



FOR CONSIDERATION

January 23, 2017

TO: The Directors

FROM: Howard A. Zemsky

SUBJECT: Staten Island (New York City Region – Richmond County) – Empire Outlets Resiliency Capital – New York Works Economic Development Fund (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Section 10(g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Grantee: St. George Outlet Development, LLC dba Empire Outlets (the “Company”)

ESD* Investment: A grant of up to \$20,000,000 to be used for a portion of the cost of infrastructure improvements related to storm resiliency

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

Project Location: 55B Richmond Terrace, Staten Island, Richmond County

Proposed Project: Infrastructure improvements to improve the storm resiliency of the St. George neighborhood, a Metropolitan Transit Authority (“MTA”) service building, and public transportation to support construction of a mixed-use development transforming underutilized land on the North Shore of Staten Island next to the Staten Island Ferry Terminal

Project Type: Infrastructure Investment

Regional Council: The New York City Regional Economic Development Council has been

made aware of this item. The project is consistent with the New York City Regional Economic Development Council plan to invest in the future by investing in critical infrastructure upgrades that help fortify the City's resiliency to storms and natural disasters.

II. Project Cost and Financing Sources

<u>Financing Uses - Infrastructure</u>	<u>Amount</u>
Infrastructure Improvements	\$47,036,931
Resiliency Work	34,669,444
Garage Work	63,547,880

Infrastructure Project Costs \$145,254,255

<u>Financing Uses - Retail</u>	<u>Amount</u>
Hard Costs	\$132,642,016
Soft Costs	76,638,454

Retail Project Costs \$209,280,470

Total Project Costs \$354,534,725

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/ Lien</u>
ESD-Grant (AB545) ¹	\$20,000,000	6%	
ESD-Grant (AA399) ²	16,500,000	5%	
ESD-Grant (Y793) ³	3,500,000	1%	
ESD-Grant (AA394) ⁴	1,000,000	0.25%	
ESD-Grant (AA395) ⁵	875,000	0.22%	
Debt ⁶	185,000,000	52%	2 years/6%
Staten Island Borough President	1,500,000	0.4%	
New York City	31,000,000	9%	
DASNY Grant	25,000,000	7%	
Letter-of-Credit Reimbursement ⁷	4,900,000	1%	
Structural Reimbursement	1,500,000	0.4%	
Company Equity	<u>63,759,725</u>	<u>18%</u>	
Total Project Financing	<u>\$354,534,725</u>	<u>100%</u>	

¹ Represents 13% of total infrastructure project costs

² \$16,500,000 from Transformative Investment Program

³ \$3,500,000 from Regional Council Capital Fund (RC3)

⁴ \$1,000,000 from Regional Council Capital Fund (RC5)

⁵ \$875,000 from Market NY (RC5)

⁶ \$185,000,000 construction loan from Goldman Sachs

⁷ Letter-of-Credit Reimbursement refers to the letter of credit the Company was required to provide for the MTA-portion of infrastructure work. Once the work is complete the \$4.9 million letter of credit will be credited back to the Company.

III. Project Description

A. Company

Industry: St. George Outlet Development, LLC is a Brooklyn-based, full-service real estate developer owned and operated by its principals Donald Capoccia, Joseph Ferrara and Brandon Baron.

Company History: St. George Outlet Development, LLC dba Empire Outlets was registered in August of 2012 as a result of the North Shore 2030 Study, which seeks to redevelop city-owned waterfront sites adjacent to the Staten Island Ferry Terminal.

Ownership: St. George Outlet Development, LLC is an affiliate of BFC Partners, L.P. ("BFC"). BFC engages in acquisition, development, financing, construction, marketing, and management of residential projects.

Size: All facilities located in New York, NY.

ESD Involvement: The Project was conceived as a result of the North Shore 2030 Study (the "Study"), which was a comprehensive report issued by the New York City Department of City Planning and New York City Economic Development Corporation ("NYCEDC") in 2011 after an extensive outreach process to local stakeholders, elected officials, and the community. To implement certain recommendations in the Study, NYCEDC issued a Request for Expressions of Interest for the redevelopment of certain waterfront sites (including the Project site), and St. George Outlet Development, LLC was selected.

St. George Outlet Development, LLC has been awarded a total of \$21,875,000 from Rounds 3 and 5 of the Consolidated Funding Application and the Transformative Investment Program to assist with the construction of a mixed-use development transforming underutilized land on the North Shore of Staten Island next to the Staten Island Ferry Terminal creating approximately 1.1 million square feet of space, which will include approximately 65-75 stores, approximately 8-12 restaurants, an approximate 200-room hotel, event space and 1,250 parking spaces.

Additional funding is needed for infrastructure improvements to the storm resiliency of the St. George neighborhood, a MTA service building, and public transportation that will support the mixed-use Empire Outlets development on the North Shore of Staten Island next to the Staten Island Ferry Terminal. These types of improvement are not fully

financeable through traditional methods and therefore require additional investment by the State.

Past ESD Support: Funding for the Empire Outlets project for the past five years, totaling \$21,875,000, to the Grantee is summarized in the following chart:

Program	Project #	Amount	Date Start (ESD Directors' Approval date)	Date End (Project Completion: Contract Expiration)	Purpose
Regional Council Capital Fund - RC3	Y793	\$6,350,000	January 21, 2016	December 31, 2024	Capital - Construction of multi-purpose retail outlet center which will include a hotel, event space, restaurants and a parking facility.
Regional Council Capital Fund - RC5	AA394	\$1,000,000	January 21, 2016	December 31, 2024	Capital - Construction of multi-purpose retail outlet center which will include a hotel, event space, restaurants and a parking facility
Market NY - RC5 - EDF	AA395	\$875,000	January 21, 2016	December 31, 2024	Capital - Construction of multi-purpose retail outlet center which will include a hotel, event space, restaurants and a parking facility
New York Works EDF 16-17	AA399	\$16,500,000	April 21, 2016	December 31, 2024	Capital - Construction of multi-purpose retail outlet center which will include a hotel, event space, restaurants and a parking facility.

