

THE COUNCIL OF THE CITY OF NEW YORK



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## Hearing on the Fiscal 2015 Preliminary Budget & the Fiscal 2014 Preliminary Mayor's Management Report

Economic Development Corporation

**March 20, 2014**

**Nathan Toth, Deputy Director**  
**Aliya Ali, Legislative Financial Analyst**



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## Economic Development Corporation Overview

New York City's economic development programs are initiated and managed by two agencies: the Department of Small Business Services (SBS) and the Economic Development Corporation (EDC). SBS provides direct technical assistance and services to businesses within the City, encourages participation in the procurement process, administers neighborhood commercial and industrial development and manages business improvement district programs.

EDC is funded through a contract with SBS. EDC works with the private and public sectors on economic development initiatives that revitalize businesses, create jobs, and generate revenues for the City. In addition to corporate attraction and retention efforts, EDC markets, sells, and leases City-owned commercial and industrial properties; plans and prepares sites for development through infrastructure improvement; carries out capital improvements in neighborhood shopping districts and public spaces; and provides technical assistance to guide projects through the necessary public approval process. EDC is also involved in property management and development of the City's marine terminals, airports, heliports, rail yards, and industrial parks.

### Capital Plan Goals for the Economic Development Corporation

- ✓ To stimulate commercial development through the improvement, disposition and management of City assets, as well as construction and rehabilitation of infrastructure, public open space and amenities.
- ✓ To upgrade Infrastructure in the City's industrial areas.
- ✓ To assist neighborhood commercial development through physical improvement of public areas.
- ✓ To enhance the City's waterfront by maintaining and rehabilitating the City's piers.
- ✓ To improve the intermodal transport of goods the construction, modernization, and integration of port, rail and aviation facilities.
- ✓ To provide public market facilities.

## Capital Budget Summary

The total City Capital Commitment Plan for Fiscal 2014 has increased from \$21.2 billion in the November Capital Commitment Plan to \$21.3 billion in the Preliminary Capital Commitment Plan, an increase of \$163 million, or less than 1%. For Economic Development Corporation, the Capital Commitment Plan has decreased \$16,000, or less than 1% from the November Plan of \$1,064,581,000 to \$1,064,565,000 in the Preliminary Plan.

The majority of capital projects span multiple fiscal years and it is therefore common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal Year 2013 Economic Development Corporation committed \$281,584,856 or about 22.8% percent of its annual capital plan of \$1,236,161,000. Therefore, it is assumed that a significant portion of the agency's Fiscal 2014 Capital Plan will be rolled into Fiscal 2015, thus increasing the size of the Fiscal 2015-2018 Capital Plan.

## Fiscal 2014-2017 Commitment Plan: Adopted and Preliminary Budget Chart

|                             | FY 14       | FY 15    | FY 16    | FY 17    | Total              |
|-----------------------------|-------------|----------|----------|----------|--------------------|
| <i>Dollars in Thousands</i> |             |          |          |          |                    |
| <b>November</b>             |             |          |          |          |                    |
| Total Capital Plan          | \$1,064,581 | \$50,093 | \$18,165 | \$30,823 | <b>\$1,163,662</b> |
| <b>Prelim</b>               |             |          |          |          |                    |
| Total Capital Plan          | \$1,064,565 | \$50,093 | \$18,165 | \$30,823 | <b>\$1,163,646</b> |
| <b>Change</b>               |             |          |          |          |                    |
| Level                       | (\$16)      | \$0      | \$0      | \$0      | <b>(\$16)</b>      |
| Percentage                  | 0.00%       | 0.00%    | 0.00%    | 0.00%    | <b>0.00%</b>       |

### Hurricane Sandy Spending

The Economic Development Corporation's Preliminary Capital Commitment Plan added \$45.3 million to the Department's capital budget for projects related to the storm in Fiscal Year 2013. Of the capital funding, \$29.3 million was budgeted for repairs and improvements to the Brooklyn Navy Yard (BNYDC), \$4.5 million for repairs to Pier A, \$2.7 million for repairs at the Trust for Governor's Island (TGI), \$2.2 million in repairs to Homeport, \$3 million to repair the Brooklyn Cruise Terminal, \$1.5 million to repair the 34<sup>th</sup> Street Ferry Landings, and \$3 million for repairs to various City-owned property City-wide. Sandy capital funding is grant funding by the City and the commitments will be transferred to a federal non-city budget code as they are spent. The Trust for Governor's Island and Brooklyn Navy Yard funds are reflected in EDC's budget but TGI and BNYDC manage their own capital budgets.

