

NEW YORK EMPOWERMENT ZONE CORPORATION

MEETING OF THE DIRECTORS

WEDNESDAY, JANUARY 23, 2013

NEW YORK EMPOWERMENT ZONE CORPORATION

**MEETING OF THE DIRECTORS
633 Third Avenue
37th Floor Conference Room
New York, New York**

**December 14, 2011
3:16 p.m.**

DIRECTORS PRESENT:

Kenneth Adams, Chair, President & CEO, ESD
Tokumbo Shobowale, Designee for Robert Steel, NYC Deputy Mayor of Economic Development
Geoffrey Eaton, Designee, Congressman Charles Rangel
Cheryl Simmons-Oliver, Designee of Congressman Jose Serrano
Marlene Cintron, President, BOEDC
Kenneth J. Knuckles, President & CEO, UMEZ

OTHERS PRESENT:

Destiny Burns, ESD
Cristian Chirila, UMEZ
Steve Cohen, ESD
Latoya Cowan, UMEZ
Richard Dorado, ESD
Blair Duncan, UMEZ
Jorge Garcia, NYC
Bert Gibson, UMEZ
Tracie Gilstrap, UMEZ
Justin Ginsburgh, ESD
Hope Knight, UMEZ
Nnenna Lynch, NYC
Noelle Marcus, UMEZ
Frank Randazzo, BOEDC
Verdery Roosevelt, UMEZ
Samantha Stanislas, Congressman Serrano's Office
Marion Phillips, III, Corporate Secretary

PROCEEDINGS

Chairman Kenneth Adams called the meeting of the New York Empowerment Corporation to order for Wednesday, December 14th, 2011.

All meetings of New York Empowerment Zone Corporation Directors are public meetings and members of the public are welcome to ask questions after each presentation. Those questions should be focused on the matters raised by the presentation itself. Two minutes are allotted for comments from individuals and up to four minutes are allotted to individuals representing organizations that want to comment on these matters. Following a question and answer period, a motion will be made and a vote will be cast.

Chairman Adams welcomed Tokumbo Shobowale, who was representing Deputy Mayor Bob Steel and thanked Ken Knuckles and Marlene Cintron for their efforts with the New York City Regional Council.

JUNE 22, 2011 MINUTES

Mr. Geoffrey Eaton properly moved and Ms. Cintron Seconded. Mr. Shobowale made corrections to the minutes. The minutes were approved with changes by unanimous voice vote.

SMITH ELECTRIC

Frank Randazzo presented a \$1 million loan to Smith Electric, a Kansas City, Missouri company manufacturing all electric commercial delivery vehicles.

The loan funds will be used to secure a Letter of Credit as security for a Bronx facility for the company. The entire principal would be required to be repaid at the end of the fifth year. The loan is at 3% for five years.

Initially, would have a second position to the onsite equipment at the Bronx facility due to the equity investors requiring first position. Once the IPO is issued the security interests of the investors will be eliminated. Then the BOEDC assumes first position assets.

Chairman Adams asked if there were any questions from the Directors. Mr. Shobowale asked what was the quarter by quarter expected roll out of the development? Mr. Randazzo replied, the intention is to begin immediately with the removal of equipment, start retrofitting and be completed in approximately five months.

Chairman Adams thanked BOEDC, Bronx Borough President, EDC and ESD staff for working together to bring this project to fruition.

Chairman Adams asked if there were any questions from the public. There were none.

Ms. Cintron added that Smith electric has shown a great deal of goodwill by reaching out to current Bronx EZ businesses to work on the building of the trucks.

Ms. Cheryl Simmons-Oliver added that Congressman Serrano approves of how this project will have an impact on reducing the high incidences of asthma and the living wage jobs being created.

Chairman Adams highlighted how there are two Smith built electric school buses being operated in the Bronx. Which may lead to Smith Electric building all electric plug-in, zero emission yellow school buses to transport student with buses made in the Bronx.

Ms. Cintron properly moved and Mr. Showowale seconded the \$1 million loan for Smith Electric. The motion was approved by unanimous voice vote.

HOT BREAD KITCHEN

Ms. Latoya Cowan presented the \$150,000 loan to Hot Bread Kitchen to support the fit out and initial operations of a retail space in La Marqueta for Hot Bread Almacen.

Hot Bread Kitchen, also known as HBK is an award-winning, 501 C3 non-profit social enterprise and work force development organization that provides low income immigrant women the opportunity to obtain the necessary skills to launch food businesses and achieve management track positions in food manufacturing.

One of the benchmarks of the \$150,000 grant would be to increase the number of Upper Manhattan participants to at least 50 percent of the total participants for the project. The opening of Hot Bread Almacen, with its visible presence in La Marqueta will help attract new customers and vendors to the marketplace, aiding in its revitalization, which has been one of the City's strongest initiatives for that space.

Through the combined efforts of Project Launch, Hot Bread Kitchen Incubator and Hot Bread Almacen, as proposed, Hot Bread Kitchen will help to restore this landmark to a thriving marketplace that reflects the diverse food culture of East Harlem and Upper Manhattan as a whole.

Chairman Adams asked if there questions from the Directors.

Mr. Eaton said this is a very important project for the community and the resurgence of La Marqueta. He acknowledged support of the project and thanked UMEZ for their efforts.

Mr. Knuckles properly moved and Mr. Eaton second the \$150,000 loan to Hot Bread Kitchen. The motion was approved by unanimous voice vote.

FIRELIGHT MEDIA

Ms. Verdery Roosevelt presented the two year \$225,000 grant to Firelight Media to support the implementation of a three-year revenue generation plan. The total project cost is \$1,104,720. Firelight Media would leverage a total of \$879,720 over two years, producing a leverage ratio of approximately one to four. To date they have secured \$429,054 towards the project.

Firelight Media is a Harlem-based non-profit founded by documentary filmmaker, Stanley Nelson and Marcia Smith. In its first ten years, Firelight produced over 25 hours of prime time programming for public and cable television and won every industry award, including several Emmys. Mr. Nelson himself was recognized within the McArthur Genius Award.

In 2008, Firelight Media redefined its mission to focus on the development of emerging documentary filmmakers who are engaged in similar social issues creating a producers lab to offer specialized training and guidance. A separate for-profit entity, Firelight Films was created to handle Mr. Nelson's film production work.

Although Firelight Media had operated very successfully for over a decade, the shift in programmatic focus, essentially converted Firelight Media to a start-up organization. As it was no longer producing films, Firelight Media lost its main source of program revenue. So to assist the organization in designing a new business model, UMEZ provided a technical assistance award in 2010 to develop a revenue generation plan. This request represents the implementation of that plan.

In accordance with that plan, Firelight seeks to hire three additional staff members over two years to build its revenue generation capacity. These positions are, a development manager to secure contributed income, a community engagement manager, whose outreach efforts on behalf of individual films as a fee for service offering, would generate earned income and a strategic communications manager who will oversee all communications ensuring continuity between grant solicitation efforts, promoting the producer's lab, marketing the community engagement initiative and other promotional efforts for Firelight Media. The addition of the staff members would enable Firelight to increase and diversify its contributed income, create new earned revenues through the fee for services program and increase the visibility of Firelight Media and its work.

Chairman Adams asked if there were questions from the Directors.

Mr. Shobowale asked if the grant would make Firelight self sufficient thus making this the last grant they receive. Ms. Roosevelt replied that the grant will allow them to secure the funding from other sources in the future.

Chairman Adams asked if Firelight has ever taken advantage of the NYS film tax credit program. Ms. Roosevelt said she would encourage them to investigate.

Mr. Knuckles added that the Freedom Riders and the Emmett Till documentary were produced by Firelight Media.

Also one of the primary tenets of the UMEZ investment strategy has been to try to bring about a concentration, i.e. a cluster of entertainment and cultural presence's, uses in upper Manhattan. This is over and above the Apollo, El Museo and the Shomburg.

The report indicates that Firelight Media interacts with Mazel Cinema, Albert Mazels is one of the, I think, progenitors of modern day documentary filmmaking. So we see, with this investment, this particular grant and this film lab that Stan Nelson is going to help filmmakers bring products to fruition. A number of these filmmakers reside in the Empowerment Zone so with this investment we are furthering this cluster strategy which is, certainly, one of the things that we've highlighted in the regional economic council strategy.

Mr. Eaton echoed Mr. Knuckles' comments regarding the large number of film makers in Upper Manhattan.

Chairman Adams asked if there were any questions from the public. There were none.

Mr. Shobowale properly moved and Mr. Knuckles second the two year \$225,000 grant to Firelight Media.

The motion was approved by a unanimous voice vote.

HARLEM ARTS ALLIANCE

Ms. Roosevelt presented a two year \$250,000 grant to Harlem Arts Alliance designed to assist with the implementation of the strategic plan and to reinforce their accomplishments while providing a gradual decrease in support, similar to the recent award to the Northern Manhattan Arts Alliance.

The Harlem Arts Alliance was founded ten years ago by local artists and administrators who recognized the need for a centralized agency to gather resources and advance the development of Harlem's cultural community. Since then, the Alliance has built its programming to include professional and creative development workshops, marketing services, public forums, advocacy programs and grants to small organizations and individual artists.

Over the past six years, the Alliance has received a total of \$1.25 million from UMEZ, which has enabled its transition from a volunteer-run organization to a professionally staffed organization with an active board of directors. Under the Alliance's most recent grant of \$250,000 for FY '11, it met multiple key benchmarks including, the creation of a three-year fund development plan, increasing its foundation and corporate support by 40 percent, recruiting four new board members, growing its membership by more than 15 percent. It now has over 900 members.

Continuing the UMEZ supported re-grant program and right sizing its annual operating budget to \$400,000. While meaningful strides have been made, the Alliance continues to face challenges in maintaining service to its growing constituent base and in strengthening its revenue generation systems. To address those issues, it is now engaged in the planning process through the Bloomberg Foundation that will lay out new strategies to support its programmatic, structural and financial growth from 2012 to 2017.

To this end, the Alliance has requested a two-year grant from UMEZ to undertake the following: to retain a consultant to work with the executive director and the board in that strategic planning effort and to facilitate the plans implementation, to phase out its development consultant and hire its first full-time development manager who would be responsible for diversifying and increasing contributed income and to continue funding for the re-grant program. These efforts will sustain the ongoing activities of the Alliance while it develops a new five-year strategic plan and pursues new revenue initiatives. In essence, the proposed grant would support the alliance as it charts a course to make sure its future as a durable sustainable and effective art service agency for the Harlem Arts community.

This funding request represents a gradual decrease in support to the Alliance. The grant would provide \$165,000 in the first year and \$85,000 in year two. The grant would thus conclude UMEZ' funding to the organization.

Chairman Adams asked if indeed this was the last grant to Harlem Arts Alliance considering the \$1.25MM provided over the past 6 years. Ms. Roosevelt said it was.

Mr. Shobowale seconded the Mr. Adams' comments regarding the importance to create a sustainable model and UMEZ has done that. Also having established two organizations, are there any lessons learned that you think will be helpful going forward in accelerating this process of sustainability because essentially your capacity within these organizations and this has been a large investment, a million-and-a-half over a number of years.

Ms. Roosevelt said a lot of what happens in each of these organizations is due to personnel. These are not places where you're going to make a lot of money. You're doing it because you're deeply committed to what you do. UMEZ has worked very closely with them to set up what they're going to be working on in this next phase which we trust will set them up to move forward without UMEZ' support in the future.

Mr. Knuckles added the challenge with all of these organizations is while you try to develop them with a plan of sustainability, the hiring of the development manager and a cultivation of alternative funding sources they must be kept alive.

The only way at the end of the day you do that really is by funding. I think in the several years that we have been engaged with them, they've come a long way. They've doubled their membership. They now, as you can see in the report, they have funding sources that they did not have when we began this journey with them. So we think they're well prepared to proceed.

However, I can't guarantee that there will not be another request. UMEZ' posture is we've taken them as far as we should reasonably have taken them.

Mr. Shobowale wanted to make sure that UMEZ has been clear this is the last grant. Mr. Knuckles said yes.

Chairman Adams reiterated that this sizable investment should allow them to continue being successful and to have that capacity to go off and succeed on their own.

Chairman Adams asked if there were questions from the public. There were none.

Mr. Knuckles properly moved and Mr. Eaton seconded the two year \$250,000 grant to Harlem Arts Alliance.

MART 125

Ms. Hope Knight presented a \$400,000 capital funding for pre-development costs associated with the redevelopment of Mart 125.

The original Mart 125, located across the street from the Apollo Theater, was established in early 1980's to house approximately 50 local street vendors and small businesses. That venture ultimately proved to be unsuccessful and Mart 125 was closed and has been vacant along 125th Street for over nine years. This site is currently owned by the City of New York. To encourage the cultural climate of the 125th Street corridor, the City issued an RFP for not-for-profit arts and cultural institutions to serve as an anchor tenant in the redevelopment of the site.

The RFP was ultimately awarded to the National Jazz Museum of Harlem. The museum then began a \$20 million capital campaign for occupancy in the space, which it has approximately raised \$13 million at this point. The economics of the project as a culturally designated project made it difficult to finance the transaction through traditional financial debt structure. UMEZ is proposing to participate in the transaction as a developer providing equity financing and taking ownership of the site upon project completion.

The proposal being presented for approval is for up to \$400,000 in pre-development costs associated with the project to undertake the following partial plan updates to accommodate the use space requirements from the National Jazz Museum and the addition of a roof garden, re-pricing of hard costs, environmental soil and asbestos studies, surveys and the initial contract work related to entity formation and other -- other -- the attraction of other financial sources. UMEZ will report back its findings and request additional funding after this work has been done. UMEZ will retain a development manager to coordinate and support pre-development in the construction phase of the project.

The building, as envisioned, will consist of 39,000 square feet of leasable building space and 46,950 of gross square feet. It will consist of four stories and include 12,000 square feet of

cultural museum, performance and theater space on the ground floor and a portion of the ground floor, and the complete second floor. There will also be a 950 square foot visitor's center operated by NYC & Company that will be located on the ground floor. 7,990 square feet of ground floor space and a portion of the lower level will be available for rent by a cafe or a restaurant. There will also be 10,667 square feet of commercial office space located on the third floor and a 6,000 square foot agricultural garden located on the roof, which the Manhattan Borough President's office has committed up to \$2 million to finance. Although the project is in its early phases, the total project capitalization is estimated to be about \$20 million. It is estimated that the project, including pre-development through the start of construction and ending upon receipt of the temporary Certificate of Occupancy, would be 28 to 30 months.

Chairman Adams if there were questions from the Directors.

Mr. Shobowale stated that the pre-development time line, it looks like that by the end of June you'll have, basically, 100 percent construction drawings and pretty good cost estimates. Ms. Knight replied the schedule is a little dated. Since UMEZ is getting the approval now, which was supposed to be three months ago, we're probably three months off on that schedule. So the fall of 2012 is a bit more accurate.

Mr. Shobowale asked if the \$2MM from the Manhattan Borough President a grant for the roof garden. Ms. Knight said yes.

Chairman Adams asked if UMEZ sought funding from the NYC Regional Council. Mr. Knuckles replied no because it was not ready.

Mr. Eaton said Congressman Rangel has been working very closely with UMEZ, the City Economic Development Corporation and Council Member Inez Dickens to produce a project that enhances the cultural institutions along the 125th Street corridor, which came out of the rezoning plan.

Chairman Adams asked if there were questions from the public. There were none.

Mr. Knuckles properly moved and Mr. Shobowale second and the \$400,000 capital funding for MART 125 was approved by unanimous voice vote.

GRAMEEN AMERICA

Ms. Cowan presented a \$3 million loan and \$325,000 grant to Grameen America.

Grameen is a 501C3, not for profit, micro finance organization based in New York and founded by 2006 Noble Peace Prize winner, Muhammad Yunus. The mission of the organization is to help alleviate poverty through the entrepreneurship by providing loans, savings programs, credit establishment and other services to the working poor in the United States. All loans are for income generating purposes to start or expand a small business such as a food cart or a craft business. Located in Washington Heights, Grameen Upper Manhattan branch has grown 351

percent from 190 borrowers in February 2010 to 857 borrowers as of September 30th, 2011. Grameen's Upper Manhattan branch has disbursed a total of over \$2.2 million in micro loans to Upper Manhattan entrepreneurs, lending an average of approximately \$60,000 a month with an average loan size of \$1,500 and repayment rate of 99 percent.

On September 30th, 2010, UMEZ closed on \$500,000 unsecured loan and a \$125,000 grant to Grameen America as a pilot program to help the organization expand its lending platform in Upper Manhattan, initially concentrating in Washington Heights.

During this pilot phase, UMEZ monitored Grameen's performance in terms of market penetration, program skill ability and overall impact in Washington Heights. The loan was disbursed in two disbursements with initial draw down of \$125,000 at closing and a subsequent disbursement six months after. UMEZ loan funds serviced a total of 344 borrowers in this short period of time.

Increasing our loan funds with the success of the pilot program to a \$3 million term loan, disbursed in tranches, will help Grameen to expand its lending platform in Upper Manhattan to include Central and East Harlem. The term loan will be for seven years and disbursed, as I said, in \$500,000 tranches. The funds can only be used for loan capital and repayment of the existing \$500,000 loan is required at closing.

The \$325,000 grant will be used to provide subsidy for program expenses such as loan officer's salary and rent for the space. Incurred and on a reimbursement basis, and over a three-year period, \$150,000 for the fiscal year of 2012. \$100,000 for the fiscal year 2013 and \$75,000 for fiscal year 2014.

A capital injection of \$3 million to Grameen's Upper Manhattan branch will help sustain and create over 2,000 micro enterprises. With the success of the initial pilot program, and the growth of the Washington Heights branch, Grameen has projected an increase to over 4,000 borrowers over a five-year period, reaching self-sustainability by 2014. With the help of Grameen and other partnering organizations, Grameen will continue to support and empower low income individuals who seek to capitalize on their entrepreneur skills and build creditable financial futures. I'll entertain any questions that you have.

Chairman Adams asked if there were questions from the Directors.

Mr. Shobowale shared how pleased he was with micro lending at this level and felt good about Grameen. His concern was Grameen being self-sustaining. Ms. Cowan replied that they would. They will no longer require the support of grants in raising funds to actually operate fully. So their programmatic expenses will be fully used through the interest on all of the loans of their borrowers as they expand.

Mr. Shobowale asked if they are charging a higher rate and they'll have a large enough volume that that spread will cover all their administrative cost? Ms. Cowan replied yes. Also that Jackson

Heights was the first operation in New York and have reached more than 2,000 borrowers in Jackson Heights.

Chairman Adams asked what is the average loan size? Ms Cowan replied about \$1,500 with an average interest rate of 15% with a 99% repayment rate. Most of the loan recipients are women who are hair stylist, food cart vendors and other jobs similar to those.

Chairman Adams asked if most borrowers were new immigrants and that Steve Cohen was working on a new small business initiative for new immigrants.

Chairman Adams asked if there were any comments from the public. There were none.

Mr. Knuckles properly seconded and Mr. Eaton seconded. The \$3MM loan and \$325,000 grant for administrative expenses were approved by unanimous voice vote.

Chairman Adams thanks Marion Phillips for his efforts in preparing for NYEZC meetings and issues.

Mr. Phillips reported a change in the disbursement report being based on the NYEZC fiscal year which was suggested by the ESD internal auditors.

Mr. Shobowale if the NYEZC does any type of year-end review, whether it be on a calendar year or fiscal year, more of a programmatic rather than a budgetary review. A summation of sorts on what was done last year and what is expected in the new year.

Mr. Phillips replied that currently that does not happen but reports are submitted on a quarterly basis by BOEDC and UMEZ. However, over the last 18 months, BOEDC and UMEZ has agreed to look at different types of metrics and different types of tools. Staff has already started meeting. We've sent them the draft metrics and so we're working through the details. The goal is to have this conversation every fiscal year.

Mr. Shobowale said that would be wonderful because I think all these projects, as Ken noted, are wonderful projects, but it also sometimes helps to step back and see the forest and sort of where we have been and where we're going in a holistic sense which doesn't jump off the pages from looking at numbers.

Mr. commented that the goal of the reporting is to make sure all efforts of both BOEDC and UMEZ is reflected not just initiatives presented at the NYEZC meetings. A good example would be on the Upper Manhattan side would be the community partners. What output are they doing as it relates to assisting businesses? On the BOEDC side, you're looking at some of their loan funds, their environmental funds. What is the affect -- how does that affect the long term viability of the community, businesses, students, and the air quality. So the goal has always been to make sure it reflects what BOEDC and UMEZ does, not necessarily apples to apples, oranges to oranges, but how does the whole field look. What were the goals? What were the outcomes and what the strategy is moving forward?

Mr. Knuckles commented that UMEZ' strategy has been and continues to be in four basic tranches: commercial and retail development that brings a critical mass of jobs and services. You see that in East River Plaza. You see in Best Yet or you see it in -- in smaller context, the restaurants that have emerged along not only on 8th Avenue, Frederick Douglas Boulevard.

We continue to do small business lending through BRISC. These projects -- these loans take a lot of time in many instances in which we are the only entity that I know of, that is actually in the space. SEEDCO does not much lending in Upper Manhattan. Obviously, the banks aren't there so we continue to do that.

The cultural industry investment fund has been a tremendous success and we have probably we are near the end of our increment for CIF, I think there's about \$10 million left in there. Finally, , there is work force development which we have calibrated to always be related to a job creation outcome. An example, 1199, an effort that we did created 170 jobs in the health care industry. We are working with Presbyterian Hospital on a work force development module there. So those are the four tranches by which we define our investment strategy and we can talk, you know, about, obviously, how to best measure those. But, I think, there needs to be a real appreciation of, you know, how protracted these projects can be before they come to fruition.

Mr. Eaton commented another way to best measure is, imagine if UMEZ and BOEDC was not here at this time, during these economic times, what would the landscape look like.

Ms. Cintron commented the Empowerment Zone is very important to the Bronx and one of the frustrating things is the amount of time it takes from concept to NYEYC Board approval.

Recently in Cranes this week, the top 45 SBA lenders, our 504 program is No. 19. In 2010 to 2011 there was a 69 percent increase in the amount of money that we lent and there was a 33 percent increase in the number of loans that we were able to generate through our 540 lender at BOEDC. And without even looking at it, I would more than be able to guess that the majority of those loans were loans within the Empowerment Zone. The reason for that is that when they come to us, they come to us desperate. And the approval process is three days. And then the payoff period of time is 30 to 90 days.

