approximately \$1.5 billion USD including 11 operating hotels that generate annually \$40 million USD in free cash flow.

Flagship transaction. The Victoria Tower represents the largest redevelopment transaction in Upper Manhattan in over 25 years. The transaction will have significant benefits in terms of job creation, tourism, and cultural impact.

Strong community benefits. The Project is expected to generate approximately 373 full-time equivalent jobs and 575 construction jobs. Our investment equals \$27,000 per full-time equivalent, which is below our \$35,000 threshold. The Project will also provide cultural space for several non-profit organizations at a prime location, and will provide affordable housing units to the community.

Strong leverage of private investments. The \$10 million UMEZ loan will leverage over \$110 million in private investments.

Considerations

Joint financing for hotel and residential units. UMEZ is financing the entire Project and debt repayment will be tied to successful completion of all five units. However, construction is not expected to cause significant difficulties for any of the condominiums and lending to the company owning all the units will give access to a larger collateral.

Hotel Revenues Dependency. The Project will depend mostly on hotel revenues to repay its debt. While the management team is experienced in the hotel industry and was involved in the construction of the Aloft hotel, the Project is dependent on optimistic occupancy and room rate forecasts, higher than the HVS forecast. However, the forecast was made for a lower budget brand [REDACTED] and the [REDACTED] brand should be able to attract more clients and command higher room rates. Lam Group's experience in successfully managing multiple hotels in New York City also gives strong confidence in the Project's ability to meet its target.

Refinancing Risk. The UMEZ and senior loan will both mature 36 months after construction starts, with a 6-month extension option. Both loans will be interest only, and the ability of the sponsors to repay the loans therefore rests on their ability to refinance. The Lam Group has extensive experience in hotel refinancing; the Group refinances \$200 million in debt on their hotel portfolio annually at typically 70% of the appraised value of the hotel. Based on a 70% LTV refinancing, the Project would be able to refinance its entire debt obligations at any point in time.

Recommendation

UMEZ Staff seeks the Committee's recommendation for conditional approval by the UMEZ Board of a \$10,000,000 subordinated term loan to finance the construction of the Victoria Tower on 125th Street.

Attachment A – Market Overview

1. Hotel Market Overview

Manhattan Hotel Market

The Manhattan hotel market is one of the strongest in the nation. Driven by ever-increasing tourism, as well as a growing economy boosting business trips, the industry has experienced consistent increases in both room occupancy and average revenue per room since 2003.

Despite significant construction in the sector since the financial crisis, supply has struggled to meet the growth in demand.

As of March 2013, there are approximately 350 hotels in Manhattan for a total of approximately 82,000 rooms. In 2013, these hotels achieved an overall occupancy of 88%, at an average rate of approximately \$290, compared to an occupancy level of 61.6% at an average rate of \$107 for the nation. During the same period, total rooms revenues in Manhattan reached of \$7.2 billion.

Harlem Hotel Market

Harlem has a very limited supply of hotel rooms. Except for the Aloft Harlem, this project will be the only other hotel with a national brand in this submarket.

Comparable Hotel Set Revenues

2013	Aloft Harlem	Victoria Hotel	Manhattan Average
Average Daily Rate	201	185	291
Occupancy	79%	78%	88.0%
Revenue per Avg Room	160	144	256

Source: The Lam Group, HVS, PKF Consulting

Since its opening in 2010, the Harlem Aloft hotel has been performing increasingly well. In 2013, occupancy reached 79%, while the average revenue per room was over \$200. Financial projections for the Victoria Hotel assume lower occupancy and average revenue per room, despite the fact that the Victoria Hotel will have a higher end brand.

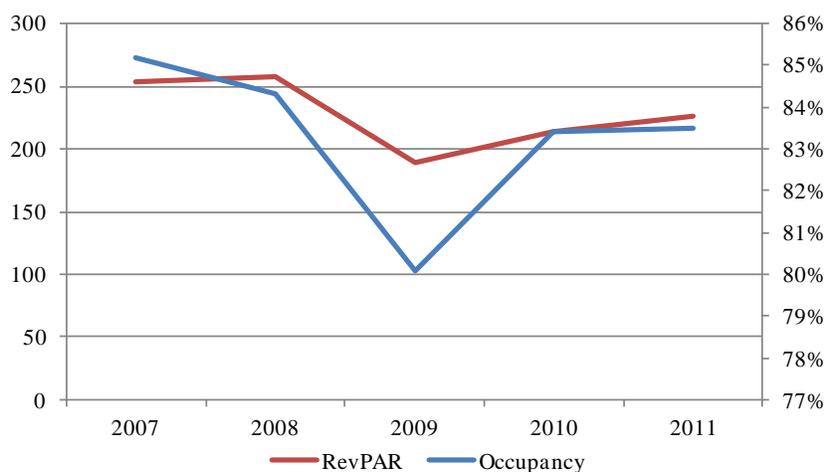
2. HVS Study Summary

Manhattan Hotel Market

The Manhattan hotel market is one of the strongest market in the country. Since 2007, and despite the financial crisis, hotel occupancy has remained consistently above 80%, driven by tourism growth as well as resilience in business travels to New York City. Demand for hotel rooms in Manhattan has remained strong as demonstrated by the average revenue per room, which has recovered from its 2008 low of \$190 to over \$225.

Since 2011, the market has grown further. According to PKF Consulting, occupancy in 2013 reached 88%, while revenue per average room reached \$256. In comparison, projections for the Victoria hotel assume a 79% occupancy rate in its first year, increasing to 84%, and RevPAR of \$144 climbing to \$190 by year 10, a conservative forecast.

Manhattan occupancy and Revenue per Average Room, 2007-2011



Source: HVS

Harlem is however not considered to be part of the core Manhattan hotel market due to its distance from Midtown and Downtown Manhattan. Nevertheless, markets situated close to those two main hotel destinations have benefited from the growth of the Manhattan market. According to HVS, “buoyed by high levels of overflow Manhattan-based demand, hotels located in Brooklyn and Queens have historically recorded reasonably strong occupancy levels in the mid to high 70% range on average”¹. Harlem had until recently not benefited from a similar boost since no hotels were open until 2010.

Harlem Hotel Market

HVS estimates demand for lodging in Harlem to be significant and unmet. According to the consultancy, many anchor institutions in the area, such as the Apollo Theater, attract significant crowds and therefore generate convenient, close-by lodging facilities. Based on the list of institutions below, and assuming that 20% of the individuals visiting these areas represent unique visitors, Harlem could sustain over 1,100 hotel rooms in the area at a 79% occupancy rate. This is well above the 124 rooms available at the Aloft Harlem, and the 208 rooms to be added to the market by the Victoria will not create oversupply.

¹ In UMEZ’s staff sensitivity analysis, these lower occupancy figures were used as a stress test.

Room Nights Estimate, Harlem

Institution	Visitors/year	Room Nights	Comments
Cultural			
Apollo Theater	2,000,000	200,000	10% visitors need accomodation
Dance Theater of Harlem		300	75% * 300= summer students have visitors; instructors; 3 day visit
El Museo del Barrio	50,000	7,500	15% visitors need accomodation
General Grant National Memorial	143,350	14,335	10% visitors need accomodation
Harlem Jazz & Music Festival	1,000,000	250,000	25% visitors need accomodation
Hispanic Society of America	30,000	4,500	15% visitors need accomodation
Jewish Museum	200,000	70,000	35% visitors need accomodation
Morris-Jumel Mansion	40,000	4,000	10% visitors need accomodation
Museum of the City of New York	73,000	36,500	50% visitors need accomodation
Guggenheim Museum	900,000	450,000	50% visitors need accomodation
Studio Museum of Harlem	60,000	21,000	35% visitors need accomodation
Yankee Stadium	3,653,680	365,368	10% visitors need accomodation
Medical			
Presbyterian Hospital		37,130	2,286 patient beds, 89% occupancy, 5% patients receiving visitors
Harlem Hospital Center		3,915	286 patient beds, 75% occupancy, 5% patients receiving visitors
Mt Sinai Medical Center		19,609	1221 patient beds, 88% occupancy, 5% patients receiving visitors
St Luke's		13,603	847 patient beds, 88% occupancy, 5% patients receiving visitors
Educational			
Columbia University		85,200	Graduation and guest speakers
City College of New York		3,000	Graduation and guest speakers
Manhattan School of Music		2,800	Graduation and guest speakers
Mt. Sinai Medical School		4,900	Graduation and guest speakers
Yeshiva University		1,500	Graduation and guest speakers
Total Potential Room Nights	8,150,030	1,595,160	

Source: HVS

According to HVS, lodging development in Harlem neighborhood remains in its nascent stages. The 124-room aloft Harlem, which opened in December of 2010, is the neighborhood's only brand-affiliated hotel. Prior to the addition of this hotel, the neighborhood's lodging options remained highly limited, with only a few bed-and-breakfast facilities.

The Aloft Harlem hotel constitutes the closest benchmark to the upcoming Victoria, although it offers limited services. While the hotel initially struggled, with occupancy reaching 53% in 2011, its first operating year, the hotel's performance has since then significantly improved, with a 79.8% occupancy rate in 2013.

HVS believes that the performance of the Aloft can be explained by several factors:

- Harlem is yet to establish itself as lodging destination, as the Aloft Harlem represents the area's first brand-affiliated hotel. Aloft has been a pioneer of the market, and its work since 2010 in raising awareness about lodging options in Harlem will also benefit the Victoria.
- Although backed by a major and prominent lodging company (Starwood Hotels and Resorts), the select-service Aloft brand remains relatively new and is still developing customer recognition. The brand was developed in 2005 and its first property opened in Montreal in 2008. The Aloft Harlem represents the brand's first property in Manhattan, and one of only two in the New York City area (the other is located in Downtown Brooklyn and opened in the summer of 2011.) Given such considerations, the Aloft Harlem will require some time to appropriately establish its presence and ramp-up.

- HVS also believes that the Aloft Harlem management team which lacked experience in the Manhattan market, failed to properly manage and advertise the hotel, leading to lower occupancy than anticipated.

The Lam Group therefore expects to see continuing increases in the occupancy and average room rate at the Aloft. The Victoria will also significantly benefit from the brand name recognition and advertising power, which should immediately improve its occupancy above levels currently seen at Aloft Harlem.

The other closest Manhattan Hotel is the Courtyard Upper East Side located on 92nd St and 2nd Avenue. Opened in 2006, the hotel has performed well, with occupancy rates above 75% and average revenue per room of \$230 in 2011.

Courtyard UES	2006	2007	2008	2009	2010	2011	Average
Occupancy	75%	85%	85%	78%	78%	77%	80%
RevPAR	252	248	255	195	216	230	233

Source: HVS

Occupancy and Average Rate Forecast

Victoria Hotel Forecasts

Year	1	2	3	Stabilized
Occupancy	66%	73%	77%	79%
Average Rate	209	231	257	268
RevPAR	138	168	198	211

Source: HVS

HVS has projected conservative occupancy and average rates for the Victoria. The consultancy estimates that the hotel will reach stabilized occupancy of 80%, compared with 89% for the rest of Manhattan, and in line with the average occupancy at the Upper East Side Courtyard Hotel.

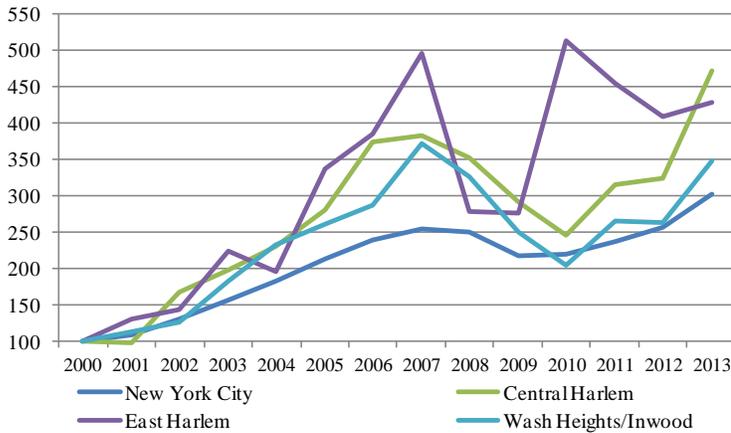
Average rates in 2017 will start at \$209/night, compared with a current average rate of \$290 in Manhattan, and 15% lower than the \$230 rate observed at the Courtyard hotel in 2011, a conservative estimate. The average rate at Victoria Hotel is expected to be higher than the Aloft Hotel, reflecting the comparatively superior location and better services. The average rate is then expected at the same pace as the average rate for Manhattan as a whole as estimated by HVS, and will climb to \$268 by the time of stabilization. Thereafter, rates should increase at the pace of inflation (+3%.)

Based on these prices, HVS is confident the hotel will be able to reach its occupancy target.