To date, \$0 in federal funds have been reimbursed to EDC. EDC has spent \$17.7 million for Sandy-related repairs and restoration in FY13 and FY14, and committed another \$5.6 million for emergency work. This work spans the City – from the Rockaway Ferry Service to Homeport, to the South Street Seaport and other City-owned piers. Remaining repairs and restoration include restoring permanent power at Bush Terminal in Brooklyn, demolition and pier/shoreline repairs at Homeport in Staten Island, and work at the South Street Seaport Museum. Currently, EDC has claims pending with FEMA and FTA for federal reimbursement of these costs.

The City has also received \$3.22 billion in Community Development Block Grant-Disaster Recovery (CDBG-DR) funding. This funding from the United States Department of Housing and Urban Development (HUD) is to assist in disaster recovery and rebuilding efforts resulting from Hurricane Sandy. CDBG-DR funding does not go through the City's Capital Plan so it is not accounted for in the Preliminary Capital Commitment Plan document. \$266 million is allocated to individual programs providing direct financial assistance to businesses and competitions to spur economic development in affected areas and promote creative and cost-effective technology solutions to resiliency needs.

## Business Recovery/Infrastructure Resilience – \$266 Million

**Business Recovery Loan and Grant Program:** \$42 million to provide loans and grants to as many as 435 businesses impacted by Hurricane Sandy. This program will provide expedited low-interest loans of up to \$150,000 on similar terms to the City's existing emergency loan program provide expedited grants of up to \$60,000 to affected businesses and select Community Development Finance Institutions to administer additional loan and grant programs. The City may, at its discretion, provide loans of up to \$1 million and grants of up to \$100,000 to businesses that can demonstrate significant additional damage. Businesses that can demonstrate extreme hardship may be eligible to receive, at the City's discretion, a grant without receiving a loan.

**Business Resiliency Investment Program:** \$110 million to provide grants to companies for physical investments to improve resiliency to severe weather. The program is anticipated to fund up to \$2 million per applicant property, of the cost of specified improvements that increase the resiliency of buildings or businesses to future storms.

**Neighborhood Game-Changer Investment Competition:** \$84 million to jump-start economic activity in the five Business Recovery Zones by allocating, through "Race-to-the-Top"-style competitions, grants to the most innovative and effective investment ideas for spurring long-term economic growth. Possible ideas could include attraction of growing companies and/or companies of significant size; attraction of companies that serve the needs of underserved populations, including those with disabilities; or other transformative investments in key corridors.

**Resiliency Innovations for a Stronger Economy (RISE : NYC):** \$30 million to allocate, through a "Race-to-the-Top"-style competition, grants to the most innovative and cost-effective measures to improve building and infrastructure resiliency. Grants will be allocated to identify technologies and measures that improve the resiliency of critical infrastructure networks, and building systems.

## Preliminary Capital Budget Highlights

The following are some highlighted projects in EDC's Preliminary 2015 Capital Budget in terms of planned commitments for Fiscal 2014-2017:

- ☑ **Cornell University-Technion-Israel Institute of Technology Consortium Applied Science and Engineering Campus.** In December 2011 the Administration awarded Cornell University and Technion-Israel Institute of Technology \$100 million in capital funds to build a two-million-square-foot Applied Science and Engineering campus on Roosevelt Island. This project is part of the former Mayor's *Applied Sciences NYC* initiative, which seeks to increase the City's capacity for applied sciences and dramatically transform the City's economy away from the financial industry. The Funding will be used for the construction costs of the new academic facility, including foundation, structure, mechanical systems, façade and interior finishes. It will also support design work and construction management.
- ☑ **Governors Island.** EDC's Fiscal 2015 Preliminary Capital Budget includes approximately \$159.1 million in Fiscal 2014-2017 City Capital funds for the management and redevelopment of Governors Island. In FY14 the Trust for Governors Island committed \$147.0 million. These funds covered the following: design, construction, resident engineering and costs for the park and public open space; rehabilitation of a lift bridge and the Soissons Dock; building stabilization and electrical infrastructure repairs; and construction of a portable water pipe

and distribution system. The remaining funds will be used for successive phases of this work and outstanding maritime infrastructure items. EDC does not manage these funds. The funds flow through EDC's budget to the Trust for Governors Island (TGI), but TGI manages its own capital budget.