Mr. Shobowale reiterated his goal of the conversation was for the NYEYC to take stock of where we are and to your point here we want to be, kind of keeping that guiding star there and then how do we -- what are we doing and how does this stack up against our ambitions? It's a good healthy exercise to do which you can't do every day because you've got everyday stuff to do, but once a year, I think, it makes sense to make sense and take stock.

Mr. Phillips said the desire in the reporting is for BOEDC and UMEZ to define what that success is and what that information is. It is important that UMEZ and BOEDC help develop the metrics that we actually are doing a good piece of measuring as well as looking long term related to where this

is a research paper or some dissertation and really look at economic development and the success of a program like this.

Mr. Knuckles said one measurement tool is the amount of money that UMEZ has disbursed – either loan or grant. To date that amount has been approximately \$230MM and an additional \$57MM in tax exempt bonds that has leveraged over \$1B. If the definition of stimulus is to take public money and catalyze private investment, then I think we have been pretty successful. I think about 9,000 jobs, two-thirds of which were full-time and the other had been construction jobs. Certainly as Empowerment Zones go, the New York Empowerment Zone is head and shoulders above the others that were -- that were created.

Chairman Adams asked how long does it take from concept to disbursement. Also what is the timeframe to implement the new reporting?

Mr. Phillips replied a draft of the new reporting has been distributed and for the staffs to convene to resolve the differences. As it relates to the larger question of Ms. Cintron, based on a review performed it takes about 18 months from concept to distribution of funds. Also it would be helpful to discuss on a regular basis the reefing of the process in order disburse funds faster.

Mr. Knuckles added that the EZ designation would terminate December 2011 and this is an appropriate juncture, certainly after 15 years of operation, to look at the totality of the structure. Metrics is fine as long as it actually reflects and measures the work that has to be done to bring about economic development in Upper Manhattan.

But I think we need to look at the entire structure to see how it can be more efficient. I think when the Empowerment Zone was conceived, it was done at a time when, I think the political dynamics were such that, you know, each branch of government was at arm's length.

Mr. Eaton asked how do we get more kinks out of the process.

Chairman Adams thanked all for the provocative discussion.

Mr. Knuckles moved and Ms. Cintron seconded the motion that the meeting be adjourned. The meeting was 4:24 P.M.

FOR CONSIDERATION

January 23, 2013

TO: The Directors

FROM: Robert Steel

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone Development Corporation

REQUEST FOR: **Authorization for Loan to 514 West 168th Street, LLC Investment Initiative and to Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone Development Corporation ("UMEZ")
55 West 125th Street, 11th Floor
New York, New York 10027

Contact: Kenneth Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A loan to finance the construction and permanent financing of approximately 38,418 buildable square feet of hotel and medical office space at 154 West 168th Street, between Audubon Avenue and Amsterdam Avenues.

Total Initiative Cost: \$21,891,525

Proposed Empowerment Zone ("EZ") Investment: \$2,200,000 (Loan)

Funding Sources:

Federal EZ SSBG Funds:	\$	733,334.00
State EZ Funds:	\$	733,333.00
City EZ Funds:	\$	733,333.00
EBS:	\$	17,491,525.00
Developer's Equity:	\$	2,200,000.00

Total \$ 21,891,525.00

*MERF will take out \$1.1M of the UMEZ loan.

Fiscal Year:

2013

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each loan.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the loan from UMEZ to **514 West 168th Street, LLC Investment**. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of interest and principal payments for the loan made under this initiative is further subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Create 50 full-time equivalent construction jobs
- Create 25 permanent jobs

V. Residents Benefits

This Initiative will benefit EZ residents by:

- Same as above

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support to prevent, reduce, or eliminate dependency.
- Achieve or maintain self-sufficiency by reducing or preventing social dependency.

This initiative will meet the following Federal programmatic options:

- New physical infrastructure development, which is feasible, attainable in the current economic environment and sustainable.
- Permanent job creation, including without limiting the foregoing, promotion, encouragement and creation of opportunities for small, medium and large business development in the EZ/EC that will create permanent jobs for the Enterprise Zone.
- Increasing the number of permanent–job creating new businesses in the EZ/EC.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

TO: NEW YORK EMPOWERMENT ZONE BOARD OF DIRECTORS

FROM: KENNETH J. KNUCKLES, PRESIDENT & CEO
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION

Date: January 23, 2013
Subject: 514 West 168th Street, LLC
Request: \$2,200,000 Subordinated Mortgage Loan

I. INITIATIVE SUMMARY

Organization: 514 West 168th Street, LLC

Project Manager: Ari Sherizen

Contact: Ari Sherizen

Current Address: 792 Columbus Ave, 4M
New York, NY 10025

Phone/Fax: (646) 678-1155

Type of Business: Real Estate Development

Tax Structure: Limited Liability Company

IRS Tax ID#: 45-4073879

Date Incorporated: 2012

Financing Requested: \$2,200,000

Funding Sources:

Federal EZ funds	\$	733,333.33
State EZ funds		733,333.33
<u>City EZ funds</u>		<u>733,333.33</u>
TOTAL	\$	2,200,000.00

Employment: Fifty (50) FTE construction jobs and Twenty-Five (25) permanent jobs.

Investment Proposal:

UMEZ Staff seeks the Committee's recommendation for approval by the UMEZ Board of a \$2.2 million loan to 514 West 168th Street, LLC (the "Borrower"), a single purpose entity owned 50/50 by Oscar Brecher and Ari Sherizen (collectively, the "Developers," or the "Principals"). The loan is for the construction and permanent financing of 514 West 168th Street, a 54-room hotel and 14,725 SF medical office development located on West 168th Street, between Audubon and Amsterdam Avenues in Washington Heights (the "Project"). The Project is estimated to generate 25 permanent, full-time equivalent jobs and 50 construction jobs.

Shortly after construction completion (projected to be 24 months after commencement), half of the UMEZ loan (\$1.1 million) is expected to be taken out by a loan from the Metropolitan Economic Revitalization Fund (MERF) provided by the Empire State Development Corporation (ESDC).

The Project will be the first hotel in Washington Heights and will serve the needs of the nearby Columbia University Medical Center and New York Presbyterian Hospital. The site is currently a vacant, paved parking lot. The finished building will be built as-of-right and will comprise 11 stories, with the medical offices on floors 1 to 5 and the hotel on floors 6 to 11. The ground floor will contain separate entrances and lobbies for the hotel and medical facilities. The hotel will be a limited service facility with “3-star” standard finishes and amenities. The Developers expect to brand or flag the hotel as an upper-midscale brand such as Holiday Inn Express, Hampton Inn and Fairfield Inn.

UMEZ Staff believes this proposal meets the following investment criteria established by the UMEZ Board in February 2004:

Investment Criteria		Comment
<input checked="" type="checkbox"/>	Strategic Fit	Meets UMEZ’s goals of increasing sustainable businesses, leveraging private funding and creating jobs.
<input checked="" type="checkbox"/>	Sustainable Business	Meets demand for new hotel rooms and medical office space.
<input checked="" type="checkbox"/>	Realistic Business Plan	Projections based on industry comparables and estimates by subject matter specialists.
<input checked="" type="checkbox"/>	Experienced Management	The Principals have extensive real estate development and management experience.
<input checked="" type="checkbox"/>	Predictable Cash Flows	Expected demand for hotel services drives cash flow expectations; office rents based on current market rents.
<input checked="" type="checkbox"/>	Adequate Capital Structure	Fair equity contribution (10%) and committed project financing of \$17.5 million (80% of total project costs).
<input checked="" type="checkbox"/>	Creation of at Least 5 Jobs	Creation of approximately 25 FTE jobs and 50 construction jobs; 35% of which are required to be hired from within the EZ
<input checked="" type="checkbox"/>	Value of Tax Revenues to NYC	Present value of hotel and parking tax proceeds is \$3.2 million.
<input checked="" type="checkbox"/>	Efficient Investment	Approximately \$88,000 per FTE job, which is above our \$35,000 threshold; this is reduced to \$44,000 per FTE job when the MERF loan takes out half of the UMEZ loan.
<input checked="" type="checkbox"/>	Community Impact	Brings needed services to neighborhood and develops an underused / unused parcel of land.

Based on UMEZ Staff’s assessment of the Project’s merits and the important role our participation can play in bringing this new real estate development to Washington Heights, we seek the Committee’s recommendation to the Board for approval of a \$2.2 million loan to the Borrower.

Preliminary Terms:

The following table summarizes the key terms for the loan.

SUMMARY LOAN TERMS	
Borrower:	514 West 168 th Street, LLC
Security Type:	Subordinated Mortgage Loan
Amount:	\$2,200,000
Purpose:	To finance the construction and permanent financing of approximately 38,418 buildable square feet of hotel and medical office space at 154 West 168 th Street, between Audubon Avenue and Amsterdam Avenues
Maturity	Seven (7) years from closing

Amortization	Interest only during the construction period, then amortizing over ten (10) years
Coupon	Fixed at 6.0% per annum
Security	<ul style="list-style-type: none"> • A second mortgage lien on the Project, with an estimated value of \$21,891,525. • A second priority assignment of all leases, subleases, licenses and similar contracts that affect the Project and/or improvements and all rents and other sums payable. • A second priority assignment of all contracts and other agreements and all permits affecting the Project and or improvements. • A second priority assignment of all construction contracts for the Project. • A second priority security interest in all assets of Borrower.
Funding Requirements	<ul style="list-style-type: none"> • The loan may not be drawn until a minimum 30% of the EB-5 investor funds are released from the escrow account into the deposit account
Covenants	<ul style="list-style-type: none"> • Sufficient equity in place to complete project • Minimum debt service coverage ratio of 1.25x • Satisfactory review of all executed agreements and documents pertaining to the project • Executed hotel management or name and reservation system agreement prior to closing • All other requirements of senior lender • Requirements related to MERF

EB-5 Financing / New York City Regional Center Overview:

The primary lender for the Project will be the New York City Regional Center (“NYCRC”) through the EB-5 Immigrant Investor Program.

The Immigrant Investor Program, also known as EB-5, was created by Congress in 1990 to stimulate the U.S. economy through job creation and capital investment by immigrant investors. The EB-5 Regional Center Program, created in 1992 and regularly reauthorized by Congress (currently through 9/30/15) sets aside 3,000 green cards each year for foreign investors who invest in designated regional centers like the NYCRC. Under the program, each investor must make a capital investment of \$250,000-\$500,000 (depending on location of project), which must create 10 U.S. jobs. The investment period is typically 5 years, which starts when the last dollar from the last investor is received by the borrower.

NYCRC begins marketing a deal to investors abroad soon after they sign a term sheet with a borrower. Per NYCRC, they do not purposely oversubscribe or over recruit, as there have been a wait list for all of their investments to date. Interested investors are vetted by NYCRC and must sign subscription agreements. The cash is held in an escrow account until the investor is screened and cleared by U.S. Citizenship and Immigration Services (UCIS) (a department within the U.S. Department of Homeland Security), a process which takes up to 12 months. The money in escrow may be released to the borrower as each investor is cleared. To mitigate timing risks with funding, UMEZ will require that a minimum of 30% of the EB-5 loan is funded before UMEZ funds its loan. From NYCRC’s experience, once the first investors begin receiving clearance, the rest of the investors soon follow.

Investors are given a conditional green card valid for two years when cleared by Homeland Security and are given a permanent green card when the jobs created are substantiated.

To date, NYCRC has secured financing for nine projects totaling \$840.5 million in EB-5 financing. NYCRC’s projects include the Brooklyn Navy Yard, Atlantic Yards, the East River waterfront project around the Battery

Maritime building and Pier A, the George Washington Bridge bus station and infrastructure, City Point in Brooklyn and a medical office campus in the Bronx that includes office, retail, hotel, parking and storage facilities.

Sources and Uses:

The following table outlines the sources and uses of the project during the construction period.

Sources & Uses							
Sources	\$	%	Per SF	Uses	\$	%	Per SF
EB5 Financing - First Lien Mortgage	\$8,000,000	36.5%	\$208	Land	\$1,400,000	6.4%	\$36
UMEZ & MERF Mezz Loan - Second Lien	\$2,200,000	10.0%	\$57	Hard Costs (including 5% contingency)	\$12,180,669	55.6%	\$317
EB5 Financing - Third Lien	\$9,491,525	43.4%	\$247	FF&E	\$972,000	4.4%	\$25
Developer Equity - Land Contribution	\$1,400,000	6.4%	\$36	Soft Costs (including 5% contingency)	\$4,097,941	18.7%	\$107
Developer Equity - Cash	\$800,000	3.7%	\$21	Development Fee & Project Management	\$1,200,000	5.5%	\$31
				Financing Costs	\$1,000,000	4.6%	\$26
				Interest Reserve	\$1,040,915	4.8%	\$27
Total Uses	\$21,891,525	100.0%	\$570	Total Uses	\$21,891,525	100.0%	\$570

The total project budget is \$21.9 million. Total developer equity will be \$2.2 million (10%), which comprises of \$1.4 million spent on the land purchase and \$800,000 in cash equity. Total loan-to-cost is 90%.

The Borrower signed a term sheet with NYCRC on 11/15/12. NYCRC will provide a \$17.5 million EB-5 loan, which will have a 60-month (5-year) term with a 48-month extension at the Borrower’s option. The loan term begins when the first advance is made, rather than when the loan closes. The loan will be interest only and have an initial interest rate of 3.5% for approximately the first 2 years, increasing to 6.75% for the following 3 years and 5.5% for the remaining term. NYCRC will have a first mortgage of \$8.0 million and an unrecorded mortgage for the remaining balance of the loan, which will be recorded only upon an Event of Default. Per NYCRC’s counsel, the unrecorded mortgage will be an enforceable mortgage that will be third in priority after the \$8.0 million first mortgage and \$2.2 million UMEZ second lien.

Funds from EB-5 investors will be deposited into an escrow account while investors are awaiting approval from Homeland Security. Signature Bank is expected to be the escrow agent. As the investors are approved by Homeland Security, NYCRC will release funds from the escrow account to the Borrower’s deposit account (at a bank of the Borrower’s choosing). Once the funds are in the deposit account, the funds may be drawn after each monthly construction requisition is reviewed and approved by NYCRC and its construction consultant, Edifice Real Estate Partners.

UMEZ will provide a \$2.2 million subordinated loan, which will be secured by a second mortgage. Upon construction completion, half of the UMEZ facility (\$1.1 million) will be taken out by the Empire State Development Corporation’s Metropolitan Economic Revitalization Fund (MERF) program. MERF executed its term sheet on 10/26/12. UMEZ and MERF will be pari passu.

MERF Takeout:

Upon construction completion and the satisfaction of certain requirements, MERF will take out \$1.1 million of the UMEZ loan. \$1.1 million of UMEZ’s second mortgage will be assigned to MERF, and MERF and UMEZ will be pari passu. The MERF loan will have a 10-year term and will be fully amortizing with a fixed taxable rate to be set at closing (currently at 4.71%).

MERF executed a term sheet with the Borrower on 10/26/12. Final approval by the ESDC’s Directors and funding and closing of the MERF loan will be contingent upon the following, which must be provided at completion of the Project:

- Completion of the Project: attainment of a Certificate of Occupancy and documents verifying project expenditures of \$21,891,525 as detailed in the project budget.
- Employment of at least 25 full-time permanent employees.

- Documents evidencing minimum equity of 10% of the total project cost.
- Engineering and environmental reviews and an appraisal that indicates a fair market value of at least \$21,891,525. If the Project is valued to be less, the MERF loan may be reduced proportionally.
- Reviewed or audited financials submitted at closing and annually thereafter.
- Minimum debt service coverage of 1.25x based on pro-forma.

Possible Bridge Financing from Signature Bank:

Given that it takes up to 12 months for EB-5 investors to be cleared by Homeland Security, the NYCRC has been working with Signature Bank to create a new product to provide a bridge loan. Signature has had some internal difficulties creating this new loan product, and it is unclear whether the bridge loan will ever be put into place. As such, the *Principals have decided to go ahead with the closing of the EB-5 and UMEZ loans and proceed with the construction without the Signature bridge loan.* However, the NYCRC term sheet permits the possibility of a bridge loan.

If the Signature loan is put into place, Signature would lend up to 25% of the amount in the escrow account while investors are awaiting clearance, which would be \$4.375 million total or 25% of the \$17.5MM EB-5 loan. Signature would take a first mortgage of \$4.375 million. As the investors are approved, NYCRC would release funds from the escrow account to a deposit account at Signature to pay down or fully pay off the Signature loan. When the Signature loan is paid down or paid off, its \$4.375 million mortgage would be assigned to NYCRC. NYCRC would record an additional \$3.625 million first mortgage, with a total first lien position of \$8.0 million. The remaining balance of NYCRC's facility would have a third lien position, behind the UMEZ and MERF facilities.

Summary Financials

UMEZ Projections:

The financials below detail the pro-forma cash flows expected from the Project over the 7-year loan term, or the first five years of operation.

The pro-forma shows adequate debt service coverage, even with the increase in the EB-5 interest rate after the first two years (from 3.5% to 6.75%). The debt service coverage ratio ranges from 1.34x to 2.10x during the 7-year loan term. The Developers' internal rate of return over 7-year is calculated at 10.9%.

Assumptions:

Given the 90% loan-to-cost, UMEZ Staff sensitized the Developers' projections, as discussed below:

- Hotel:
 - Hotel revenue assumptions are based on the HVS feasibility study¹, adjusted as follows: The HVS feasibility study assumed an average daily rate (ADR) of \$222.67 for the first operating year. This is based on an estimated ADR of \$185.00 for base year 2011 (based on comparable hotel properties), grown at 6% in 2012, 5% in 2013 and 2014, 4% in 2015, then 3% per annum thereafter. UMEZ Staff assumed an ADR of \$202.15 for the first operating year, which is based on the \$185.00 ADR for 2011, grown at 3% per annum.
 - Occupancy is expected to remain flat at 84% for 365 days each year. This is based on the average occupancy at comparable properties per the HVS feasibility study.
 - Room-related expenses and operating expenses are projected to each be approximately 25% of revenues. Management fees will be 3% of revenues. In addition, as the hotel is expected to be branded, there will be a franchise fee of 9% of revenues (comprising of a royalty fee of 6% of rooms revenue and a market assessment of 3% of rooms revenue).

¹ HVS is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries.

- Medical Office:
 - UMEZ Staff assumed market rents of \$42/SF for the first operating year, which is supported by comparable properties in Upper Manhattan (see Market Analysis). This is a discount from the Developers' projected rents of \$50/SF for the first operating year, which based on an estimated market rent of \$48-52/SF as determined by a broker at Corcoran Wexler, the leading real estate broker for the medical office space sector in New York City. Rents are assumed to grow 1.5% per annum.
 - Occupancy is projected to be 75% in the first operating year as the space leases up and 90% in the second operating year. UMEZ Staff projects the stabilized occupancy to be 95% beginning in the third operating year (versus the Developers' assumption of 98%) to allow for some lease turnover.
 - Operating expenses are estimated to be approximately 25% of revenues and are projected to grow by 3% each year.

UMEZ Projections	Construction Period		Operating Period					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
		2013	2014	2015	2016	2017	2018	2019
HOTEL INCOME:								
REVENUE								
Rooms			\$3,427,000	\$3,511,000	\$3,617,000	\$3,725,000	\$3,837,000	
Other Operated Departments			\$16,990	\$17,403	\$17,930	\$18,464	\$19,021	
Rentals & Other Income			\$8,495	\$8,701	\$8,965	\$9,232	\$9,510	
Total			\$3,452,485	\$3,537,104	\$3,643,894	\$3,752,696	\$3,865,531	
DEPARTMENTAL EXPENSES								
Rooms			\$812,986	\$842,573	\$868,079	\$893,953	\$920,917	
Other Operated Departments			\$25,110	\$26,104	\$26,894	\$27,696	\$28,531	
Total			\$838,096	\$868,678	\$894,973	\$921,649	\$949,448	
DEPARTMENTAL INCOME			\$2,614,389	\$2,668,427	\$2,748,921	\$2,831,047	\$2,916,083	
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General			\$272,699	\$283,809	\$292,395	\$301,114	\$310,189	
Marketing			\$163,620	\$170,285	\$175,437	\$180,668	\$186,113	
Franchise Fee			\$308,430	\$315,990	\$325,530	\$335,250	\$345,330	
Prop. Operations & Maint.			\$73,629	\$76,628	\$78,947	\$81,301	\$83,751	
Utilities			\$87,264	\$90,819	\$93,566	\$96,356	\$99,260	
Total			\$905,642	\$937,532	\$965,874	\$994,689	\$1,024,643	
HOUSE PROFIT			\$1,708,747	\$1,730,895	\$1,783,047	\$1,836,358	\$1,891,440	
Management Fee			\$103,575	\$106,113	\$109,317	\$112,581	\$115,966	
INCOME BEFORE FIXED CHARGES			\$1,605,172	\$1,624,781	\$1,673,730	\$1,723,777	\$1,775,474	
FIXED EXPENSES								
Property Taxes			\$8,257	\$8,641	\$8,904	\$9,171	\$9,450	
Insurance			\$24,413	\$25,542	\$26,316	\$27,100	\$27,917	
Reserve for Replacement			\$138,099	\$141,484	\$145,756	\$150,108	\$154,621	
Total			\$170,769	\$175,667	\$180,975	\$186,379	\$191,988	
NET HOTEL INCOME			\$1,434,403	\$1,449,114	\$1,492,755	\$1,537,398	\$1,583,486	
MEDICAL OFFICE INCOME:								
REVENUE								
Total Expenses			\$460,845	\$561,309	\$601,380	\$610,401	\$619,557	
NET MEDICAL OFFICE INCOME			\$343,287	\$440,224	\$476,663	\$481,942	\$487,244	
NET HOTEL + MEDICAL OFFICE INCOME			\$1,777,690	\$1,889,338	\$1,969,418	\$2,019,340	\$2,070,730	
Debt Balance:								
EB-5 Loan	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	
UMEZ Loan	\$2,200,000	\$2,200,000	\$2,034,401	\$929,294	\$835,966	\$736,882	\$631,686	
MERF Loan	\$0	\$0	\$0	\$1,013,018	\$921,586	\$825,476	\$724,449	
Total Loan Outstanding	\$19,700,000	\$19,700,000	\$19,534,401	\$19,442,312	\$19,257,552	\$19,062,358	\$18,856,135	
Debt Service:								
Interest - EB-5 Loan			\$612,500	\$612,500	\$1,181,250	\$1,181,250	\$1,181,250	
Interest and Amortization (10 yrs) - UMEZ Loan			\$293,094	\$146,547	\$146,547	\$146,547	\$146,547	
Interest and Amortization - MERF Loan			\$0	\$140,006	\$140,006	\$140,006	\$140,006	
Total Debt Service			\$905,594	\$899,054	\$1,467,804	\$1,467,804	\$1,467,804	
Cash Flow Net of Debt Service			\$872,095	\$990,285	\$501,614	\$551,537	\$602,927	
Debt Service Coverage Ratio (DSCR)			N/A	N/A	1.96x	2.10x	1.34x	1.38x
Developer 7-year IRR			10.9%					

Due Diligence

The table below summarizes the due diligence work performed for the Project. UMEZ Staff will continue its diligence of the transaction until it closes.

