

FOR CONSIDERATION

May 23, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Long Island City (Queens County) – JetBlue Airways Working Capital – Empire State Economic Development Fund – General Development Financing (Working Capital)

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

I. Project Summary

Grantee: JetBlue Airways Corporation (“JetBlue” or the “Company”)

ESD* Investment: A grant of up to \$1,000,000 to be used for the New York State Tourism – JetBlue Marketing Initiative, which commenced on April 1, 2011.

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

Project Locations: 118-29 Queens Boulevard, Forest Hills, Queens
27-01 Bridge Plaza North, Long Island City, Queens County

Proposed Project: Collaborative marketing activities between New York State Tourism and JetBlue to grow business and promote New York State, associated with the retention and expansion of JetBlue’s headquarters.

ESD Incentive Offer Accepted: March 22, 2010 (revised offer)

Project Completion: December 31, 2012

Number of Employees at Project Locations:

Initial employment at time of ESD Incentive Offer:	880
Current employment level:	880
Minimum employment on January 1, 2019:	880

Grantee Contact: Jeffrey Goodell, Vice President, Government Affairs
 118-29 Queens Boulevard
 Forest Hills, NY 11375
 Phone: (202) 898-0945
 Fax: (202) 898-0946

Anticipated
 Appropriation
 Source: Empire State Economic Development Fund

ESD Project No.: W977

Project Team:	Origination	Steven Gold
	Project Management	Glendon McLeary
	Affirmative Action	Helen Daniels
	Finance	Amit Nihalani
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction/Renovation	\$14,297,000
Furniture, Fixtures & Technology	4,303,000
Advertising	500,000
Events & Promotion	<u>500,000</u>

Total Project Costs \$19,600,000*

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD EDF Working Capital Grant (W977)	\$1,000,000	5%
ESD Capital Grant (W725)	6,000,000	30%
Company Equity	<u>12,600,000</u>	<u>65%</u>
Total Project Financing	<u>\$19,600,000*</u>	<u>100%</u>

* Total Project Costs and Financing include estimated capital costs associated with the retention and expansion of JetBlue’s headquarters and an associated ESD Capital Grant, which will be presented to the Directors when the capital portion of the project is complete.

III. Project Description

A. Background

Founded in 1998 and based in Forest Hills, New York, JetBlue is a publicly-traded company ("JBLU" on NASDAQ) that provides passenger air transportation services. JetBlue is the 6th largest passenger carrier in the United States and operates an average of 650 daily flights primarily on point-to-point routes with its fleet of 115 Airbus A320 and 45 EMBRAER 190 aircrafts. The Company serves 63 destinations in 21 states, Puerto Rico, and eleven countries in the Caribbean and Latin America. The Company, through its subsidiary LiveTV, LLC, also provides in-flight entertainment systems, voice communication, and data connectivity services for commercial and general aviation aircrafts, including live in-seat satellite television, XM satellite radio service, wireless aircraft data communication service, and cabin surveillance systems.

In June 2009, the Company embarked on a consolidation plan to minimize its real estate and labor costs to remain competitive. JetBlue conducted its key corporate functions at its headquarters facility in Forest Hills as well as other operations throughout New York State. The Company also operated in several locations outside of New York State including Salt Lake City, Utah (customer service), Orlando, Florida (training center), and Darien, Connecticut (finance). The Company's lease of its headquarters in Forest Hills is due to expire at the end of 2012, and JetBlue engaged cities around the country in a selection process to determine where to locate its central headquarters office and grow jobs over the long term. After an exhaustive location analysis involving New York and four out-of-state options, the Company narrowed down its choices to Orlando, Florida, where it has an existing facility, or New York. Under each option, the Company would relocate its Connecticut jobs to the new location.

To induce the Company to proceed with its consolidation plan in New York State, in March 2010, ESD offered a revised incentive package inclusive of a \$6,000,000 capital grant for construction, renovation and related capital costs to retain 880 jobs, attract 70 jobs from Connecticut and create 100 new jobs in Long Island City or downtown Brooklyn, the two New York options at the time of the offer ("Capital Project"). To leverage the potential of combined marketing efforts between New York State and the Company, the offer also included a \$1,000,000 working capital grant, the subject of this board action, for tourism marketing efforts conducted in collaboration with New York State Tourism; this incentive, which begins prior to completion of the Capital Project, requires the retention of 880 employees and relocation to the new headquarters facility.

JetBlue accepted the offer in March 2010 and commenced the Capital Project. JetBlue executed a 12-year lease for 27-01 Bridge Plaza North (also known as 27-01 Queens Plaza North) in Long Island City and began demolition activities in April 2011. Construction and renovation activities, including fit-out of office space and installation of furniture, fixtures and technology are expected to commence in May 2011. JetBlue anticipates that the new headquarters facility will be completed and occupied by summer 2012. The \$6,000,000 capital grant (W725) will be presented to the Directors when the Capital Project is substantially complete.

B. The Project

In conjunction with acceptance of ESD's incentive package, in March 2010, ESD and JetBlue executed a Trademark License Agreement and a Marketing Incentive Agreement. The Trademark License Agreement allowed for co-branding with New York State's iconic tourism campaign and logo, "I LOVE NEW YORK," solidifying JetBlue's status as the official hometown airline of New York. The new co-branded logo, released September 2010, features the popular "I LOVE NEW YORK" logo intersecting with JetBlue's logo at the red heart.