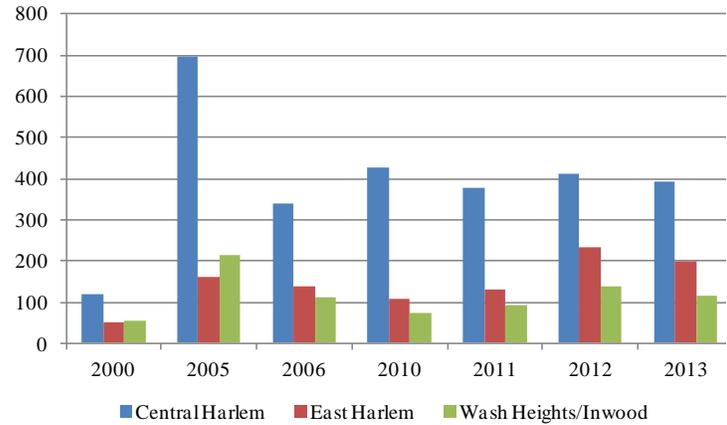
3. Residential Market Overview

The Harlem residential has been experiencing a boom over the past few years. New residents increasingly move to the area. As a result, residential prices have increased at a faster pace in the area than in Manhattan as a whole since 2000. The number of transactions in the area also has significantly increased, with sales volumes in 2013 two to three times higher than in 2000, highlighting the increasing attractiveness of the area.

**Index of Housing Price Appreciation
(5+ family building), 2000-2013**



Residential Sales Volume, 2000-2013

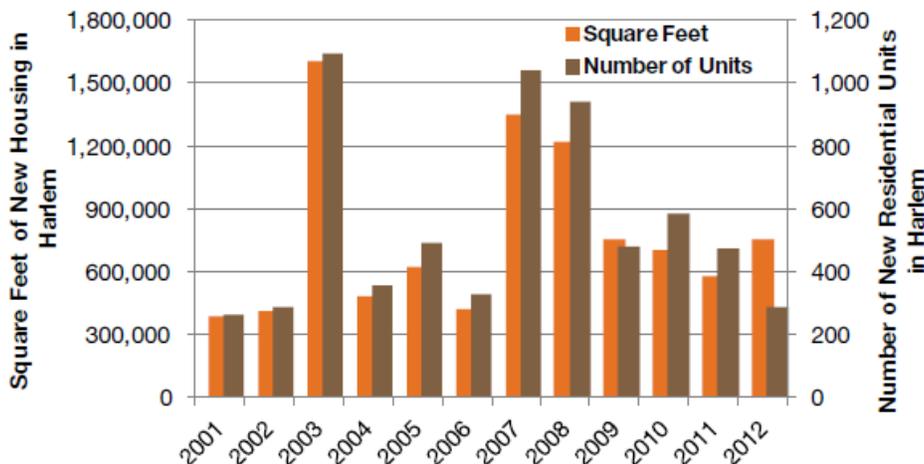


Source: Furman Center

Investors became interested in the Harlem residential market in the early 2000s, when a number of investors bought land and other properties to capitalize on the neighborhood’s rich historic and cultural heritage, good transportation access, and proximity to neighborhoods where property values were increasing at a fast pace. Moreover, a number of rezoning plans passed over the last 10 years encouraged significant re-development along the 125th Street corridor, in East Harlem and surrounding Columbia’s expansion plans in Manhattanville.

Investment sales volume soared in 2005 through 2007, though it later stalled in 2008 and 2009 after the financial crisis. Interest then picked up in 2010 and 2011. According to Eastern Consolidated, a real estate research firm, between 2005 and 2011, development site sales reached approximately \$600 million in Harlem. Between 2001 and 2013, approximately 11,000 new units were built in Upper Manhattan, or a 6% increase of the housing stock. In that time period, the area captured 20% of the growth in the Manhattan housing stock.

New residential Developments in Harlem, 2001-2012



Source: Eastern Consolidated

Additionally, according to Eastern Consolidated, as many as 118 multifamily buildings with more than 5.5 million square feet were renovated from 1998 through 2011.

Despite the significant interest of investors in the area, and numerous construction projects, housing in Harlem has become less affordable.

Between 2002 and 2006 home prices in Harlem rose almost 90%, according to the Furman Center for Real Estate and Urban Policy at New York University. While the 2008 banking crisis followed by steep economic decline pushed Harlem prices down 16 per cent between 2007 and 2010, compared with a 3 per cent fall in Manhattan as a whole, prices have increased again since beyond pre-crisis levels. Prices in the area have risen a record 30% between 2010 and 2014, according to Miller Samuel. Most recently, the median price of a home in Harlem rose 17.4% year-over-year in the second quarter of 2014 alone, outpacing all of Manhattan.

The rise in real estate prices in the area is partly due to the recent construction of high-end condominium residences. With abundant facilities and sometimes views of Central Park, these apartments are sold at higher values than the existing housing stock in Harlem. The Adeline, a 12-story, 83-unit tower on West 116th Street has opened this year. With a landscaped roof deck and courtyard, a fitness centre and apartments with floor-to-ceiling windows, prices range from \$830,000 to \$2.75m, or \$980 to \$1,490 per square foot. According to The Real Deal, newly built condominiums in Harlem are as of September 2014 fetching between \$950 and \$1,200 per square foot.

Affordable housing units at the Victoria Tower will be rented at prices starting at \$515/month, while market units will be marketed starting at \$1900/month for a studio. In comparison, according to MNS, a real estate research firm, the median rent for a doorman studio in Harlem in September 2014 was \$2,188.

Affordable housing

Affordable housing condominium sales in Harlem have been extremely popular over the past few years. The Kalahari condominium, built in 2007 by L+M and Full Spectrum, received over four thousand applications for the 120 affordable units. The Victoria is likely to generate similar interest from qualifying potential renters.

4. Harlem Retail Market

125th street has seen significant developments over the past decade which has spurred considerable interest in the corridor. Rents along the 125th Street core for ground floor retail space have increased to approx \$150 per sf; vacancy rate on 125th street is currently very low. Most recently, the upcoming American Outfitters building at the corner of 125th Street and Lenox Avenue has signed leases for its ground floor at \$160 per sf.

Ground Floor Retail Asking Rents, 125th Street, 2013

	Square Feet	Rent/sf
63-65 W 125th Street	2,500	125
28-30 W 125th Street	18,100	93
211-217 W 125th Street	4,211	150
230-244 W 125th Street	10,400	100
261 W 125th Street	7,500	175
268 W 125th Street	3,000	100
Average		124

Source: The Lam Group

In comparison, the projected asking rent for the available space at the Victoria Theater is \$50/sf, 60% under the current average, and well below the latest lease signed at the American Outfitters building on 125th Street and Lenox Avenue.

Attachment B – Loan Repayment Analysis

UMEZ's loan is expected to be refinanced along with the senior loan upon maturity after 3 to 3.5 years. Based on projected cash-flows, the Project would be to pay down its entire debt obligations within 16 years if no refinancing occurs (please see cash-flow summary table on p.31.)

The table below analyzes the Project's ability to repay its debt if the developers fail to refinance under various stress cases. The Project's ability to repay its debt is not significantly impacted by lower than expected occupancy, daily room rates, or lower market rents on the residential segment of the Project given the diversified sources of revenues that will pay down the debt. The sensitivities summarized in the table below indicate that the Project is able to withstand stressed conditions and be able to repay its debt.

Victoria Hotel – Base Case & Sensitivities DSCR

Case	Repayment (years)
Base Case	16
Hotel – 79% occupancy	17
Hotel – 10% lower average daily rate	18
Hotel & Resi – 15% higher operating expenses	20
Resi – 10% lower rent per square foot, market rate units	17
Resi – 10% vacancy rate	17
40% vacancy on parking lot and retail	17
Worst-case scenario: 79% occupancy, 10% lower average daily rate, higher Resi vacancy rate (10%), 5% lower rent on market rate Resi units, higher operating expenses (+10%)	24

Base Case Cash-Flows & Debt Repayment

\$'000	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16
Net Operating Income	10,693	11,567	12,165	12,443	12,747	12,886	13,203	13,532						
Interest Payments	6,130	6,280	5,989	5,650	5,276	4,865	4,424	3,941	3,413	2,857	2,270	1,651	997	334
Principal Repayment	0	5,287	6,176	6,794	7,471	8,021	8,779	9,591	10,118	10,675	11,262	11,881	12,534	7,412
Total Debt Service	6,130	11,567	12,165	12,443	12,747	12,886	13,203	13,532	13,532	13,532	13,532	13,532	13,532	7,745
Cash-Flow Avail. After Debt Servi	4,563	0	0	0	0	0	(0)	5,786						
DSCR	1.74x	1.00x	1.00x	1.00x	1.00x	1.00x	1.00x	1.75x						
Min	1.00x													
Average	1.11x													
Construction Loan														
Debt BoP	106,000	106,000	100,713	94,537	87,744	80,272	72,251	63,472	53,882	43,764	33,089	21,827	9,946	0
Repayment	0	5,287	6,176	6,794	7,471	8,021	8,779	9,591	10,118	10,675	11,262	11,881	9,946	0
Interest Rate	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Interest Payment	5,830	5,830	5,539	5,200	4,826	4,415	3,974	3,491	2,963	2,407	1,820	1,201	547	0
Construction Loan Debt Service	5,830	11,117	11,715	11,993	12,297	12,436	12,753	13,082	13,082	13,082	13,082	13,082	10,493	0
UMEZ														
Debt BoP	10,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	3,706
Repayment	5,000	0	0	0	0	0	0	0	0	0	0	0	1,294	3,706
Interest Rate	3%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Interest Payment	300	300	300	300	300	300	300	300	300	300	300	300	300	222
UMEZ Debt Service	300	300	300	300	300	300	300	300	300	300	300	300	1,594	3,928
MERF														
Debt BoP	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	3,706
Repayment	(5,000)	0	0	0	0	0	0	0	0	0	0	0	1,294	3,706
Interest Rate	3%													
Interest Payment	0	150	150	150	150	150	150	150	150	150	150	150	150	111
MERF Debt Service	0	150	150	150	150	150	150	150	150	150	150	150	1,444	3,817

**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 OF THE BOARD OF DIRECTORS HELD ON THE
10TH DAY OF NOVEMBER 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 request for funding from the Lam Group, Exact Capital Corporation and Danforth Development Partners, LLC and a single-purpose New York limited liability company known as 233 West 125th Street Danforth, LLC (the “Borrower”), to finance the redevelopment of the Victoria Theater located at 233-235 West 125th Street, New York, New York (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 loan not to exceed TEN MILLION DOLLARS (\$10,000,000) 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.

FOR CONSIDERATION

November 12, 2014

TO: The Directors

FROM: Kenneth Adams

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

REQUEST FOR: **Authorization for Loan to Grameen America, Inc. Initiative and to Take Related Actions.**

I. Initiative Summary

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

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

Proposed Initiative: A \$500,000 loan to Grameen America, Inc. to provide micro-loans to low-income entrepreneurs from its new Harlem location on 127th Street.

Total Initiative Cost: \$500,000

Proposed Empowerment Zone ("EZ") Investment: \$500,000 (Loan)

Funding Sources:

Federal EZ SSBG Funds:	166,667.00
State EZ Funds:	166,666.00
City EZ Funds:	166,667.00
Total	500,000.00

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 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 loan from UMEZ to **Grameen America, Inc.** 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 the loan made under this initiative is further subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Expand micro lending program in Upper Manhattan
- Assist in small business expansion

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.
- 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:

- Programs that promote home ownership, education, or other routes to economic independence for low-income families, youths and other individuals.
- 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 – Grameen America
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors – Grameen America
- C. Resolution of the Directors – Grameen America

November 12, 2014

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Grameen America, Inc. – a \$500,000 loan to provide micro-loans to low-income entrepreneurs for its new Harlem location in 127th Street.

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 to Grameen America, Inc. (the “Initiative”) to provide micro-loans to low-income entrepreneurs for its new Harlem location in 127th Street, the Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed FIVE HUNDRED THOUSAND DOLLARS (\$500,000) 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 loan an amount not to exceed FIVE HUNDRED THOUSAND DOLLARS (\$500,000) 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 Board of Directors

FROM: Kenneth J. Knuckles, President and CEO
Upper Manhattan Empowerment Zone

DATE: October 31, 2014

SUBJECT: Grameen America

REQUEST FOR: Unsecured Loan of up to \$500,000

I. PROPOSAL SUMMARY

PROJECT MANAGER: Alexandre Cheval

COMPANY: Grameen America, Inc.

CONTACT: David Policano, Development

ADDRESS: 1460 Broadway, 8th Floor, New York, NY 10036

TELEPHONE/FAX/E-MAIL: (212) 735-4023 / D.Policano@grameenamerica.org

TYPE OF BUSINESS: Microlending

TAX STRUCTURE: 501(c)(3)

IRS ID #: 20-8497991

DATE INCORPORATED: 2008

TOTAL PROJECT COST: \$500,000

FINANCING REQUESTED: \$500,000

FUNDING SOURCES:

Federal SBG EZ Funds	\$ 166,666.67
State EZ Funds:	\$ 166,666.67
City EZ Funds:	\$ 166,666.67
Others:	\$ 0.00
TOTAL	\$ 500,000.00

Employment: N.A.FOR CONSIDERATION

To: Economic and Physical Development Committee (“the Committee”)
From: Alexandre Cheval
Date: October 24, 2014
Subject: Grameen America, Inc (“Grameen”, or the “Organization”)
Request: \$500,000 Unsecured UMEZ Loan

Investment Proposal

UMEZ Staff seeks the Committee’s recommendation for approval by the UMEZ Board of a \$500,000 unsecured loan to Grameen America, the successful not-for-profit microfinance institution present in Washington Heights since 2010, to provide loan capital for its new Harlem location. The loan will enable Grameen to lend more funds and reach more Central and East Harlem residents. From its new location on 127th Street, it expects to lend to another 7,000 Upper Manhattan residents and deploy an additional \$10 million in loan capital by 2020.

