

STATEWIDE LOCAL DEVELOPMENT CORPORATION

FOR CONSIDERATION

November 15, 2012

TO: Authority Members

FROM: Kenneth Adams

SUBJECT: Woodside (New York City Region – Queens County) – Happy Rock Partners, L.P. – Business Financing

REQUEST FOR: Authorization to Make Loan and to Take Related Action

I. Project Summary

Occupant: 1. Sequins International, Inc.
2. Additional tenants to occupy the balance of the 85,000 square-foot building. Executed and signed leases for the additional tenants, acceptable to JDA and indicating a minimum rate of \$11 per square foot, will be provided prior to disbursement of funds.

Owner: Happy Rock Partners, L.P.

JDA Investment: 1) Real Estate loan representing 60% of eligible project costs, not to exceed \$483,000. Interest will be at a fixed taxable rate, currently at 4.71% for a term of 10 years.

Project Location: 60-01 31st Avenue, Woodside New York 11377

Proposed Project: \$483,000 Job Development Authority (JDA) loan towards the redevelopment of the applicant's current 85,000 square foot (SF) manufacturing facility in Woodside (Queens), New York, which will then be leased to pre-signed manufacturing/industrial companies at a total project cost of \$854,500 (the "Project").

Project Type: Creation of move-in-ready and affordable space for New York City manufacturing and industrial firms.

Regional Council: The New York City Regional Council has been made aware of this item. JDA issued the firm an incentive proposal in October, 2012. The Project is consistent with the Regional Plan.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction costs	\$805,000
Soft Costs	\$49,500
Total Real Estate Project Costs	<u>\$854,500</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
JDA	\$483,000	57%	4.71% /10 yrs/2 nd position
Equity	<u>\$371,500</u>	<u>43%</u>	
Total Project Financing	<u>\$854,500</u>	100%	

III. Project Description and Company Background

A. Company

Industry: Happy Rock Partners, L.P. is a lessor of nonresidential buildings (except miniwarehouses): NAICS Code: 531120.

Company History: Happy Rock Partners L.P. was started in 1990 by the Gladstone family for the special purpose of acquiring the Project Location.

Ownership: The firm is privately held. Ownership interest is as follows: Lawrence Gladstone (24.75%), Stephen Gladstone (24.75%), Lisa Gladstone Rosenstein (16.5%), Jeffrey Gladstone (16.5%), Russell Gladstone (16.5%) and 60-01 Realty Corp. (1%)

Market: There is a scarcity of space available in appropriate size, condition and configuration for the need of many small industrial businesses. NYC EDC recognized this constricting supply in its 2011 New Industrial NYC report, referencing that the Bloomberg Administration is focusing on initiatives that will result in "activating, modernizing and/or preserving up to nine million square feet of industrial space." Further, NYC EDC is competitively allocating \$8 million of the City Council Small manufacturing Investment Fund for the reactivation, renovation and subdivision of privately-held vacant industrial loft space.

JDA Involvement: The firm is seeking JDA financing not to exceed \$483,000, or 60% of the total project cost, in order to build out manufacturing space in its 85,000 square-foot facility in Woodside, Queens. The proposed JDA loan would not be funded until all Tenant Improvements are complete, and applicant has executed and signed leases acceptable to JDA indicating minimum rate of \$11 PSF. But for JDA financing, the Project would not be completed.

B. The Project

Completion: December 31, 2012

Activity: Renovation of an 85,000 square-foot facility in Woodside, Queens, to expand availability of move-in-ready and affordable manufacturing space.

Results: Prudent use of JDA loan funds could help alleviate one of the main issues facing the NYC industrial sector; the limited financing resources available for smaller industrial projects.

Occupant Contact: Stephen Gladstone and Lawrence Gladstone
Happyrock Partners L.P.
60-01 31st Avenue
Woodside New York 11377
Phone: 718-204-0002
Fax: 718-204-0999

Local Dev. Corp.: Statewide Local Development Corporation
633 Third Avenue
New York, NY 10017

Anticipated
Source: JDA State Guaranteed Special Purpose Tax-Exempt Bonds

JDA Project Number: Y016

Project Team: Origination: Rafael Salaberrios
Project Management: Andrew Flamm
Legal: Antovk Pidedjian
Contractor & Supplier Diversity: Vikas Gera
Finance: Amit Nihalani
Environmental: Soo Kang

IV. Basis for Recommendation

1. The Company has warranted that it complies and will comply with Federal and State legal requirements as to non-discrimination and equal opportunity in hiring and operational practices.
2. The Project is located in a distressed area, and will benefit from up to 60% JDA financing participation.

