

D. Syracuse University - Syracuse Center of Excellence in Environmental and Energy Systems Working Capital (W880)

October 21, 2010

Grantee: Syracuse University (“SU”)

ESD Investment: A grant of up to \$815,666 to be used for operating costs including research and development, market and corporate engagement, accounting and financial design systems, staffing, and travel.

Project Location: 727 East Washington Street, Syracuse, Onondaga County

NYS Empire Zone (or equivalent): Syracuse Empire Zone

Project Completion: March 31, 2011

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Project Description:

Background

The Syracuse Center of Excellence in Environmental and Energy Systems (“SyracuseCoE”) was established in 2002 to target research in built environments and urban ecosystems, and to provide a comprehensive set of programs that advance the full spectrum of activities required for international leadership in the fields of environmental and energy systems,

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ranging from academic research and development to commercialization of new products and services, to business acceleration services and workforce development education.

The SyracuseCoE is structured as a federation of corporations, economic development organizations, universities, and research institutions. SU leads the federation's research and academic component, coordinating, facilitating and integrating the efforts of nineteen other New York State colleges, universities and research institutions. Corporate and business partners such as Carrier/United Technologies Corp., O'Brien & Gere and National Grid contribute to the SyracuseCoE in a number of ways, including the provision of funds, process facilitation and project management, in-kind services, and equipment, as well as contributions toward commercialization and technology transfer activities. In addition to corporate and business partners, the SyracuseCoE works with "other collaborators" who do not necessarily provide funds, but instead may help with SyracuseCoE program delivery, contract services, access to broader networks, promotion and marketing, green job training, critical information for program development, community access, and forums for dissemination of critical information.

Two key SyracuseCoE economic development partners have been the New York Indoor Environmental Quality Center d/b/a SyracuseCoE Office for Industry Collaboration ("OIC") and the Metropolitan Development Association of Syracuse and Central New York ("MDA"). OIC, now managed by SyracuseCoE staff, works with corporate partners to coordinate activities to commercialize technologies and applications that result from the research conducted by the research partners. The MDA is responsible for coordinating economic development opportunities.

The SyracuseCoE project was divided into two phases. In December 2003, the ESD Directors approved \$10 million in grant funding for Phase I for the development and equipping of critical laboratory and testing facilities within existing space on SU's campus, including a new connector wing from Link Hall to nearby Slocum Hall. Construction of the improvements began in January 2006 and was completed during the second quarter of 2008.

Phase II involves the design and construction of a SyracuseCoE campus in downtown Syracuse. ESD is investing \$28.9 million in Phase II (\$12 million approved by the ESD Directors on March 24, 2005; \$2.9 million approved on August 15, 2005; \$10 million approved on November 15, 2006; and \$4 million in ESD funds that were previously approved as part of a \$10 million grant for Phase I, approved on December 18, 2003). Design of the SyracuseCoE campus began in June 2005, and the conceptual design was completed in December 2005. Construction began in April 2006. Unexpected contamination discovered in October 2006, and steep increases in the cost of materials due to national and international market forces late in 2006, required a redesign of the facility, which was completed in the first half of 2007. Construction resumed in June 2007, including the continuation of remediation of buried contaminated materials from the basement cavity of the former building at the site. Foundations were completed in March 2008, and erection

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of steel began in April 2008. The SyracuseCoE business offices were relocated to the headquarters site at the end of January 2010. A building dedication ceremony and Community Open House took place in early March 2010, with completion of Phase II estimated within the first six months of 2011.

In December 2006, ESD's Directors approved an initial working capital grant of \$1,415,000 (fully disbursed) to help fund SyracuseCoE operational costs for one year. A second working capital grant of \$1,179,166 (fully disbursed) was approved by the ESD Directors in July 2008, with a third working capital grant of \$1,155,666 approved in June 2009 (fully disbursed). Throughout 2007, 2008 and 2009, activities to build research capacity included the establishment of multiple research projects at SU for clean and renewable energy ("CRE") and indoor environmental quality ("IEQ"). These projects are led by established experts who report directly to the executive director of the SyracuseCoE. In addition, funds were allocated to enhance the services and capabilities of the OIC to engage the SyracuseCoE research teams with market leadership, as well as support for research and development ("R&D") results.

Beginning in July 2007, the SyracuseCoE Board's Research and Technology ("R&T") Committee embarked on an effort to establish R&T "roadmaps" for the SyracuseCoE's three core areas of clean and renewable energy, indoor environmental quality and water resources. The first phase of the R&T roadmaps was completed in June 2008. Beginning in July 2008, the roadmaps have been used to support management decisions about investments of working capital funds, staff time and fund development priorities.