Initially launched in Jackson Heights, Queens, in 2008, Grameen America now has 11 branches in 8 states, including New Jersey, Massachusetts and California, as well as Puerto Rico. Since its inception in America, Grameen has lent over \$171 million, with a repayment rate of approximately 99.5%. In Upper Manhattan, Grameen has lent over \$8 million since 2010, making it one of the largest and most successful branches in the country. Pressed with strong demand for its services, Grameen needs additional funding to increase its investments in Upper Manhattan.

UMEZ has developed a strong relationship with Grameen¹. In 2010, UMEZ provided a \$500,000 pilot loan to support the Organization’s Upper Manhattan operations. Following the success of the program, UMEZ lent in 2012 another \$3 million, along with a grant for operating expenses, to further support Grameen’s lending effort. The current \$500,000 loan request to support the Harlem branch will enable the Organization to reach more residents, and will represent a new milestone in UMEZ’s support of Grameen’s in Upper Manhattan.

UMEZ Staff believes this proposal meets the investment criteria established by the UMEZ Board in February 2004:

Investment Criteria		Comment
<input checked="" type="checkbox"/>	Strategic fit	Grameen’s model is in line with UMEZ’s goals of attracting new businesses, creating jobs and increasing sustainable businesses. Grameen’s focus on microlending complements BRISC products well. Grameen also enables UMEZ to reach underserved Upper Manhattan communities.
<input checked="" type="checkbox"/>	Sustainable business	Grameen has been successfully expanding in Upper Manhattan since 2009 and has exceptional portfolio performance.
<input checked="" type="checkbox"/>	Realistic business plan	Projections are based on historical growth trends for Grameen America and existing experience of the Upper Manhattan market.
<input checked="" type="checkbox"/>	Experienced management	Grameen America is owned and managed by Grameen Trust, the international affiliate of the Grameen Bank in Bangladesh which has been lending internationally for over 35 years. Grameen America has a highly experienced new team, including a new CEO dedicated to expanding Grameen nationally.
<input checked="" type="checkbox"/>	Predictable cash flows	Grameen has a stable and growing portfolio with a loan repayment rate of approximately >99.5%.
<input checked="" type="checkbox"/>	Adequate capital structure	Grameen is continuously fundraising and closely aligning lending with new capital commitments.
<input checked="" type="checkbox"/>	Job creation	Based on the projected number of borrowers over a 5 year period, the UMEZ loan will help to create and sustain over 1,900 full-time equivalent jobs.
<input checked="" type="checkbox"/>	Efficient investment	Company’s lending model and experience should allow for efficient deployment of loan capital in target market.
<input checked="" type="checkbox"/>	Community impact	Grameen targets small, underserved businesses with yearly income of \$22,350 or less for a family of four. The investment will also expand Grameen’s technical assistance and financial literacy programs.

With this Project, UMEZ will further its mission of attracting new businesses, creating jobs and increasing sustainable businesses. Based on UMEZ Staff’s assessment of the Project’s merits and long-term beneficial impacts on Upper Manhattan, including a very strong impact on job creation, Staff requests the Committee’s recommendation to the Board for approval of the \$500,000 unsecured loan requested for Grameen America.

¹ Ms. Knight joined the Board of Grameen America in 2013

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Request Description

1. Project Description: Grameen's Expansion Plan in Harlem

Overview

Grameen America, Inc. ("Grameen America", or the "Organization") is a 501(c)(3) nonprofit microfinance organization based in New York and founded by 2006 Nobel Peace Prize winner Muhammad Yunus. The mission of the Organization is to help alleviate poverty through entrepreneurship by providing loans, savings programs, credit establishment and other services to the working poor in the United States. All loans are for income-generating purposes to start or expand a small business such as a food trucks, crafts business, or home-based tailoring. Grameen's focus and clientele is predominately women-owned businesses.

Grameen provides micro-loans starting at \$1,500 for six months to a year, with no collateral or credit score requirements. Borrowers must be part of a group of 4 to 5 borrowers, who are collectively responsible for the loan repayments. In order to build savings and give basic financial literacy training, borrowers are required to attend regular training sessions and to contribute a small sum towards mandatory weekly savings. (A detailed overview of Grameen, Grameen America, and its lending model, is provided in Attachment A on p.21.)

Grameen's unique micro-lending business model has very limited constraints for borrowers, and is therefore able to reach many small entrepreneurs for whom both traditional bank lending and alternative lending is out of reach, at a reasonable cost, and with no required initial collateral.

In 2010, Grameen opened its Washington Heights branch. UMEZ provided a pilot \$500,000 loan as a pilot program to help the Organization expand its lending platform in Upper Manhattan. The loan was repaid in 2012, and replaced by a second UMEZ loan of \$3,000,000. Since UMEZ provided these loans to Grameen, the organization has lent \$6 million in Upper Manhattan to 4,000 borrowers, creating a very strong impact for residents.

Four years after the pilot program, Grameen America now seeks to expand its presence and outreach in Upper Manhattan by opening a new branch in Harlem. While the existing Washington Heights branch does lend to a number of Harlem residents, many more could be better serviced by opening a location closer to them.

Branch Location

The new Grameen branch, located on 127th Street between Lenox Avenue and Adam Clayton, opened in late August 2014. Three Center Managers, the equivalent of loan officers have already been recruited (see a full description of the Grameen lending model and structure in Attachment A p. 17.) An experienced Center Manager from the Washington Heights branch will manage the new branch (see key management bios p.23.)

The first disbursement at the Harlem branch was made in late August 2014. As of mid-September, the new branch already has 20 borrowers, and it will have over 130 by year-end. Grameen estimates that up to 70,000 potential borrowers are interested in Grameen's services in Harlem, but that it has lent to only about 1,000 clients in the area. With the opening of the new branch, it expects to be able to service up to 7,000 clients in the area by 2020, equivalent to a key market penetration rate of approximately 10% – although projections are more conservative. To support this lending effort, Grameen is requesting a \$500,000 loan from UMEZ.

Growth Strategy

The new branch will especially focus on the West African community of Harlem. Two of the Center Managers already recruited are West African and will specifically advertise Grameen's products in their community. Once Grameen gains a strong foothold in this community, it will also seek to target the African American community and devise a specific strategy in partnership with UMEZ.

Strategic Partnership for UMEZ

UMEZ's relationship with Grameen has proven extremely successful in channeling capital to Upper Manhattan communities UMEZ has not been able to reach with traditional loan products. Grameen has successfully gained traction in Washington Heights and Inwood, areas where UMEZ has historically had more success in providing grants than making loans. Through Grameen, UMEZ capital has reached over 1,100 individuals and businesses. In Harlem, Grameen will similarly target the West African community and expects to achieve robust loan growth over the next five years.

Impact

Over the next 5 years (by 2020), the expansion of Grameen America’s services in Upper Manhattan is expected to result in:

- 7,000 loans to women entrepreneurs
- \$10.5 million in loan capital deployed
- 6,000 full-time equivalent jobs created
- Improved credit rating and financial preparedness of borrowers
- Borrower savings of over \$260,000, cumulatively

Harlem Branch Borrower Growth Forecasts, 2014-2018

	2013A	2014E	2015P	2016P	2017P	2018P
Harlem						
Total Borrowers	0	138	788	1,725	2,613	3,438
% Growth		NM	472.7%	119.0%	51.4%	31.6%

Source: Grameen

Given Grameen’s excellent performance to date in Washington Heights, and its ability to outperform its objectives, UMEZ Staff is confident the Organization will meet these targets. With the help of UMEZ and partnering organizations in Upper Manhattan, Grameen will continue to support and empower low income individuals who seek to capitalize on their entrepreneurial skills and build credible financial futures.

2. Uses of Funds & Preliminary Terms

UMEZ seeks to provide a \$500,000 commitment to Grameen to support the new Harlem branch. The loan will be used solely to provide capital to low income entrepreneurs in Upper Manhattan. The existing \$3 million loan to Grameen will not need to be repaid for this loan to be disbursed.

Grameen America’s business plan for the Harlem branch requires \$3 million in capital for low interest loans, as well as \$2 million to \$3 million in grant capital for sustainability. Grameen is therefore also seeking additional funding from other partners to fund the growth of the new branch. The unsecured loan will have similar terms to the \$3 million existing loan to Grameen America.

Summary Loan Terms

Borrower	Grameen America
Security Type	Unsecured Loan
Principal Amount	\$500,000
Purpose	To provide micro-loans for Upper Manhattan businesses and entrepreneurs
Maturity	Seven (7) years from closing
Repayment	Lump-sum principal payment at maturity
Ranking	Pari-passu with other unsecured creditors
Covenants	<ul style="list-style-type: none"> • Funds may only be used for loan capital • Quarterly loan production reports • Semi-annual financial statements from the Borrower • Annual audited financial statements from the Borrower • Loans disbursed with UMEZ funds will have a maximum 15% interest rate and no closing fee • Borrower will continue to operate the organization in a manner consistent with past practices
Coupon	1% coupon

Grameen Overview

1. Grameen & Grameen America Overview

Grameen America

Grameen America's first branch, located in Jackson Heights, NY, opened in 2008. Under Stephen Vogel, the then CEO, Grameen expanded quickly across the United States and dramatically increased the size of its lending portfolio. Today, Grameen is present in 8 states and in Puerto Rico with a total of 19 branches, and has over \$40 million in assets. Grameen America is currently the largest provider of microloans in the United States.

Grameen America is owned and managed by Grameen Trust, the international affiliate of the Grameen Bank in Bangladesh. Pioneered by Grameen Bank in Bangladesh, Grameen America uses the now well-established and proven peer-group lending model to distribute capital and promote financial literacy (see Attachment A on p.21).

New Management Team and Updated Growth Strategy

Having successfully evolved from a start-up organization to a sizable micro-lender, Grameen has launched a new phase of its development strategy with a new management team. Mrs. Andrea Chung, a highly successful executive with experience in Fortune 500 companies and philanthropy for women advancement, joined Grameen America in April 2014 as the Organization's new CEO. Mrs. Jung plans on further increasing the foothold of the Organization, while increasing its lending portfolio in existing branches. Under the helm of Mrs. Jung, Grameen America is leading an ambitious campaign to open more branches, mostly in New York and California, its two core markets, as well as increase significantly the Organization's fundraising efforts.

The Organization expects to pursue its expansion over the next 5 years with a doubling of its branches between 2014 and 2016. Grameen will open 6 branches in New York, which will remain its largest market, as well as expand significantly in California with 6 more branches to open by 2016. Two more branches will open in Texas and Puerto Rico as well.

Projected Branch Openings, 2014-2018

Projected Branches	2013A	2014A	2015e	2016e	2017e	2018e
New York	6	7	9	13	13	13
California	3	4	6	10	10	10
Texas	0	1	2	3	3	3
Puerto Rico	1	1	2	3	3	3
Other Regions	3	6	7	9	9	9
Total	13	19	26	38	38	38

Source: Grameen

Grameen regularly evaluates the timeline of its branch openings, and estimates that after executing on the openings projected in the table above until 2016, the Organization will go through a consolidation and capacity building phase with no further branch opening until 2018.

By 2018, Grameen expects to more than quadruple its borrower base again, to approximately 120,000.

Grameen America Borrowers Growth 2013-2018

	2013A	2014E	2015P	2016P	2017P	2018P
Harlem						
Total Borrowers	0	138	788	1,725	2,613	3,438
% Growth		NM	472.7%	119.0%	51.4%	31.6%

Source: Grameen

Strong presence in New York

Grameen's commitment to New York is strong. The Organization opened its first branch in Jackson Heights in 2008, and still sees a significant remaining service gap in New York City, a market for which its model has proven effective everywhere branches were opened. New York constitutes the largest market for Grameen, with over \$132

million or 78% of its total loan disbursements to date. Over the next 2 years, Grameen expects to open another 6 new branches in the city, bringing its total to 13 branches.

2. Grameen in Upper Manhattan

Washington Heights Branch

Grameen has been present in Upper Manhattan since July 2010. Located in Washington Heights at Post Avenue and 207th Street, Grameen’s first branch in the area has grown at a very fast pace while maintain a high quality loan portfolio. It currently consists of 10 Center Managers (i.e. Loan Officers) that recruit and monitor borrowers.

The Washington Heights branch is one of the fastest growing in the city. It has disbursed over \$8 million in the community to over 4,300 borrowers, with an average loan size of \$2,000. As of September 2014, the branch had a loan loss provision of approximately \$32,000 and a portfolio at risk (PAR) of under 0.1%, well below the Organization’s average. Grameen is eager to replicate this tremendous success in Harlem.

Harlem Branch

Grameen’s newest branch, the Harlem branch will benefit from all the experience accumulated by Grameen in Upper Manhattan over the past 5 years and will optimize the use of funds and business practices according to the latest best practices of Grameen America. Located in the Dempsey building at 127 W. 127th St, the Harlem branch is in the heart of Central Harlem, and ideally located to serve Central, West, and East Harlem. UMEZ’s loan will enable Grameen to reach a larger portion of Harlem residents for whom the Washington Heights branch was too far. The branch will be overseen by a former Center Manager from the Washington Heights branch.

3. Portfolio Performance & UMEZ Loan Impact to Date

Portfolio Performance – Grameen America

As of June 2014, Grameen America has disbursed over \$171 million to more than 32,860 unique borrowers living below the poverty line in the United States. The performance of its portfolio is very strong, with a repayment rate of 99.5%. Grameen generally enters into long term lending relationship with its clients once they repay their first loan according to schedule and increase their savings as planned. On average, each borrower to date has taken approximately 2.5 loans with Grameen; that way, despite the relatively short maturity of its loans, Grameen represents a reliable source of capital for borrowers seeking more than one-time loans.