Date	Action	Participants
January 2012	▪ Initial meeting to discuss proposed project	UMEZ, Borrower
September 2012	▪ Meeting to discuss proposed project, timing and UMEZ and MERF participation	UMEZ, ESDC, Borrower
September-October 2012	▪ Conference calls to request materials and discuss business plan, financial projections, and next steps	UMEZ, Borrower
September-October 2012	▪ Review of materials submitted including initial term sheet from NYCRC, pro-forma projections and business plan	UMEZ, Borrower
October 2012	▪ Initial meeting with NYCRC, UMEZ and Borrower	UMEZ, NYCRC, Borrower
October 2012	▪ NYCRC presentation to EPD Committee of UMEZ	UMEZ, NYCRC
October 2012	▪ Receipt of signed MERF term sheet	ESDC, Borrower
November 2012	▪ Receipt of signed NYCRC term sheet	NYCRC, Borrower
November-December 2012	▪ Receipt of Operating Agreement	Borrower
November-December 2012	▪ Receipt and Review of HVS hotel feasibility study	UMEZ, Borrower
December 2012	▪ Meeting with NYCRC, NYCRC's counsel, Borrower and Borrower's counsel	UMEZ, NYCRC, Borrower

The major due diligence items that remain to be finalized before closing include:

- Site visit
- Receipt of VENDEX clearance
- Review of hotel management agreement
- Review of construction contract
- Review of environmental assessment
- Review of final drawings and cost estimates
- Review of closing documents of NYCRC's \$17.5 million EB-5 loan

Following UMEZ and NYEZ Board approval, UMEZ Staff will work expeditiously to close the loan.

Project Description

Project Overview:

The site is located one block from the 1, A and C subway lines at 168th Street, within 3 blocks of New York Presbyterian Hospital, Columbia University Medical Center and the Armory sports facility. The property to be developed is Block 2123, Lot 86 and has a total area of approximately 4,750 SF with 50 feet of frontage on 168th Street and 95 feet of depth. The property is currently a vacant, paved parking lot. The finished building will be 11 stories, with the medical offices on floors 1 to 5 and the hotel on floors 6 to 11.

There will be one below grade cellar occupying the entire 95 x 50 foot lot area. The cellar will contain mechanical and electrical service spaces for the entire building, as well as amenities for the hotel guests and back of the house space for the hotel operation.

The ground floor will contain separate entrances and lobbies for the hotel and medical facilities. The hotel lobby will provide for a guest check-in desk, a seating area and a “grab-and-go” breakfast and snack service facility to hotel guests. The hotel will be served by two dedicated traction elevators for the use of guests to floors 1, 6-11 and the cellar.

The medical office lobby will provide for a security station at the entrance and two access points to the ground floor medical space. It will also have two traction elevators serving the 1st-5th floor of medical offices.

The medical office floors can be subdivided for smaller office users or rented to single tenants. Floors 6-11 are hotel floors with 9 rooms per floor. The rooms will range in size from 165 SF to 230 SF and will be furnished with queen size beds (75%) or two double beds (25%). On each floor, 6 rooms will connect to form mini-suites. Each room will contain a 3-piece bathroom, a desk with a chair and closet space. Americans with Disabilities Act (ADA) compliance will be incorporated into the design. The 12th floor bulkhead will serve the mechanical, electrical, plumbing and fire safety needs of the property.

- **Area map**

- **Rendering**

Target Markets:

Columbia University Medical Center and New York Presbyterian, located within less than 3 blocks of the Project, will provide a captive market for the hotel. The Armory sports facility is also located approximately 3 blocks from the Project. This campus of the New York Presbyterian Hospital system is the largest hospital in Manhattan with 977 beds. Columbia University Medical Center has 4,039 students and 4,733 employees. These three institutions currently must send their guests to other hotels that are not within close proximity. The nearest hotel in Manhattan is approximately 40 blocks away. There are also hotels across the Hudson River in New Jersey. For its feasibility study, HVS conducted interviews with officials at Columbia University Medical Center, New York Presbyterian and the Armory, which suggested that significant volumes of unaccommodated demand exists, and there is a substantial opportunity to better serve visiting doctors, prospective students, friends and family members of patients, hospital vendors, consultants, athletes, and coaches and spectators of sports teams.

The Developers have identified a strong demand for medical office and practice space by doctors affiliated with the nearby hospital and medical school. A number of doctors have private office practices within the hospital complex. Other doctors would prefer to practice off campus, but within close proximity of the hospital, as they rely on the referrals of specialists practicing at the hospital to generate patients. Given that the area is primarily residential, there is not an abundance of high quality medical office space available.

Zoning:

The Project will be built as-of right. The current zoning allows for a community facility use floor area ratio (FAR) of 3.1 (14,725 SF) and an FAR of 3.4 (16,150 SF) for commercial use. The community facility zoning permits a number of various uses, including private medical offices. The community space will be dedicated to medical offices, and the commercially zone space will be dedicated entirely to hotel use. Since Washington Heights is primarily a residential area, much of the commercially zoned property is owned by New York Presbyterian Hospital or Columbia University.

Construction Strategy:

The Principals have engaged Springline Builders, a construction manager with lengthy hotel development experience in Manhattan. Springline’s owners have collectively been responsible for developing and/or building over 50 hotels and residential buildings with an aggregate value of over \$2 billion. Springline’s current projects include the Starwood Capital Group’s conversion of a 19-story commercial building one block south of Central Park into a 240-key hotel and the construction of a new, 29-story, 262-key Four Points Sheraton hotel in Lower Manhattan that is being developed by The Lam Group. The Borrower’s construction consultant will be CNY Builders. The hard cost component is budgeted at \$317/buildable SF, inclusive of a 5% owners’ contingency.

NYCRC will engage Edifice Real Estate Partners as their construction monitor to review and approve the monthly construction requisitions. Edifice has served as NYCRC’s construction consultant on all of its previous projects, and NYCRC has been satisfied with their performance. Edifice has a track record of over 125 years in assembling, developing, financing, value-engineering and managing the construction of large, complex projects. The firm has worked on a number of major New York City projects of different asset classes, including the following (see attached project list for a more comprehensive list):

Edifice Real Estate - Select Projects			
Project	Size and Type	Market Value or Budget	Role
Holiday Inn Crowne Plaza - Times Square	46-story; 770 rooms	Market value: \$140 million	Project Manager
The Park Central – Midtown Manhattan	25-story, 935 room hotel renovation	Budget: \$65 million	Development Management
The Atelier – Midtown Manhattan	46-story; 478 condo units	Market value: \$450MM	Project Manager
Worldwide Plaza – Midtown Manhattan	Mixed-used 1.6MM sf office; +500 apartments	Market value: \$1 billion	Project Manager, Owner’s Representative
15 Penn Plaza	Proposed 62-story, 2.8 million SF mixed-use office and retail tower	Budget: \$2.8 billion	Pre- Development Manager (ULURP, subway bonus)

Project Schedule:

The Borrower closed on the land in February 2012 for an acquisition price of \$1.4 million. The New York City Department of Buildings has approved all of the necessary design drawings required to pull a building permit. The construction manager is bidding foundations, superstructure, waterproofing and underground planning in December 2012 and January 2013. The project team will be prepared to pull a building permit and commence construction as the financing permits. Without the bridge financing from Signature, as it currently stands, construction will begin in September 2013. (Should the bridge financing close, construction can begin in April 2013.)

The entire construction project is expected to be completed in 24 months. Foundation work is expected to last 4-5 months, and superstructure work will require an additional 4 months. After “topping out” the superstructure, the building façade and interior work will require an additional 12 months to complete. Foundation through punchlist is expected to require a 20-month construction period, and the Developers have built an additional 4 months of contingency for delay for a total projected construction period of 24 months.

Market Analysis:

Hotel:

As the proposed hotel will serve the needs of Columbia University Medical Center, New York Presbyterian Hospital and the Armory rather than the general tourist market, for the supply and demand analysis, the HVS feasibility study focused on certain hotel properties nearby rather than the New York City hotel market on the whole. HVS identified the following properties that currently serve some of the demand generated by these three institutions: Aloft Harlem, On the Avenue Hotel (Upper West Side), Holiday Inn and Doubletree in Fort Lee, NJ and Crowne Plaza in Englewood, NJ.

For FY 2011, this sample had an average daily rate (ADR) of \$163.60, revenue per available room (RevPAR, calculated as occupancy multiplied by ADR) of \$126.83 and occupancy of 77.5%. Despite the increase in inventory, occupancy improved in 2010 and 2011, signaling that demand outpaced supply growth. The average rate also increased in 2010 and 2011, as the economy started to recover from the worst of the recession in 2008/2009. The entrance of new, higher-

quality hotels, such as Aloft Harlem, and renovations to existing hotels also allowed local hotel operators to increase rates in 2010 and 2011.

Historical Supply and Demand											
<u>Year</u>	<u>Avg Daily</u>		<u>Available</u>		<u>Change</u>	<u>Occupancy</u>	<u>Change</u>	<u>ADR</u>	<u>Change</u>	<u>RevPAR</u>	<u>Change</u>
	<u>Room Count</u>	<u>Room Nights</u>	<u>Room Nights</u>	<u>Room Nights</u>							
2006	887	323,755				74.60%		\$156.47		\$116.78	
2007	890	324,670	0.3%	78.10%	4.7%		\$177.48	13.4%	\$138.69	18.8%	
2008	902	329,230	1.4%	78.20%	0.1%		\$185.60	4.6%	\$145.13	4.6%	
2009	902	329,230	0.0%	68.90%	-11.9%		\$146.80	-20.9%	\$101.09	-30.3%	
2010	913	333,074	1.2%	76.30%	10.7%		\$150.35	2.4%	\$114.67	13.4%	
2011	1026	374,490	12.4%	77.50%	1.6%		\$163.60	8.8%	\$126.83	10.6%	

<u>Hotels included in the sample:</u>			
	<u># of Rooms</u>	<u>Year Affiliated</u>	<u>Year Opened</u>
Aloft Hotel Harlem	124	Dec-10	Dec-10
On the Ave Hotel	282	Jun-08	Jun-08
Holiday Inn GW Bridge Ft. Lee	184	Feb-99	Jun-69
Doubletree Ft. Lee	242	Jan-08	Aug-86
Crowne Plaza Englewood	194	May-05	Sep-89

The HVS feasibility study projected that the subject Project will achieve average occupancy of 84% and ADR of \$222.67 for the first operating year (based on an estimated ADR of \$185.00 for base year 2011, grown at 4%-6% per annum from 2012 to 2014, 3% thereafter). These assumptions are based on the following comparable properties:

Comparable Properties											
	<u># of Rooms</u>	<u>2009</u>			<u>2010</u>			<u>2011</u>			
		<u>Occ.</u>	<u>ADR</u>	<u>RevPAR</u>	<u>Occ.</u>	<u>ADR</u>	<u>RevPAR</u>	<u>Occ.</u>	<u>ADR</u>	<u>RevPAR</u>	
<u>Direct Competitors</u>											
Aloft Harlem	124	N/A	N/A	N/A	N/A	\$112.00	N/A	53%	\$183.00	\$96.99	
Crowne Plaza Englewood	194	63%	\$106.00	\$66.78	78%	\$105.00	\$81.90	81%	\$117.00	\$94.77	
Lucerne Hotel	250	76%	\$170.00	\$129.20	80%	\$195.00	\$156.00	85%	\$210.00	\$178.50	
On the Avenue Hotel	282	92%	\$194.00	\$178.48	97%	\$214.00	\$207.58	98%	\$231.00	\$226.38	
McKeen Pavilion	8	90%	\$200.00	\$180.00	90%	\$215.00	\$193.50	90%	\$225.00	\$202.50	
Subtotals/Averages	858	79%	\$167.62	\$132.25	86%	\$181.83	\$156.01	84%	\$195.43	\$163.77	
<u>Secondary Competitors</u>	<u>646</u>	<u>65%</u>	<u>\$130.93</u>	<u>\$84.45</u>	<u>70%</u>	<u>\$133.45</u>	<u>\$93.82</u>	<u>77%</u>	<u>\$148.94</u>	<u>\$113.94</u>	
Totals/Averages	1,504	74%	\$156.56	\$115.67	80%	\$167.23	\$134.51	82%	\$181.85	\$148.25	

Medical Office:

The Developers project rents of \$50/SF for the first operating year for the medical office space. This is based on an estimated market rent of \$48-52/SF from Paul Wexler, a real estate broker at Corcoran Wexler, who noted that there is a scarcity of quality medical office space within close vicinity of Columbia University Medical Center and New York Presbyterian. UMEZ Staff identified several comparable office spaces currently on the market, and they indicate market rents of approximately \$42-48/SF. Compared to the subject Project, these properties are located a few blocks farther away from the nearest hospital and subway station.

Comparable Properties				
Address	Cross Streets	Nearby Hospital	Asking Rent/SF/Year	SF
5037 Broadway, New York, NY 10034	215th Street and Broadway	New York Presbyterian on 220th Street and Broadway	\$48.00	15,000
64 NAGLE AVENUE, New York, NY 10040	Nagle between Broadway and Elwood	No major hospitals within walking distance, several clinics and medical offices nearby	\$42.00	2,500
306 West 106th Street, New York, NY 10025	106th, between West End and Riverside Drive	St. Luke's on 114th and Amsterdam	\$88.00	300
2406 Amsterdam Avenue, New York, NY 10033	Amsterdam, between 179th and 180th	No hospitals or clinics nearby. Yeshiva University on 18th and Amsterdam.	\$35-\$45	30,367
342 W 123 str, Manhattan, NY 10027	123rd and St. Nicholas	St. Luke's on 114th and Amsterdam, several clinics and medical offices nearby	\$48.00	666
Subject property				
514 West 168th Street	168th between Amsterdam and Audubon	NY Presbyterian and Columbia U. Medical Center between 165th and 169th, Audobon to Riverside Drive	\$50.00	~15,000

Company Description

The Borrower, 514 West 168th Street, LLC, is a single purpose entity and New York limited liability company that owns the property at 514 West 168th Street. The Borrower is owned equally by Oskar Brecher and Ari Sherizen, who have a combined 40 years of experience in the development and management of New York City real estate.



Management

Oskar Brecher, 50% Owner:

Mr. Brecher is the Director of Development at The Moinian Group, which owns and operates a real estate portfolio of 20 million SF and specializes in the development of major mixed use projects. He was formerly a principal of AFC Development Group and American Landmark Developments, Inc. in partnership with Olympia and York Development for 13 years. Prior to that, he was an executive with Cadillac Fairview, a major commercial real estate development company. He received his degree in architecture from McGill University and MBA from Harvard University. His recent hotel developments in New York City include the W New York Downtown Hotel and Residences, a 58-story, 217-key hotel and 64-unit condominium residences located in the Financial District, and the Hilton Garden Inn at 237 West 54th Street, a 401-key, limited service hotel. (See the attached project list for more details on his recent projects.)

Ari Sherizen, 50% Owner

Mr. Sherizen, trained as an architect at the University of Michigan, has managed the development of approximately 300 condominium units and 220 hotel rooms in the past 6 years. He has worked as a Project Manager at The Moinian Group, AFC Development Group and Time Equities. His recent hotel developments in New York City include the W New York Downtown, in which he managed all aspects of the development of the 58-story, 217-key hotel, 223 residential condominium units, restaurant and urban plaza; and Hilton Garden Inn at 237 West 54th Street, in which he managed the pre-development of a 34-story, 401-key hotel project. (See the attached project list for more details on his recent projects.)

Investment Issues—Merits and Considerations

MERITS	CONSIDERATIONS
<ul style="list-style-type: none"> • Development Team • Public Benefit • Leveraging of Private Funds • Captive Market for Hotel and Medical Office • New Use for Vacant Parking Lot / Washington Heights Project 	<ul style="list-style-type: none"> • Timing of EB-5 Investor Clearance • Conditions to MERF Funding • Subordination of Debt

Key Merits:

- **Development Team.** The Principals are highly experienced developers in Manhattan with a combined 40 years experience in real estate development and management. The Principals proven track record of building and managing large hotel projects in New York on schedule and within budget.
- **Public Benefit.** The Project is expected to generate approximately 25 full-time equivalent jobs and 50 construction jobs during the 24 month construction period. Our investment equals \$88,000 per full-time equivalent (which will be reduced to \$44,000 per FTE when the MERF loan is funded), which is above our \$35,000 threshold. However, the present value of the taxes associated with the hotel and medical office components of the project is over \$3.2 million. This provides a larger return for our city and state funding partners. See attached analysis.
- **Leveraging of Private Funds.** If approved, UMEZ would directly invest \$2.2 million into a \$21.9 million project. This loan represents 10% of the total Project costs (5% when MERF takes out half of the UMEZ loan at construction completion) and enables UMEZ to leverage its funds by a ratio of 1:10.
- **Captive Market for Hotel and Medical Office.** The Project’s proximity to three major institutions in the area – Columbia University Medical Center, New York Presbyterian Hospital and the Armory – provides a captive market for the hotel rooms and medical office space. Based on interviews conducted for the HVS feasibility study, these three institutions have identified significant volumes of unaccommodated demand from visiting doctors, prospective students, friends and family members of patients, hospital vendors, consultants, athletes, and coaches and spectators of sports teams that require overnight lodging. There is not an abundance of high quality medical office space in the area to serve doctors looking to practice near the hospitals.
- **New Use for Vacant Parking Lot / Washington Heights Project.** The proposed Project will develop a vacant parking lot in Washington Heights into a large commercial property that will benefit the residents and visitors of the surrounding area.

Key Considerations:

- **Timing of the EB-5 Investor Clearance.** It currently takes approximately 12 months for investors to be cleared Homeland Security and their funds released to fund the Project. However, there are no guarantees that it would not take longer than 12 months. If there are any delays in this process and the funds are stalled, this would stall the completion of the Project. UMEZ Staff recommends mitigating this risk by requiring that a minimum of 30% of the EB-5 loan is funded before UMEZ funds its loan. From NYCRC’s experience, once the first investors begin receiving clearance, the rest of the investors soon follow.
- **Conditions to MERF Funding.** UMEZ Staff expects half of its facility to be taken out by MERF at the Project’s completion. However, the closing and funding of the MERF loan is contingent upon certain conditions, including the attainment of the Certificate of Occupancy, verification of the total \$21.9 million project expenditures, evidence of a minimum equity of 10% of the total project cost, employment of at least 25 full time employees, minimum pro-forma debt service coverage of 1.25x and the review of certain due diligence items, such as engineering and environmental reviews, an appraisal and financial statements. Failure to deliver any of these items could result in the MERF loan not closing and the UMEZ exposure remaining at \$2.2 million. UMEZ Staff recommends mitigating this risk by instituting a change of rate premium if MERF is unable to take out \$1.1 million of the UMEZ loan.

- **Subordination of Debt.** The UMEZ loan will be subordinated to an \$8.0 million first mortgage held by the NYRC. However, this \$8.0 million first lien represents less than half of the NYCRC's \$17.5 million EB-5 loan. The remaining balance of the loan will have a third priority position behind UMEZ.

Recommendation

UMEZ Staff seeks the Committee's recommendation for approval by the UMEZ Board of a \$2,200,000 loan to 514 West 168th Street, LLC for the hotel and medical office mixed-use development project.

Attachments

- Project Budget
- Job Creation Estimate
- Oscar Brecher Bio and Project List
- Ari Sherizen Bio and Project List
- Edifice Real Estate Partners Project List

OSKAR BRECHER
Director of Development
The Moinian Group
Recent Projects

W New York Downtown Hotel and Residences

Oskar Brecher took over management responsibilities for completing the project in 2008 when the projected 58 story building was already at the 6th Floor. The property is part of the W branding program of Starwood Hotels and Resorts Worldwide. The hotel is a full service boutique with 217 keys, elaborate amenities including a highly rated BLT Bar and Grill restaurant. There 64 condominium residences that have access to all of the hotel amenities and are part of a long term stay program. The 164 unit balance of the residences is a luxury condominium with its own amenities and features spectacular views of the New York harbor and midtown.

The first challenge of the assignment was to recruit a capable project manager to complete the building. My responsibility was to maintain strong ongoing relationships with the senior lenders, the mezzanine lenders, Starwood, the prospective operator of the property and Tishman Construction, the construction management firm engaged to complete the project. Maintaining budgets, providing the obligatory reports, reporting to community groups and dealing with regulatory authorities was part of the my daily responsibility.

The project is complete and the hotel is now formally open. The hotel and restaurant are operating and are an important new amenity in the neighborhood. The senior construction loan is being reduced as per the extension schedule requirements. Altogether the project which is highly visible in the World Trade Center neighborhood is a successful addition to the Financial District quality of life.

237 West 54th Street – Hilton Garden Inn

This property is strategically located between Times Square and the south end of Central Park. It is part of the Theater District and will be an added amenity to the westward expanding area of office development. The land was owned by the Moinian Group for some time and it was contributed to a joint venture with Starwood Capital. The property is a 401 key limited service hotel representing the currently most productive hotel brand. It's a 35 story building with a compact and efficient layout. The principal objective of all of the stakeholders was to design and execute a development which has an outstanding bottom line while providing a high quality guest experience

The project has the unusual financing structure of having a capital stack made up entirely of equity. This presents a number of complications in structuring a financing arrangement which has a combination of debt and equity features. This approach presents some significant savings such no loan origination cost or construction interest. It also allows for adjusting construction

techniques to conform to the financing, such as the elimination of a tower crane and the result of a higher quality concrete finish that is the consequence of a four day construction cycle. The investors, the operator and the hotel flag are anticipating that the financial objectives of the project will exceeded on completion. The project is at the fifth floor and it is on schedule and below budget.