- ☑ **Willets Point Redevelopment.** EDC's Fiscal 2015 Preliminary Capital Budget includes \$138.7 million in Fiscal 2014-2017 (\$122.2 million in Fiscal 2014). The \$138.7 million consists mainly of infrastructure improvements for \$105.3 million, acquisition and relocation \$29.7 million, and remediation/technical services for \$3.7 million. Currently, the acquisitions are ongoing with \$8 million committed this year. Phase I of infrastructure work began in December 2011 and includes water mains, storm water/sewer outfalls and rerouting/extending private utility service. Capital funds associated with remediation/technical services represent costs covering the environmental consulting services, which are related to the ongoing environmental mitigation throughout the Willets Point development as well as with the preparation of design documents for the Van Wyck Ramps.
- ☑ **BNYDC.** EDC's Fiscal 2015 Preliminary Capital Commitment Budget includes \$151.0 million in Fiscal 2014-2017 for the Brooklyn Navy Yard Development Corporation (BNYDC) to manage the City-owned Navy Yard. The BNYDC is continually utilizing City capital funds for infrastructure repair and other physical improvements. This ongoing work includes, but is not limited to: repair of the roadways, water mains and sewers, electrical work, building rehabilitation and dredging. Rehabilitation of the waterfront infrastructure will be a primary focus in Fiscal 2014-2017, as well as the redevelopment of a 287,000 square foot site (formerly Naval housing) into a supermarket. These capital improvements have been undertaken to attract and retain tenants at the Navy Yard. In addition to the \$151.0 million budgeted through Fiscal 2017, capital in the amount of the \$29.9 million remains in Fiscal 2014 for Hurricane Sandy Related work. There are roughly 250 tenants at present generating approximately 6,000 jobs. EDC does not manage these funds. The funds flow through EDC's budget to the Brooklyn Navy Yard Development Corporation (BNYDC), but BNYDC manages its own capital budget.
- ☑ **Passenger Ship Terminal/Pier Rehabilitation.** EDC's Fiscal 2015 Preliminary Capital Budget includes \$59.5 million in Fiscal 2014-2017 for the Passenger Ship Terminal/Pier Rehabilitation. This includes the Passenger Ship Terminal improvements, rehabilitation of Piers 88, 89, and 92, pile and offshore end rehabilitation. This is part of the Administration's and the City Council's \$3.3 billion comprehensive plan to improve the City's waterfront and waterways.
- ☑ **Flatbush Revitalization.** EDC's Fiscal 2015 Preliminary Capital Budget includes \$52 million in Fiscal 2014-2017 for the restoration of Loew's Kings Theatre in Flatbush, Brooklyn. Of the \$52 million, \$50 million was committed last fiscal year; \$2 million remains in EDC's Fiscal 2015 January Capital Commitment Plan. The goal of the renovation project is to restore the historic structure and create a state-of-the-art performance facility. Located at 1025-1035 Flatbush Avenue, the space will be the largest indoor theater in Brooklyn and will be the centerpiece of a revitalized Flatbush. The renovation project is underway and anticipated to be complete by the end of 2014.
- ☑ **Hunts Point Market.** EDC's Fiscal 2015 Preliminary Capital Budget includes approximately \$18.1 million for the Hunts Point Market. The capital funding would cover various projects at

Hunts Point, including food distribution facilities, roadways and green trails, and the produce market. The City and the Hunts Point Produce Market were in continued discussions about extending the produce market lease and the plan to build a larger and modernized market. In December 2013, the Market signed a 7-year lease extension through June 2021.

