

FOR CONSIDERATION

April 22, 2021

TO: The Directors

FROM: Eric J. Gertler

SUBJECT: Regional Council Award – Schenectady (Capital Region – Schenectady County) – Robinson Block Capital – Regional Council Capital 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: Schenectady Metroplex Development Authority
("Metroplex" or the "Authority")

Beneficiary
Company: Highbridge/Prime Development, Inc.

ESD* Investment: A grant of up to \$1,200,000 to be used for a portion of the cost of commercial construction costs

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

Project Locations: 240 State Street, Schenectady, Schenectady County

Proposed Project: Mixed-use development project that includes demolition of old buildings, construction of retail space, market rate apartments and parking in Downtown Schenectady.

Project Type: Downtown Revitalization

Regional Council: The project is consistent with the Capital Region Regional Economic Development Council’s “Bringing Cities to Life” strategy, an effort to convert dormant commercial buildings into mixed-use projects, combining residential, office and retail activities and the retention of younger generations and talent by meeting the growing demand for a live, work, and play lifestyle.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Real Estate Acquisition	\$528,000
Construction/Renovation	16,282,044
Infrastructure	1,184,110
Other (architecture/engineering, etc.)	<u>2,175,823</u>

Total Project Costs \$20,169,977

Residential Portion \$18,587,977

Commercial Portion \$1,582,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$1,200,000	6%	
Metroplex Façade Grant	250,000	1%	
Metroplex Financing	328,000	2%	4%/15 yrs/ 3 rd mortgage
M&T Bank Financing	16,224,663	80%	2yr swap rate + 250 bps/24 months/1st
Company Equity	<u>2,167,314</u>	<u>11%</u>	

Total Project Financing \$20,169,977 100%

III. Project Description

A. Company

Industry: Economic development public benefit corporation

Grantee History: The Authority was formed by the New State Legislature in August 1998. It is statutorily entitled to receive, for the period beginning September 1, 1998, and ending August 31, 2038, 70% of one-half of one percent of all sales and compensating use tax revenue received by Schenectady County, which may be used to support all its statutorily authorized purposes and powers.

The Authority’s general purposes are to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage, and/or maintain buildings, parks, structures, and other facilities within its service

district including, without limitation, industrial, manufacturing, entertainment, and infrastructure facilities, and business, commercial, retail, and government office buildings or space. To carry out its corporate purposes, the Authority is vested with and has broad powers, including the authority to borrow money, issue bonds, and enter into contracts and leases, buy and sell real property, and make loans and grants, among other methods of financial assistance.

Since 1999, the Authority has provided financial assistance on 800+ projects that improved or meaningfully improved over 11 million square feet of commercial space in Schenectady County. The Authority has expended over \$204 million that has leveraged \$2.5 billion in investments throughout Schenectady County but primarily in the City of Schenectady.

- Ownership: Metroplex is a public benefit corporation that is governed by a board of eleven members, all of whom are residents of Schenectady County and each of whom is appointed by majority vote of the Schenectady County Legislature.
- Size: All facilities are located in Schenectady, NY.
- Market: N/A
- ESD Involvement: Robinson Block is a large collection of buildings, and along with the need to demolish and rebuild, the site contained substandard soil conditions due to the proximity of the site to the old Erie Canal, representing a significant physical and financial hurdle due to the requirement of an extremely deep foundation system. Due to the high costs associated with this project, Metroplex applied through Round 4 of the Consolidated Funding Application (“CFA”) on Highbridge/Prime Development, Inc.’s behalf for financial assistance to support the project and was awarded \$1,200,000 in May 2015. Without ESD’s assistance the project could not have moved forward.
- Competition: N/A
- Past ESD Support: This is the Organization’s first project with ESD.

B. The Project

- Completion: June 2019
- Activity: The Robinson Block Redevelopment represents a 4-story 144,000-square foot mixed-use facility containing 105 market-rate apartments with

dedicated parking for 120 vehicles and 9,900-square-feet of ground floor retail space. The development company secured site control of 7 properties that were vacant, blighted or otherwise underutilized buildings. All the buildings were demolished, and the parcels were converted into one, 240 State Street.

The developer for Robinson Block Redevelopment project is Highbridge / Prime Development, Inc. The development company is a combination of two highly reputable development companies in the Capital District: Highbridge Development of Schenectady and Prime Companies of Cohoes, the largest market-rate apartment developer in the Capital District. Highbridge, an affiliated entity of Plank Construction, started in 1999. Highbridge has made substantial investments in Schenectady County: its office building at 376 Broadway, SEFCU Square at 469 State Street, 330, 336 and 340 Broadway, Mansion Square in Niskayuna, and 2696 Hamburg Street in Rotterdam among other holdings. Prime Companies owns and manages over 2,000 apartment units in the region. It offers services in every aspect of residential and commercial real estate development, brokerage, and property management. Their portfolio includes hotel and apartment ownership, residential and commercial brokerage and real estate services, property management and development and real estate asset management.

