

FOR CONSIDERATION

October 20, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: New York Harbor – Agreement with the Port Authority of New York and New Jersey (“PANY&NJ”) for Funding with Regard to the Joint Dredging Plan

REQUEST FOR: Authorization to Approve the Funding to the Brooklyn Navy Yard Development Corporation (“BNYDC”) to perform dredging at Wallabout Bay and Authorization to Enter into Agreements and Contracts with BNYDC and Amend the Bi-State Dredging Agreement; Authorization to Make a Grant and Take Related Actions

General Project Plan

I. Project Summary

Borrower/Grantee: Brooklyn Navy Yard Development Corporation (“BNYDC”)

ESD* Investment: Grant Funds received from the Port Authority of New York and New Jersey (“PANY&NJ”) in an amount not exceeding \$1,200,000.

Project Location: Wallabout Bay tributary to East River, Brooklyn Navy Yard, Borough of Brooklyn, Kings County, New York

Proposed Project: The grant will result in the dredging of Wallabout Bay Dry Dock No. 5 and 6 and their navigational approach at the Brooklyn Navy Yard.

Project Completion: Funding will be for a period of 2 years.

Grantee Contact: Andrew Kimball
 President & CEO – Brooklyn Navy Yard
 63 Flushing Avenue, Unit 30
 Building 292
 Brooklyn, NY 11205
 Phone: (718) 907-5908

Anticipated
 Appropriation

Source: The Port Authority of New York and New Jersey – Bi-State
 Dredging Fund

Project Team:	Project Management	Sandra Dixon
	Legal	Jonathan Beyer
	Affirmative Action	Helen Daniels
	Environmental	Soo Kang

II. Project Cost and Financing Sources

Total Project Costs		<u>\$1,200,000</u>
<u>Financing Sources</u>	<u>Amount</u>	<u>Percentage</u>
PANY&NJ Grant	\$1,200,000	100%
Total Project Financing	<u>\$1,200,000</u>	<u>100.0%</u>

III. Project Description

A. Background

The Port of New York and New Jersey (the “Port”) is the largest port on the East Coast of the United States, and is the third largest port in the country in terms of container traffic. It is a significant economic engine in the region. The Port directly supports 164,930 direct jobs and 269,990 total jobs in the region, which generated over \$11.2 billion in personal income in 2008. Port activity also generated \$5 billion in federal, state and local tax revenues. The efficient and effective management of the Port enhances regional competitiveness, attracts investment, reduces the cost of consumer goods, and directly contributes to the standard of living in the region.

The current cost of dredging within the Port of New York and New Jersey (PONYNJ) is exorbitant. This high cost of maintenance dredging has resulted in the loss of significant ship repair capacity. The loss of ship repair capacity has led to vessel

operators seeking services outside of the region creating a net economic loss to the region while additionally increasing business costs in New York City. If the port continues to see a shortage in dry dock facilities, the estimated industry loss by 2016 for non-revenue generating trips is expected to exceed 3.8 million.

The Port's ability to remain a competitive and an economically vital resource is based on its ability to maintain a vibrant maritime support system. Currently, vessels in need of repair or dry-docking must transit through Wallabout Bay to enter shipyard facilities at the Brooklyn Navy Yard. Wallabout Bay is a body of water located in the Upper New York Bay along the northwest shore of the New York City Borough of Brooklyn between the Williamsburg Bridge and the Manhattan bridges. Wallabout Bay abuts the Brooklyn Navy Yard.

While Dry Docks # 5 and #6 (also known as Graving Docks) each possess lengths of 1,290 feet and widths of 150 feet, neither can accommodate deep draft vessels as a result of the shallow waters in Wallabout Bay. Recent soundings have indicated water as shallow as 19 feet in some areas.

Shipyard facilities at Brooklyn Navy Yard have been unable to accommodate all manner of vessel with deep draft requirements, including Articulated Tug Barges (ATB's), Bulk Carriers, Self Unloaders, Large Chemical Tankers, Container Vessels and "Roll-On Roll-Off" vessels that carry wheeled cargo.

Ship repair facilities at Brooklyn Navy Yard have been forced to add two days to their bid packages in order to accommodate vessels that would have to de-ballast pier side (to decrease their draft prior to entering the dry docks) and then take on ballast when they leave. This additional cost to customers puts the shipyards at a distinct disadvantage. When ships have been able to de-ballast pier side, ship repair facilities have increasingly noted dwindling availability of Tug boats with the capacity to maneuver in the shallow waters of Wallabout Bay. Newer generation tug boats often draft over 18 feet.