3. The Project would not proceed without the participation of JDA.
4. Financial analysis indicates that, as of the close of the last fiscal year, the Company would be able to support the debt service on the Project. Moreover, the projections indicate that sufficient funds will be available once the Project is completed.
5. Increasing availability of move-in-ready and affordable space for New York City manufacturing and industrial firms pursuant to Section §1827 *et seq.* of the New York Job Development Authority Act.

If approved, this loan shall be subject to the usual JDA conditions, to the special conditions listed on Schedule A attached, and to such other conditions as counsel may determine are in the best interest of JDA.

V. Financial Terms and Conditions - (Schedule A)

1. The Company shall pay a \$250 application fee plus a 1% commitment fee upon acceptance of the Loan Authorization.
2. The Company will demonstrate no material adverse change in its financial condition prior to closing.
3. The Company or the Company's owners will contribute at least 40% 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 JDA.
4. JDA will only disburse funds after the Project is completed.
5. Receipt of the personal guarantee(s) of Lawrence Gladstone and Stephen Gladstone in form and substance satisfactory to JDA.
6. Receipt of the corporate guarantee(s) of Happy Rock Partners, L.P. and Sequins International, Inc. in form and substance satisfactory to JDA.
7. Collateralization of the JDA loan(s) with insurance on the life/lives of Lawrence Gladstone and Stephen Gladstone in an amount sufficient to pay the outstanding principal balance of the JDA loan(s) at any time.
8. Receipt of an appraisal, to be done by a New York State Certified Real Estate Appraiser acceptable to JDA and paid for by the Company, which indicates a fair market value of the realty project of at least \$7,590,200. If the Project is valued to be less, the JDA loan may be reduced proportionately.

9. Commitments and financing documents of other lender(s) to be satisfactory to JDA.
10. All certifications and permits for the operating purposes of this facility to be in full force and effect prior to closing of JDA loan.
11. Executed and signed leases acceptable to JDA indicating a minimum rate of \$11 per square foot.
12. Confirmation of receipt of New York City Commercial Expansion Program Tax Abatement.

VI. Environmental Review

ESD staff on behalf of the JDA has determined that the project constitutes a Type II 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.

Due to the JDA's mortgage position on the loan, a Phase I Environmental Site Assessment must be submitted to the JDA for review and approval prior to closing on the loan.

VII. Non-Discrimination and Contractor & Supplier Diversity

JDA's Non-Discrimination and Contractor & Supplier Diversity policies will apply to this Project. The Borrower (Happyrock) shall be required to (i) solicit and utilize MWBEs for any contractual opportunities generated in connection with the Project and (ii) use Good Faith Efforts (pursuant to 5 NYCRR §142.8) to achieve an overall Minority and Women Business Enterprise ("MWBE") Participation Goal of 40%. The overall goal shall include a Minority Business Enterprise ("MBE") Participation Goal of 25% and a Women Business Enterprise ("WBE") Participation Goal of 15% related to the total value of JDA's funding.

VIII. Additional Submissions to Members

Resolutions
New York State Map

November 16, 2012

Woodside (New York City Region – Queens County) – Happy Rock Partners, L.P. –
New York Job Development Authority Special Purpose Fund Direct Loan Project –
Real Estate Loan -- Authorization to Make Loan and to Take Related Action

RESOLVED, that the Chief Executive Officer of the Authority or his designee(s) be, and each of them hereby is, authorized to make a Special Purpose Fund Real Estate Loan to Statewide Local Development Corporation for the benefit of the Happy Rock Partners, L.P. for an amount not to exceed \$483,000 or 57% of total Project costs, whichever is less, to be funded from the proceeds of New York State Guaranteed Special Purpose Fund bonds or notes, for the purposes and substantially on the terms and conditions set forth in the materials presented at this meeting, with such changes as the Chief Executive Officer of the Authority or his designee(s) may deem appropriate; and be it further

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

RESOLVED, that the Chief Executive Officer of the Authority, or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Authority 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; and be it further

RESOLVED, that the provision of financial assistance by the Authority is expressly contingent upon: (1) the approval of the Public Authorities Control Board, as applicable, and (2) the receipt of all other necessary approvals.