Results: The project opened in mid-2019 and 97 apartments are rented at 92% occupancy. The 9,900 square foot ground floor commercial retail space is available for leasing. Throughout the COVID-19 pandemic, the residential portion of the project has proved to be sustainable, while the commercial space has not performed. The lower State Street section of downtown Schenectady had suffered from blight, antiquated, unsafe structures and disinvestment for many years. This project has had a meaningful impact by reversing the stagnation and deterioration on lower State Street in downtown Schenectady.

Economic Growth 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.

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Beneficiary Contact: John Roth, Owner
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ESD Project No.: Z845

Project Team:	Origination	Arnie Will
	Project Management	Chelsey Watroba
	Contractor & Supplier Diversity	Denise Ross
	Finance	Kathleen Uckert
	Environmental	Eram Qadri

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Grantee shall pay a commitment fee of 1% of the \$1,200,000 capital grant (\$12,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Grantee will demonstrate no materially adverse changes in its financial condition prior to disbursement.
3. The Grantee will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Grantee's acceptance of ESD's offer. Equity is defined as cash injected into the project by the Grantee or by investors, and should be auditable through Grantee financial statements or Grantee accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
4. Up to \$1,200,000 will be disbursed to Grantee in a lump sum upon documentation of real estate acquisition, construction/renovation, infrastructure, and other project costs (financing, surveying, geotechnical, architecture and engineering, etc.) project costs totaling \$19,777,000, upon completion of the project substantially as described in these materials, as evidenced by a certificate of occupancy, and 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. Expenses must be incurred on or after December 11, 2014 to be considered eligible project costs All disbursements must be requested by April 1, 2022.
5. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,200,000, 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.

6. Grant funds will be subject to pro rata recapture if the property at the Project Location is sold within five years of disbursement of funds. The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the transfer occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:
 - (i) 100% of the disbursed amount if the transfer occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
 - (i) 80% of the disbursed amount if the transfer occurred in the second full calendar year after the disbursement was made;
 - (ii) 60% of the disbursed amount if the transfer occurred in the third full calendar year after the disbursement was made;
 - (iii) 40% of the disbursed amount if the transfer occurred in the fourth full calendar year after the disbursement was made;
 - (iv) 20% of the disbursed amount if the transfer occurred in the fifth full calendar year after the disbursement was made.

IV. Statutory Basis – Regional Council Capital Fund

The funding was authorized in the 2014-2015 New York State budget and reappropriated in the 2015-2016, 2016-2017, 2017-2018, 2018-2019, 2019-2020, 2020-2021, and 2021-2022 New York State budgets. No residential relocation is required as there are no families or individuals residing on the site.

V. Environmental Review

The Schenectady Metroplex Development Authority, as lead agency, has completed an environmental review of the project pursuant to the requirements of the State Environmental Quality Review Act and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project to be a Type I Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on April 15, 2015. ESD staff reviewed the Negative Declaration and supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

Due to the project's indirect adverse effect on the Nicholas Building located at 268 State Street which is eligible for inclusion in the State and National Registers of Historic Places, ESD has confirmed that the project sponsor consulted with the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP") pursuant to the requirements of Section 14.09 of the New York State Parks, Recreation and Historic Preservation Law. ESD, OPRHP, the City of

Schenectady and the Schenectady Metroplex Development Authority have agreed that the project will be implemented in accordance with a Letter of Resolution. ESD will ensure that all conditions stipulated in the Letter of Resolution are met.

VI. Non-Discrimination and Contractor & Supplier Diversity

ESD's Non-Discrimination and Contractor & Supplier Diversity policies will apply to this Project. The Authority shall be required to include minorities and women in any job opportunities created, to solicit and utilize Minority and Women-owned Business Enterprises ("MWBEs") for any contractual opportunities generated in connection with the Project and to use Good Faith Efforts (pursuant to 5 NYCRR §142.8) to achieve an overall MWBE Participation Goal of 40% related to the total value of ESD's funding.

VII. ESD Employment Enforcement Policy

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

VIII. 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.

IX. Additional Submissions to Directors

Resolutions
New York State Map
Project Finance Memorandum
Project Photographs