605 west 42nd Street

This 72,000 sf. property was assembled over most of a decade on the rapidly developing west side of Manhattan. The project which is entirely as of right will contain 1168 residential rental apartments of which 236 will be rent geared to income affordable units. This will be a massive 1,100,000 sf. apartment building in the most rapidly growing new neighborhood in Manhattan. The project also contains a 40,000 sf. retail component in addition to more than 400 parking spaces and extensive recreational amenities.

The design of the project has been completed by the most highly experienced architectural and engineering firms in this market space. The construction budget of the project is in the process of being finalized with trade validated contracts. It appears that the timing is perfect to build an efficient structure in what is currently a buyers' environment in construction. Similarly government issued tax free bond financing is available in sufficient quantities and at historically low rates. All of these competitive advantages will be baked into the capital structure of the project generating an unusual level of value.

I am currently involved in the negotiation of a tripartite joint venture agreement which will result in the generation of the balance of the required equity. We currently expect that within 6 months the triple objectives of completing the foundations, securing a Gross Maximum Price construction contract and the closing of the construction financing will come together. The project will be delivered 24 months after that.

Ari Sherizen
Project List

The Moinian Group, New York, New York

123 Washington Street - W New York Downtown (New York, NY):

- Managed all aspects of a fifty-eight story development consisting of 217 hotel rooms, 223 residential condominium units, restaurant, and urban plaza.

237 West 54th Street (New York, NY)

- Managed the predevelopment of a thirty-four story, 401 room hotel project.

AFC Realty Capital, New York, New York

2056 Fifth Avenue – Rhapsody on Fifth (New York, NY):

- Managed all aspects of a six-story, twenty-two unit condominium development.

Carlisle Crossing (Carlisle, PA)

- Developed the out parcels of a 370,000 square foot retail development.

Cherry Street West (Philadelphia, PA):

- Oversaw the bidding of forty-three townhomes, an outdoor promenade, and 35,000 square foot parking structure.

Time Equities, New York, New York

306-310 West 97th Street (New York, NY):

- Constructed an eighth floor penthouse addition to an existing seven floor residential building.
- Renovated eight existing apartments, interior hallways, elevators, lobbies, and building facades in preparation for sale as condominiums.

425 Central Park West (New York, NY):

- Renovated six residential units, building lobby, hallways, and exterior facades in preparation for sale as condominiums.

37-24 24th Street, The Scalamandre Building (Long Island City, NY):

- Conversion of a 120,000 square foot silk making factory into artist work spaces, dance studios, and other commercial uses.

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND AN ECONOMIC AND PHYSICAL
DEVELOPMENT PROJECT**

AT A REGULAR MEETING HELD ON THE 17th DAY OF JANUARY 2013

WHEREAS, the Economic and Physical Development Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to the 514 West 168th Street LLC project to develop a hotel located at 514 West 168th Street between Audubon and Amsterdam Avenues in Washington Heights (the “Project”); and

WHEREAS, the Economic and Physical Development Committee has found it to be a desirable project, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a loan not to exceed TWO MILLION TWO HUNDRED THOUSAND DOLLARS (\$2,200,000), subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

January 23, 2013

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – 514 West 168th Street, LLC Investment – a \$2,200,000 loan to finance the construction and permanent financing of approximately 38,418 buildable square feet of hotel and medical office space at 154 West 168th Street, between Audubon Avenue and Amsterdam Avenues.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a loan to **514 West 168th Street, LLC Investment** (the “Initiative”) to finance the construction and permanent financing of approximately 38,418 buildable square feet of hotel and medical office space at 154 West 168th Street between Audubon Avenue and Amsterdam Avenues. The Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed **TWO MILLION TWO HUNDRED THOUSAND DOLLARS (\$2,200,000)** for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a loan an amount not to exceed **TWO MILLION TWO HUNDRED THOUSAND DOLLARS (\$2,200,000)** in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

January 23, 2013

TO: The Directors

FROM: Robert Steel

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for Grant to Apollo Theater Foundation Inc Initiative and
to Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone
Development Corporation ("UMEZ")
290 Lenox Avenue, 3rd Floor
New York, New York 10027

Contact: Kenneth Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A grant for key staffing and consulting components to
provide increased high-level programming and activate its
brand worldwide.

Total Initiative Cost: \$4,394,374.87

Proposed Empowerment Zone
("EZ") Investment: \$1,000,000 (Grant)

Funding Sources:

Federal EZ SSBG Funds:	\$	333,334.00
State EZ Funds:	\$	333,333.00
City EZ Funds:	\$	333,333.00
Others	\$	3,394,374.87
Total	\$	4,394,374.87

Fiscal Year: 2013

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system, which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant from UMEZ to **Apollo Theater Foundation, Inc.** The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of recovered grants is subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Projects 8 full-time over 2012 & 2013 calendar years
- Creates 8 consultants in the first year of the grant
- Retained 9 consultants

V. Residents Benefits

This Initiative will benefit EZ residents by:

- Same as above
- Purchased and implement an integrated database system
- Provide and implement strategies in marketing & fundraising efforts

VI. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain economic self-support, to prevent, reduce, or eliminate dependency.

This initiative will meet the following Federal programmatic options:

- Permanent job creation, including without limiting the foregoing, promotion, encouragement and creation of opportunities for small, medium and large business development in the EZ/EC that will create permanent jobs for the Enterprise Zone.
- The needs of existing businesses in the EZ/EC, including without limiting the foregoing, expansion of such existing businesses to stimulate job creation.

VII. Additional Materials

- A. Copy of UMEZ's Board of Directors' materials
- B. Copy of UMEZ's Board of Directors' resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

TO: NEW YORK EMPOWERMENT ZONE BOARD OF DIRECTORS
FROM: KENNETH J. KNUCKLES, PRESIDENT AND CEO
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION
DATE: JANUARY 23, 2013
SUBJECT: APOLLO THEATER FOUNDATION, INC.
REQUEST FOR: GRANT AWARD OF UP TO \$1,000,000

I. PROPOSAL SUMMARY

CIIF PROJECT MANAGER: Tracie Gilstrap
COMPANY: Apollo Theater Foundation, Inc.
CONTACT: Jonelle Procope, President & CEO
ADDRESS: 253 West 125th Street, New York, NY 10027
TELEPHONE/FAX/E-MAIL: 212-531-5332/212-662-2288/Jonelle.procope@apollotheater.org
TYPE OF BUSINESS: Performing Arts Presenter
TAX STRUCTURE: 501(c)(3)
IRS ID #: 13-3630066
DATE INCORPORATED: 1991
SCOPE OF WORK: Capstone Project
TOTAL PROJECT COST: \$ 4,394,374.87
FINANCING REQUESTED: \$1,000,000.00
FUNDING SOURCES: Federal SBG EZ Funds \$ 333,333.34
State EZ Funds: \$ 333,333.33
City EZ Funds: \$ 333,333.33
Others: \$ 3,394,374.87
TOTAL \$ 4,394,374.87

Employment:

	EZ	UM	Others	Total
Projection				
Full time	2	3	3	8
Part time	0	3	5	8
Total	2	6	8	16

I. SUMMARY OF INITIATIVE

The Apollo Theater has designed a four-year strategy, the **21st Century Apollo Campaign**, to reposition and transform the institution into a “global” Apollo. Support from UMEZ is requested for key staffing and consulting components in the first two years of this major undertaking, which will enable the Apollo to provide increased high-level programming and activate its brand worldwide.

II. DESCRIPTION OF INITIATIVE

DESCRIPTION OF BUSINESS/ORGANIZATION

For more than 78 years, the Apollo Theater has been one of America’s most iconic and influential cultural forces. Since Amateur Night contests began in 1934, the Apollo has played a major role in the emergence of musical genres including jazz, swing, bebop, R&B, gospel, blues, soul, and hip-hop. In 1991, the Apollo Theater Foundation (ATF, the Apollo) was established as a not-for-profit organization dedicated to the preservation and development of the legendary Theater.

The Apollo now presents a year-round season of programming including weekly Amateur Night at the Apollo contests, the annual month-long Holidays at the Apollo celebration, Apollo Music Café performance series on the intimate Apollo Soundstage, a Salon Series and Cross Cultural Exchange which promote emerging artists and performers from cultures represented in Upper Manhattan communities, and the annual Harlem Jazz Shrines Festival, in partnership with Harlem Stage and Jazzmobile. The Apollo also offers an array of free and low-cost programs throughout the year, which advance the theater’s historic commitment to Harlem and New York communities.

The Apollo is a leading cultural anchor for Upper Manhattan and a prime economic driver for the 125th Street corridor, engaging an annual audience of 200,000 including Harlem residents and other members of the metropolitan New York area, as well as national and international tourists. The Apollo’s outreach programs engage over 300 area public schools, public housing and social service organizations, and cultural institutions, while its education programs engage nearly 2,000 students each year with meaningful career development opportunities for high school students and intergenerational learning experiences in partnership with local public schools and senior citizens.

In 2009, with UMEZ support, ATF’s leadership created and implemented a multi-year strategic plan. Despite the significant financial downturn in the nation’s economy, ATF was able to complete the implementation strategies in a two-year period instead of three, accomplishing the following benchmarks: engaged new staff in programming, marketing, operations and development; launched successful new programming; expanded the Board of Directors and raised its expected giving level; developed the major gifts program; and revitalized the brand strategy.

Also in light of the financial crisis, ATF suspended its \$96 million capital campaign to allow a reconsideration of its financial strategies. This resulted in the re-positioning of the organization’s overall goals and the creation of the 21st Century Apollo Campaign.

DESCRIPTION OF PROJECT

The 21st Century Apollo Campaign is a bold strategy for growth anchored in the Apollo’s artistic and programming vision. Built on a substantial expansion of the Apollo’s performance calendar, this growth will be accomplished through three key initiatives: Global Apollo, Virtual Apollo, and Apollo Ventures.

- “Global Apollo” programs will expand on the theater’s role as “the soul of American culture” by carving out a unique niche for the Apollo as a leading producer/presenter of culturally-specific programming in the global cultural arena. Through strategic alliances, ATF will develop and implement national and international projects that speak to the Apollo legacy, but are also innovative and forward-looking. “Curated” rentals with shared box office income will generate additional revenue with less financial risk. These collaborations will ensure a more efficient and effective use of resources and provide greater impact than if the Apollo acted as sole producer of major events/festivals and performing arts projects.
- “Virtual Apollo” represents a digital media strategy that speaks to the artistic mission and creates a dynamic presence for the Apollo in the virtual world with unique digital content. This effort will engage a local and world-wide online community with content creation/evaluation; enhance core programs and showcase archival and historical content; provide ongoing, global brand support and exposure through a controlled medium; and provide potential revenue opportunities through sponsorship, advertising and merchandising.
- “Apollo Ventures” seeks to identify opportunities that build on the artistic mission and extend the brand, enhance institutional visibility and create diverse revenue streams by leveraging the Apollo’s worldwide brand recognition and unique content.

The “Global Apollo” approach to program expansion encompasses the following major plans:

- AMATEUR NIGHT AT THE APOLLO will grow to 40 weeks by 2013; immediate expansion plans include Amateur Night: Dance (August 2012); Amateur Night: London (September 2012) and Amateur Night: Broadway (March 2013). Since its re-inception, Amateur Night regularly sells out and has increased ticket sales from \$31,150 to over \$1 million.
- LARGE-SCALE CONCERTS will be developed, such as *Questlove Afro-Picks*, created by visionary Questlove; *Soul of Brazil*, featuring the rich variety of Afro-Brazilian sounds; *Africa Now*, a weekend concert series featuring contemporary artists from Africa; and *Sweet Honey in the Rock*, a premiere by the internationally renowned a cappella ensemble.
- The new LEGACY series, launched in 2011 with the Harlem Jazz Shrines Festival, will develop major projects such as *The James Brown Project: The Anatomy of Funk*; *Ellington Holiday Revue*; the *Jewel Box Revue*; the *Savoy Ballroom*; and *The Cotton Club*, which will transform the theater itself into an elegant club environment arranged in the horseshoe shape reminiscent of the Cotton Club.
- CROSS CULTURAL EXCHANGE SERIES is a new annual festival that will bring artists from around the world to participate in Main stage and Soundstage performances, workshops and other activities unique to a particular culture or art form. The Festival positions the Apollo as a “gateway” for international artists to appear in New York City and across the U.S., in partnership with other presenters. The first project will be *Breakin’ Convention*, an annual international festival of Hip Hop dance theater that takes place at Sadler’s Wells in London and includes DJs, film and graffiti art.
- The Apollo will present a variety of SPECIAL PROJECTS in collaboration with other organizations, to include concert versions of new musicals, major poetry/music events, and other multi-disciplinary events. Many are conceived and led by master artists in their fields. Projects include Winans family’s *Through My Eyes*; Jessye Norman’s *Ask Your Mama*; and Sekou Sundiata’s *Tongues of Fire*.
- APOLLO MUSIC CAFÉ, intimate concerts with artists from the independent music scene, will be regularly programmed from October through June.

- The new SALON SERIES provides development support for contemporary new work by emerging and established artists. The Series serves as a testing ground for new large-scale projects that might be presented on the Apollo's Main stage, as well as developing new audiences.
- HOLIDAYS AT THE APOLLO, a month-long series December, will celebrate holiday traditions with special programming such as *Ballet Hispanico, Coca-Cola Caravan, AN Stars of Tomorrow, and Kwanzaa Celebration*.
- As these programming initiatives take shape, the Apollo will draw on them to expand its EDUCATION and COMMUNITY offerings, which include residencies, workshops, tours for schools; curriculum materials, career development, discussions and lectures for the public .

Taken together, these initiatives will accomplish the following goals:

- increase presenting and rental activities to reach 225 days annually (239 is considered 100%)
- attract new and larger audiences to the Apollo Theater and the 125th Street corridor
- build national and international touring of Apollo programming and projects
- expand broadcast activity to further promote and activate the Apollo brand
- increase earned revenue from ticket sales, rentals and corporate sponsorships
- develop new sources of earned income
- expand the fundraising pipeline with the addition of new audiences and internet followers
- provide new opportunities to solicit targeted project support from the private sector
- advance on-line brand exposure and ultimately generate new revenue through digital advertising and/or sponsorship

Finally, the Campaign includes the establishment of a cash reserve to strengthen management operations and eliminate the expense of short-term financing.

The 21st Century Apollo Campaign fundraising goals are aggressive: increasing from an annual \$6 million contributed income level to \$10 million by FY16; and securing an overall four-year contributions total of \$39 million (see Operating Actuals and Budgets FY13-FY16). With particular emphasis on establishing a significant major gifts program, it will be crucial to develop new individual, corporate and foundation support at a variety of levels to ensure that the institution has a stable, flexible and varied funding base on which to build in the coming years. Upon the completion of the Campaign, ATF expects to have increased its annual operating budget from \$10 million in FY12 to \$16 million in FY16.

The following chart indicates the dramatic growth in contributed income from current levels to increased goals throughout the time span of the Campaign:

Growth in Contributed Income FY09 to FY16

To date, financial commitments for the Campaign have been received from ATF's Board Chair, Richard Parsons in the amount of \$1 million, \$500,000 from an anonymous individual donor, and \$350,000 from the Ford Foundation.

Support from UMEZ, in the form of a \$1 million Capstone Grant, will act as a springboard in leveraging additional leadership gifts and major support from a variety of donors. Grant funds will specifically fund the implementation of this large-scale institutional capacity-building effort through new staff positions and related costs in program development, marketing, and fundraising; consultants with the appropriate skills and expertise for the Virtual Apollo and Apollo Ventures; and consultants for the 21st Century Apollo Campaign and ongoing strategic planning efforts.

Program Development

To manage expanded programming, ATF will hire a second full-time **Program Manager** to support the Senior Director of Programming. The current Program Manager will focus on administrative responsibilities for all program areas – performing arts, education and community. The new Program Manager will provide support for all artist relations for main stage and soundstage program activities; assist with research related to artistic programming and booking; support the integration of new programming into the Apollo's general systems and operations; and serve as liaison between the programming department and the marketing, development, and education departments.

To support the planned growth of programming activity in the theater, a new position, **Director of Theater Operations**, will be brought on. In addition to operating responsibilities, this person will coordinate and seek synergy across rental projects and ongoing "Apollo Presents" programming.

Related program development expense will include such costs as contracted project managers with specific subject matter expertise, travel, and evaluation activities to assess program effectiveness.

Marketing

To leverage the expanded programming and reposition the institution in the public eye, the marketing department will expand its responsibilities to include new marketing and public relations strategies for programming, rentals and digital media, as well as the Campaign itself.

To meet this expanded scope of work, the Marketing Division has been re-structured. The Senior Director of Marketing will oversee implementation of the new marketing strategies. A **Marketing Director** will be hired to execute the campaigns; manage ATF's marketing assets (marquee, plasma, web presence, and lobby); assist theater rental clients; administer audience development initiatives;

develop and implement cross promotions in all media; and collaborate with the Community Program Manager. A **Marketing Assistant** will be hired to assist the Marketing Director with these expanded activities.

A top Campaign priority will be to establish a unified database that synthesizes information across all administrative departments. ATF will invest in Archtics, an integrated database system by Ticketmaster, which includes a ticketing function, donor management program, sophisticated marketing tools and CRM system, and extensive reporting capabilities. To implement the conversion and maintain the system, ATF will hire a **Database Manager**, who will manage the database and handle e-blasts, social media links and other related digital activities. The new database will greatly increase the Apollo's ability to make sophisticated marketing decisions and provide effective stewardship of its customers and donors.

Four consultants will be engaged to provide planning, evaluation and design expertise in support of the marketing efforts under the 21st Century Apollo Campaign.

- **AMS Planning and Research** will conduct an intercept survey to provide ATF with a deeper understanding of its audience. Covering the period of May 2012 to June 2013, AMS will collect information on audience demographics, participation, opinions and motivations.
- **Ann Murphy/Culturepro.org** will create a survey of the Apollo's online mailing list, undertake a Metro-Awareness and Perception Study and implement an on-site lead and data capture program in support of an expanded customer-focused marketing program.
- **Resnicow Schroeder Associates (RSA)**, public relations consultants, will develop public strategies, messaging, collateral materials, and manage press for the public launch and subsequent visibility of the 21st Century Apollo Campaign.
- **Pentagram**, the brand design firm, will create Campaign materials supported by the UMEZ proposed funding to build on the graphic identity established in their previous work for the Apollo.

Development

To launch this major undertaking, a new **Director of Institutional Relations and Campaign** position was created in January 2012 to identify, cultivate, solicit, and steward institutional donors for the Apollo Theater, with a particular focus on strategies to attract new foundation prospects and corporate sponsorships both for annual support and for leadership gifts to the campaign.

Dunch Arts has recently been retained as the **Campaign Fundraising Consultant** to assist the development team in structuring the 21st Century Apollo Campaign through the creation of a compelling case statement, developing a prospect pool and gift pyramid, and devising the solicitation plan and Campaign timeline. The scope of work includes conducting a detailed feasibility study, providing solicitation training to the Board, and identifying key individuals to support the Campaign at the leadership level.

The successful completion of the Campaign will require significant participation by the Apollo's President. To ensure that her time is most efficiently and strategically managed, a **Project Manager** will be added to the executive office staff. The Project Manager's responsibilities include providing support for the President on campaign issues and the strategic plan, and coordinating her work with the Board, Campaign committee, major donors, and the Campaign consultant.

Increased support from individual donors offers the Apollo the most significant opportunity for new contributed income. Working with the Campaign Fundraising Consultant, ATF will revamp and expand its individual giving program, using the year-round calendar of events and activities to

identify, cultivate, and solicit new donors and prospects at all levels. ATF has calculated an increase of 875 new donors over the next four years, based on a 0.25% (one quarter of one percent) conversion of new audience members to donors. The Archtics database will provide essential support for this effort.

In order to steward this projected growth of the donor base, ATF will create a second full-time **Development Manager** position to focus on individual giving. Responsibilities will be to build the membership program by identifying and soliciting new donors; steward and renew current members and mid-level donors; and develop and implement campaign cultivation and stewardship events.

To assist in integrating these multiple fundraising activities, a short-term **Development Consultant** will provide support for implementation of cultivation and stewardship activities and establish internal procedures for processing donations.

Virtual Apollo

A recent, modest investment in a six-month digital strategy for Amateur Night more than doubled the Apollo's online audiences in terms of page views, number of visits, and video views. This has demonstrated that ATF can increase traffic to new online destinations without losing traffic and audiences for its existing ATF platform. It is critical that ATF now invest in the expertise and strategic alliances necessary to formulate and execute an innovative digital media strategy for a broader interactive online and social media engagement.

A **Digital Media Manager** will be engaged, initially in a consultant capacity and transitioning to a full-time staff position in 2013. This position will manage the development of an overarching Apollo Digital Media strategy. This position will work closely with the Senior Director of Marketing to ensure that all efforts compliment the institutional marketing plan, and will track and report out with an in-depth analysis of each strategic component.

Content to support the new Amateur Night on-line platform will be provided by an **Amateur Night Digital Media Team** that includes a Video Production Crew and a Digital Media Correspondent as the online voice of the Apollo, providing social media posting and blogging.

Apollo Ventures

Efforts undertaken over the past few years have yielded valuable insight into the Apollo brand equity, long-range timelines required for new undertakings and a deeper understanding of risk tolerance of ATF and potential partners. With this learning in hand, ATF proposes to retain a **Ventures Consultant** who will work closely with ATF's President and Executive Producer to assess ATF's programming for Ventures opportunities; seek and evaluate new third-party licensing opportunities; and represent the Apollo in the execution of third party licenses, including securing the appropriate artistic and brand approvals from Apollo's executive team.

Strategic Planning

Guided by the goals of the 21st Century Apollo Campaign, the Apollo will develop, monitor and update a new institutional strategic plan for the years 2013 through 2017. The organization will engage AMS as the **Strategic Planning Consultant** for this critical effort.

JOB CREATION

The 21st Century Apollo Campaign calls for ATF to hire eight full-time positions over the 2012 and 2013 calendar years. ATF will also engage eight consultants in the first year of this grant. These

consultancies will be completed in 2012 with the exception of the Digital Media Manager consultant and the Amateur Night Digital Media Team. These two consultancies will extend into the second year of the grant, with the Digital Media Manager transitioning into a full-time staff position in 2013.

PROJECTED OUTCOMES

At the end of the two-year UMEZ investment period, the Apollo will have:

- engaged eight full-time staff: Program Manager, Director of Theater Operations, Marketing Director, Marketing Assistant, Database Manager, Director of Institutional Relations and Campaign, Project Manager, and Development Manager;
- retained nine consultants in the following areas: market research (two), public relations, design, campaign fundraising, development, digital media, licensing, and strategic planning;
- converted the Digital Media Manager consultant to a full-time staff position;
- purchased and implemented an integrated database system; and
- developed and implemented strategies around marketing and fundraising efforts.