The Marketing Incentive Agreement is part of a long-term collaborative marketing partnership between JetBlue and New York State Tourism to promote statewide tourism and business opportunities. Marketing activities, which commenced on April 1, 2011, include advertising, promotion, events and related activities conducted through JetBlue marketing, third party marketing or other arrangements approved by New York State Tourism. A recent example of a joint marketing effort was the interactive JetBlue-I Love NY exhibit at last month's TriBeCa Film Festival that featured the Buffalo/Niagara, Rochester and Syracuse regions. Future media promotions are expected to utilize print, digital and billboard media outlets. It is anticipated that this marketing effort will drive tourism to New York, create new jobs and spur economic development throughout the State.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$1,000,000 working capital grant (\$10,000) upon execution of the grant disbursement agreement.
2. The Company will demonstrate no material adverse change in its financial condition prior to disbursement.
3. Up to \$1,000,000 will be disbursed to the Grantee in arrears, for working capital purposes in accordance with the Marketing Incentive Agreement, no more frequently than quarterly, provide Grantee is otherwise in compliance with program requirements. Payment will be made upon documentation of the employment of at least 880 Full-time Permanent Employees at the Project Locations and presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after April 1, 2011, to be considered eligible project costs. Equity contribution is not required for disbursement of the working capital grant.
4. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,000,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company 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 consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an “Employment Shortfall”), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee’s number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	880
---------------------	-----

A	B
Reporting Date	Employment Goals
February 1, 2012	880
February 1, 2013	880
February 1, 2014	880
February 1, 2015	880
February 1, 2016	880
February 1, 2017	880
February 1, 2018	880
February 1, 2019	880

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 marketing effort will drive tourism to New York, create new jobs and spur economic development throughout the State.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.
Without ESD assistance, this project would likely have been relocated to an existing facility in Florida or Connecticut.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.
Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$34,075,409;
- Fiscal cost to NYS government is estimated at \$7,286,486;
- Project cost to NYS government per direct job is \$16,871;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$5,574;
- Ratio of project fiscal benefits to costs to NYS government is 4.68:1;
- Fiscal benefits to all governments (state and local) are estimated at \$62,432,961;
- Fiscal cost to all governments is \$7,790,971;
- All government cost per direct job is \$18,039;
- All government cost per total job is \$5,960;
- The fiscal benefit to cost ratio for all governments is 8.01:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$318,907,403, or \$243,945 per job (direct and indirect);
- The economic benefit to cost ratio is 40.93:1;
- Project construction cost is \$14,297,000 which is expected to generate 75 direct job years and 41 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 2.0 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 4 years.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

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 project does not constitute an action as defined by the New York State Environmental Quality Review Act (“SEQRA”) 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

ESD’s Non-discrimination and Affirmative Action policy will apply. JetBlue Airways Corporation shall be required to use its best efforts to achieve a Minority Business Enterprise participation goal of 15% and a Women Business Enterprise participation goal of 5% of the total dollar value of work performed pursuant to contracts or purchase orders entered into in connection with the consulting services related to the project, and to include minorities and women in any job opportunities created by the project.

VII. 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.

VIII. Additional Submissions to Directors

- Resolutions
- New York State Map
- Project Finance Memorandum
- Cost-Benefit Analysis
- Marketing Incentive Agreement

May 23, 2011

Long Island City (Queens County) – JetBlue Airways Working Capital – Empire State Economic Development Fund - General Development Financing (Working Capital Grant) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Make a marketing Grant, Ratify the Marketing Incentive Agreement 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 JetBlue Airways Working Capital - Empire State Economic Development Fund - General Development Financing (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 President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make a grant for a total amount not to exceed One Million Dollars (\$1,000,000) to JetBlue Airways Corporation from the Empire State Economic Development Fund and to ratify the related Marketing Incentive Agreement, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer 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 President and Chief Executive Officer 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 President and Chief Executive Officer 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.

* * *

**Project Summary
Benefit-Cost Evaluation¹**

JetBlue Airways Corporation

Initial Jobs: 880 Construction Job Years (Direct): 75
New Jobs: 170 over 3 years Construction Job Years (Indirect): 41

Evaluation Statistics	Project Result NYS Govt.	NYS Govt. Benchmarks for ESD Projects²	Project Results State & Local Governments	State & Local Government Benchmarks for ESD Projects
Fiscal Costs³	\$7,286,486	\$ 794,250	\$7,790,971	\$ 1,020,500
Fiscal Benefits⁴	\$34,075,409	\$ 2,085,600	\$62,432,961	\$ 4,271,980
Fiscal Cost /Direct Job	\$16,871	\$ 3,000	\$18,039	\$ 4,110
Fiscal Cost/Total Jobs	\$5,574	\$ 1,424	\$5,960	\$ 1,964
Fiscal B/C Ratio	4.68	7.00	8.01	10.60
		Benchmarks for ESD Projects		
Economic Benefits⁵	\$318,907,403	\$ 119,468,000		
Econ. Benefits/Total Jobs	\$243,945	\$ 147,600		
Economic B/C Ratio	40.93	50.00		

¹ Dollar values are present value calculated over a 7-year period. Separate evaluations are made and reported for New York State government assistance alone and for State and Local government.

² The current project evaluation results (both fiscal and economic) are compared to performance measure benchmarks based on results of a sample of ESD non-retail projects.

³ Fiscal cost includes the value of grants, loans and associated default risks, and discretionary subsidies (such as tax exemptions or abatements on sales, property, and interest income).

⁴ Fiscal benefits are the loan repayments and tax revenues to New York State and Local governments generated by project activity. This includes estimated taxes on personal incomes from project direct and indirect employment, corporate and business incomes, excise and user taxes, property taxes, and other taxes.

⁵ Economic benefits are estimated project benefits measuring fiscal flows to government plus net resident disposable income from project direct and indirect employment net of transfers, without adjusting for individual income earners' opportunity cost of employment.