Grameen America Portfolio Statistics, June 2014

Grameen America	
Total Disbursements to date	\$171,721,000
Total Number of Loans Disbursed	84,387
Current Loans Outstanding	\$25,195,000
Current Number of Loans Outstanding	20,518
Average Size of Loans	\$2,200
Largest Current Loan	\$8,500
Portfolio At Risk	1.2%
Repayment Rate	99.5%
Loan Loss Reserve	\$436,000

Source: Grameen

Grameen America’s total loan disbursements to date have increased from \$25 million in 2012 to over \$171 million in 2014. Grameen has lent to over 32,000 borrowers compared with 7,000 two years ago (4.6x). Despite this extremely rapid growth, the quality of Grameen America’s portfolio remains extremely strong, with only 1.2% of existing loans at risk, as of June 2014 down from 2.4% in 2011, thanks to Grameen’s group lending model incentivizing common responsibility, and careful underwriting by Center managers (see p.20 for more details).

Portfolio Performance – Upper Manhattan

Grameen’s Washington Heights branch is one of the organization’s most successful. After 4 years of existence, it is still growing at a very fast pace, only outgrown in Grameen’s network by much younger branches still in their ramp-up phase. As a result, the Washington Heights branch is expected to become the second or third self-sustainable Grameen branch (see p. 17) by 2015.

Upper Manhattan Portfolio Statistics since UMEZ Loan (June 2012)

	Clients Served	Cumulative Loan Amounts (\$'000)
Central Harlem	133	234
East Harlem	913	2,079
Washington Heights & Inwood	1,899	3,607
Total	2,945	5,919

Source: Grameen

UMEZ’s loan was instrumental in the branch’s fast growth and strong success with local residents. Since UMEZ made a \$3 million loan to Grameen in June 2012, the Organization has lent almost \$6 million in Upper Manhattan to approximately 3,000 borrowers, the majority of which were located in Washington Heights and Inwood. Grameen managed to lend to approximately 1,000 borrowers from East & Central Harlem as well. The opening of the new branch is aimed at increasing its presence in that area of Upper Manhattan. Grameen targets in priority very low income households.

UMEZ Loan Proceeds & Impact

UMEZ’s \$3 million loan to Grameen made in 2012 has been fully disbursed. Over \$3 million have been lent to over 1,100 Upper Manhattan businesses, some of which have received several loans from Grameen already. The average self-reported annual income of first time borrowers within the Upper Manhattan UMEZ zip codes is approximately \$11,500, suggesting that Grameen is indeed successful at targeting the most vulnerable households. Similarly, the average loan size was approximately \$1,800, slightly under the \$2,000 average for Grameen loans, which indicates that funds were directed mostly at first-time borrowers and helped Grameen gain new clients.

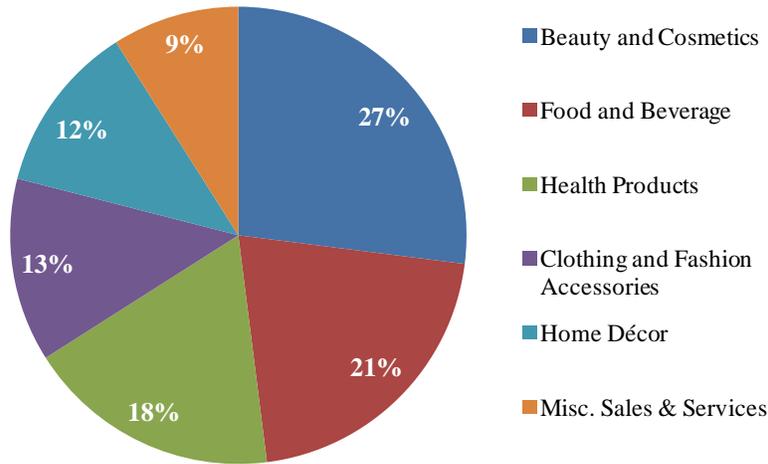
In its 2012 projections, Grameen estimated it would reach the 4,000 borrowers milestone in Upper Manhattan by the end of 2014; as of September 2014, the branch had already outperformed the projections, with over 4,300 borrowers. In addition, UMEZ’s loan has helped Grameen train more borrowers on credit building. Businesses funded by the UMEZ loan now have an average credit score of 654.

Businesses Funded	
Average Income	12,300
% of Borrowers with credit score	83%
Average Credit Score	654

Source: Grameen

Businesses funded by the UMEZ loan are mostly micro-businesses. Over two-thirds of the loan recipients were in the beauty and cosmetics, food and beverage, as well as health-related sectors. Most of them have one employee, usually the borrower herself. Grameen has observed that about 20% of its loans led to the creation of an additional FTE job, and therefore its loan have a very significant impact on the job market in areas where it is present.

Types of Businesses Funded by UMEZ Loan



Source: Grameen

4. UMEZ Relationship with Grameen

In 2010, UMEZ closed on a \$500,000 unsecured loan, and a \$125,000 restricted grant to Grameen as a pilot program to help the Organization expand its lending platform in Upper Manhattan, initially concentrating in Washington Heights. During this pilot phase, UMEZ monitored Grameen’s progress in terms of market penetration, program scalability, and overall impact in Washington Heights. UMEZ loan funds served at the time a total of 344 borrowers, and helped Grameen deploy \$2 million in capital in Upper Manhattan. Following the significant success of the pilot loan, in 2012, UMEZ approved a new \$3 million loan with a \$325,000 grant to further expand Grameen’s platform in Upper Manhattan.

Current and Potential UMEZ Exposure to Grameen

	Amount (\$'000)	Disbursement	Maturity	Repayment Style
Pilot Loan	500	09/2010	09/2012	Lump-sum payment at maturity
2 nd Loan	3,000	06/2012	06/2019	Lump-sum payment at maturity
Proposed Loan	500	Year-end 2014	12/2021	Lump-sum payment at maturity
Total loans made	4,000			
Current exposure	3,000			
Proposed exposure	3,500			

Current exposure to Grameen amounts to \$3 million as UMEZ’s pilot loan was repaid in 2012. UMEZ’s proposed loan to support the Harlem branch would increase total exposure to \$3,500,000.

UMEZ has developed a strong relationship with Grameen, which has enabled it to channel large amounts of capital towards communities historically less served by UMEZ, as Grameen services have proved very successful with Washington Heights residents. Grameen’s Harlem branch will similarly initially target the West African community of the area, which also has been underserved by UMEZ. UMEZ’s partnership with Grameen is benefiting both organizations, as well as Upper Manhattan residents.

5. Upper Manhattan Benefits

UMEZ Staff anticipates significant benefits to be generated by the loan to Grameen as Grameen borrowers will stimulate economic activity, create jobs for local residents, and generate significant savings.

Grameen America Expected Social Impact in Harlem, 2014-2018

Social Impact	2014E	2015P	2016P	2017P	2018P	Total
Harlem						
Jobs created	165	817	1,390	1,668	1,914	5,954
Income Generated	\$343,750	\$2,081,250	\$5,653,125	\$9,759,375	\$13,612,500	\$31,450,000
Savings	\$3,575	\$78,750	\$211,649	\$320,541	\$421,765	\$421,765
UMEZ Loan Share						
Jobs created	165	679	476	330	254	1,904
Income Generated	\$343,750	\$1,730,875	\$1,936,392	\$1,929,112	\$1,804,220	\$7,744,349
Savings	\$3,575	\$65,493	\$72,497	\$63,361	\$55,901	\$55,901

Source: Grameen

Jobs

Grameen has found that approximately 20% of underwritten loans generate a new part time or full time employee for a borrower business. Using this metric along with the assumption that each borrower is a sustained “job”, through 2018, management expects the Harlem branch to help sustain and create almost 6,000 jobs in the community. This corresponds to approximately 10% of the unemployed residents of Upper Manhattan, a significant achievement. The UMEZ loan in particular, based on its percentage of overall outstanding portfolio, is expected to be responsible for 1,900 of those jobs.

In addition, Grameen itself has 11 employees at its Washington Heights branch, 10 center managers and 1 branch manager. The Harlem branch will eventually reach the same headcount. Most of these employees live in Upper Manhattan.

Economic Activity

The Grameen Harlem branch is expected to generate significant additional income for its borrowers. Between 2014 and 2020, Grameen’s management team estimates that over \$31.5 million in additional income will be generated by its loans in Harlem. This translates into approximately \$10,000 in additional income for each borrower.

Savings generated

The current national savings average for Grameen borrowers is approximately \$123. This target is also expected to be reached over time at the Harlem branch. The UMEZ loan is expected to have catalyzed over \$55,000 in borrower savings, and the Harlem branch will overall reach \$420,000 in borrower savings by 2018.

Market Overview

1. Local Market Needs

Many low to very low income residents of Upper Manhattan are currently underserved in terms of affordable financial services. According to 2012 Census data, nearly 40% of all female-headed households in Upper Manhattan fell below the poverty line, 42% of the population was on some type of government assistance, and nearly 13% of the labor force was unemployed. In addition, 14% of Upper Manhattan families earned less than \$10,000. These populations are particularly vulnerable to economic cycles and have limited opportunities to lift themselves out of poverty because of low available resources. Often lacking a bank account, they also are excluded from traditional lending services and have to rely on expensive, unsustainable loan sharking products for their needs. A Grameen loan can therefore enable a borrower to start or expand a business and dramatically improve his or her living conditions.

Grameen's Expected Market Penetration in Harlem

Estimated Addressable Market in Harlem

Number of households earning less than \$25,000 per annum	93,521
<i>% of Hispanic</i>	40.9%
<i>% of Black</i>	37.1%
Total Addressable Households	72,946
Projected Harlem Borrowers by 2018YE	3,438
<i>Projected Market Penetration</i>	4.7%

Source: Grameen

Grameen's outreach strategy for the Harlem branch will be to focus on households earning less than \$25,000 annually, and in particular Hispanic and Black households. Since Grameen lends in priority to women, and assuming that each household has a potential female borrower, Grameen believes the size of the addressable market in Harlem to be 72,946 households. Grameen's Jackson Heights, Queens, branch, its most mature, has achieved a market penetration of approximately 10%. Using this percentage, the management team believes its expectations for the Harlem branch's projection to reach 3,438 borrowers by 2018, which corresponds to a 5% penetration rate, to be a reasonably achievable target.

Grameen's loan products appeal especially to the unemployed, to females and especially females heading their own household, and households living with under \$15,000 annually. According to the American Community Survey, in 2012, 29,946 households earning less than \$15,000 per year lived in Central, West, and East Harlem. Assuming again that each of those households has one potential female borrower, Grameen would be able to reach 11% of the poorest households in Harlem, a significant achievement in only 5 years.

2. Competitive Landscape

Grameen's product represent a unique feature in the lending landscape in Upper Manhattan: it is the only organization to provide micro loans at a reasonable interest rate without requiring a collateral or credit score minimum. Grameen is also the largest lender in the segment, with over \$170 million disbursed to date. In comparison, most competitors, which have existed for far longer, have disbursed much lower amounts.

Demand for Grameen loans has been strong, and branches sometimes have a hard time keeping up with the requests they receive. In comparison, most other institutions in the local alternative segment face less demand. UMEZ's BRISC program receives from 15 to 30 loan applications per year; the Washington Heights Development Corp receives between 10 and 40 applications each year.

The Small Business Administration also offers a microloan program, and provides loans of up to \$50,000 to small businesses. The SBA however does not deal directly with small businesses but goes through intermediaries. In Upper Manhattan for instance, TruFund has received funds from the SBA to operate as an agency for the Administration.

Unavailable Bank Lending

Small and very small businesses have historically had difficulties accessing financing. Banks typically only lend to businesses with strong collaterals, regardless of the sales performance, and rarely lend less than \$250,000, effectively preventing businesses that do not own their offices, or possess significant inventory for instance, from getting a loan.

Upper Manhattan Lending Landscape

Lender		Year Opened	Min (\$)	Max (\$)	Annual interest rate	Cum. Loans to Date (\$ mm)	Collateral
Bank Lending	Bank Lending	N.A.	250,000	500,000	10% - 15%	N.A.	Personal guarantee, lien on assets, inventory, etc.
	Online alternative lenders	N.A.	50,000	500,000	8% - 24%	1 billion +	Personal guarantee, lien on assets, inventory, etc.
Alternative Lending	TruFund	2005	50,000	500,000	8% - 10%	15	\$200,000 min revenue, personal guarantee, business assets, key person life insurance
	BRISC	1997	50,000	250,000	6%	17	Personal guarantee, liens on assets, inventory
	US Credit Union program	1957	5,000	250,000	11%-16% Floating	55	15%-20% collateral
	Wash Heights Inwood Dev Corp	1978	400	50,000	9%	6	Personal guarantee
	Harlem Commonwealth Council	2008	0	40,000	N.A.	1	Credit score, personal guarantee or collateral; case-by-case basis
	BOC Capital	2001	300	25,000	8% - 12%	23	Secured by assets
	SBA Microloan Program		0	50,000	8% - 13%	1 billion +	Through intermediaries; collateral
Micro-lending	Grameen	2008	0	1,500+	15%	170	No collateral
	Project Enterprise	1997	750	12,000	12%	2	No collateral
	Accion	1991	500	50,000	9% - 15%	132	Personal guarantee and other guarantor; credit score required
Loan sharking	Cash advance providers	N.A.	0	250,000	50%+	N.A.	Percentage of revenues
	Payday & Title Lenders	N.A.	0	5,000	150% - 365%	N.A.	Paycheck or title

Source: organization websites, UMEZ Staff research

Predatory lending

On the other end of the spectrum, nonbank lender such as merchant cash advance providers (a type of that advances cash quickly in return for a share of future sales, extracted daily from the borrower's credit card receipts) are able to provide smaller amounts, and more quickly than banks. Short-term lenders take advantage of pressing cash needs to impose extremely high interest rates for short term loans to a population lacking any alternative. Products included advance paychecks, or title lending and can reach annual interest rates of up to 350%, creating unnecessary burdens for the businesses and extracting much wealth from the community.