Finally, Shipyard facilities have begun to experience downward trends in employee headcount and in the availability of work hours per person, per day. This has caused a loss of jobs directly impacting the local economy.

B. The Bi-State Dredging Fund

In 1996, the PANY&NJ allocated \$130 million to fund the Governors' Joint Dredging Plan (the "Plan"), with \$65 million allocated for dredging and harbor related projects to each of the States of New York and New Jersey ("Dredging Fund"). The Plan was developed with two major objectives, namely the promotion of an increased level of certainty and predictability in the dredging project review process and dredged

material management and the facilitation of effective long-term environmentally sound management strategies for addressing dredging and disposal needs for the region.

The Empire State Development Corporation (“ESDC”) was designated as the New York entity to implement the Plan, and entered into an agreement with the PANY&NJ (including all amendments thereto, the “Agreement”). Under the Agreement, the PANY&NJ agreed to provide up to \$65 million for program eligible items to be agreed upon by ESDC and the PANY&NJ related to the dredging and disposal of dredged material and related projects including sediment testing, development of contaminant identification technology, material management initiatives and pollution prevention and navigation studies.

C. The Project

Recognizing the importance of the Port and the need to maintain and provide safe access to Dry Docks and the navigational approach at the Brooklyn Navy Yard the BNYDC proposes to remedy their situation by dredging approximately 30,000 cubic yards of sand and silt at the entrance to Dry Dock Number 5 & 6 to a depth of 38 feet below mean low water level along with a 2 foot over dredge allowance that would generate an additional 6,000 cubic yards of dredge material. The dredging of Dry Dock No. 5 & 6 will cover a total area of 7.5 acres. An application to receive a permit to engage in the maintenance dredging of Wallabout Bay is currently with the New York District of the US Army Corps of Engineers and on track for approval.

The project area in Wallabout Bay is an active industrial site. Initial sediment samplings took place in 2006 and found no sediments with hazardous waste characteristics. Before the initiation of the proposed dredging, additional sampling will be conducted to determine the sediment chemistry within the dredging area. Additionally, the BNYDC has an approved sediment sampling and sediment plan from the New York State Department of Environmental Conservation.

Based on current pricing in New York Harbor, it is estimated that out of state disposal of dredged materials will cost approximately \$140.00 per CY. BNYDC will seek out of state upland disposal because currently, there are no available disposal options within the states of New York or New Jersey.

Furthermore, BNYDC anticipates agreements with the Port Authority in the amount of \$2.8Million. That agreement, coupled with an ESDC grant from the Bi-State Dredge fund in the amount of \$1.2 Million would make BNYDC eligible to draw down a New York City Capital funding match in the amount of \$4Million and begin dredging.

IV. ESD Employment Enforcement Policy

ESD's Employment Enforcement Policy will not apply.

V. Environmental Review

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

VI. Affirmative Action

ESDC's Non-Discrimination and Affirmative Action policies will apply.

VII. Attachment

Resolution

October 20, 2011

New York Harbor (Richmond, Kings, New York, Bronx, Queens) - Authorization to Approve Funding to the Brooklyn Navy Yard Development Corporation ("BNYDC") to perform dredging at Wallabout Bay and Authorization to Enter into Agreements and Contracts with BNYDC and Amend the Bi-State Dredging Agreement; Authorization to Make a Grant and 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 (the "Materials"), relating to the Agreement Between the Empire State Development Corporation and the Port Authority of New York and New Jersey ("PANY&NJ") for Funding with Regard to the Joint Dredging Plan (including amendments, the "Agreement"), the Corporation be, and it hereby is, authorized to enter into amendments to the Agreement and take other actions to approve the funding, in an amount not exceed \$1,200,000, by ESDC to the Brooklyn Navy Yard Development Corporation ("BNYDC") to perform dredging at Wallabout Bay, and be it further

RESOLVED, that the provision of ESDC financial assistance is expressly contingent on receipt of the necessary funds from the PANY&NJ, and all necessary approvals to deliver the grant to BNYDC, and be it further

RESOLVED, that the President or his designee(s) be, and each of them hereby is, authorized and directed, in the name and on behalf of the Corporation, to execute and deliver any and all documents and take all such actions as may be necessary or proper to effectuate the foregoing,

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