B. The Project

Completion: October 2017

Activity: The Company will undertake the infrastructure and storm-resiliency work in three phases: The first phase will consist of resiliency work. The Company will build a watertight concrete parking structure between the existing infrastructure and the waterfront along the MTA's service building and substation. The ground level of the parking garage will act as a hardened containment area in the event of a storm surge, effectively

forming a bathtub to contain water and thereby protecting the neighboring transportation infrastructure.

Phase two will consist of the construction of a new three-level parking deck, with two protected elevated levels allowing for effective ingress and regress not currently in existence.

Phase three will entail building an elevated deck over MTA rail tracks, allowing for an entirely new means of access and egress from the waterfront to the inland roadways.

Results: As a result of the project approximately 1,306 new permanent retail, entertainment and hospitality jobs and 1,267 temporary construction jobs will be created.

Infrastructure Investment

Project: No Benefit-Cost Analysis ("BCA") is required since these projects generate long-term benefits not captured in the short-term period used for the BCA and may involve no permanent job commitments.

Grantee Contact: Donald Capoccia, Principal
150 Myrtle Avenue, Suite 2
Brooklyn, NY 11201
Phone: (718) 422-9960

ESD Project No.: AB545

Project Team:	Project Management	Arturo Rodriguez
	Contractor & Supplier Diversity	Denise Ross
	Finance	Jonevan Hornsby
	Design & Construction	Joe Macaluso
	Environmental	Soo Kang

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$20,000,000 capital grant (\$200,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no materially adverse changes in its financial condition prior to disbursement.
3. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and

should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.

4. Up to \$20,000,000 will be disbursed to Grantee as reimbursement for eligible expenses during the course of design and/or construction no more frequently than quarterly, in compliance with the Design & Construction Requirements and in proportion to ESD's funding share, for infrastructure project costs assuming that all project approvals have been completed and funds are available. Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require.
5. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$20,000,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

IV. Statutory Basis – New York Works Economic Development Fund

The funding was authorized in the 2016-2017 New York State budget. No residential relocation is required as there are no families or individuals residing on the site.

V. Design and Construction

ESD staff will review the project budget, plans, and specifications, along with the other documents that ESD may require for scheduled payment projects. Submission of Payment Requisitions to ESD will be made according to disbursement terms outlined in the Grant Disbursement Agreement.

VI. Environmental Review

Pursuant to the State Environmental Quality Review Act ("SEQRA"), Article 8 of the Environmental Conservation Law, and its implementing regulations (6 NYCRR Part 617), ESD Directors adopted SEQRA Findings on January 21, 2016 based on the Final Environmental Impact Statement ("FEIS") for the St. George Waterfront Redevelopment Project. By adoption of SEQRA Findings, the Directors certified that the requirements of 6 NYCRR Part 617 have been met. The present request for ESD funding does not constitute an action beyond those actions already considered in the FEIS and does not require additional environmental review under SEQRA.

VII. Non-Discrimination and Contractor & Supplier Diversity

ESD's Non-Discrimination and Contractor & Supplier Diversity policies will apply to this Project. The Grantee shall be required to: (i) include minorities and women in any job opportunities

created, (ii) solicit and utilize MWBEs for any contractual opportunities generated in connection with the Project and (iii) use Good Faith Efforts (pursuant to 5 NYCRR §142.8) to achieve an overall Minority and Women Business Enterprise (“MWBE”) Participation Goal of 40%. The overall goal shall include a Minority Business Enterprise (“MBE”) Participation Goal of 20% and a Women Business Enterprise (“WBE”) Participation Goal of 20% related to the total value of ESD’s funding.

VIII. Smart Growth Public Infrastructure Review

Pursuant to the requirements of the State Smart Growth Public Infrastructure Policy Act (the “SG Act”), ESD’s Smart Growth Advisory Committee has reviewed an updated Smart Growth Impact Statement for the project pursuant to the Community Risk and Resiliency Act and found that the project is consistent with the State Smart Growth Public Infrastructure Criteria (“Smart Growth Criteria”). The designee of the Chief Executive Officer of the Corporation has attested that the project, to the extent practicable, meets the relevant Smart Growth Criteria set forth in the SG Act.

IX. ESD Employment Enforcement Policy

ESD's Employment Enforcement Policy will not apply since the project will not directly create or retain jobs.

X. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

XI. Additional Submissions to Directors

Resolutions
New York State Map
Project Finance Memorandum

January 23, 2017

Staten Island (New York City Region – Richmond County) – Empire Outlets Resiliency Capital – New York Works Economic Development Fund (Capital Grant) – Findings and Determinations Pursuant to Section 10(g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Empire Outlets Resiliency Capital – New York Works Economic Development Fund (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Section 10(g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that there are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the President and Chief Executive Officer of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to St. George Outlet Development, LLC dba Empire Outlets a grant for a total amount not to exceed Twenty Million Dollars (\$20,000,000) from the New York Works Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

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

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion

consider to be necessary or proper to effectuate the foregoing resolutions.

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Empire Outlets Resiliency Capital
Staten Island
Richmond County