Online solutions are attractive but only for larger businesses

Paradoxically, small business lending has expanded following the financial crisis. As banks drastically reduced their lending and exposure to small businesses, citing capital constraints and adverse economic conditions, many start-up companies entered the segment and started offering loans to subprime to midprime borrowers that were being repeatedly turned down by banks and were seeking alternatives to expensive predatory lenders. This new crop of alternative lenders such as Foundation or Funding Circle typically process loan requests through an online platform. Using advanced software to analyze USPS, credit card statements and other, are able to differentiate lenders and offer adapted interest rates while minimizing their operating costs. According to the CEO of Foundation, one of the largest online alternative lending platforms, the default rate on their portfolio is less than 2%. In 2013, companies such as Foundation, OnDeck, and Kabbage lent over \$1 billion across the United States to small businesses. Interest rates for these products typically vary between 8% and 25%, although it is closer to 15% on

average. But such online alternative lenders usually lend \$50,000 or more, leaving out businesses requiring very small loans to expand their operations and as a result, very small businesses do not qualify for such platforms.

Other online platforms seek to reach smaller companies and lend lower amounts at reasonable rates mostly through partnerships with local organizations. Kiva, a crowd-funding platform which matches lenders and borrowers, raises approximately \$60 million every year that are transferred to borrowers throughout the world through partner microfinance institutions which handle the operations and set an interest rate according to their costs. In the United States, Kiva partners with 2 microfinance institutions. The Opportunity Fund, which lends up to \$100,000, is present in the Bay Area. Accion USA, which provides loan of up to \$50,000 throughout the United States, is active in Upper Manhattan (see below).

Alternative Lending

Upper Manhattan institutions and community organizations have also engaged in small business lending for years. Organizations with different core focuses have recognized the unmet funding needs of small businesses, and have launched programs to support them. However, most of these organizations – with the exception of the BRISC program – have limited funds and generally are not able to offer very small loans, rather focusing on loans of \$10,000 and upwards. They also require standard collateral packages.

Micro-lending

Micro-lending in Upper Manhattan is mostly provided by three institutions: Grameen America, Accion USA, and Project Enterprise. All three organizations have rather similar models, offering small, low-interest loans to small businesses while requiring little or no collateral. Project Enterprise was directly inspired by the Grameen model and therefore provides very similar loans. However, the organization operates on a much smaller scale, having provided \$2 million in loans since 1997 compared with \$171 million for Grameen. Accion is a larger player, having partnered with online platform Kiva to match loan-seekers with individual borrowers.

Rather than compete, Grameen and other microfinance institutions, such as Project Enterprise and Accion, complement each other and fill specific niches in the unbanked market. Grameen borrowers earn an average yearly income of \$12,300 and live well below the federal poverty line of \$23,850 for a family of four, while Accion borrowers typically have higher income and more significant businesses, resulting in higher average loan sizes (see table below.)

Micro-lending landscape in Upper Manhattan

	Grameen America	Project Enterprise	Accion
Creation date	2008	1997	1991
Number of borrowers	33,000	860	20,000
Loans disbursed to date (\$ mm)	171	2	132
Lending Methodology	Group	Group & Individual	Individual
Borrowers Average Yearly Income (\$)	11,500	N.A.	24,000
Max initial loan size (\$)	1,500	1,500	50,000
Loan Term	Up to 12 months	Up to 18 months	Up to 60 months
Credit Score requirement	N.A.	N.A.	>575
Mandatory Savings	Yes	No	No

Source: Organization Websites

While alternative lending is well-represented in Upper Manhattan, few institutions provide products competing with Grameen’s loans. Grameen represents an attractive alternative to loan sharking and its excessively high interest rates, while providing small loans that other institutions are not able to provide for profitability reasons. As a result, Grameen is especially well-suited for very small businesses seeking small additional amounts of capital to expand.

3. Typical Customer Base

All Grameen loans are for income-generating purposes to start or expand a small business. Key businesses for Grameen America borrowers include: salon products and services, clothing and jewelry, and baked goods / cooking (street vendor) sales. In Upper Manhattan, key borrowers have mainly been comprised of street vendors and food trucks, and salon service providers. Although open to men and women, as of September 2014, 100% of Grameen’s

borrower's were women. (Grameen has found out that some women taking out loans were in reality taking a loan for their husband, to pay for livery car insurance for instance.)

Typical Borrower Profiles in Upper Manhattan

Grameen Borrower	Business Owner Story
Mariana Sanchez	Borrower Mariana Sanchez sells cold fruit with a variety of toppings from her cart in Upper Manhattan. She used her loan from Grameen America to keep a full stock of Pineapples, Mangoes, and melon, which she sells every day.
Lisette	Lisette lives and works in Upper Manhattan as a hairdresser. Like many people in her community, Lisette did not have access to affordable credit. A loan from Grameen America empowered Lisette to restart the business. Now in her second loan cycle, Lisette has restarted her career and has given her four children hope of a brighter future.
Nicole Gates	Borrower Nicole Gates used her Grameen America loan to launch the street fair portion of her business, "Soul Sister Quisine". A loan for \$1,500 helped her purchase tables & equipment to sell her barbeque and world famous red velvet cupcakes. Says Nicole, "Every little bit counts".
Amarius Torres	Borrower Amarius Torres of Upper Manhattan found out about Grameen America from the Jafra Cosmetics Company. She used her first loan to buy perfume and cosmetics and sold them door-to-door to her community. Prior to joining Grameen America, Amarius did not have affordable access to investment capital from mainstream financial institutions.

Source: Grameen

Financial Summary

Grameen's performance to date has been very strong, both at the Washington Heights branch level and nationally. The Organization has outperformed on most of its key indicators, including the number of borrowers reached and loan portfolio size. Grameen's financial performance to date also closely matches the projections provided to UMEZ at the time of its previous loan.

The Organization's projections over the next 4 years reflect an ambitious expansion plan, which will multiply by 5 the size of Grameen's lending portfolio in the United States, and require additional fundraising by the Organization. While these numbers are ambitious, Grameen is still in a fast growth period, and has proven so far its ability to meet its objectives.

1. Harlem Branch & Borrowers Growth

After opening in late August 2014, the Harlem branch will quickly expand to reach as many Harlem residents as possible. By year-end, the branch expects to have 138 borrowers. As more capital becomes available, more center managers are recruited, and word spreads in the area about Grameen services, operations are expected to grow fast, and to reach over 7,000 individual borrowers by 2020, with \$10.5 million in loans disbursed, and 6,000 jobs created.

Nationally, Grameen will also increase its operations, and expects to reach over 100,000 borrowers by 2018, up from a little above 25,000 currently.

Borrower Projections, Grameen America & Harlem Branch, 2014-2018

	2013A	2014E	2015P	2016P	2017P	2018P
Grameen America						
Total Borrowers	17,191	26,216	40,216	63,839	91,159	117,216
<i>% Growth</i>		52.5%	53.4%	58.7%	42.8%	28.6%
Total Branches	18	19	26	38	38	38
Harlem						
Total Borrowers	0	138	788	1,725	2,613	3,438
<i>% Growth</i>		NM	472.7%	119.0%	51.4%	31.6%

Source: Grameen

2. Financial Performance & Projections

Grameen America is still in a fast growth phase. The Organization is still expanding its network in new areas and States, and is therefore roughly doubling in size every two to three years. Since UMEZ lent \$3 million to the Organization in June 2012, it has indeed become a much larger lender. Seven new branches have been opened around the country; loan income has grown from a little over \$1 million to almost \$4 million; cumulative loans made have reached \$171 million compared with just \$25 million two years ago. To fuel this tremendous growth, Grameen has demonstrated a strong ability to raise funds, almost doubling the amount of grants and contributions it receives to approximately \$10 million this year.

Since 2012, the performance of its loan portfolio, the backbone of the Organization, has remained remarkably strong. Repayment rates stand at 99.5%, and the portfolio at risk has dropped from 1.5% to 1.2%, a better performance than Grameen worldwide. UMEZ Staff therefore remains comfortable with the growth pace of the organization, which has mostly relied on growth in new markets, and has not led to imprudent lending practices.

Grameen's estimated loan income and portfolio size in 2014 are slightly above the projections provided to UMEZ at the time of the previous loan. Loan income is expected to reach \$3.8 million by year end, compared with an estimated \$3.1 million; outstanding loans will reach \$31.1 million by year-end, higher than the \$25 million expected. Grameen expected back in 2012 to reach 30,000 borrowers by 2016; it has already reached over 32,000. This growth is the result of the accelerated branch openings which have occurred since 2012. The expansion has

also resulted in a higher debt level (\$20.8 million compared with \$17 million), which has been used to increase the organization's portfolio size.

Grameen America Financial Performance 2012-2014 (\$'000)

	2012	2013	2014e	2012-2014
Contributions	5,117	13,741	9,815	92%
Loan income	1,311	2,189	3,840	193%
Total Revenues	6,428	15,930	13,655	112%
Program Services Expenses	4,749	7,724	9,129	92%
General Expenses	830	1,331	1,514	82%
Total Expenses	5,579	9,055	10,643	91%
Total Assets	27,163	40,470	53,462	97%
Net Assets	19,653	27,213	30,880	57%
Total Debt	7,185	12,715	21,890	205%
Net Debt	968	2,809	3,420	253%
Portfolio at risk	1.5%	1.9%	1.2%	-20%
Branches	12	13	19	58%

Source: Grameen, 2013 Audited Financial Statements

Grameen America's management expects to keep growing at a fast pace over the next few years as it seeks to expand in other locations and double its branch network, as well as increase its lending volume where it is already present. The projections below reflect this vision.

Grameen America Financial Projections 2014-2018 (\$'000)

Income Statement	2014E	2015P	2016P	2017P	2018P	%
<u>Revenues</u>						
Contributions / Unrestricted Grants	1,300	1,475	1,650	1,825	2,000	54%
Interest Income	3,760	6,070	9,359	13,907	19,295	413%
Other interest income	80	80	80	80	80	0%
Assets released from restrictions	8,515	10,099	11,680	13,260	14,839	74%
Total Revenues	13,655	17,724	22,769	29,073	36,214	165%
<u>Expenses</u>						
Salaries & Benefits	7,075	9,874	13,542	17,075	20,643	192%
Rent / Utilities	480	756	1,015	1,050	1,090	127%
Office Expenses	548	700	964	1,051	1,128	106%
Provisions for Loan Losses	200	279	398	502	558	179%
Miscellaneous	825	952	1,203	1,263	1,323	60%
Total Program Expenses	9,129	12,560	17,121	20,941	24,742	171%
General & Administrative	1,165	1,394	1,487	1,588	1,695	46%
Interest Expense	338	681	1,291	2,115	3,067	808%
Depreciation	13	21	33	47	63	372%
Total Operating Expenses	10,644	14,656	19,933	24,691	29,567	178%
Net Income	3,011	3,067	2,837	4,382	6,647	121%

Source: Grameen

Over the next 4 years, the total number of borrowers is expected to be multiplied by 3.5x from 26,000 to 117,000 and as a result, outstanding loans are expected to increase from \$31 million in December 2013 to \$145 million by 2018. This will be driven mostly by the opening of 19 new branches, mostly in New York and California, which will double the current branch network. Interest income will consequently increase from \$3.8 million in 2014 to over \$19 million by 2018, effectively increasing the organization's loan portfolio by a factor of 5, an achievement comparable with Grameen's performance over the past 5 years.

Program and operating expenses are expected to grow at the same pace as revenues. Net income is expected to reach \$6 million by 2018, twice its 2014 level.

Grameen Balance Sheet 2014-2018 (\$'000)

Balance Sheet	2014E	2015P	2016P	2017P	2018P	14-18 (%)
Current Assets						
Cash and cash equivalents	10,195	10,195	10,195	10,195	10,195	0%
Contributions and grants receivable,	8,275	11,505	14,557	17,474	20,291	145%
Program loans receivable, net	31,321	48,351	74,504	108,096	145,285	364%
Accounts Receivable	1	2	2	3	3	200%
Total Current Assets	49,792	70,054	99,258	135,768	175,774	253%
Contributions and grants receivable,	3,124	3,839	4,553	5,266	5,978	91%
Other assets	546	596	680	768	859	57%
Total Assets	53,462	74,488	104,491	141,802	182,611	242%
Current Liabilities						
Other Liabilities	691	939	1,264	1,538	1,813	0%
Notes payable, current	1,250	4,069	2,594	2,644	3,000	140%
Total Current Liabilities	1,941	5,008	3,858	4,183	4,813	148%
Notes Payable, long term	20,641	32,356	57,502	86,942	117,312	468%
Total Liabilities	22,582	37,365	61,361	91,125	122,125	441%
Net Assets (Equity)						
Unrestricted net assets	17,035	20,102	22,939	27,321	33,968	99%
Temporarily restricted net assets	13,846	17,022	20,191	23,356	26,517	92%
Total Net Assets	30,881	37,124	43,130	50,677	60,485	96%
Total Liabilities and Equity	53,462	74,488	104,491	141,802	182,611	242%

Source: Grameen

Balance Sheet and Indebtedness

Grameen plans to fund its growth through aggressive fundraising. Outstanding obligations are expected to increase to \$117 million, from \$20 million in 2014. The Organization will still rely on outside contributions to fund its expansion plans. Total assets are therefore expected to be multiplied by 3.4x to \$182 million, reflecting the larger portfolio, and the opening of new branches.