ESD-funded investments in business process improvements focus on activities that enhance the SyracuseCoE's ability to market itself and to track and account for its many projects and partners. In summary, key staff members that were hired in 2008 continued to increase effectiveness relating to the management of projects, communications, information management, and other business processes. This has resulted in creative and systematic approaches for marketing and partner outreach. In addition, a database was established to warehouse information about the many assets of the SyracuseCoE's federation partners (people, projects, facilities, products, services, technology innovations, patents, licenses, etc.). The SyracuseCoE's Web site also improved its design and functionality as better marketing and information management were incorporated.

A total of 100 SyracuseCoE jobs were projected, with 30 jobs to be created approximately twelve months following the completion of Phase I (completed in the second quarter of 2008) and all 100 jobs created approximately 24 months following the completion of Phase II (estimated Phase II completion date is second quarter of 2011). Currently, there are 39 full-time equivalent employees of the SyracuseCoE, employed by either SU or partner academic institutions.

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In addition to estimates of employment directly related to the SyracuseCoE, a significant number of spin-off jobs are anticipated. Additionally, OIC administers its Commercialization Assistance Program (“CAP”), by which it provides matching funds for new products and services to be developed and marketed by New York State companies. There are thirteen CAP projects currently underway, which are expected to result in the creation of over 300 new jobs within the region. Five new CAP projects started during spring 2010.

The Project

The SyracuseCoE will allocate \$595,299 of the subject working capital grant to continuing its efforts to enhance and centralize research and technology development capacity within its focus areas of CRE, IEQ and water resources. Using the R&T roadmaps previously mentioned, projects will be identified which meet the following criteria: advance the development of technologies that have the strongest potential to build critical R&D capacities at the SyracuseCoE host institution, SU, in areas that are within the scope of the SyracuseCoE; have strong potential to advance SyracuseCoE R&T roadmap priorities; have identifiable potential impact for commercialization; and have strong potential for resulting new jobs and wealth in New York State, particularly in Central New York. Funding will also be used to further market research, including disseminating information about innovations, managing various projects and conducting business development; providing technical services and outreach to businesses to help make a market for their innovations; and provide for expenses associated with international travel such as that associated with the SyracuseCoE’s partnership with partners in Canada, international environmental and energy systems conferences such as Clima2010, Korea’s Air Congress meetings, and international building systems events such as Bau2010 in Germany, a business-to-business event in the focus areas relevant to the SyracuseCoE.

The remaining funds (\$220,367) will be used to further improve the capabilities and quality of a number of the SyracuseCoE’s business processes, specifically: strategic market planning; marketing communications and branding; accounting and funds tracking; data collection; and reporting.

Upon completion of the project, and semi-annually thereafter, the Grantee will furnish a final report, consisting of project impact and performance measurements in a manner prescribed by ESD.

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Financing Uses	Amount	Financing Sources	Amount	Percent
Research Capacity	\$595,299	ESD Grant	\$815,666	100%
Business Process Investments/Business Development	220,367			
Total Project Costs	\$815,666	Total Project Financing	\$815,666	100%

Financial Terms and Conditions:

1. The Grantee will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
2. Up to \$815,666 will be disbursed to Grantee, no more frequently than monthly, upon documentation of eligible working capital costs, assuming that all project approvals have been completed and funds are available. The final 10% of the grant (\$81,567) will be disbursed upon documentation of the full \$815,666 in eligible working capital project costs. Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after April 1, 2009 to be considered eligible project costs.
3. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$815,666, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Grantee 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.

Statutory Basis – Local Assistance – Centers of Excellence:

The project was authorized in the 2009-2010 New York State budget and reappropriated in the 2010-2011 New York State budget. No residential relocation is required as there are no families or individuals residing on the site.

Disclosure and Accountability Certifications:

The Grantee has provided ESDC with the required Disclosure and Accountability Certifications, which disclosed the following information:

- SU is sued from time to time for normal business practices. Two cases during the past seven years, involving negligence cases brought by independent contractors, resulted in pay outs primarily by insurers and thus have had no real financial impact to SU.

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- On May 26, 2004, the New York State Office of Fire Prevention and Control issued an Assessment of Penalty to SU, issued to the Daily Orange for failing to remove an extension cord from their office areas. A monetary penalty of \$2,300 was issued and paid in full.
- On July 20, 2004, the Onondaga County Department of Water Environment Protection (“OCDWEP”) issued a Notice of Violation and Compliance Order to SU for a fuel oil discharge to the county’s combined sewer system resulting from a ruptured fuel oil pipe. SU promptly submitted the required follow-up documentation requested by OCDWEP. No fines or penalties were issued.
- On October 26th 2006, the Onondaga County Health Department issued a monetary penalty of \$250 to SU Food Services. The penalty was for bare hand contact with a ready-to-eat food product. The monetary penalty was paid in full and no further enforcement is needed.
- SU has received two OSHA citations in the last seven years, but neither was a serious or willful violation.

The Disclosure and Accountability Certifications, while disclosing the above, do not indicate that the Grantee has any current conflict of interest or good standing violations, and therefore, staff recommends that the Corporation authorize the grant to the Grantee as described in these materials.