

FOR CONSIDERATION

February 19, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Statewide – New York State Healthy Food/Healthy Communities Initiative – Empire State Economic Development Fund – Regional and Industrial Planning Studies and Economic Development Initiatives (Working Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Make a Grant and to Take Related Actions

I. Project Summary

Grantee: Low Income Investment Fund (“LIIF”) and The Reinvestment Fund (“TRF”) (collectively, the “Organization”)

ESD* Investment: A grant of up to \$600,000 to be used for a portion of the administrative expenses to support the New York State Healthy Food/Healthy Communities Initiative (the “Initiative”).

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

Project Location: Statewide

NYS Empire Zone
(or equivalent): N/A

Proposed Project: Administration of the New York State Healthy Food/Healthy Communities Initiative that will support the development of fresh food retailers in urban and rural communities throughout New York State that lack adequate access to fresh food markets.

Project Completion: May 31, 2013

Grantee Contacts: Judith Kende, Director
Low Income Investment Fund
350 Broadway, Suite 701
New York, NY 10013
Phone: (212) 509-5509
Fax: (212) 509-5593

Donald Hinkle-Brown
President – Lending and Community Investments
The Reinvestment Fund
718 Arch Street, Suite 300N
Philadelphia, PA 19103
Phone: (215) 574-5829
Fax: (215) 574-5900

Anticipated
Appropriation
Source: Empire State Economic Development Fund

ESD Project No.: X014

Project Team: Project Management Gregory E. Fitzgerald
Legal Steve Gawlik
Affirmative Action Laverne Poole
Finance Jonevan Hornsby
Environmental Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>	
Administration	\$600,000	
Loan/Grant Capital (Including Grantee match)	<u>30,000,000¹</u>	
Total Project Costs	<u>\$30,600,000</u>	
 <u>Financing Sources</u>	 <u>Amount</u>	 <u>Percent</u>
ESD-Grant	\$600,000	2%
ESD-Upstate Agricultural Economic Development Fund Grant	10,000,000 ¹	33%
Grantee Equity	<u>20,000,000</u>	<u>65%</u>
Total Project Financing	<u>\$30,600,000</u>	<u>100%</u>

¹ Presented and approved by the Upstate Empire State Development Corporation Directors on December 15, 2009 (Project #W948).

III. Project Description

A. Background

The New York State Healthy Food/Healthy Communities Initiative is an innovative program administered jointly by ESD and New York State Department of Agriculture and Markets (“NYSAM”) to provide capital in the form of grants and loans in order to increase the number of healthy food markets in underserved communities across New York State. The statewide program meets the financing needs of market operators that plan to operate in these communities and do not have access to financing through the conventional credit market.

The Initiative was created in response to rising concern over lack of access to affordable, nutritious, fresh food in underserved communities. The Governor’s NYS Council on Food Policy recently reported that while agriculture production is one of the State’s leading industries, hunger and diet-related diseases are still serious problems facing many New York residents both urban and rural. Public testimony about food policy received during 2008 public meetings and the input from other public and private initiatives such as the NYS Environmental Justice Interagency Task Force and the New York State Supermarket Commission are consistent with this finding.

Grocery stores and supermarkets that can provide good jobs, contribute to community development and offer access to affordable and nutritious food are closing down across the State, often creating “food deserts.” The term food desert means an area with limited access to affordable and nutritious food, particularly such an area composed of predominately lower-income neighborhoods. Poor nutrition, obesity and diet-related health conditions are affecting children, seniors, racial and ethnic minorities, and low-income residents in the State at rates higher than the national average. These conditions contribute a heavy burden in health care costs to the State.

By providing underserved New Yorkers increased access to healthy food retailers with a greater variety of fresh healthy food, the Initiative will give people the choice for a more nutritionally balanced diet. The lower food costs will also enable underserved New Yorkers living on fixed budgets to purchase higher quality and more nutritional foods. Food markets located in these underserved communities will also make valuable contributions by creating jobs and revitalizing neighborhoods.

In July 2009, ESD sought a federally certified Community Development Financial Institution (“CDFI”) to serve as the Initiative’s Program Administrator. The CDFI will make available statewide pre-development grants and loans, land acquisition financing, equipment financing, capital grants for project funding gaps, and construction and permanent financing to support the development of fresh food retailers.

On December 15, 2009, the Upstate Empire State Development Corporation Directors approved a grant of up to \$10,000,000 to the Organization to be used to make grants and/or loans for the development of the fresh food markets. The Program Administrator is also required to raise additional capital to match the \$10 million in New York State Upstate

Agricultural Economic Development Funds. Matching funds must be raised within three (3) years beginning with the date of the executed contract with ESD. LIIF/TRF proposes to raise an additional \$20 million within the contract period.