These grant-specific activities will yield the following results:

- provide support for a continued increase in ATF's programming activity;
- increase audiences by 20% over two years;
- increase the Apollo's digital presence and on-line engagement;
- increase earned revenue by 10% over two years;
- increased contributed revenue by 12.5% over two years; and
- provide a sustainable, diverse, and flexible revenue model for continued growth.

The proposed grant from UMEZ will thus set a strong infrastructure in place for further expansion of the Apollo in the global marketplace, generating new revenue streams to support the institution beyond the life of the UMEZ investments.

III. FINANCING REQUESTED

FUNDING SOURCES

Source	Total
Federal EZ Funds	\$ 333,333.34
State EZ Funds	\$ 333,333.33
City EZ Funds	\$ 333,333.33
Total Commitment	\$ 1,000,000.00
Committed Funds	
Ford Foundation	\$ 350,000.00
Anonymous Donor	\$ 400,000.00
Richard Parsons Corporation	\$ 750,000.00
Government	\$ 100,000.00
Total Committed Funds	\$ 2,350,000.00
Uncommitted Funds	\$ 1,044,374.87
Grand Total Funds	\$ 4,394,374.87

PROJECT BUDGET

Sources		Uses	
UMEZ	\$ 1,000,000.00	Salaries	\$ 1,719,371.67
Committed	\$ 2,350,000.00	Fringe	\$ 304,398.20
Uncommitted	\$ 1,044,374.87	Consultants	\$ 482,355.00
		Program Development	\$ 348,750.00
		Presentations	\$ 1,275,000.00
		Campaign Materials	\$ 25,000.00
		Media Marketing	\$ 100,000.00
		Ticket System	\$ 90,000.00
		Board Development	\$ 49,500.00
Grand Total	\$ 4,394,374.87		\$ 4,394,374.87

LIST ANY PRIOR UMEZ FUNDING AND/OR PRIOR APPLICATIONS

- Strategic plan implementation \$ 1,736,483
- Capital renovation project \$ 2,500,000
- Real estate development plan \$ 250,000
- Forgivable loan to support Harlem Song \$ 250,000
- Marketing and merchandising initiatives \$ 205,000

INDICATE HOW THE PROPOSAL MEETS THE EZ INVESTMENT CRITERIA

A. Impact

- Program expansion supported by this grant will drive new visitorship to 125th Street.
- The Campaign will move the Apollo to an institutional level more appropriate to its legacy.
- A dynamic digital presence will draw wider recognition to the Apollo, with extended benefits for audience growth and fundraising opportunities.
- Expanded programming will significantly increase employment (300 performers and 2,400 labor hours for production staff).

B. Feasibility

- The new employment structure will provide optimal staffing for the planned growth.
- Working with groups of local, national and/or international partners creates a more effective development and distribution system for Apollo programming.
- The testing and refinement of new and recent programming series has provided a model for continued development of Apollo-branded presentations.
- The Apollo brand and signature programs taking place on the historic Apollo stage will be attractive to key national and international venues.
- The Apollo board has recently undergone self-assessment and expansion, adding six new members to the board in FY11.
- The Board chair has pledged \$1 million toward the Campaign as a leadership gift.
- ATF successfully completed its previous multiyear capacity-building plan despite the economic downturn and has maintained a balanced operating budget of \$9 million for the past three fiscal years.
- ATF's recent experience with digital strategy for Amateur Night offers a strong platform for the planned expansion for the on-line Virtual Apollo.

C. Strengths

- The Apollo Theater is an historic landmark venue with a unique cultural legacy.
- The Apollo Theater is one of the top three tourist destinations in upper Manhattan.
- The new integrated database will provide a crucial tool for sophisticated marketing and development strategies.
- The Campaign proposes a rigorous effort to strengthen ATF's earned income capacity.
- The Campaign focuses on diversifying ATF's contributions base with particular emphasis on major gifts from individuals.
- The digital media strategies will dramatically increase visibility and visitorship.
- ATF has an exceptional track record of achieving its goals.

D. Risks

- The Campaign revenue goals are very aggressive.
- Rapid staff build-up can be challenging.

IV. FINANCIALS

See Attachment

V. RECOMMENDATION

UMEZ Grant Amount: up to \$1 million

Term: two-year grant

Conditions:

Apollo Theater Foundation

Notes to Financials

Statement of Financial Position

Assets:

- **Cash and Cash Equivalents / Inventories:** In FY09 a \$420,000 fee prepayment was made to the Smithsonian for Apollo Exhibition, causing a decrease in cash. This repayment is included in Inventories and other current assets at 6/30/09. In FY10, the fee was expensed and released from Inventories and other current assets.
- **Cash Restricted:** Restricted cash was used for the capital project, as evidenced by the increase in Property and Equipment.
- **Unconditional promises to give:** Significant pledges were paid in FY11, including Parsons \$309,322; Neuberger Berman \$200,000; Liggins \$200,000; Phillips \$333,334; Mertz Gilmore \$250,000; Bloomberg \$250,000; and Time Warner \$90,000.
- **Property and Equipment:** Increase is due to capital project activity, as evidenced by the decrease in restricted cash.

Liabilities:

- **Notes Payable:** The Apollo holds a line of credit to be used for working capital and a second line of credit to be used for initiatives. A full reconciliation of cash balances is provided in the Statement of Cash Flows in the audited financial statements.
- **Contract Advance:** Contract advance is decreased annually as the 10-year sponsorship from Coca Cola is recognized.

Net Assets:

- **Additional Paid-in-Capital / Members' Equity:** The annual change reflects the net activity in the Apollo Theater Lessor entity, which was created to access New Market and Historic tax credits generated as part of the rehabilitation of the theater.

Statement of Activities

- **Membership Income:** Increase in FY10 reflects launch of National Committee membership level; not all memberships were renewed in FY11.
- **Fundraising Benefit:** Increase in FY11 income and direct expense reflects the impact of new board membership.
- **Capital contributions received from minority member:** Annual contribution amounts reflect payment schedule for investor purchase of tax credits related to the renovation project.

Operating Actual and Budgets

Earned Income:

- **Admissions / Facility Rental Income:** Ticket sales for *Dreamgirls* created a one-time increase in admissions in FY10. Its three week run reduced the number of rental days available, thus the decrease in rental income in FY10.
- **Admissions:** The impact of the 21st Century Apollo Campaign will be to allow the Apollo to present year-round programming, resulting in an increase in ticket sales beginning in FY13.
- **Royalties and license fees:** Increase in FY13 and FY14 assumes renewal of BET license for a new television show.

Operating Actual and Budgets (continued)

Contributed Income:

- **Government Support:** Increase in FY11 reflects one-time \$150,000 funding from the NYC Theater Subdistrict Council.
- **Foundations:** FY10 reflects impact of financial recession on foundation giving.
- **Individuals – Board of Directors / Individuals – Others:** FY13 reflects the first full year of the 21st Century Apollo Campaign; increased giving commitments have been pledged by two board members to date; solicitations of other individuals will begin this summer.

Expenses:

- **Advertising and marketing:** In support of the new programming made possible by the 21st Century Apollo Campaign, there will be significant increases in FY12, FY13 and FY15 for marketing expenditures for the Digital Apollo initiative, major media buys, and targeted market research.

\$US

REVENUES AND OTHER SUPPORT

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
	Actual	Actual	Actual	Forecast	Budget	Budget	Budget	Budget
Earned Income								
Admissions	933,587	1,777,659	1,278,588	1,463,890	2,348,910	2,215,310	2,950,310	3,200,310
Royalties and Licensing Fees	0	0	0	32,500	50,000	95,000	95,000	95,000
Facility Rental Income	2,259,726	1,589,519	1,587,754	1,900,000	2,000,000	2,050,000	2,100,000	2,150,000
Merchandise Sales	221,028	119,522	121,154	130,550	165,000	190,000	220,000	265,000
<Less Cost of Merchandise>	0	0	0	(33,480)	(40,000)	(48,000)	(56,000)	(72,000)
Total Earned Income	3,414,341	3,486,700	2,987,496	3,493,460	4,523,910	4,502,310	5,309,310	5,638,310
Contributed Income								
Government Support	41,667	92,635	233,890	77,500	77,500	82,000	95,000	100,000
Corporations	2,011,247	3,095,226	2,076,983	1,580,000	1,695,000	1,800,000	1,974,000	2,145,000
Foundations	617,360	87,192	632,790	827,500	975,000	1,100,000	1,300,000	1,300,000
UMEZ Support	116,410	956,399	663,671	273,779	597,660	128,560	0	0
Individuals - Board of Directors	350,000	400,000	416,776	828,450	1,000,000	1,100,000	1,175,000	1,175,000
Individuals - Others	491,372	419,561	520,134	550,000	1,123,210	1,551,130	2,102,710	2,102,700
Special Events (gross)	1,380,345	1,051,125	2,169,129	2,856,258	3,430,920	3,409,910	3,809,910	3,809,910
Total Contributed Income *	5,008,401	6,102,138	6,713,373	6,993,487	8,899,290	9,171,600	10,456,620	10,632,610
TOTAL REVENUES AND OTHER SUPPORT	8,422,742	9,588,838	9,700,869	10,486,947	13,423,200	13,673,910	15,765,930	16,270,920

% Change in Revenue	14%	1%	8%	28%	2%	15%	3%
% Change in Expense	18%	1%	10%	28%	2%	15%	3%
Income Mix: Earned	41%	36%	31%	33%	34%	33%	34%
Contributed	59%	64%	69%	67%	66%	67%	66%

EXPENSES (presented in two different formats)

Salaries and Employee Benefits	4,865,342	5,561,087	5,477,694	3,823,017	4,955,920	5,153,980	5,648,000	5,756,990
Professional Fees	1,224,149	1,726,535	1,409,054	0	0	0	0	0
Office Supplies and Expense	144,859	110,566	94,889	0	0	0	0	0
Printing & Reproduction	236,949	121,928	150,067	0	0	0	0	0
Occupancy Costs	776,783	938,636	956,649	0	0	0	0	0
Travel and Transportation	158,431	235,296	253,302	0	0	0	0	0
Advertising and Marketing	162,481	207,184	331,147	505,655	716,780	747,280	1,082,280	1,197,280
Special Events direct expense	305,782	317,744	505,250	907,508	1,008,450	1,008,450	1,008,450	1,008,450
Program / Exhibit Expense	51,396	40,152	85,301	2,094,282	3,561,680	3,517,830	4,552,830	4,802,830
Operations Expenses	0	0	0	2,285,395	2,492,420	2,523,420	2,654,420	2,685,420
Executive Expenses	0	0	0	208,260	182,460	217,460	212,460	212,460
Fundraising expenses	0	0	0	185,000	217,000	217,000	319,000	319,000
Interest Expense	51,863	53,153	70,507	227,830	288,490	288,490	288,490	288,490
Other Expense	73,415	158,847	239,156	250,000	0	0	0	0
TOTAL EXPENSES	8,051,450	9,471,128	9,573,016	10,486,947	13,423,200	13,673,910	15,765,930	16,270,920
TOTAL OPERATING SURPLUS /<DEFICIT>	371,292	117,710	127,853	0	0	0	0	0

* Total Contributed Income for FY13 through FY16 = 39,160,120

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND A
CULTURAL INDUSTRY INVESTMENT FUND PROJECT**

AT A REGULAR MEETING HELD ON THE 14TH DAY OF MAY 2012

WHEREAS, the Cultural Industry Investment Fund Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to a grant for a period of two (2) years to Apollo Theater Foundation, Inc. (“Apollo”) for a capstone project (the “Project”); and

WHEREAS, the Cultural Industry Investment Fund Committee has found it to be a desirable project, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support. .

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a grant for a period of two (2) years not to exceed ONE MILLION DOLLARS (\$1,000,000), subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

January 23, 2013

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Apollo Theater Foundation, Inc. – a \$1,000,000 grant for key staffing and consulting components to provide increased high-level programming and activate its brand worldwide.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to **Apollo Theater Foundation, Inc.** (the “Initiative”) for key staffing and consulting components to provide increased high-level programming and activate its brand worldwide. The Corporation is hereby authorized to disburse funds to UMEZ an amount not to exceed **ONE MILLION DOLLARS (\$1,000,000)** for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed **ONE MILLION DOLLARS (\$1,000,000)** in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

January 23, 2013

TO: The Directors

FROM: Robert Steel

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone Development Corporation

REQUEST FOR: **Authorization for Grant to Classical Theater of Harlem and to Take Related Actions.**

I. Initiative Summary

Organization Name: Upper Manhattan Empowerment Zone Development Corporation ("UMEZ")
290 Lenox Avenue, 3rd Floor
New York, New York 10027

Contact: Kenneth J. Knuckles
President and CEO
(212) 410-0030

Proposed Initiative: A grant to underwrite two key staff positions to oversee its daily operations, revenue generation initiatives and growth in program activity.

Total Initiative Cost: \$643,710.31

Proposed Empowerment Zone ("EZ") Investment: \$312,061 (Grant)

Funding Sources:

Federal EZ SSBG Funds:	\$	104,020.00
State EZ Funds:	\$	104,020.00
City EZ Funds:	\$	104,021.00
Other:	\$	331,649.31

TOTAL \$ 643,710.31

Fiscal Year: 2013

II. Initiative Narrative

Attached are materials prepared by UMEZ for its Board of Directors containing narrative information regarding this initiative.

III. Conditions for Approval

Funding is subject to the Corporation's approval of UMEZ's monitoring system which must ensure that adequate policies and procedures are adopted to safeguard against misappropriation and provide for appropriate controls with respect to each grant.

The release of funds for this initiative is subject to certification by the Deputy Mayor's Office (i) that all procurement solicitation processes fulfill all applicable requirements set forth in the Operating Principles Memorandum of Understanding (the "MOU") dated as of January 19, 1996, and (ii) that each procurement selection process has been completed in accordance with those requirements.

The release of funds for this initiative is subject to UMEZ presenting to the Corporation for approval detailed written information on implementation of this initiative and the terms and conditions for the grant from UMEZ to **Classical Theater of Harlem**. The provision of funding for this initiative is contingent upon the Corporation receiving satisfactory evidence of all other funding sources for the initiative.

The disposition of recovered grants is subject to the approval of New York Empowerment Zone Corporation's Board of Directors.

IV. Initiative Benchmarks

The initiative will achieve the following benchmarks:

- Create four-full time jobs
- Rebuild its infrastructure
- Develop organizational infrastructure

This initiative will benefit EZ residents:

- Same as above

V. Federal Funding Goals

This initiative will meet the following Federal funding goals:

- Achieve or maintain self-sufficiency by reducing or preventing social dependency.

This initiative will meet the following Federal programmatic options:

- Permanent job creation, including without limiting the foregoing, promotion, encouragement and creation of opportunities for small, medium and large business development in the EZ/EC that will create permanent jobs for the Enterprise Zone.
- Increasing the number of permanent –job creating new businesses in the EZ/EC.
- Leveraging of Federal, State, and City EZ/EC funding and not-for-profit funding with private capital.

VII. Additional Materials

- A. Copy of UMEZ’s Board of Directors’ materials
- B. Copy of UMEZ’s Board of Directors’ resolution recommending this initiative for final approval by the Directors
- C. Resolution of the Directors

FOR CONSIDERATION

TO: NEW YORK EMPOWERMENT ZONE BOARD OF DIRECTORS

FROM: KENNETH J. KNUCKLES, PRESIDENT AND CEO
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION

DATE: JANUARY 23, 2013

SUBJECT: CLASSICAL THEATRE OF HARLEM, INC.

REQUEST FOR: GRANT AWARD OF UP TO \$312,061.00

I. PROPOSAL SUMMARY

CIIF PROJECT MANAGER: Aminah Yoba

COMPANY: Classical Theatre of Harlem, Inc.

CONTACT: Ty Jones, Producing Director; Charles Sims, Board Member;
Greg Mays, Treasurer

ADDRESS: 566 West 159th Street, Suite 44, New York, NY 10032

TELEPHONE/FAX/E-MAIL: 212-564-9983/212-564-9109/cth2001@gmail.com/csims@gmail.com
www.classicaltheatreofharlem.org

TYPE OF BUSINESS: Theater

TAX STRUCTURE: 501 (c) (3) Non-Profit Corporation

IRS TAX ID#: 13-4046782

DATE INCORPORATED: July 2001

TOTAL PROJECT COST: \$643,710.31

FINANCING REQUESTED: \$312,061.00

TIME FRAME: 30 months

FUNDING SOURCES:

Federal SBG EZ Funds	\$ 104,020.33
State EZ Funds	\$ 104,020.33
City EZ Funds	\$ 104,020.34
Others: (Specify, if any)	\$ <u>331,649.31</u>
Total	\$ 643,710.31

EMPLOYMENT:

	EZ	UM	Others	Total
Projection				
Full time	1	2	1	4
Part time	0	0	0	0
Consultant	0	0	1	1
Total	1	2	2	5

I. SUMMARY OF INITIATIVE

The Classical Theater of Harlem has prepared a strategic plan, entitled **A Bold Stride into the Future: Discipline and Transparency**, to articulate its mission, program goals, governance and administrative structure and financial projections over the next four years. Paramount in this effort is the need to rebuild its infrastructure and operational capacity following a Board-directed transition in leadership. Support from UMEZ is requested to underwrite two key staff positions, which would provide the professional personnel needed to oversee its daily operations, revenue generation initiatives, and growth in program activity.

Sources		Uses	
UMEZ	\$ 312,061.00	Salaries	\$ 408,700.00
Committed	\$ 26,000.00	Fringe	\$ 98,210.31
Uncommitted	\$ 305,649.31	Human Resource Consultant	\$ 33,000.00
		Non-Personnel Expenses	\$ 103,800.00
Total			\$ 643,710.31

II. DESCRIPTION OF INITIATIVE

DESCRIPTION OF BUSINESS/ORGANIZATION

BACKGROUND

The Classical Theatre of Harlem (CTH, the Company) is a Harlem-based 501(c)(3) not-for-profit professional theatre company co-founded in 1999 by Chris McElroen and Alfred Preisser with the mission of maintaining a professional theater company dedicated to presenting the "classics" in Harlem; creating employment and educational outreach opportunities in the theater arts community; nurturing a new, young and culturally diverse audience for the "classics"; and heightening the awareness of theater and of great art in Harlem. The impetus of the company grew out of a Shakespeare workshop taught by McElroen and Preisser at the Harlem School of the Arts in 1998. Encouraged by the success of this program, the two joined forces with beginning and experienced actors, nascent and long-term theater professionals and supportive community residents to build a full-fledged professional theater company.

Since its founding, CTH has presented nearly forty productions, ranging from works by classical playwrights (Anton Chekhov, Samuel Beckett and William Shakespeare) and established African-American playwrights (August Wilson, Langston Hughes and Derek Walcott) to new works by emerging playwrights. These productions radically reinvent Greek classics such as *Medea*, Elizabethan masterpieces such as *Macbeth* and *Romeo and Juliet*, and 20th century African-American classics such as *Ain't Supposed to Die a Natural Death*, in ways that connect with fast-paced, special-effects-saturated multimedia consumers, while satisfying the sensibilities of long-time theater goers. Through these presentations, the Company seeks to entertain diverse audiences who desire to be emotionally engaged and intellectually satisfied by productions anchored in the context of the African Diaspora.

To date, CTH's productions have reached an ethnically and economically diverse audience of over 130,000 patrons. 65% of CTH's audience is under the age of 45 and 20% are under 25. In addition, 69% of its audience is comprised of people of color; 57% are African-American. These demographics are in stark contrast to conventional Broadway audiences, who average 44 years of age and are 83% Caucasian.

CTH prides itself on being the only year-round theatre company in Harlem operating on an Actors Equity Association contract. For its leading roles, the Company employs performers who are under-represented in classical theater, specifically actors of color, including African-Americans, Asians, Latinos and East Indians. CTH combines this non-traditional casting structure with original adaptations, music and dance in ways that render works from the classical canon as fresh, innovative, and essentially a new experience of world classics.

The organization has established itself as a forceful presence on the landscape of American theater. Its groundbreaking productions have been recognized with 18 AUDELCO Awards for Excellence in Black Theatre; the 2008 American Theater Wing Award; two Lucille Lortel Awards, one for Outstanding Body of Work; a Drama Desk Award for Artistic Excellence; five OBIE Awards; and the Edwin Booth Award for Artistic Excellence, following in the steps of past honorees such as Joseph Papp and The Royal Shakespeare Company. *The New York Times* has described CTH as "remarkable, important and valuable theater" while *New York Magazine* has cited CTH as having "The youngest, most diverse audiences in town."

To realize its mission, CTH's four programmatic areas are as follows:

The Season: CTH currently presents two high-caliber main-stage productions per year, which have been mounted at various venues in Harlem, including Harlem Stage, the National Black Theatre and the Malcolm X and Dr. Betty Shabazz Cultural Center. By 2014, CTH intends to produce four productions under this program, as it had regularly done until 2009.

Free Theater in the Park: In partnership with the New York City Parks Department, CTH presents a three-day run of a classic Shakespearian play at outdoor theaters at various parks throughout New York City. Beginning in the summer of 2013, CTH will expand this program by extending its production to a three-week run at the Richard Rogers Amphitheater in Mount Morris Park, thus providing Harlem residents with an uptown edition of "Shakespeare in the Park."

Future Classics: In partnership with the Malcolm X & Dr. Betty Shabazz Memorial and Education Center, this program supports and promotes emerging playwrights, in particular African-American writers, whose work is persistently underrepresented on American stages. Through a series of workshops, plays in the early stages of development are presented with professional actors and directors, thus providing invaluable feedback to the authors as they develop their scripts.

Project Classics: In partnership with the New York City Housing Authority, the Company takes a holistic approach to introducing theater arts to children in public housing. Launched in 2010, this education program, presented in an after-school setting, instructs children in various aspects of theater arts, including music, voice, dance and movement, sound and scene study; the program culminates in an annual theatrical showcase starring the children. These children are also introduced, some for the first time, to professional theater productions, both on and off-Broadway.