Operating & Capital adequacy ratios

Because opening new branches requires more capital than just increase lending at existing branches, Grameen's capital needs have been revised upwards by the new management team along with the new expansion strategy: 6 branches were opened in 2014 alone, above the projected 5. Increases in operating expenses over the next years will therefore be mainly driven by increases in headcount and occupancy costs with the additional hiring of Center Managers, and Branch Managers as well as with the opening of new branches. As a result, operating expenses for Grameen have proven to be significantly higher than anticipated in the projections provided to UMEZ at the time of the previous loan request, with current loan income representing approximately 40% of operating expenses.

As Grameen grows, it expects to improve its self-sufficiency ratio (loan income to operating expenses ratio) from approximately 35% currently to 65% by 2018. In its 2012 projections, Grameen expected to be able to reach self-sufficiency by 2017; this is now not expected to be reached before 2019. UMEZ Staff remains however comfortable with the predicted leverage ratios of the organization. As of 2014, net debt (net of cash equivalent and

pledged contributions) for Grameen remains low at \$3.4 million. As the Organization keeps growing, it is expected to reach \$89 million by 2018. While this represents a significant increase, the debt to equity ratio will remain acceptable, at 65% (see table below).

Operating & Capital adequacy ratios 2014-2018

	2014E	2015P	2016P	2017P	2018P
Self-Sufficiency Ratio (Loan Income / Expenses)	35%	41%	47%	56%	65%
Debt/Total Assets	41%	49%	58%	63%	66%
Return on Equity	10%	8%	7%	9%	11%
Return on Assets	6%	4%	3%	3%	4%
Equity/Loan Receivables	99%	77%	58%	47%	42%

Source: Umez Staff

3. Fundraising & Sustainability

Branch Sustainability

In a record achievement over the last five years, Grameen America's pioneer branch in Queens, NY reached sustainability, with interest income from loans covering branch-specific operating expenses. Grameen is the first microfinance organization in the United States to reach sustainability. It took 5 to 6 years for the Jackson Heights branch to reach that milestone; newer branches are therefore expected to reach sustainability over the next few years. Specifically, Grameen anticipates the Upper Manhattan branch and the Brooklyn branch will reach sustainability by the end of 2015.

Branches typically need \$6 million in grant funding to reach sustainability, which takes 5 years approximately for branches located in dense urban areas with fast loan portfolio growth. Total funding needs usually amount to \$6 million before the loan portfolio reaches \$5 million, a size at which loan income is able to cover the branch's operating expenses.

Funding Needs, Uses and Impact Metrics for New Branches in Urban Areas

	Year 1	Year 2	Year 3	Year 4	Year 5	Cumulative
Sources						
Grant Funding Needed	1,100	1,100	1,100			3,300
Loan Funding Needed			1,000	1,000	1,000	3,000
Total Funding Needed	1,100	1,100	2,100	1,000	1,000	6,300
Uses						
Branch Net Income (Loss)	-163	-190	-174	-88	2	-613
G&A	150	150	150	150	150	750
Loan Portfolio Growth Funding	364	926	1,298	1,284	884	4,756
Total Uses	351	886	1,274	1,346	1,036	4,893
Impact Metrics						
Loan Portfolio Size	364	1,290	2,588	3,872	4,756	12,870
Borrowers	500	1,849	3,798	6,263	7,000	7,000

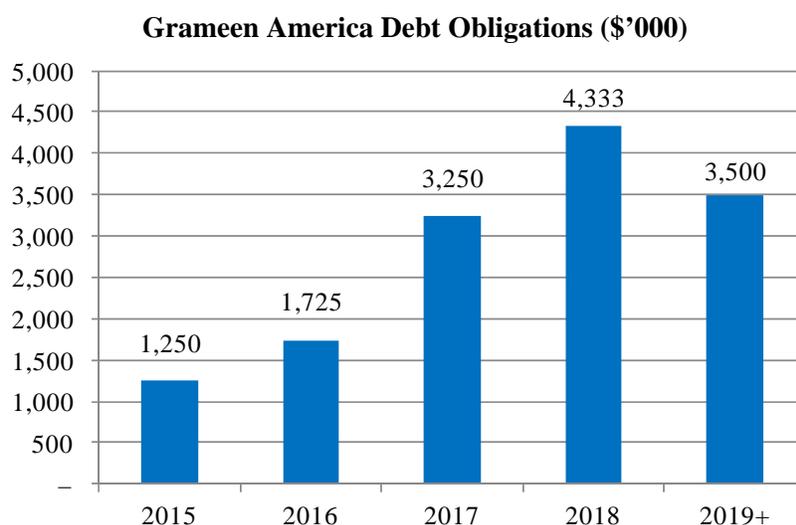
Source: Grameen

In 2012, Grameen estimated it would be able to reach self-sustainability by 2017. This target is now unlikely to be met. Operating expenses have been higher than expected, caused by more branch openings than anticipated and higher personnel costs, partly to launch increased fundraising efforts that will fuel the Organization's growth

strategy. Because of its rapid growth strategy, Grameen is still heavily relying on outside grants and contributions to fund its operations.

Fundraising & Debt Obligations

So far however, indebtedness has remained limited. As of December 2013, the Organization had \$12.7 million in debt obligations, lower than the \$16 million it anticipated in 2012, while managing to grow its portfolio to approximately \$31.1 million in outstanding loans, above the projected \$25 million. Most of its obligations are not due until 2016 and 2018, at which point they are expected to be either paid back through cash-flow generation or be rolled over.



Source: Grameen

These obligations seem reasonable in comparison with Grameen’s fundraising track record. Grameen America has proven its ability to raise significant funds from multiple partners over the years. In 2012-2013, the Organization has managed to raise over \$19 million, mostly under the form of low interest, interest-only long term loans. Major commitments outstanding include loans from the New York City Investment Fund (\$3.0 million), the Empire State Development Corp. (\$2.5 million), Wells Fargo (\$2 million) and the California Community Foundation (\$1.5 million). Management strongly believes that it will be able to raise over \$90 million over the next 5 years, to both repay their current obligations, and pursue the Organization’s growth strategy. The projected debt burden will remain acceptable. UMEZ will not provide a grant alongside its loan in order to further incentivize Grameen to actively look for additional funds and intensify its fundraising efforts.

Fundraising Strategy

Grameen will be stepping up its debt capital raising capacity substantially over the near term, starting with the hire of Grameen America’s first CFO, David Gough, an experienced fundraiser, joined in October 2014. The preliminary strategy is to leverage existing partners who have the liquidity available to increase their exposure to Grameen, as well as establish new anchor relationships with national footprints. While current fundraising efforts have been largely focused on particular geographies, a transition to national partners will help support Grameen’s planned loan portfolio growth.

Harlem Branch Fundraising

Grameen has already secured a \$200,000 grant from Citi Community Development specifically for the Harlem Branch. In addition, Grameen is in the process of raising \$725,000 from the Robin Hood Foundation and the Kellogg Foundation. All together, Grameen soon expects to have \$1.4 million available in loan capital and start-up capital for its Harlem branch.

Harlem Branch Fundraising

Funder	Type	Amount (\$'000)	Probability	Notes
Pledged Funds				
Citi Community Development	Grant	200	100%	\$100K 2014, \$100K Q1 2015 for Opex
UMEZ	Loan	500	100%	Restricted to microloans
Total Pledged Funds		700		
Pipeline Funds				
Kellogg Foundation	Grant	600	75%	Scheduling of funds TBD
Robin Hood Foundation	Grant	125	90%	Restricted to operating expenditures
Total Pipeline Funds		725		
Total Funds for Harlem Branch		1,425		

Merits and Considerations

MERITS	CONSIDERATIONS
<ul style="list-style-type: none"> • Rapid growth of Upper Manhattan Branch • Proven track record in micro-lending • Loan Repayment History • Promotes financial literacy for the “unbanked” • Key Investment for Upper Manhattan • Complement to UMEZ products 	<ul style="list-style-type: none"> • Reliance on other sources of capital • Increasing personnel expenses

Merits

Rapid growth of Upper Manhattan Branch: Grameen has grown at a very fast pace in Upper Manhattan. After 5 years, the Organization has reached 3,000 borrowers and disbursed \$6 million in Upper Manhattan. Grameen expects demand for its services to remain strong, as existing customers will seek larger loans to keep funding their growth, and as new customers come in. Over the next five years, Grameen projects to serve over 7,000 borrowers in Harlem and to lend another \$10.5 million in the area.

Proven track record in micro lending: Grameen America is owned and managed by Grameen Trust, the international affiliate of the Grameen Bank in Bangladesh which has been lending internationally for over 34 years. Grameen’s micro lending model is well-established; in Bangladesh, the organization has lent in excess of \$11 billion dollars, with repayment rates of 97%. The model has been successfully replicated in many countries.

Loan Repayment History: As lending institutions grow at very fast paces, the quality of their portfolio tends to decline as a result of lower underwriting standards. However, Grameen America has managed to maintain consistently high repayment rates as its loan portfolio grew by 700% since 2012. With total loan disbursements of over \$171 million and over 32,000 borrowers, Grameen has been able to sustain a low level of default with a loan repayment rate greater than 99%.

Promotes financial literacy for the “unbanked”: Grameen’s success can also be seen in its ability to promote financial literacy amongst borrowers that would generally be considered “unbanked.” By introducing borrowers to credit reporting and savings accounts, Grameen has helped service a community that has struggled with financial competency. As of September 2014, the average credit score for Grameen borrowers, most of whom did not have one before taking a Grameen loan, is now 654 (up from 640 two years ago).

Key Investment for Upper Manhattan: According to the most recent Census data, nearly 40% of all female-headed households in Upper Manhattan fell below the poverty line (\$22,350 for a household of four). Upper Manhattan is considered to be a key target area for Grameen and its mission as this community has been considered underserved. An expansion of the program into Central and East Harlem will provide needed support to the Upper Manhattan community, promoting small businesses and providing individuals with financial literacy is a key element in UMEZ’s strategy for favorably impacting the small business community in said area.

Complement to UMEZ products: Grameen supports small businesses and micro-entrepreneurs with loans of up to \$50,000. Grameen is therefore able to target a market for small loans that is not covered by UMEZ and BRISC products. BRISC or other microloan (e.g. Washington Heights Inwood Development Corp.) products can provide a logical next step for business owners successfully “graduating” from the Grameen loan programs and having reached the maximum amount allowed.

Considerations

Reliance on other sources of capital: Grameen is dependent on yearly contributions to fund its operations. A change in the fundraising environment or an inability to raise operating funds could force Grameen to limit the breadth of its lending operations. Given Grameen’s success in other markets, UMEZ Staff is confident management will continue to successfully raise the funds needed.

Increasing operating expenses. Grameen's operating expenses have increased sharply over the past 2 years. This is a direct consequence of the ambitious growth plan of the Organization, which requires significant outside contributions both for loan capital and for operational expenses until the organization reaches self-sustainability. Grameen's debt/equity ratio is expected to remain reasonable over the next 4 years.

Recommendation

UMEZ Staff seeks approval by the EPD Committee of a \$500,000 term loan to Grameen America to provide loan capital to the new Grameen Harlem branch and to help expand its lending platform in Harlem.

Attachment A – Grameen History

1. Company History: The Grameen Bank

Grameen America (the “Borrower”) is an affiliate of Grameen Bank. The Grameen Bank (“Grameen Bank” or “the Bank”) is a microfinance organization and community development bank started in Bangladesh that makes small loans to the impoverished without requiring collateral. The system of Grameen Bank is based on the idea that the poor have skills that are under-utilized. A group-based credit approach is applied which utilizes the peer-pressure within the group to ensure the borrowers follow through and use caution in conducting their financial affairs with strict discipline, ensuring repayment eventually and allowing the borrowers to develop good credit standing. The bank also accepts deposits, provides other services, and runs several development-oriented businesses including fabric, telephone and energy companies. Another distinctive feature of the bank's credit program is that all of its borrowers are women.

The Grameen Bank has grown into over two dozen enterprises represented by the Grameen Family of Enterprises. These organizations include Grameen Trust, Grameen Fund, Grameen Communications, Grameen Shakti (Grameen Energy), Grameen Telecom, Grameen Shikha (Grameen Education), Grameen Motsho (Grameen Fisheries), Grameen Baybosa Bikash (Grameen Business Development), Grameen Phone, Grameen Software Limited, Grameen CyberNet Limited, Grameen Knitwear Limited, and Grameen Uddog (owner of the brand Grameen Check).

The Bank today continues to expand across the nation and still provides small loans to the rural poor. As of October 31, 2011, Grameen Bank branches numbered over 2,565 with over \$11.3 billion disbursed and \$10.1 billion repaid since inception with a repayment rate average of 96.7% (with a 99.5% repayment rate, Grameen America is doing better than its peers). The Bank's success has inspired similar projects in more than 40 countries around the world.