B. The Project

This project includes the administrative expenses that will be incurred by the Organization that will serve as the Program Administrator during this three-year Initiative. Within the first year, the Organization will create an implementation tool kit, develop program guidelines and conduct research, analysis and mapping. Also, it will provide ongoing training and technical assistance. Throughout the program, the Organization will process loan and grant applications, underwrite loans, administer disbursements and repayments, provide loan servicing and asset management, and provide ongoing reporting.

LIIF and TRF have selected The Food Trust as their partnering not-for-profit Food Access Organization (“FAO”). The FAO will be the initial point of contact for all of the Initiative’s inquiries and will be responsible for, at a minimum, analyzing market opportunities in underserved areas, recruiting market operators and developers, explaining the fund and funding criteria, pre-qualifying applications (on non-financial criteria), and researching and evaluating program outcomes. The FAO will also provide technical assistance with regard to operating grocery stores in low-income communities.

The proposed project will create approximately 382 construction jobs and create or preserve approximately 3,075 jobs as a result of the Initiative’s project activity. The Organization will furnish quarterly reports describing the impact and effectiveness of the project.

C. Financial Terms and Conditions

1. The Organization will submit to ESD annual audited financial statements and quarterly internal financial statements certified by an officer of the Organization.
2. The Organization will contribute at least 10% in equity to the Project. Equity is defined as any non-debt source of capital, and should be auditable through Company financial statements or Company accounts, if so requested by ESD.
3. Up to \$600,000 will be disbursed to the Grantee as follows:

First 20%

Upon the execution of the contract by the Grantee and its delivery to ESD, ESD shall disburse to the Grantee a sum equal to 20% of the grant (\$120,000).

Next 70%

All disbursements after the initial advance shall be requested for eligible expenses incurred by the Grantee. Requisitions for payment after the initial requisition must include an invoice and other such documentation as ESDC may reasonably require. In addition, the second requisition must include supporting

documentation* for the initial advance. ESD shall reimburse the Grantee, not more frequently than quarterly, for eligible expenses actually incurred by the Grantee. The amount reimbursed by ESD in this manner will not exceed 70% (\$420,000) of the Grant.

Final 10%

The final ten percent (10%) of the Grant shall not be disbursed by ESD until all of the reports required have been completed to ESD's satisfaction.

Expenses must be incurred on or after December 15, 2009, to be considered eligible project costs.

*Supporting documentation must include copies of invoices as well as proof of payment (e.g. front and back of cancelled checks, bank statements, paid credit card statements, or other proof of payment).

4. ESD may reallocate the project funds to other forms of assistance, at an amount no greater than \$600,000, for this Initiative if ESD determines that the reallocation of the assistance would better suit the needs of the Organization and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.
5. In no event shall the administrative costs exceed 6% of ESD's total amount awarded to the Organization.

IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.
The proposed project will create approximately 382 construction jobs and create or preserve approximately 3,075 jobs as a result of the Initiative's project activity.
2. The proposed project would be unlikely to take place in New York State without the requested assistance.
The Organization does not have capital to cover administrative costs of running this Initiative.
3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.
This is a high likelihood of accomplishing goals in New York State since the Organization has a track record of success and has administered similar programs in other states.

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

V. Environmental Review

ESD staff has determined that the action constitutes a Type II ministerial action as defined by the New York State Environmental Quality Review Act (“SEQRA”) and the implementing regulations for the New York State Department of Environmental Conservation. The recipient of fund disbursements will be responsible for complying with SEQRA as applicable. No further environmental review is required in connection with this authorization.

VI. Affirmative Action

ESDC’s non-discrimination and affirmative action policies will apply to this initiative. The Program Administrator is encouraged to use best efforts to provide for meaningful business and employment participation for Minority and Women-owned Business Enterprises (M/WBEs), Minority Group Members and women with respect to contractual and employment opportunities generated under this contract.

VII. ESD Employment Enforcement Policy

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

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

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

IX. Additional Submissions to Directors

Resolutions
Project Finance Memorandum

February 19, 2010

Statewide – New York State Healthy Food/Healthy Communities Initiative – Empire State Economic Development Fund – Regional and Industrial Planning Studies and Economic Development Initiatives (Working Capital Grant); Authorization to Make a Grant and to Take Related Actions

RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the New York State Healthy Food/Healthy Communities Initiative – Empire State Economic Development Fund – Regional and Industrial Planning Studies and Economic Development Initiatives (Working Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Low Income Investment Fund and The Reinvestment Fund a grant for a total amount not to exceed Six Hundred Thousand Dollars (\$600,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

* * *