CTH's programs have thus far created over 500 artist opportunities and assisted 62 actors in becoming members of the Actors Equity Association – an unparalleled achievement for a theater company of its size. Its *Future Classics* program has shown a spotlight on emerging talents; many of the plays presented in reading format have gone on to achieve critical success in staged productions. As an example, playwright Katori Hall presented a new work, *The Mountaintop*, in a *Future Classics* workshop; it opened on Broadway in 2011, starring Samuel L. Jackson and Angela Bassett, to rave reviews. The London production of *The Mountaintop* won the 2010 Laurence Olivier Award for Best New Play. Of the Classical Theatre of Harlem, Ms. Hall writes:

“Simply put, the Classical Theatre of Harlem is my home; there I bloomed and prospered, growing as a human being, growing as an artist. Seven years later, I am a young playwright who has found a place of support for my work and am now being developed as a writer through the Future Classics Reading series and workshops. CTH has been the perfect place for me because CTH creates theatre that matters.”

Now in its twelfth year, CTH remains committed to the creation and cultivation of a new and dynamic theatre culture in a community that hungers for engagement, serving its mission to present great classics of world literature as well as contemporary works that will stand the test of time.

ORGANIZATIONAL TRANSITION

Despite CTH’s artistic success during its first decade, the organization itself had remained a tightly controlled startup, never establishing the managerial, administrative, and financial systems required to become a sustainable operation. The looming economic crisis in 2008 ultimately forced CTH to address the company’s underlying structural weakness. Recognizing that the company would not be able to sustain its level of activity with its skeletal staff of two-full time employees, CTH approached UMEZ for capacity building support and the creation of a five-year business plan. After evaluating CTH’s request and reviewing its audited financials, UMEZ determined that CTH should complete the business plan before a direct investment would be considered; moreover, it was determined that a comprehensive assessment of the organization’s financial management systems and record keeping needed to be conducted. To accomplish this undertaking, UMEZ awarded CTH a technical assistance award of \$50,000 to undergo an organizational assessment and develop a five-year business plan.

In 2009, during the financial assessment phase of the work, it was discovered that the Board-imposed financial safeguards had been bypassed by CTH’s two co-founders. Subsequent to this finding, disputes over financial accountability caused insurmountable friction between the Board and the co-founders, which left the Board with no alternative but to insist upon their resignations. Given this sudden change of leadership and the need for immediate action to recover from that change, UMEZ revised the consultant’s scope of work to eliminate the business plan and provide support for CTH in dealing with re-building the management team, sorting out contracts for work in progress, developing an approach to debt retirement and evaluating and adopting new programs.

The abrupt but necessary removal of the Company’s co-founders coincided with the sharp downturn in the economy, which had also led to significant cuts in funding for the arts. Vowing to preserve the integrity and artistic merit of the Company, CTH’s six-member Board, comprised of theater professionals, lawyers and financial managers, took control of the organization. Guided by counsel from the law firm Kramer Levin, the nonprofit management consulting firm Cause Effective and The Kennedy Center’s arts management program, the Board of Directors began charting a new and productive course for the organization. In the year that followed, the Board, along with a group of volunteers, took on roles as the organization’s staff: to facilitate the continuation of its programmatic activities, CTH’s Board Chair Ty Jones, an Obie Award-winning actor, stepped in to act as the Company’s Interim Artistic and Producing Director; Board Treasurer Greg Mays and Board member Charles Sims took on the responsibility for financial management; and other members devoted their time to securing contributions. Reflecting the dedication and abilities of this governing board, all of the above actions were undertaken quickly and efficiently, before the organization was irreparably damaged.

While the general management of CTH is currently being handled by its Board, CTH employs a part-time staff, which includes a Producing Associate, Website/Social Media Coordinator and an Administrator.

Below is a snapshot of CTH's achievements over the past three years:

- FY10** ✓ Launched a new program, *Project Classics*, dedicated to introducing and teaching children in New York Public Housing to theater arts.
 - ✓ Held eight *Future Classics* play readings.

- FY11** ✓ Held 11 *Future Classics* play readings.
 - ✓ Completed a comprehensive four-year strategic plan, entitled **A Bold Stride into the Future: Discipline and Transparency**.

- FY12** ✓ Re-established its "Free Theater in the Park" program with a production of *Henry V*, which previewed at the Richard Rodgers Amphitheater in Mount Morris Park. The production then formally debuted at the Malcolm X and Dr. Betty Shabazz Cultural and Educational Center, where it received noteworthy reviews from the *New York Times*, *Village Voice* and *NYtheatre.com*, among others.
 - ✓ Mounted a new production, *SEED*, which debuted at the National Black Theatre in September 2011.
 - ✓ Held 11 *Future Classics* play readings.

Today, CTH's Board continues to work strategically to rebuild the organization's programming and to reintroduce its brand of theater to the funding community, with significant success. In FY11, the National Endowment for the Arts awarded CTH a \$90,000 grant through its New Play Development Project – one of only two grants made by this program throughout the nation. For the coming year, the Ford Foundation has invited CTH to apply for a grant of \$100,000.

The Board also continues to seek new opportunities and partnerships that will allow CTH to expand its offerings to Harlem arts community. This past fall, CTH began discussions with the New York City Parks Department to secure three consecutive weeks at the newly-renovated Richard Rogers Amphitheater in Mount Morris Park to create an uptown version of the Public Theater's free "Shakespeare in the Park," presented annually at the Delacorte Theater in Central Park. To date, CTH's negotiations with the Parks Department have gone extremely well, and the Company projects that it will present *A Midsummer Night's Dream* and the world premiere of *Detroit 67* at Mount Morris Park over a 21-day period in July of 2013. In addition, the Parks Department is considering incorporating the program into its overall marketing materials, which would significantly increase the visibility of CTH and its performances. Ultimately, CTH seeks to be the theater in residence at the Richard Rogers Amphitheater and become as essential to Harlem's cultural and economic vitality as the Public Theater is to the downtown residents of Manhattan.

CTH's four core programs – the Season, Theatre in the Park, Project Classics and Future Classics – are a direct expression of CTH's long-standing efforts to make theater accessible, meaningful and affordable. The Company continues to give voice and opportunities to actors, designers, directors, emerging playwrights and other artists of color, through its vision of presenting great classics of world literature and contemporary work that will stand the test of time.

DESCRIPTION OF PROJECT

While the accomplishments of the Board over the past 36 months have been remarkable and have undoubtedly preserved the Company, the Board is no substitute for an appropriate and salaried professional staff. The Board's achievements can only prevail if CTH has permanent paid staff in place to run the organization, thus it is critical that CTH rebuild its administrative infrastructure.

This effort would require an investment in two core areas: executive management and fund development. To meet this objective, CTH seeks to hire two key senior management staff members, a Managing Director and Development Director, by the fourth quarter of FY13. These two individuals would provide CTH with the dedicated staff support needed to carry out the day to day activities of the Company's operations and provide a wide-reaching strategic fundraising effort that can support the immediate and long-term sustainability of the organization. The organization would then bring on associates to support both positions in FY15.

Below are the job descriptions for the proposed hires:

- **Managing Director:** This position reports to the Board of Directors and staffs all Board activities; he/she will be responsible for all organization-wide activities and coordination of the day-to-day and general company operations, including fundraising (working hand-in-hand with the Development Director), ticket sales, community relations, education programming, office management, and volunteer management. This position will also provide fiscal oversight to ensure that CTH remains within budgeted parameters for income and expenses.
- **Development Director:** This position will be charged with expanding CTH's contributed revenue, with a focus on building contributions from individual donors, foundations and corporations. The Development Director will create a sound fundraising strategy to include the identification of new donors, the proper maintenance and engagement of existing donors, and the cultivation of a new class of "major" donors.
- **Associate Managing Director:** This position will provide full support to the Managing Director in all areas of management of the organization, including Board coordination, ticket sales, community relations and education programming.
- **Associate Director of Development:** This position will support the Director of Development in all activities related to fund development, including donor cultivation, grant writing, donor retention and implementation of specific fundraising strategies.

To ensure that CTH hires the most qualified individuals, the organization seeks to engage a Human Resource Consultant to identify and thoroughly vet candidates for the two senior staff positions.

- **Human Resource Consultant** would spearhead the search process for the Managing Director and Development Director positions and undertake the following scope of work:
 - ✓ Identify the core responsibilities and qualifications needed for the roles;
 - ✓ Write job descriptions;
 - ✓ Develop the candidate pool;
 - ✓ Assess how candidates' skills, experience, and personalities match each position;
 - ✓ Conduct reference checks; and
 - ✓ Provide advice on the negotiation process between the organization and the final candidates.

Toward this end, UMEZ recommends a thirty-month grant of up to \$312,061.00 to CTH to support its organizational rebuilding and stabilization efforts. Specifically, the funds will be used to underwrite expenses related to (1) the salaries of the Development Director and Managing Director and (2) engaging a Human Resource Consultant to assist CTH with hiring the best candidates. UMEZ funds would underwrite 100 percent of the salaries for the Managing and Executive Directors for the first 12 months of the grant and 70 percent of these salaries for the second twelve months. With a total project cost of \$643,710.31, CTH will leverage a total of \$331,649.31 over 30 months to support the project.

JOB CREATION

This project will create one consulting job and four full-time positions.

PROJECTED OUTCOMES

UMEZ’s support would allow CTH to take the first critical step in rebuilding its infrastructure by employing professional staff to oversee all activities related to CTH’s administrative operations and revenue generation. These hires would strengthen CTH in its rebuilding and stabilization efforts; moreover, they would liberate the Board, now acting as staff, from daily management chores and allow those dedicated volunteers to resume their governance roles and ensure that CTH remains a mission-driven and fiscally responsible organization.

III. FINANCING REQUESTED

Uses	UMEZ	CTH	Total
Managing Director	\$ 112,497.50	\$ 55,852.50	\$ 168,350.00
Development Director	\$ 112,497.50	\$ 55,852.50	\$ 168,350.00
Associate Managing Director	\$ -	\$ 36,000.00	\$ 36,000.00
Associate Development Director	\$ -	\$ 36,000.00	\$ 36,000.00
Fringe	\$ 54,066.00	\$ 44,144.31	\$ 98,210.31
Human Resource Consultant	\$ 33,000.00	\$ -	\$ 33,000.00
Non-Personnel Expenses	\$ -	\$ 103,800.00	\$ 103,800.00
Total Project Cost	\$ 312,061.00	\$ 331,649.31	\$ 643,710.31

FUNDING SOURCES

Sources	Total
Federal EZ Funds	\$ 104,020.33
State EZ Funds	\$ 104,020.33
City EZ Funds	\$ 104,020.34
Total UMEZ Sources	\$ 312,061.00
Government	\$ 50,000.00
Corporate	\$ 90,000.00
Foundation	\$ 144,649.31
Individuals-Board of Directors	\$ 32,000.00
Individuals-Other	\$ 15,000.00
Total CTH Sources	\$ 331,649.31
Total Project Cost	\$ 643,710.31

LIST ANY PRIOR UMEZ FUNDING OR PRIOR APPLICATIONS

In 2003, the Classical Theatre of Harlem received a grant of up to \$125,000 for capacity building. The funds were used to support the salaries of the Executive Director, Artistic Director and part-time Development Director, production staff and marketing initiatives.

In 2008, CTH received a technical assistance grant of \$50,000 to undertake an organizational assessment and create a business plan. The assessment process led to the discovery that financial protocols established by CTH's Board were not being observed by the Executive and Artistic Directors; both were asked to resign from the organization in November 2009. The grant was subsequently revised to focus on re-building the management team, sorting out contracts for work in progress, developing an approach to debt retirement and evaluating and adopting new programs.

INDICATE HOW THE PROPOSAL MEETS THE EZ INVESTMENT CRITERIA

A. Impact

- The project will create four-full time jobs and assist CTH with rebuilding its infrastructure.
- CTH will have adequate staff to support the long-term sustainability of this Harlem-based theater company that has been vital part of the community's artistic landscape since 1999.

B. Feasibility

- The Board of Directors has demonstrated a deep commitment to re-establishing the integrity and transparency of the organization following its dismissal of the founders.
- The Board brings diverse skills to its governance responsibilities, and has gained front-line experience in non-profit management by running the organization since the departure of its Executive and Artistic Directors in 2009.
- In 2010, the Board undertook a thorough strategic planning process which resulted in a five-year plan to bring the organization back to the level of programmatic activity it had developed over the previous ten-year period, as well as the creation of a new education program.
- CTH's programs and services continue to attract the local artist community and artists.
- The funding community at large has continued to provide support to CTH despite the departure of its founders.

C. Strengths

- CTH's Board of Directors has provided the necessary management functions to handle the ongoing operations of the organization since the departure of its Executive and Artistic Directors.
- CTH is the only year-round professional theater company that provides Harlem residents with a high-quality classical repertory theater experience.
- Since its inception, CTH has created over 500 artist opportunities in the theater arts for the Harlem community.
- CTH has assisted 64 actors from the Harlem community to earn membership in the Actors Equity Association – a crucial step in the development of a professional career.
- CTH has received critical acclaim from major media outlets such as *The New York Times* and *New York Magazine*, which is remarkable for a theater company of its size.
- The Company is a recipient of major theater awards, including five OBIE's, two Lucille Lortel Awards, one Drama Desk Award for Outstanding Body of Work and 13 AUDELCO Awards.

D. Risks

- CTH must have the proper financial safeguards in place to avoid a repeat of the incidents under the previous management.
- CTH must be able to secure adequate funds to support its operations after the UMEZ grant has concluded.

IV. FINANCIALS

See Attachment

V. RECOMMENDATION

UMEZ Grant Amount: \$312,061.00

Term: 30 months

Conditions: N/A

**Classical Theatre of Harlem
Notes to the Financials**

Statement of Financial Position

Assets

- **Cash** increased in FY11 due the disbursement pattern of grant contributions.
- **Equity Bond** represents the bond required for CTH to hire actors who are members of the Actors Equity Union.

Liabilities

- **Loans Payable** represents a loan from a credit a union taken out by the previous executives. In FY10, a small loan previously made to the organization by a member of the Board of Directors was forgiven.

Net Assets

- **Temporarily Restricted Net Assets** reflect grants received or pledged for the subsequent fiscal year.

Statement of Activities

Income

- **Contributions** decreased between FY09 and FY10 due to the economic downturn and to the organizational transition after the departure of its co-founders; however, contributions increased in FY11 as the Board of Directors reestablished the organization's programming and secured funds for subsequent fiscal years.
- **Program Service Income** decreased significantly in FY11 as the Board engaged in a planning effort in response to the enforced departure of the co-founders in the previous year; programming was limited to *Future Classics* play readings.

Expenses

- **Total Program Services** fluctuate significantly between FY09 and FY11 due to CTH's decrease in programmatic activity and focus on planning during the transition period following the departure of its co-founders.
- **General and Administrative** expense decreased significantly in FY11, reflecting CTH's decision to reduce staff and operating expenses.

Operating Income and Expenses

- **Income and Expenses** fluctuate significantly between FY09 and FY11 due to CTH's decrease in programmatic activity and focus on planning during the transition period following the departure of its co-founders.
- **Earned Income** decrease in FY13 reflects staged readings only of the two planned mainstage works, which have now been scheduled for the July 2013 performance series in Mount Morris Park; those workshop readings generated limited box office income.

Classical Theatre of Harlem
Operating Income and Expense / Budgets
For FY07-FY15

January 23, 2013
CIIF Grant Proposal for \$312,061.00

SUS	Fiscal Year ending June 30								
	FY07A	FY08A	FY09A	FY10A	FY11A	FY12u	FY13p	FY14p	FY15p
OPERATING REVENUES AND SUPPORT									
Earned Income									
Program Service Income	245,434	420,717	60,386	186,380	13,103	161,350	69,300	180,000	283,399
Total Earned Income	245,434	420,717	60,386	186,380	13,103	161,350	69,300	180,000	283,399
Contributed Income									
Government	45,500	50,000	57,435	67,142	85,988	110,000	91,500	120,000	185,000
UMEZ	0	0	0	0	0	0	113,619	136,929	61,513
Foundations	216,301	260,900	158,500	79,617	48,750	167,750	208,000	170,000	105,000
Corporations	57,500	41,075	76,976	36,356	18,423	8,150	70,000	125,000	230,000
Individuals and Special Events (gross)	72,843	223,015	52,959	110,854	18,935	14,313	30,000	80,000	120,000
Less: Direct Costs of Special Events	(26,903)	0	(8,691)	0	0	0	0	0	0
Individuals - Inkind	0	0	0	0	0	0	0	0	0
Total Contributed Income - Operating	365,241	574,990	337,179	293,969	172,096	300,213	513,119	631,929	701,513
TOTAL OPER. REVENUES AND SUPPORT	610,675	995,707	397,565	480,349	185,199	461,563	582,419	811,929	984,912
% Change in Revenue									
		63%	-60%	21%	-61%	149%	26%	39%	21%
% Change in Expense									
		62%	-37%	-41%	-58%	167%	36%	39%	21%
Income Mix: Earned									
	40%	42%	15%	39%	7%	35%	12%	22%	29%
Contributed									
	60%	58%	85%	61%	93%	65%	88%	78%	71%
OPERATING EXPENSES									
Salaries and Employee Benefits	209,739	384,804	133,287	42,511	22,896	169,632	368,243	441,892	530,270
Professional Fees	157,760	261,071	276,040	164,488	39,583	15,829	32,450	35,000	40,000
Production	142,873	198,559	85,232	59,718	28,510	161,398	59,503	98,250	147,375
Theater rental	18,824	10,577	41,918	10,026	13,576				
Travel and Per diem	16,621	92,262	14,150	39,726	9,630	10,677	10,500	20,000	30,000
Marketing	28,762	18,393	32,206	9,299	4,469	34,185	23,800	55,521	52,349
Fundraising	0	0	0	747	2,930			10,000	15,000
Office Supplies and Expense	26,113	16,113	29,681	12,474	10,456		25,650	30,240	42,000
Occupancy Costs	12,916	11,831	10,873	11,019	4,875	35,283	42,500	75,000	80,000
Insurance	4,703	9,765	4,428	6,677	12,620		15,000	35,000	35,000
Bank charges and fees	10,888	9,736	4,761	2,912	2,413		2,085	7,000	9,000
Interest and Penalties	2,706	7,565	7,933	18,772	7,710		3,000	4,000	4,500
TOTAL OPERATING EXPENSES	631,905	1,020,676	640,509	378,369	159,668	427,004	582,731	811,903	985,494
TOTAL OPERATING SURPLUS /-<DEFICIT>	(21,230)	(24,969)	(242,944)	101,980	25,531	34,559	(312)	26	(582)

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND A
CULTURAL INDUSTRY INVESTMENT FUND PROJECT**

AT A REGULAR MEETING HELD ON THE 17TH DAY OF JANUARY 2013

WHEREAS, the Cultural Industry Investment Fund Committee has reviewed the materials presented to it, a copy of which has been filed with the records of the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to a grant for a period of thirty (30) months to Classical Theater of Harlem, Inc. (“CTH”) for an organizational rebuilding and stabilization grant (the “Project”); and

WHEREAS, the Cultural Industry Investment Fund Committee has found it to be a desirable project, consistent with the New York Empowerment Zone’s Strategic Plan, and the investment criteria for initiatives seeking financial support.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors approves the Project and authorizes UMEZ to submit the Project to the New York Empowerment Zone Corporation for authorization to fund a grant for a period of thirty (30) months not to exceed THREE HUNDRED TWELVE THOUSAND SIXTY ONE DOLLARS (\$312,061), subject to terms and conditions substantially similar to those included in the presentation materials; and be it

FURTHER RESOLVED, that the approval of the Project authorized by these resolutions shall expire nine (9) months after the adoption of these resolutions; and be it

FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to make such changes to the terms and conditions of the transaction as may be appropriate, execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

January 23, 2013

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Classical Theater of Harlem – A \$312,061 grant to underwrite two key positions to oversee its daily operations, revenue generation initiatives and growth in program activity.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to **Classical Theater of Harlem** (the “Initiative”), underwrite two key positions to oversee its daily operations, revenue generation initiatives and growth in program activity. The Corporation is hereby authorized to disburse to UMEZ an amount not to exceed **THREE HUNDRED TWELVE THOUSAND SIXTY ONE DOLLARS (\$312,061)** for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed **THREE HUNDRED TWELVE THOUSAND SIXTY ONE DOLLARS (\$312,061)** in accordance with the MOU; and be it further

RESOLVED, that the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

January 23, 2013

TO: The Directors

FROM: Robert Steel

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone
Development Corporation

REQUEST FOR: **Authorization for a Grant to the Business Resource & Investment
Service Center and to Take Related Action.**

The Directors are requested to approve a grant to the Business Resource & Investment Service Center ("BRISC") for fiscal year 2013 administrative budget in the amount of FOUR HUNDRED THIRTY FIVE THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$435,750).

**Business Resource & Investment Service Center
Annual Administrative Operating Fund Statement
For the period July 1, 2012 to June 30, 2013**

Fringe Benefits	\$ 61,135.00
<u>Non-Personnel</u>	
Office Supplies	\$ 4,300.00
Travel	\$ 700.00
Equipment Rental	\$ 5,800.00
Office Rent	\$ 69,500.00
Real Estate Taxes	\$ 22,600.00
Equipment & Software Purchases/Repairs	\$ 2,500.00
Office Maintenance/Cleaning	\$ -
Telephone	\$ 4,600.00
Utilities	\$ 7,000.00
Postage	\$ 1,000.00
Subscriptions/UCC Investigations	\$ 15,000.00
Board Expenses	\$ 250.00
Legal	\$ 20,000.00
Financial Audits	\$ 12,500.00
Temporary Staff/Other Consulting	\$ 1,500.00
Liability Insurance	\$ 9,500.00
Alarm & Protection	\$ 1,800.00
Extermination	\$ -
ADP Charges	\$ 4,500.00
Other	\$ 520.00
TOTAL	\$ 435,750.00

FOR CONSIDERATION

TO: NEW YORK EMPOWERMENT ZONE BOARD OF DIRECTORS
FROM: KENNETH J. KNUCKLES, PRESIDENT & CEO
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION
Date: January 23, 2013
Subject: \$435,750 Grant: FY 2013 BRISC Administrative Budget

I. INITIATIVE SUMMARY

Organization: Business Resource and Investment Service Center (“BRISC”)
Project Manager: Hope Knight
Contact: Hope Knight, UMEZ Chief Operating Officer
Current Address: *Current Address:*
55 West 125th Street, 11th Floor
New York, NY 10027
Phone/Fax: (212) 410-0030 / (212) 410-9616
Type of Business: Not-For-Profit / Business Service
Tax Structure: 501(C) (3)
IRS Tax ID#: 13-3925609
Date Incorporated: 1996
Financing Requested: \$435,750.00 (Administrative Budget)
Funding Sources:

Federal EZ funds	\$ 145,250.00	Grant
State EZ funds	145,250.00	Grant
<u>City EZ funds</u>	<u>145,250.00</u>	Grant
TOTAL	\$ 435,750.00	

Employment: Three and one-quarter (3.25) full-time positions will be retained.