2. Products & Services

Grameen America provides borrowers with access to loans and financial literacy services enabling them to create and build business endeavors and generate sustainable income. The Company's loan program enables borrowers to establish creditworthiness and qualify broadly for credit from conventional banks, retailers and other sources; moreover, the loan program requires borrowers to establish a savings account which build a foundation for financial stability and sustainability.

Grameen provides three main products to its customers: Microloans, savings and credit. In addition to those services, Grameen also provides mandatory, free continuing training to its groups of borrowers throughout the life of the loan.

Microloans

Grameen America applies the group lending model pioneered by Grameen Bank. This model requires prospective borrowers to form five-member groups which meet weekly. While members are individually responsible for their loans, they are expected to provide assistance to their peers where needed, developing a social network of voluntary, mutual support. Centers are formed with up to six groups, creating a broader network of support within the community. Weekly meetings reinforce discipline and create a culture of financial responsibility.

Borrowers must create a group of five peers, none of whom can be a family member. The group then attends 5 consecutive days of training (one hour per day) with their Center Manager, a Grameen America loan officer. During this 5-day training, each member contributes \$2 per day. Every day, a different group member is responsible for keeping the group's savings until the next meeting. These are important steps in building trust within the group. After the 5-day training, the group is “Recognized” by the Center Manager and begins to attend weekly training sessions. The group also appoints a group leader. After 2 weeks of vetting each other's business plans, the group elects 2 individuals to draw down their initial loans. The group leader approves the loan and recommends the loan to the Center Chief. The Center Chief (also a borrower) then approves the loan and recommends the loan to the Center Manager. The Grameen America Center Manager then recommends the loan disbursement to the Branch manager for disbursement. During the next two weeks, the first two individuals with

loans must repay weekly installments of principal and interest. Everyone in the group must continue to contribute to their savings. After two weeks, the same approval process used for the first two borrowers is replicated for the remaining three group members, and they receive their initial loans. Every week thereafter, all of the individuals in the group must make weekly installments of principal, interest and savings contributions.

The Grameen loan is made in repeating cycles of increasing amounts to borrowers who repay their loans on-time and fulfill other requirements of the loan relationship, including required savings, participation in their borrower “group” and attendance at meetings of the group’s “center.” Each borrower’s basic loan amount for each loan cycle is determined by their individual circumstances and entrepreneurial venture. Loans for each loan cycle are subject to a loan ceiling that is a function of the borrower’s savings as well as past loan repayment performance, the borrower’s group and the center of which her group is a part.

Grameen Typical Loan Terms

Grameen Typical Loan Terms	
Term	6 months or 1 year
Interest Rate	15%
Fees	N.A.
Collateral	N.A.
Credit Score Minimum	N.A.
Minimum Loan Amount	No minimum
Maximum 1 st Time Loan	\$1,500
Initial Savings Contribution	\$2 per week

The interest rate on all loans is 15%. Borrowers make weekly interest and principal payments. Loans have a term of either six months or one year. Following the Grameen model, collateral is not required for the loans, although Grameen America may take a security interest (via a lease/purchase arrangement) in significant equipment or other assets that are acquired with loan proceeds. Further, although performance of the borrower’s group and center will be a factor in the borrower’s ability to qualify for future loans, it is important to emphasize that no borrower is financially responsible for repayment of another borrower’s loan.

In accordance with the approval procedures, loans are approved, using the Grameen banking process, by the Branch Manager. In addition, after loan disbursement, there is constant follow up by Grameen America Center Managers to ensure that borrowers are using the funds for the designated purposes and that borrowers are moving forward with their businesses.

Numerous detailed procedures, already proven out by Grameen’s experience around the world, govern the specifics of loan disbursements, repayment and re-borrowing arrangements. All of these procedures are designed to promote cohesiveness of the borrower “group” and encourage repayment of loans. For example, Basic Loans are disbursed in a staggered method in 2:3 ratios. Each group selects two members for the first loans. If those two borrowers repay their loans regularly for an initial period of 2 weeks, then the remaining three members of the group will be disbursed their loans. As another example, at any time after the sixth month of a loan, a borrower who has made all monthly payments on her loan may re-borrow the same amount that she has paid back to Grameen America.

A credit evaluation of Grameen’s borrowers is essentially limited to the clients’ ability to open a bank account with a chartered bank. In New York City, Grameen has a partnership with Citibank, the depository institution for all of the borrowers’ savings.

Savings

Grameen America believes in developing and maintaining a culture of savings among its borrowers. For this reason, each borrower must take part in Grameen America’s Basic Savings Program and the Credit Builders Program in order to obtain a Basic Loan. Through Grameen’s relationship with a neighboring bank, each borrower establishes a bank account with the negotiated bank and receives an ATM card in which the borrower can make deposits to and withdrawals from the account. The borrowers pay no fees to open or maintain the account and in order to qualify for this account, each borrower must provide personal information (name, date of birth, home

address, phone number), employment or occupation, and two forms of identification. Each borrower must contribute \$2 per day to her savings account during the 5-day Continuous Group Training program for a total of \$10 and weekly contributions must be made thereafter according to the size of her loan, from \$2 for loans of to \$3,000, and \$5 for larger amounts.

Credit

The Credit Builders Program helps borrowers to establish or improve their credit scores by reporting loan repayment to Experian. Through a direct relationship with Experian (one of the three national credit reporting agencies), Grameen America provides repayment data over the loan period and thereby gives the borrower an opportunity to achieve a favorable score as long as there is no adverse reporting. If a borrower misses a loan payment, this will lower their credit score.

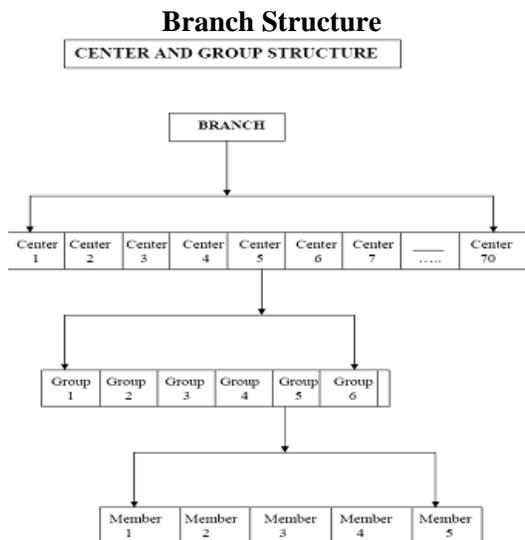
Grameen America educates borrowers on the importance of credit ratings, scores, and reports, including topics such as credit basics, improving credit, and obtaining a credit report and score. As a result of this program, borrowers who had no credit history prior to joining Grameen America now have credit scores averaging 670. Additionally, borrowers with adverse credit history are working towards improving their credit through regular loan repayments.

Continuous Group Training

Following the practices of the Grameen Bank, Grameen America integrates education and training into everyday lending and collection activities. Through participation in Grameen America’s Continuous Group Training (CGT), borrowers build financial literacy as they learn about credit establishment, asset accumulation and the merits and risks of taking out loans. After initial training, the weekly borrower meetings act as a forum for continued learning. Weekly meetings occur at a location selected and agreed upon by each of the 5 group member. Topics include: interest rates, savings products, loan disbursement & repayment process, merits of loans, credit establishment, center formation and the socio-economic role of the Center, importance of discipline in the Grameen Bank system, how to track loan and savings transactions, and repayment procedures, calculation of amount due and proper receipting.

3. Grameen’s Group Structure

This Grameen model requires prospective borrowers to form a five-member group of borrowers which meets weekly. While members are individually responsible for their own loans, they are expected to provide assistance to their peers where needed, developing a social network of voluntary mutual support. The Group is the first step of Grameen’s organizational structure. Each group is made up of five members. The five members must be of similar economic background and will function as a support group for each borrower.



The Center is the second step of Grameen's organizational structure and is the main operational unit. In Grameen America, a Center must include at least two Groups. Each Center has a maximum of 6 Groups, or 30 members from the same community. The Group Chairpersons in the Center elects a Center Chief and an Associative Center Chief. for one year. A new Center can begin with one Group with the provision that additional groups will be formed and joined to the Center. While the additional groups are forming the Group Chairperson will act as the Center Chief. Members choose a fixed time and place suitable to them for weekly meetings. The location and time should be convenient for all.

Attachment B – Management and Key Personnel

Grameen America has assembled a top management team to lead its efforts to break the cycle of poverty through microfinance in the U.S. Key Management and Personnel include:

Professor Muhammad Yunus

Founding Member of the Board of Directors

Professor Yunus is famous worldwide for his application of the concept of microcredit, the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans. Professor Yunus founded the Grameen Bank. In 2006, he and the bank were jointly awarded the Nobel Peace Prize, “for their efforts to create economic and social development from below.” Professor Yunus himself has received several other international honors, including the ITU World Information Society Award, Ramon Magsaysay Award and the World Food Prize and the Sydney Peace Prize. Professor Yunus holds a PhD in Economics from Vanderbilt University and M.A. and B.A. from Dhaka University in Bangladesh. He is the author of *Banker to the Poor* and *Creating a World without Poverty*.

Andrea Jung

President and Chief Executive Officer

Ms. Jung is the former Chairman and Chief Executive Officer of Avon Products, a publicly-traded cosmetics and beauty products company with a market capitalization of over \$5.8 billion, where she served as CEO from 1999 through April 2012, and as Chairman from 2001 through December 2012. Ms. Jung, the longest serving female chief executive in the Fortune 500, was responsible during her tenure for developing and expanding economic earnings opportunities to over six million women in over one hundred countries. Under her leadership, the Avon Foundation for Women raised and awarded nearly \$1 billion to support health and empowerment causes, becoming the largest women-focused corporate philanthropy around the world. Ms. Jung’s efforts were recognized by the Clinton Global Initiative, which in 2010 honored her with the Clinton Global Citizen Award for her visionary leadership in solving pressing global challenges.

Throughout her professional career, Ms. Jung ranked consistently among the top leaders on lists including *Fortune* magazine's "Most Powerful Women in Business," *Forbes* magazine's "Most Powerful Women in the World," and *Financial Times*' "Top Women in World Business." She joined Grameen America with the goal of scaling the organization to solve economic issues for women and their families across the country. Ms. Jung is a graduate of Princeton University. She is a member of the Board of Directors of the General Electric Company, Apple, Inc., and Daimler AG. She also serves on the Committee for Economic Development, an independent, nonprofit, nonpartisan American think tank. Mrs. Jung is a *magna cum laude* graduate of Princeton University and is fluent in Mandarin.

Shah Newaz

CEO Operations

Mr. Newaz was selected by Professor Muhammad Yunus to replicate the Grameen Program in the United States. Mr. Newaz launched Grameen America’s first branch in 2008 and currently manages and directs all field operations. During his three decade tenure at Grameen Bank, Mr. Newaz worked with each department of the Grameen Bank Senior Management Team and managed over 200,000 borrowers. Prior to joining Grameen America, Mr. Newaz successfully replicated the Grameen program in the Dominican Republic. Mr. Newaz, holds a M.S. from Chittagong University in Bangladesh.

Howard Axel

Senior Vice President

Mr. Axel leads Grameen America’s fundraising efforts with over a decade of experience in the development field, most notably at The Trust for Public Land. In addition to his nonprofit experience, Mr. Axel has a background in the entertainment and social media sectors. Mr. Axel holds a B.A. from Brown University.

Josenia Enriquez,

Harlem Branch Manager

Ms. Enriquez is responsible for overseeing all staff and operations at the Harlem branch, including authorizing disbursements and coordinating with Grameen America's national activities. She joins the Harlem branch with five years of experience as a Center Manager, most recently at the Washington Heights branch. Prior to that, Mrs. Enriquez worked with the Children's Museum of Manhattan for six years. Ms. Enriquez holds an Associate of Arts degree in Business Administration from the Borough of Manhattan Community College.

**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 OF THE BOARD OF DIRECTORS HELD ON THE
10TH DAY OF NOVEMBER 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 Grameen America, Inc.’s expansion to create a Harlem branch on 127th Street between Lenox Avenue and Adam Clayton Powell Boulevard in Upper Manhattan (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 loan not to exceed FIVE HUNDRED THOUSAND DOLLARS (\$500,000), 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.

FOR CONSIDERATION

November 12, 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 Marketing Budget for FY 2015 and to Take Related Actions.**

The Directors are requested to approve a marketing budget fiscal year 2015 for the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ") in the amount of ONE HUNDRED TWENTY THOUSAND DOLLARS (\$120,000).

	Items	
Website Enhancements		10,000.00
Promotional & Networking Events		35,000.00
Hosting Events		20,000.00
Sponsoring Events		20,000.00
Collateral Materials - Design and Print		35,000.00
Total	\$	120,000.00

November 12, 2014

**UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION - UMEZ
Marketing - Authorization of \$120,000 marketing 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 a marketing budget for ONE HUNDRED TWENTY THOUSAND DOLLARS (\$120,000) 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 (the "State"), the City ("City"), and others ("MOU"); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorize 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

To: New York Empowerment Zone Corporation Board of Directors
From: Kenneth Knuckles, President & CEO, Upper Manhattan Empowerment Zone
Date: November 12, 2014
Subject: Marketing Budget
Request: \$120,000 Marketing Initiative for FY 2015/FY 2016

DESCRIPTION OF PROJECT

The Upper Manhattan Empowerment Zone seeks continued funding ~~of its~~of its marketing, communications and promotions efforts in support of economic revitalization in Upper Manhattan. Previous funds covered the 2011/2012 Biennial Report, the 2013 Annual Report, photography, one page At A Glance descriptions of UMEZ and Upper Manhattan, a revamped website and promotional/press events. New funding would cover a twenty four (24) month period commencing July 1, 2014 and concluding June 30, 2016. During this time period, UMEZ would continue to undertake activities intended to position Upper Manhattan as an exciting place to do business, work, and live as well as to chronicle and share lessons learned in economic and community development.