Investment Proposal

The Business Resources and Investment Service Center (“BRISC”) is the Upper Manhattan Empowerment Zone’s (“UMEZ”) institutional response to small business needs within the Zone. The BRISC mission is to provide capital and technical assistance to entrepreneurs and small businesses that will have a positive economic impact in the Empowerment Zone. The BRISC loan program offers affordable near-equity loans ranging from \$50,000 to \$250,000 to an “un-bankable” business clientele. These businesses have difficulties obtaining capital from traditional capital sources, such as commercial banks. Technical assistance is also a service of the BRISC program as this is a critical need for small businesses in the Empowerment Zone. Technical assistance and other non-cash resources are just as critical to the success of small businesses as is access to capital.

For the FYTD 2012, Staff reviewed 28 qualified loan requests. Staff receives a multitude of loan requests mostly via phone; however, some in-person. Time is spent screening these inquiries to determine more substantial loan requests – requests that meet the BRISC initial investment evaluation criteria and that have other characteristics

attributing to further due diligence. These requests are then given further due diligence by staff and are deemed under “review” for a possible presentation to Loan Approval Committee. Significant time is spent handling loan request inquiries and screenings, and reviewing loan requests by staff – a fraction of which make it to the presentation phase. Loan requests that do not result in a proposal to Loan Approval Committee usually still involve hours of consultation and technical assistance in regard to referrals and advisory services.

The UMEZ Staff is seeking a Grant in the amount of \$435,750 to cover the BRISC administrative budget for the 2013 fiscal period. Please see *Attachment 1* for a year over year budget comparative. Loan capital is not being sought at this time.

Preliminary Terms

SUMMARY GRANT TERMS	
Grantee:	Business Resource and Investment Service Center (“BRISC”)
Security Type:	Grant
Amount:	\$435,750.00
Purpose:	To finance the administrative and operational cost of BRISC
Grant Term:	12 months

Initiative Description

The BRISC loan program focuses on small businesses that: offer valued products or services that are not provided in the Upper Manhattan community; that support UMEZ anchor projects; that are expanding into and/or within the Empowerment Zone and that will become more competitive with BRISC support. The BRISC investment strategy closely aligns with that of UMEZ and includes, but is not limited to, the following: Management with proven (or comparable) experience in the specific industry; Business Plans reflecting a deep understanding of the business and the requirements necessary to realize objectives; Operations with sufficient and/or predictable cash flow based on historical financials and reasonable projections; and, businesses with adequate Capital Structures based on business type, cash flow, collateral and equity contributions. (See *Attachment 2* for Technical Assistance Timetable)

BRISC administers technical assistance in a number of ways, ranging from one-on-one consultations to referrals to other providers of resources.

Observations and FY 2012 Strategic Directives

The small business community of Upper Manhattan continues to recover from the impact of an economic downturn. As a lender in the Upper Manhattan alternative lending space, it has been noted that the average funding request faces many challenges. Such challenges include, but are not limited to the following.

Sourcing/Underwriting

- A greater level of existing businesses in distress seeking capital.
- Scarcity of “credit-worthy” applicants meeting minimal underwriting requirements.
- Insufficient collateral packages to mitigate portfolio losses.
- Under Capitalization/Additional strains on financial resources.
- High Leverage – requiring “near-equity” debt.

Business Operations

- Continuation of poor financial management practices (e.g. poor books/records, non-payment/filing of taxes, delinquencies on existing indebtedness, etc.).
- Critical arrearages – sales taxes, payroll taxes, rent, vendors
- Business plan execution delays and changes.

Portfolio

- Slower than expected payment patterns.
- Limited resources to provide increasing levels of technical assistance/consulting to borrowers.
- Existing borrowers have fewer personal resources to rely on than in past years.

The challenges listed above, among other items, are attributable to a loan portfolio characterized by the need for restructurings and higher losses than traditional commercial loan institutions. Notably, slightly more than half (58%) of all loans in the BRISC portfolio require a loan repayment restructuring.

Unfortunately some clients do not respond to payment restructuring attempts and/or the business does not sustain itself to repay loan obligations. In FYTD 2012, a great deal of staff time was spent on the collections process both internally and managing third party external collection agencies. During the past three years the percentage total repaid and repaying loans fell from 81% of the total loans advanced to 70% of the total advanced. A reduction due in part to maturing older loans and an increase in technical assistance provided to the newer loans. (See Attachment 3, *Portfolio Year to Year as of February 29, 2012*) A snapshot of the restructuring and collections process follows below:

Restructuring Loans:

- Round I - Obtain financial reporting and assess realities of marketplace and business operations
 - Extend interest only period
 - Maturity date unchanged
- Round II - Match loan structure to business reality and seek to lower principal exposure
 - Extend maturity
 - Change amortization to fit business performance
 - Extend interest only period
 - Draw on letters of credit where appropriate

Collections/Litigation:

- Obtain judgment
- Payment stipulations
- Engage collection agency

BRISC has implemented a strategic response to these challenges which entails earlier intervention and more closely monitoring of the portfolio clients including verifying rent payments, monitoring monthly financial statements, obtaining proof of sales and payroll tax payments, filing for judgments sooner and encouraging a voluntary transfer of under-performing businesses. Our efforts along these lines have yielded a modest increase in our overall repayments to date (i.e., repayments, prepayments and litigation recoveries) for the last three years. Year to date repayments as of February 28, 2010, 2011 and 2012 were 32%, 35% and 39%, respectively, of total loans advanced. (See Attachment 4, *Portfolio Overview*)

Operations Update

Financial distress within the small business community has also attributed to an increase in the funding needs of existing businesses as well as a weighted shift in the technical assistance needs within the existing portfolio. BRISC Staff has focused its efforts on loan restructuring, business advisement, increasing collection attempts and last resorts of litigation.

FYTD 2012

For FY 2012, BRISC closed one (1) loan transaction to date. However, Staff reviewed 28 qualified loan requests. A qualified loan request consists of small business loan inquiries that have any probability of moving forward to proposal phase with continued diligence from the borrower in conjunction with meeting all BRISC due diligence requirements. Of the 28 qualified loan requests, four (4) prospective transactions have been added

to the pipeline. As noted previously, the pre-underwriting / underwriting phase can take a significant portion of time and technical assistance; however, the BRISC Staff continues to work with small businesses through the entire loan process. (Please see *Attachment 5* for a list of qualified loan requests received to date for FY 12.)

Loans Closed

Business Name	Product / Service	Approval Amount	Closing
Jado Sushi and Wine Bar	Bar/Restaurant	200,000	April 25, 2012
Total		\$200,000	

One (1) additional loan was presented to and approved the BRISC Board on June 5, 2012. Please see *Attachments 6 and 7* for additional portfolio information by fiscal period.

Pipeline

Business Name	Product / Service	Loan Request
Brownstone Burger	Restaurant	\$150,000
Toni's Minis Cup Cakes	Restaurant	\$200,000
Eva's Pearl	Restaurant	\$250,000
2bU Limited	Manufacturing	\$250,000
Piatto D' Oro	Restaurant	\$150,000
Peartree Preschool	Preschool / Education Services	\$150,000
Total		\$1,150,000

Pipeline transactions consists of loan requests in which significant due diligence is in progress and has been completed. In some cases prospective borrowers are working on raising additional capital, or organizing and gathering mismanaged books and records.

As illustrated through representations of other alternative financial institutions including ACCION and Seedco Financial Services, managing and sustaining the existing portfolio of businesses to prevent losses have become a significant priority amongst lenders. Despite a slowly recovering economy, BRISC has continued to make proactive changes to its practices to achieve continued successes in our goals to productively service the small business community of Upper Manhattan. Future operating goals include:

- Reducing portfolio delinquencies (through early intervention and continued recovery efforts)
- Increasing loan production from existing businesses
- Continued collaboration with other community development programs and organizations
- Continued marketing efforts of BRISC services to Washington Heights, Inwood and East Harlem

Staffing

There are three and one-quarter (3.25) full-time equivalents (FTE's) that comprise the BRISC staff and that are associated with the BRISC budget. In addition, UMEZ Business Investments staff also underwrites BRISC loans.

Multiplier Effect

During the past several years 26 new businesses have opened along the Frederick Douglass Boulevard between 110th Street and 125th Street. Seven of those businesses would not be open had they not been funded by BRISC. Two more were funded by the Upper Manhattan Empowerment Zone. And significant discussion regarding operations, the local market and financing were had with five of the remaining 17 new arrivals to this popular corridor. (See *Attachment 8*, the Frederick Douglass Corridor Multiplier Effect)

Recommendation

UMEZ Staff seeks the Committee's recommendation for a grant in the amount of \$435,750 to cover the BRISC administrative budget for the 2013 fiscal period.

Attachments:

1. BRISC Administrative Budget Comparison
2. Technical Assistance Support Timetable
3. Portfolio Year to Year as of February 29, 2012
4. Portfolio Overview
5. Qualifying Loan Requests
6. BRISC Portfolio Activity Report as of June 1, 2012
7. BRISC Portfolio Activity Report as of February 29, 2012
8. The Frederick Douglass Boulevard Corridor Multiplier Effect

Attachment 1

Business Resource and Investment Service Center Comparative Administrative Budgets FY 2013 - FY 2012

	FY-2013 Budget Amount	FY-2012 Budget Amount	Variance \$	Variance %
Personnel Services:				
1 Salaries & Wages	191,046	191,046	-	0%
2 Fringe Benefits	61,135	61,135	-	0%
Non-Personnel Services:				
3 Office Supplies	4,300	4,300	-	0%
4 Travel	700	700	-	0%
5 Equipment Rental (telephone, mailing machine & server)	5,800	5,800	-	0%
6 Office Rent ¹	69,500	59,500	10,000	17%
7 Real Estate Taxes ²	22,600	22,600	-	0%
8 Equipment & Software Purchases/Repairs	2,500	1,500	1,000	67%
9 Office Maintenance & Cleaning ³	4,600	5,200	(5,200)	-100%
10 Telephone / Internet Access/Data Backup	7,000	7,000	-	0%
11 Utilities ²	1,000	1,000	-	0%
12 Postage	15,000	15,000	-	0%
13 Subscriptions / UCC Investigations	-	-	-	0%
14 Space Set-Up Fees	250	250	-	0%
15 Board Expenses	20,000	20,000	-	0%
16 Legal	12,500	7,500	5,000	67%
17 Financial Audits	1,500	1,500	-	0%
18 Temporary Staff & Other Consulting Services	9,500	7,500	2,000	27%
19 Liability Insurance	1,800	1,800	-	0%
20 Alarm & Protection	400	400	-	0%
21 Extermination ^	4,500	4,500	-	0%
22 ADP Charges	520	520	-	0%
23 Other (Administrative fees related to above)	-	-	(400)	-100%
FY'13 Request for funding	435,750	423,350	12,400	3%

¹ Rent is 20% of the total annual lease cost at 55 West 125th Street

² Utilities and Real Estate Taxes are calculated based on prior fiscal year data as no data is available for the current fiscal year.

³ Included in the Office Rent, line 6

Attachment 2

Technical Assistance Support Timetable

Technical assistance provided by staff throughout the entire loan process with an emphasis on Post Closing.

From beginning-to-end technical assistance is provided.

Pre-Underwriting	Underwriting	Closing	Post-Closing
<ul style="list-style-type: none"> • Business Plans • Books/Records • Business Models • Management Experience • Project Scaling 	<ul style="list-style-type: none"> • Business Analysis • Business Advisory • Books/Records • Financial Projections • Payback Analysis • Loan Structure • Property Leasing Terms 	<ul style="list-style-type: none"> • Corporate Documents • Tax Arrearages • Insurance Documents • Equity Contributions • Books/Records • Collateral • Verifications <ul style="list-style-type: none"> - rent estoppels - taxfilings/payments - real estate ownerships - etc. 	<ul style="list-style-type: none"> • Restructures • Distressed Situations • Business Advisory • Monitoring/Defaults • Books/Records • Payments • Collections
6 - 24 Months		2 - 6 Months	Ongoing
60%		10%	30%

Throughout the underwriting process, there is a great deal of technical assistance that is administered by staff to the client. This technical assistance is very comprehensive and begins in the loan request review process and continues right to the closing of the loan. In some cases, it continues throughout the post-closing period. This technical assistance ranges from completing valuation analysis for acquisitions; creating reasonable business financial projections for loan requests; determining appropriate capitalization needs; assisting in obtaining additional capital; books and record keeping consulting; tax, liens and judgment determinations and resolutions; verifications and filings of all taxes and the documentation of all tax payment plans for taxes owed; and loan repayment restructurings.

Continued financial distress within the small business community has attributed to:

- Increase in funding needs of existing businesses in Upper Manhattan
- Weighted shift in the technical assistance needs within the existing portfolio resulting in:
 - Restructuring
 - Business Advisement
 - Increased collection accounts
 - Litigations

Attachment 3

Portfolio Year to Year as of February 29, 2012

<u>Description</u>	<u>BRISC Portfolio II</u>		<u>BRISC Portfolio II</u>		<u>BRISC Portfolio II</u>	
	<u>29-Feb-12</u>	<u>%</u>	<u>28-Feb-11</u>	<u>%</u>	<u>28-Feb-10</u>	<u>%</u>
	<u>Principal</u>		<u>Principal</u>		<u>Principal</u>	
Repayments to date ¹	\$1,663,533	39%	\$1,471,594	35%	\$1,195,842	32%
Loans in repayment	\$1,684,843	40%	\$2,143,109	51%	\$2,165,954	59%
Litigation	\$752,521	18%	\$475,223	11%	\$276,785	8%
Write-offs	\$138,394	3%	\$138,394	3%	\$50,000	1%
Total loans advances	\$4,239,291	100%	\$4,228,320	100%	\$3,688,581	100%

1. Includes repayments, prepayments and litigation recoveries.

Attachment 4

Portfolio Overview

	29-Feb-12	28-Feb-11	28-Feb-10
Repayments to date	\$1,663,533	\$1,471,594	\$1,195,842
Loans in repayment ¹	\$1,308,757	\$1,801,115	\$1,806,410
Total repaid and repaying loans (TRRL)	\$2,972,290	\$3,272,709	\$3,002,252
Total loan advances (TLA)	\$4,239,291	\$4,228,320	\$3,688,581
Percent TRRL to TLA	70%	77%	81%
Allowance for debt	\$1,157,743	\$817,216	\$781,705
Litigation and loans over 120 days past due	\$1,128,607	\$817,217	\$636,329
Reserve ratio	97%	100%	81%

1. Excludes loans over 120 days in arrears in the amounts of \$359,544, \$341,994, and \$375,086 in years 2010, 2011 and 2012, respectively.

Attachment 5

Qualifying Loan Requests (QLR)

FYTD June 1, 2012

FY	Qualified Loan		Start-Ups		Existing Businesses	
	Requests	%		%		%
FY TD'12	28	100%	22	79%	6	21%
FY '11	27	100%	16	59%	11	41%
FY '10	34	100%	21	62%	13	38%
FY '09	29	100%	15	52%	14	48%
FY '08	40	100%	25	63%	15	38%
FY '07	35	100%	22	63%	13	37%
FY '06	30	100%	19	63%	11	37%
Total	223		140		83	

As of fiscal year to date June 5, 2012, there have been 28 requests which have skewed towards start-up businesses. Despite challenges in this lending environment, BRISC continues to service loan inquiries and work closely with borrowers on financing and technical assistance needs. A list of Qualifying Loan Requests as of June 5, 2012 is as follows:

Business Name	Industry	Existing Business	Start-Up Business
1 2bU Limited	Retail/Manufacturing		X
2 American Fire Control	Service	X	
3 BeHarry	Restaurant		X
4 Bob's Pizzeria	Restaurant		X
5 Brownstone Burger Bar	Restaurant		X
6 Candice Idehen	Unknown		X
7 Doggedly Devoted	Other		X
8 El Barrio Operation Fight Back	Real Estate Development		X
9 Eva Preal	Restaurant		X
10 Harlem Blue Beers	Other		X
11 IFH	Other		X
12 Kava Café	Restaurant	X	
13 La Casa Azul Bookstore	Retail		X
14 Lila Polite	Other		X
15 Love Kitchen	Restaurant	X	
16 Movi Inc.	Restaurant		X
17 Party King	Retail		X
18 Pono Learning	Educational		X
19 Que Records LLC	Other		X
20 Regina McIlvane	Other		X
21 Samuel Thiam	Restaurant		X
22 Seven Grains Health Foods	Retail	X	
23 Sip and Tip Nail Bar	Service		X
24 Sweet Work Project	Retail		X
25 Tiny Teeth of Harlem	Other		X
26 Tannie's Minis	Retail	X	
27 Tostobueno	Retail	X	
28 Triomphe Bistro	Restaurant		X
Totals		6	22

Attachment 6
BRISC Portfolio Activity Report
June 1, 2012

No.	Loan Caption	Closing Date	Loan Request	Total Loan Drawdown	Balance(1)	Maturity
33	2bU	TBD	\$250,000			-
32	Eva Pearl	TBD	\$250,000			-
31	Brownstone Burger	TBD	\$150,000			-
30	PearTree Preschool	TBD	\$150,000			-
29	Toni's Minis Cup Cake	TBD	\$200,000			-
28	Gran Piatto Doro	TBD	\$150,000			-
Total \$				\$1,150,000		
Loans Approved and Closed						
No.	Loan Caption	Closing Date	Original Loan Approved	Total Loan Drawdown	Balance(1)	Maturity
FYTD '12	27 Bob's Pizzeria	TBD	\$60,000			
	26 Jedo Sushi and Wine Bar	April 25, 2012	\$200,000	\$191,229	\$191,229	May 1, 2017
FY '11	25 Society Coffee & Juice	October 7, 2010	\$95,000	\$94,543	\$94,543	October 7, 2015
	24 Harlem Vintage	September 30, 2010	\$120,000	\$120,000	\$121,857	September 1, 2015
	23 Bier International	July 26, 2010	\$150,000	\$150,000	\$135,078	July 26, 2015
FY '10	22 Bibi Salon, Inc.	May 13, 2010	\$115,000	\$115,000	\$111,583	May 13, 2015
	21 Acclero, Inc.	March 15, 2010	\$250,000	\$250,000	\$183,758	March 1, 2015
	20 Delish Restaurant Group LLC	August 26, 2009	\$250,000	\$250,000	\$239,250	August 1, 2014
	19 B. Oyama, Inc.	June 26, 2009	\$100,000	\$100,000	\$71,851	June 26, 2014
	18 Owens Funeral Home Inc.	February 25, 2009	\$250,000	\$250,000	\$184,957	April 1, 2014
FY '09	17 Rober's Organic Market, LLC.	February 10, 2009	\$100,000	\$100,000	\$97,792	August 1, 2012
	16 Pollen Nation Corp.	January 27, 2009	\$145,000	\$145,000	\$144,624	January 27, 2014
	15 Island Saiad Inc.	January 13, 2009	\$181,046	\$181,046	\$160,013	February 28, 2404
	14 Dagaz International Incorporated	August 26, 2008	\$100,000	\$100,000	\$0	October 1, 2013
	13 East Harlem Café, LLC	August 14, 2008	\$50,000	\$50,000	\$49,747	August 14, 2013
	12 Vida Cafe, Inc	June 17, 2008	\$188,702	\$188,702	\$52,919	June 17, 2013
FY '08	11 Jou Jou Kuhinya, LLC dba Plum Pomidor	March 14, 2008	\$250,000	\$250,000	\$0	February 1, 2013
	10 Clicare, Inc.	March 13, 2008	\$250,000	\$250,000	\$109,955	February 1, 2013
	9 Fishers of Men II Inc.	February 12, 2008	\$150,000	\$150,000	\$0	March 1, 2013
	8 La Pereguinta Arts Café, LLC	December 5, 2007	\$130,000	\$130,000	\$117,593	December 5, 2012
FY '07	7 Lounge, Inc.	March 23, 2007	\$160,000	\$160,000	\$113,305	March 31, 2012
	6 Nu America Agency Inc.	February 23, 2007	\$250,000	\$250,000	\$150,485	February 28, 2013
	5 Big Apple Jazz, LLC	July 13, 2006	\$100,000	\$100,000	\$0	August 1, 2011
	4 2110 - 2118 Restaurant Corp.	June 30, 2006	\$250,000	\$250,000	\$37,590	July 1, 2011
FY '06	3 The HEC Real Estate Group	May 17, 2005	\$250,000	\$250,000	\$210,855	May 1, 2010
	2 Urbivore Worldwide LLC	September 22, 2005	\$250,000	\$250,000	\$0	October 1, 2008
	1 Karrot Incorporated	April 12, 2005	\$130,000	\$130,000	\$0	April 12, 2010
Total \$			\$4,524,748	\$4,455,520	\$2,578,984	
Total %				100%	58%	

(1) Includes actual funds advanced to borrowers as well as capitalized interest

Attachment 7

**BRISC Portfolio Activity Report
February 29, 2012¹**

	No.	Loan Caption	Closing Date	Original Loan Approved	Total Loan Advances ⁽¹⁾	Balance	Maturity
FYTD '12	26	Jado Sushi and Win Bar	TBD	\$200,000	\$0	\$0	
FY '11	25	Society Coffee & Juice Inc.	October 7, 2010	\$95,000	\$94,543	\$94,543	October 7, 2015
	24	Harlem Whitage	September 30, 2010	\$120,000	\$120,000	\$121,857	September 1, 2015
FY '10	23	Bier International	July 26, 2010	\$150,000	\$150,000	\$139,468	July 26, 2015
	22	Bibi Salon, Inc.	May 13, 2010	\$115,000	\$115,000	\$114,948	May 13, 2015
	21	Acelero, Inc.	March 15, 2010	\$250,000	\$250,000	\$198,471	March 1, 2015
	20	Delish Restaurant Group LLC	August 26, 2009	\$250,000	\$250,000	\$240,250	August 1, 2014
FY '09	19	B. Oyama, Inc.	June 26, 2009	\$100,000	\$75,000	\$71,851	June 26, 2014
	18	Owens Funeral Home Inc.	February 26, 2009	\$250,000	\$250,000	\$184,957	April 1, 2014
	17	Robert's Organic Market, LLC	February 10, 2009	\$100,000	\$100,000	\$97,792	August 1, 2012
	16	Pollen Nation Corp.	January 27, 2009	\$145,000	\$145,000	\$144,824	January 27, 2014
	15	Island Salad Inc.	January 13, 2009	\$181,046	\$181,046	\$166,136	February 28, 2014
	14	Dagaz International Incorporated	August 26, 2008	\$100,000	\$100,000	\$0	October 1, 2013
FY '08	13	East Harlem Café, LLC	August 14, 2008	\$50,000	\$50,000	\$49,747	August 14, 2013
	12	Vida Café, Inc	June 17, 2008	\$188,702	\$188,702	\$58,984	June 17, 2013
	11	Jou Jou Kuhnys, LLC dba Plum Pomidor	March 14, 2008	\$250,000	\$250,000	\$0	February 1, 2013
	10	Cilticare, Inc.	March 13, 2008	\$250,000	\$250,000	\$116,458	February 1, 2013
FY '07	9	Fishers of Men II Inc.	February 12, 2008	\$150,000	\$150,000	\$0	March 1, 2013
	8	La Pregunta Arts Café, LLC	December 5, 2007	\$130,000	\$130,000	\$117,593	December 5, 2012
	7	Borjous Lounge, Inc.	March 23, 2007	\$160,000	\$160,000	\$113,055	March 31, 2012
	6	Nu America Agency Inc.	February 23, 2007	\$250,000	\$250,000	\$150,485	February 28, 2013
	5	Big Apple Jazz, LLC	July 13, 2006	\$100,000	\$100,000	\$0	August 1, 2011
FY '06	4	2110 - 2118 Restaurant Corp.	June 30, 2006	\$250,000	\$250,000	\$43,590	July 1, 2011
	3	The HEC Real Estate Group	May 17, 2005	\$250,000	\$250,000	\$210,855	May 1, 2010
	2	Urbivore Worldwide LLC	September 22, 2005	\$250,000	\$250,000	\$0	October 1, 2008
	1	Karrot Incorporated	April 12, 2005	\$130,000	\$130,000	\$0	April 12, 2010
		Total \$		\$4,464,748	\$4,239,291	\$2,437,364	
		Total %		100%	95%	58%	

1. The higher outstanding April 30, 2012 loan balance compared to the February 29, 2012 loan balance is the result of standard scheduled amortized payments applied to current and past due balances plus new loan advances.

Attachment 8

The Frederick Douglass Boulevard Corridor Multiplier Effect

BRISC Funded	UMEZ Funded	Self Funded Businesses
5 & Diamond Restaurant	Moca Bar and Grill	Bad Horse Pizza
Bibi Salon	Best Yet Market of Harlem	Cedric's Restaurant*
Bier International		Chocolat Restaurant*
Harlem Vintage/Nectar		Frederick Café Bistro
Jado Sushi and Wine Bar		Harlem Flo Florist
Karrot Health and Food Store		Harlem L Lounge
Society Café/67 Orange		Harlem Tavern
		Harlem Shambles (Butcher)
		Levain Bakery
		Lido
		Melba's*
		Mod Squad Cycles
		Monteral Pet Care
		Posh Paws
		The Winery*
		WXYZ Lounge/A Loft Hotel*
		Zoma Restaurant

* Businesses impacted by BRISC prior to or post opening

FY'13 BRISC Administrative Budget Investment Proposal Updates as of 12/31/12

Loans Closed

Business Name	Product / Service	Approval Amount	Closing
Peartree	Preschool	125,000	9/17/12
Happy Street LLC	Restaurant (Pizzeria)	60,000	12/20/12
Total		\$185,000	

Loans Approved

Business Name	Product / Service	Approval Amount	Closing
Omnity Consulting	Restaurant	200,000	11/27/12
Total		\$200,000	

Revised FY'13 Pipeline

Business Name	Product / Service	Loan Request
Brownstone Burger	Restaurant	\$150,000
Toni's Minis Cup Cakes	Restaurant	\$200,000
2bU Limited	Manufacturing	\$250,000
Piatto D' Oro	Restaurant	\$150,000
The Park Wine Bar	Restaurant	\$125,000
Savann Restaurant	Restaurant	\$150,000
Total		\$1,025,000

Additional QLRs

For FY 2013, Staff has reviewed nine (9) qualified loan request to date. Of the additional qualified loan requests, three (3) prospective transactions have been added to the pipeline, one of which has already been resented to and approved by the credit committee.

Business Name	Industry	Existing Business	Start-Up Business
The Park Wine Bar	Restaurant		X
Savann Restaurant	Restaurant	X*	
Omnity Consulting (d.b.a. Harlem Shake)	Restaurant		X
Soul of the South Network	Service		X
Any One Color Silk-Screening Workshop & Printed Tee Shirts	Retail		X
A New Creation Bakery	Bakery		X
Pa-Paya Seed Frozen Yogurt	Restaurant		X
Café Adidas	Restaurant		X
The Den	Restaurant		X

*Business Relocation

**RESOLUTION OF
THE BOARD OF DIRECTORS OF
UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT
CORPORATION**

**REGARDING APPROVAL TO FUND AN ECONOMIC AND PHYSICAL
DEVELOPMENT INITIATIVE**

AT A REGULAR MEETING HELD ON THE 27th DAY OF JUNE, 2012

WHEREAS, the Economic and Physical Development Committee has reviewed the materials presented to it, a copy of which has been filed with the records of Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”), relating to the Business Resource and Investment Service Center, Inc. (“BRISC”), an economic development initiative, facilitated through a total investment of up to FOUR HUNDRED THIRTY-FIVE THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$435,750), for administrative expenses; and

WHEREAS, the Economic and Physical Development Committee has found it to be a desirable initiative, consistent with the New York Empowerment Zone’s Strategic Plan, and the Investment Criteria for initiatives seeking financial support;

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors authorizes UMEZ to submit the Business Resource and Investment Service Center, Inc. initiative to the New York Empowerment Zone Corporation for authorization to fund an investment not to exceed FOUR HUNDRED THIRTY-FIVE THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$435,750), subject to the terms and conditions included in the presentation material.

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the President and CEO or his/her respective designees, are hereby authorized on behalf of UMEZ to execute and deliver any and all documents and take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

January 23, 2013

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION - Business Resource & Investment Service Center – Authorization of \$435,750 grant for administrative budget for fiscal year 2013.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”) initiative for a grant to **Business Service & Investment Service Center (“BRISC”)** (the “Initiative”) for administrative budget for fiscal year 2013. The Corporation is hereby authorized to disburse to UMEZ an amount not to exceed **FOUR HUNDRED THIRTY FIVE THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$435,750)** for the purposes and on the terms and conditions described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, that for the purpose of providing the funds, the Corporation is hereby authorized to accept and utilize funds for a grant an amount not to exceed **FOUR HUNDRED THIRTY FIVE THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$435,750)** in accordance with the MOU; and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

January 23, 2013

TO: The Directors

FROM: Robert Steel

SUBJECT: New York (New York County) - Upper Manhattan Empowerment Zone Development Corporation

REQUEST FOR: **Authorization for Upper Manhattan Empowerment Zone Development Corporation's Administrative Budget Fiscal Year 2013 and to Take Related Action.**

The Directors are requested to approve an operating budget for fiscal year 2013 for the Upper Manhattan Empowerment Zone Development Corporation ("UMEZ"). The Operating Principles Memorandum of Understanding, dated January 19, 1996, (the "MOU") authorizes each Local Development Corporation to use up to 15% of its proportional share of the Zone Funds aggregate for the entire period of designation for costs and expenses of administration. UMEZ's proposed administrative budget fiscal year 2013 is THREE MILLION THREE HUNDRED SEVENTEEN THOUSAND SEVEN HUNDRED FIFTY SEVEN DOLLARS (\$3,317,757).

**Upper Manhattan Empowerment Zone Development Corporation
Annual Administrative Operating Fund Statement
For the period July 1, 2012 to June 30, 2013**

	Total funding Request from Loan Repayment
Personnel	
Salaries & Wages	\$ 1,941,558.00
Fringe Benefits	621,299.00
Non-Personnel	
Office Supplies	20,000.00
Travel	10,000.00
Training/Conference:	
Training & Conference Fees	7,000.00
Lodging	4,000.00
Meals	6,000.00
Equipment Rental	20,000.00
Office Rent	280,000.00
Office Rental Income	(69,500.00)
Real Estate Taxes	90,400.00
Equipment & Software Purchase	10,000.00
Equipment Maintenance & Repairs	10,000.00
Office Maintenance/Clean	-
Telephone/Communications	20,000.00
Internet Access/Data Backup	45,000.00
Utilities	28,000.00
Postage, Messenger & Courier Service	
Postage	3,000.00
Messenger	2,000.00
Courier Services	2,000.00
Printing & Reproduction	2,000.00
Publications/Outreach	2,500.00
Subscriptions	20,000.00
Consultants:	
Legal	28,000.00
Financial Audits	40,000.00
Temp. Staff/Other Consulting	75,000.00
Liability Insurance	75,000.00
Board Expenses	10,000.00
Alarm & Protection	5,000.00
Extermination	-
Miscellaneous	
ADP Charges	7,000.00
Other Miscellaneous Expenses	2,500.00
Total	\$ 3,317,757.00

June 23, 2013

UPPER MANHATTAN EMPOWERMENT ZONE DEVELOPMENT CORPORATION – Authorization of \$3,317,757 administrative budget for fiscal year 2013.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the **Upper Manhattan Empowerment Zone Development Corporation (“UMEZ”)**, the Directors hereby authorize an administrative budget of **THREE MILLION THREE HUNDRED SEVENTEEN THOUSAND SEVEN HUNDRED FIFTY SEVEN DOLLARS (\$3,317,757)** for the fiscal year 2013, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

January 23, 2013

TO: The Directors

FROM: Robert Steel

SUBJECT: South Bronx (Bronx County) – Bronx Overall Economic Development Corporation – Empowerment Zone

REQUEST FOR: **Authorization for Bronx Overall Economic Development Corporation's Fiscal Year 2013 Administrative Budget and to Take Related Action.**

The Directors are requested to approve an operating budget for the fiscal year 2013 for the Bronx Overall Economic Development Corporation ("BOEDC"). The Operating Principles Memorandum of Understanding, dated January 19, 1996, (the "MOU") authorizes each Local Development Corporation to use up to 15% of its proportional share of the Zone Funds aggregate for the entire period of designation for costs and expenses of administration. BOEDC's proposed fiscal year 2013 administrative budget is NINE HUNDRED THIRTY SIX THOUSAND ONE HUNDRED EIGHTEEN DOLLARS AND THREE CENTS (\$936,118.03).

**Bronx Overall Economic Development Corporation
Annual Administrative Operating Fund Statement
For the period July 1, 2012 to June 30, 2013**

<u>Item</u>	Total Funding Request from Loan Repayment
<u>Personnel</u>	
Salaries & Wages	\$420,150.00
Fringe Benefits	\$120,468.03
Total Personnel Costs	\$540,618.03
<u>Contracted Costs</u>	
Accounting/Auditing	\$30,000.00
Legal Services	\$45,000.00
Professional & Consultants	\$2,500.00
Website Development	\$60,000.00
Total Contracted Costs	\$137,500.00
<u>Other Operating Costs</u>	
Rent	\$0.00
Travel/Meetings	\$11,000.00
Office Supplies	\$10,000.00
Equipment/Software Purchases	\$10,000.00
Equipment Lease (Copier)	\$20,000.00
Telephone	\$17,500.00
Postage	\$1,500.00
Printing/Publications	\$0.00
Marketing/Conference	\$150,000.00
Staff Development/Training	\$0.00
Dues/Subscriptions	\$3,500.00
Equipment Repairs & Maintenance	\$20,000.00
Insurance	\$10,000.00
Miscellaneous	\$4,500.00
Total Operating Costs	\$258,000.00
TOTAL	<u>\$936,118.03</u>

The Bronx Overall Economic Development Corporation
Annual Administrative Operating Fund Statement
For the Period July 01, 2012 through June 30, 2013

Descriptions	BOEDC FYE 06/30/2012 BUDGET	07/01/12- 6/30/13 Proposed Inc/Dec	BOEDC FYE 06/30/2013 BUDGET	Percentage Change
Personnel				
Staff Salaries	383,564.71	36,585.29	420,150.00	10%
Staff Fringe Benefits	123,893.72	(3,425.69)	120,468.03	-3%
TOTAL PERSONNEL COSTS	<u>507,458.43</u>	<u>33,159.60</u>	<u>540,618.03</u>	7%
Contracted Costs				
Accounting/Auditing	30,000.00	-	30,000.00	0.00%
Legal Services	34,827.26	10,172.74	45,000.00	29.21%
Professional & Consultants	-	2,500.00	2,500.00	0.00%
Website Development	-	60,000.00	60,000.00	0.00%
TOTAL CONTRACTED COSTS	<u>64,827.26</u>	<u>72,672.74</u>	<u>137,500.00</u>	112.10%
Other Operating Costs				
Rent	-	-	-	0.00%
Travel/Meetings	3,400.00	7,600.00	11,000.00	223.53%
Office Supplies	5,500.00	4,500.00	10,000.00	81.82%
Equip/Software Purchases	2,000.00	8,000.00	10,000.00	400.00%
Equipment Lease (Copier)	15,000.00	5,000.00	20,000.00	33.33%
Telephone	6,000.00	11,500.00	17,500.00	191.67%
Postage	2,500.00	(1,000.00)	1,500.00	-40.00%
Printing/Publications	-	-	-	0.00%
Marketing/Conferences	-	150,000.00	150,000.00	0.00%
Staff Development/Training	-	-	-	0.00%
Dues/Subscriptions	2,100.00	1,400.00	3,500.00	66.67%
Equip Repairs and Maint	16,000.00	4,000.00	20,000.00	25.00%
Insurance	14,000.00	(4,000.00)	10,000.00	-28.57%
Miscellaneous	-	4,500.00	4,500.00	0.00%
TOTAL OTHER OPERATING COSTS	<u>66,500.00</u>	<u>191,500.00</u>	<u>258,000.00</u>	287.97%
TOTAL OTPS	131,327.26	264,172.74	395,500.00	201.16%
TOTAL	<u>638,785.69</u>	<u>297,332.34</u>	<u>936,118.03</u>	46.55%

January 23, 2013

BRONX OVERALL ECONOMIC DEVELOPMENT CORPORATION – Authorization of \$936,118.03 administrative budget for fiscal year 2013.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the **Bronx Overall Economic Development Corporation (“BOEDC”)**, the Directors hereby authorize an administrative budget of **NINE HUNDRED THIRTY SIX THOUSAND ONE HUNDRED EIGHTEEN DOLLARS AND THREE CENTS (\$936,118.03)** for fiscal year 2013, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the City of New York (the “City”) and others (“MOU”); and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR CONSIDERATION

January 23, 2013

TO: The Directors

FROM: Robert Steel

SUBJECT: New York Empowerment Zone Corporation

REQUEST FOR: **New York Empowerment Zone Corporation (the "Corporation") Budget Fiscal Year 2013**

The Directors are requested to approve an operating budget for fiscal year 2013 for the Corporation. The Operating Principles Memorandum of Understanding, dated January 19, 1996, (the "MOU") requires that the Directors appropriate funding for the maintenance, staffing and expenses of the Corporation. The MOU specifies that the Corporation's budget may include: funding of State and City staff dedicated to the Corporation/Empowerment Zone; the costs of audits; and other anticipated expenses. New York Urban Development Corporation d/b/a Empire State Development Corporation ("ESDC") absorbs certain expenses for the Corporation, such as rent, telephone, postage, etc. The Corporation's proposed fiscal 2013 budget is FOUR HUNDRED NINETY FIVE THOUSAND SEVENTY DOLLARS (\$495,070). In addition, the Directors are requested to ratify the expenses of the Corporation approved by the President and Treasurer to date.

**New York Empowerment Zone Corporation
Annual Administrative Operating Fund Statement
For the period July 1, 2012 to June 30, 2013**

<u>Item</u>	<u>City</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
<u>Personnel</u>				
Salaries (6)	186,000 ¹	186,000 ²	51,000	423,000
Fringe Benefits (@34% of 2 Salaries)	17,340	17,340	17,340	52,020
Sub Total	203,340	203,340	68,340	475,020
<u>Non-Personnel</u>				
Travel	50	50	50	150
Audit	5,000	5,000	5,000	15,000
Insurance	250	250	250	750
Miscellaneous Supplies	334	333	333	1,000
Stenographer	1,000	1,000	1,000	3,000
Conferences	50	50	50	150
Sub Total	6,684	6,683	6,683	20,050
Grant Total	\$210,024	\$210,023	\$75,023	495,070

¹ This figure includes the \$135,000 referenced in the MOU for employees of New York City Mayor's EZ Office. The MOU authorizes the City to deduct that amount from its annual contribution to the Empowerment Zone.

² This figure includes the \$135,000 referenced in the MOU for employees of Empire State Development Corporation. The MOU authorizes the State to deduct that amount from its annual contribution to the Empowerment Zone.

January 23, 2013

NEW YORK EMPOWERMENT ZONE CORPORATION - Fiscal Year 2013 Budget – Authorization of \$495,070 administrative budget for fiscal year 2013.

RESOLVED, that on the basis of the materials (the “Materials”) presented to the Directors of the Corporation, a copy of which is hereby ordered filed with the records of the Corporation, relating to the **New York Empowerment Zone Corporation** (the “Corporation”), the Directors hereby authorize an operating budget for the Corporation of **FOUR HUNDRED NINETY FIVE THOUSAND SEVENTY DOLLARS (\$495,070)** for fiscal year 2013, pursuant to the purposes described in the Materials; and in accordance with the terms, conditions and procedures set forth in the Operating Principles Memorandum of Understanding, dated as of January 19, 1996, entered into by the Corporation with the State of New York (the “State”), the city of New York (the “City”) and others (“MOU”) and be it further

RESOLVED, the President and Treasurer, or their respective designee(s), acting jointly are hereby authorized in the name and on behalf of the Corporation to approve expenditures, execute and deliver any and all documents and to take any and all actions as they may deem necessary or proper to effectuate the foregoing resolutions.

FOR INFORMATION
January 23, 2013

TO: The Directors
FROM: Kenneth Adams
DATE: January 23, 2013
SUBJECT: Summary of Empowerment Zone Funds

REVISED

The following list itemizes the total amount of Federal Social Services Block Grant funds, New York State and the City of New York funds approved and disbursed to the Empowerment Zone from July 1, 1995 to date (December 21, 2012).

	UMEZ	BOEDC	NYEZC	TOTAL
Credits				
EZ Grant Allocation	\$ 244,020,000.00	\$ 49,980,000.00	\$ 6,000,000.00	\$ 300,000,000.00
Loan Repayments (November 2012)	\$ 34,166,354.00	\$ 26,077,975.94	\$ -	\$ 60,244,329.94
Total Funds Received	\$ 278,186,354.00	\$ 76,057,975.94	\$ 6,000,000.00	\$ 360,244,329.94
Balance of Loans Due	\$ 27,571,374.97	\$ 13,706,826.87	\$ -	\$ 41,278,201.84
Total Credits	\$ 305,757,728.97	\$ 89,764,802.81	\$ 6,000,000.00	\$ 401,522,531.78
Debits				
Total Approved for Initiatives from EZ Funds	\$ 206,670,000.00	\$ 42,330,000.00		\$ 249,000,000.00
Total Approved for Initiatives from Loan Repayments	\$ -	\$ 10,178,764.51		\$ 10,178,764.51
Sub-Total Approved for Initiatives	\$ 206,670,000.00	\$ 52,508,764.51		\$ 259,178,764.51
Total Approved for Admin from EZ Funds	\$ 37,350,000.00	\$ 7,650,000.00	\$ 6,757,857.30	\$ 51,757,857.30
Total Approved for Admin from Loan Repayments	\$ 16,803,974.57	\$ 4,073,952.64	\$ -	\$ 20,877,927.21
Sub-Total Approved for Admin	\$ 54,153,974.57	\$ 11,723,952.64	\$ 6,757,857.30	\$ 72,635,784.51
Total Approved	\$ 260,823,974.57	\$ 64,232,717.15	\$ 6,757,857.30	\$ 331,814,549.02
Total Disbursed for Initiatives from EZ Funds	\$ 172,440,557.44	\$ 42,167,907.06		\$ 214,608,464.50
Total Disbursed for Initiatives from Loan Repayments	\$ -	\$ 7,062,658.89		\$ 7,062,658.89
Sub-Total Disbursed for Initiatives	\$ 172,440,557.44	\$ 49,230,565.95		\$ 221,671,123.39
Total Disbursed for Admin from EZ Funds	\$ 37,350,000.00	\$ 7,650,000.00	\$ 5,768,934.38	\$ 50,768,934.38
Total Disbursed for Admin from Loan Repayments	\$ 15,145,095.07	\$ 4,073,952.64	\$ -	\$ 19,219,047.71
Sub-Total Disbursed for Admin	\$ 52,495,095.07	\$ 11,723,952.64	\$ 5,768,934.38	\$ 69,987,982.09
Total Disbursed	\$ 224,935,652.51	\$ 60,954,518.59	\$ 5,768,934.38	\$ 291,659,105.48
Balance (Funds Received Minus Approved)	\$ -	\$ -	\$ (757,857.30)	\$ (757,857.30)
Uncommitted EZ Funds	\$ 17,362,379.43	\$ 11,825,258.79	\$ -	\$ 29,187,638.22
Uncommitted Loan Repayments	\$ -	\$ -	\$ -	\$ -
Total Uncommitted Funds	\$ 17,362,379.43	\$ 11,825,258.79	\$ (757,857.30)	\$ 28,429,780.92

Disbursements by Source	State			City			Total Disbursements
	Federal	State	City	Total EZ Funds	Loan Repayments	Total Disbursements	
UMEZ	\$ 82,224,917.78	\$ 63,863,703.54	\$ 63,701,936.12	\$ 209,790,557.44	\$ 15,145,095.07	\$ 224,935,652.51	
BOEDC	\$ 16,793,333.44	\$ 16,559,391.87	\$ 16,465,181.75	\$ 49,817,907.06	\$ 11,136,611.53	\$ 60,954,518.59	
NYEZC	\$ 933,290.08	\$ 2,811,979.73	\$ 1,473,288.93	\$ 5,218,556.74	\$ -	\$ 5,218,556.74	
TOTAL	\$ 99,951,541.30	\$ 83,235,075.14	\$ 81,640,406.80	\$ 264,827,023.24	\$ 26,281,706.60	\$ 291,108,729.84	