UMEZ seeks to aggressively highlight its successes, raise awareness of its offerings, and encourage more businesses to seek UMEZ's services. In addition, UMEZ intends to selectively promote Upper Manhattan as a destination for visitors to stimulate steady cash flow to UMEZ and BRISC loan recipients. By bolstering the market for cultural and retail consumption in Upper Manhattan, this effort reinforces the work that is done by UMEZ's Cultural Industry Investment Fund, Business Investments Division, and BRISC.

Highlighting UMEZ's activities and successes takes a number of forms: issuing press releases, staging press conferences, contacting reporters to encourage coverage of UMEZ's activities, purchasing of advertising space in selected publications and fielding questions from reporters, and staging and attending business networking events are all part of the work involved. UMEZ hopes to use a number of tools to further these activities: Flyers and leaflets given out at networking events target our message to entrepreneurs who may be likely to find UMEZ's services useful. UMEZ's Annual Report and its Website disseminate its message as well.

Project Goals

Marketing ventures during the proposed funding period would build upon UMEZ's prior activities, with the following goals:

- Maintain and increase deal flow for prospective BRISC loans from businesses outside of UMEZ 's footprint.
- Highlight UMEZ 's investment portfolio and programs
- Attract, retain, and support Upper Manhattan 's business community, especially small businesses and cultural organizations.
- Encourage investments from other sources
- Extend UMEZ 's impact in areas with fewer direct investments
- In certain cases, heighten Upper Manhattan 's visibility

Approach

As in prior years, UMEZ will utilize a range of tools to support its marketing and communications goals. Descriptions of activities for the proposed project period will include, but not be limited to, the list below:

Media: UMEZ will prioritize efforts that extend the general public's knowledge of Upper Manhattan, especially by heightening the visibility of East Harlem and Washington Heights/Inwood. Story pitches to print and broadcast media will be a primary means for accomplishing this.

Website: UMEZ will continue to make modest but impactful upgrades to its website to increase functionality and appearance. The UMEZ website includes profiles and rotating photos of various establishments in the UMEZ catchment area. We will also undertake modest promotional efforts to drive traffic to the website. A press release spotlight on the front page and a press release archive will be updated on a regular basis.

Promotional and Networking Events: These events are used to spread the word about UMEZ to a targeted audience with the eventual goal of stimulating increased interest in the possibility of attendees wanting to open new businesses in Upper Manhattan. UMEZ gets many invitations to attend events that help us raise awareness of our activities. For instance, in the past, UMEZ staff members attended the New York Industrial Retention Network's Annual Fundraising and Networking Breakfast. With the use of a table display and a journal ad placement, we were able to make strong connections with firms and influential officials of New York City's economic development community. Multiple times a year, UMEZ participates in the Small Business Expo at the Jacob Javitz Convention Center. Each summer, we also participate in the Greater Harlem Real Estate Board's Expo, Seminar and Conference. UMEZ and BRISC staff member use these opportunities to introduce potential borrowers to UMEZ's various programs and services.

Hosting Events: UMEZ will also host networking and press events at which, UMEZ staff give presentations and speak one-on-one with businesses that might consider expanding into the Empowerment Zone. Press conferences, check presentations, and ribbon cutting ceremonies are also an integral part of the UMEZ Marketing initiative, as we seek favorable and frequent coverage in the news media.

Local Event Sponsorships: UMEZ will continue to partner with area producers on events such as Harlem Retail and Restaurant Week, the Uptown Arts Stroll and Harlem Week, among several others. These events, organized by a diverse group of local organizations, draw people to explore Upper Manhattan and enjoy some of the unique experiences available here. By getting people out of tourist buses and onto the streets and avenues of Upper Manhattan, we encourage them to linger and to spend.

Collateral Materials: Brochures and other handouts are distributed at the events described above. Most importantly, people are given information that describe our programs and the various establishments who are located throughout the Empowerment Zone, including the available amenities. We are working on a study of our CIIF investments which will add to our library of materials as well. An annual report is required and will be hosted on our website as in 2013.

PROJECTED OUTCOMES

UMEZ foresees a number of outcomes from the proposed project, as follows:

- Greater usage of UMEZ services;
- Increasing interest in UMEZ's and BRISC's loan, grant and technical assistance programs and stimulating dealflow;
- Raising public awareness about the role of UMEZ in the economic revitalization of Central, West and East Harlem, Washington Heights and Inwood;

III. FINANCING REQUESTED

UMEZ requests funding of \$120,000 to underwrite marketing, communications and promotions activities in support of UMEZ's programs and services and businesses, organizations, and other concerns within Zone boundaries. These funds will be utilized over a 24 month period commencing July 1, 2014 and concluding June 30, 2016. A projected budget appears below:

Website Enhancements	7,500.00
Promotional & Networking Events	37,500.00
Hosting Events	20,000.00
Sponsoring Events	20,000.00
Collateral Materials - Design and Print	35,000.00
Total	\$120,000.00

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

**REGARDING APPROVAL TO FUND
MARKETING BUDGET
JULY 1, 2014 TO JUNE 30, 2016**

**AT A REGULAR MEETING OF THE BOARD OF DIRECTORS HELD ON THE
10TH DAY OF NOVEMBER 2014**

RESOLVED, that on the basis of the material presented to the Board of Directors of Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), a copy of which has been filed with the records of UMEZ, the Board of Directors approves the request to fund up to ONE HUNDRED TWENTY THOUSAND DOLLARS (\$120,000) for the UMEZ Marketing Budget (the “Marketing Budget”) for the period July 1, 2014 to June 30, 2016;

FURTHER RESOLVED, that UMEZ is authorized to submit the Marketing Budget request in an amount of up to ONE HUNDRED TWENTY THOUSAND DOLLARS (\$120,000), to the New York Empowerment Zone Corporation for its consideration and approval; and be it

FURTHER RESOLVED, that the President and CEO of UMEZ or his designees, are hereby authorized on behalf of UMEZ to take any steps that any of them deem necessary or appropriate to carry out the intent and purpose of the foregoing resolutions.

FOR CONSIDERATION

December 18, 2013

TO: The Directors

FROM: Robert Steel

SUBJECT: New York Empowerment Zone Corporation

REQUEST FOR: **New York Empowerment Zone Corporation (the "Corporation") Budget Fiscal Year 2013**

The Directors are requested to approve an operating budget for fiscal year 2013 (retroactive) 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 2013 budget is FOUR HUNDRED NINETY FIVE THOUSAND SEVENTY DOLLARS (\$495,070). 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, 2012 to June 30, 2013**

<u>Item</u>	<u>City</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
<u>Personnel</u>				
Salaries (6)	186,000 ¹	186,000 ²	51,000	423,000
Fringe Benefits (@34% of 2 Salaries)	17,340	17,340	17,340	52,020
Sub Total	203,340	203,340	68,340	475,020
<u>Non-Personnel</u>				
Travel	50	50	50	150
Audit	5,000	5,000	5,000	15,000
Insurance	250	250	250	750
Miscellaneous Supplies	334	333	333	1,000
Stenographer	1,000	1,000	1,000	3,000
Conferences	50	50	50	150
Sub Total	6,684	6,683	6,683	20,050
Grant Total	\$210,024	\$210,023	\$75,023	495,070

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.

December 18, 2013

NEW YORK EMPOWERMENT ZONE CORPORATION - Fiscal Year 2013 Budget – Authorization of \$495,070 administrative budget (retroactive) for fiscal year 2013.

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 NINETY FIVE THOUSAND SEVENTY DOLLARS (\$495,070)** for fiscal year 2013, 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
November 12, 2014

TO: The Directors
FROM: Kenneth Adams
DATE: November 12, 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 (October 31, 2014).

LINE	FORMULA	UMEZ	BOEDC	NYEZC	TOTAL
Credits					
1	EZ Grant Allocation	\$ 244,020,000.00	\$ 49,980,000.00	\$ 6,000,000.00	\$ 300,000,000.00
2	Loan Repayments (September, 2014)	\$ 33,627,892.00	\$ 30,316,509.97	\$ -	\$ 63,944,401.97
3	1+2 Total Funds Received	\$ 277,647,892.00	\$ 80,296,509.97	\$ 6,000,000.00	\$ 363,944,401.97
	Balance of Loans Due	\$ 25,223,669.00	\$ 9,616,454.65	\$ -	\$ 34,840,123.65
	Total Credits	\$ 302,871,561.00	\$ 89,912,964.62	\$ 6,000,000.00	\$ 398,784,525.62
Debits					
4	Total Approved for Initiatives from EZ Funds	\$ 206,670,000.00	\$ 42,330,000.00		\$ 249,000,000.00
5	Total Approved for Initiatives from Loan Repayments	\$ -	\$ 10,178,764.51		\$ 10,178,764.51
6	4+5 Sub-Total Approved for Initiatives	\$ 206,670,000.00	\$ 52,508,764.51		\$ 259,178,764.51
7	Total Approved for Admin from EZ Funds	\$ 37,350,000.00	\$ 7,650,000.00	\$ 7,692,464.77	\$ 52,692,464.77
8	Total Approved for Admin from Loan Repayments	\$ 23,553,356.57	\$ 5,506,196.95	\$ -	\$ 29,059,553.52
9	7+8 Sub-Total Approved for Admin	\$ 60,903,356.57	\$ 13,156,196.95	\$ 7,692,464.77	\$ 81,752,018.29
10	6+9 Total Approved	\$ 267,573,356.57	\$ 65,664,961.46	\$ 7,692,464.77	\$ 340,930,782.80
11	Total Disbursed for Initiatives from EZ Funds	\$ 213,994,242.93	\$ 42,167,907.06		\$ 256,162,149.99
12	Total Disbursed for Initiatives from Loan Repayments	\$ -	\$ 7,062,658.89		\$ 7,062,658.89
13	11+12 Sub-Total Disbursed for Initiatives	\$ 213,994,242.93	\$ 49,230,565.95		\$ 263,224,808.88
14	Total Disbursed for Admin from EZ Funds	\$ 37,350,000.00	\$ 7,650,000.00	\$ 6,563,983.28	\$ 51,563,983.28
15	Total Disbursed for Admin from Loan Repayments	\$ 20,603,945.57	\$ 5,306,282.10	\$ -	\$ 25,910,227.67
16	14+15 Sub-Total Disbursed for Admin	\$ 57,953,945.57	\$ 12,956,282.10	\$ 6,563,983.28	\$ 77,474,210.95
17	13+16 Total Disbursed	\$ 271,948,188.50	\$ 62,186,848.05	\$ 6,563,983.28	\$ 340,699,019.83
Balance (Funds Received Minus Approved)					
18	1-4-7 Uncommitted EZ Funds	\$ -	\$ -	\$ (1,692,464.77)	\$ (1,692,464.77)
19	2-5-8 Uncommitted Loan Repayments	\$ 10,074,535.43	\$ 14,631,548.51	\$ -	\$ 24,706,083.94
20	3-10 Total Uncommitted Funds	\$ 10,074,535.43	\$ 14,631,548.51	\$ (1,692,464.77)	\$ 23,013,619.17

Disbursements by Source

	Federal	State	City	Total EZ Funds	Loan Repayments	Total Disbursements
UMEZ	\$ 81,482,051.82	\$ 65,187,408.17	\$ 67,324,782.94	\$ 213,994,242.93	\$ 20,603,945.57	\$ 234,598,188.50
BOEDC	\$ 16,802,500.05	\$ 16,564,298.05	\$ 16,451,108.96	\$ 49,817,907.06	\$ 12,368,940.99	\$ 62,186,848.05
NYEZC	\$ 1,174,270.09	\$ 3,540,444.22	\$ 1,849,268.97	\$ 6,563,983.28	\$ -	\$ 6,563,983.28
TOTAL	\$ 99,458,821.96	\$ 85,292,150.44	\$ 85,625,160.87	\$ 270,376,133.27	\$ 32,972,886.56	\$ 303,349,019.83

FOR CONSIDERATION

November 12, 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**

<u>Item</u>	Total Funding Request from Loan Repayment
Personnel	
Salaries & Wages	\$398,526.00
Fringe Benefits	\$119,558.00
Total Personnel Costs	\$518,084.00
Contracted Costs	
Accounting/Auditing	\$40,000.00
Legal Services	\$67,000.00
Total Contracted Costs	\$107,000.00
Other Operating Costs	
Travel/Meetings	\$10,000.00
Office Supplies	\$6,500.00
Equipment Lease	\$23,000.00
Telephone	\$12,206.00
Postage	\$2,200.00
Seminars/Conferences	\$6,000.00
Dues/Subscriptions	\$2,200.00
Information Management System - IT	\$25,000.00
Insurance	\$10,000.00
Motor Vehicle Lease (for the President)	\$2,810.00
Total Operating Costs	\$99,916.00
TOTAL	<u>\$725,000.00</u>

November 12, 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.