- ☑ **Brooklyn Army Terminal (BAT).** EDC's Fiscal 2015 Preliminary Capital Budget includes approximately \$31.2 million in Fiscal 2014-2017 for the Brooklyn Army Terminal (BAT). The goal is to redevelop the industrial park, primarily aimed at two main buildings occupied by tenants for various uses, the creation of the state-of-the-art bioscience facilities, and campus-wide infrastructure upgrades, including the rehabilitation of the building systems including elevators, roofs, and facades. The renovated portions of BAT are occupied, including the bioscience facilities, and additional infrastructure rehabilitation work is expected to occur in the next few years based on asset management rehabilitation schedules.
- ☑ **Downtown Brooklyn Redevelopment.** EDC's Fiscal 2015 Preliminary Capital Budget includes \$22.2 million in Fiscal 2014-2017 for the Downtown Brooklyn Redevelopment. EDC and the Department of City Planning (DCP) created a comprehensive redevelopment plan for Downtown Brooklyn to facilitate the continued growth of the area. These projects include multiple streetscape improvements and water main and sewer infrastructure upgrades for existing buildings and new buildings. Other components of the project include streetscape improvements along Fulton Street, Flatbush Avenue, and throughout MetroTech, as well as investments in Boerem Place, Willoughby Square, an underground parking facility, and the creation of an underground railroad commemorative feature.
- ☑ **Homeport.** EDC's Fiscal 2015 Preliminary Capital Budget includes \$16.7 million for Staten Island's Homeport. The Homeport is a 35-acre decommissioned U.S. Naval Base in Staten Island that is being transformed into a new, mixed-use residential community in accordance with the community-driven New Stapleton Waterfront Development Plan. The first phase of the development will activate and reconnect an underutilized waterfront with new housing, retail and significant improvements in public infrastructure. The \$16.7 million will be used for road improvements and a new waterfront esplanade for the historic Stapleton community and all of Staten Island. Future phases of development will include additional public open space.

| <b>Agency Revenue Overview</b><br><i>Dollars in Thousands</i> |                            |                      |                                |
|---------------------------------------------------------------|----------------------------|----------------------|--------------------------------|
| <b>Agency Revenue Sources</b>                                 | <b>FY14 Adopted Budget</b> | <b>FY14 Modified</b> | <b>FY15 Preliminary Budget</b> |
| License, Permit & Franchises                                  | \$1,410                    | \$1,410              | \$1,410                        |
| Charges for Services                                          | 56,258                     | 56,258               | 59,058                         |
| Miscellaneous                                                 | 32,404                     | 32,404               | 19,490                         |
| Federal Grants - Categorical                                  | 43,141                     | 68,761               | 43,141                         |
| Non-Governmental Grants                                       | 205                        | 205                  | 205                            |
| <b>TOTAL</b>                                                  | <b>\$133,417</b>           | <b>\$159,038</b>     | <b>\$123,304</b>               |

| <b>Revenue Sources</b>                            | <b>Actual</b>   |                 |                 | <b>Planned</b>   |                 |                 |
|---------------------------------------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|
|                                                   | <b>2012</b>     | <b>2013</b>     | <b>2014</b>     | <b>2015</b>      | <b>2016</b>     | <b>2017</b>     |
| <i>Dollars in Thousands</i>                       |                 |                 |                 |                  |                 |                 |
| <b><i>Fine and Forfeitures:</i></b>               |                 |                 |                 |                  |                 |                 |
| <b>Non-Recurring Rev: Asset Sale</b>              | \$28,225        | \$31,903        | \$32,404        | \$19,490         | \$19,702        | \$19,702        |
| <b>Marketing Initiative</b>                       | 0               | 0               | 1,529           | 0                | 0               | 0               |
| <b>Sub-Total</b>                                  | <b>\$28,225</b> | <b>\$31,903</b> | <b>\$33,933</b> | <b>\$19,490</b>  | <b>\$19,702</b> | <b>\$19,702</b> |
| <b><i>Rental Income:</i></b>                      |                 |                 |                 |                  |                 |                 |
| <b>Dock Slip And Wharfage</b>                     | \$4,800         | \$4,800         | \$4,800         | \$4,800          | \$4,800         | \$4,800         |
| <b>Terminal Market Rents</b>                      | 7,251           | 7,251           | 7,251           | 7,251            | 7,251           | 7,251           |
| <b>Hunts Point Net Leasing</b>                    | 2,452           | 2,452           | 2,452           | 2,452            | 2,452           | 2,452           |
| <b>42<sup>nd</sup> Street Payments</b>            | 27,602          | 32,313          | 43,600          | 43,600           | 43,600          | 43,600          |
| <b>Fulton Fish Market Rent</b>                    | 905             | 905             | 905             | 905              | 905             | 905             |
| <b>Sub-Total</b>                                  | <b>\$43,010</b> | <b>\$47,721</b> | <b>\$59,008</b> | <b>\$59,008</b>  | <b>\$59,008</b> | <b>\$59,008</b> |
| <b><i>Charge for Service:</i></b>                 |                 |                 |                 |                  |                 |                 |
| <b>Energy Cost Savings Fees</b>                   | \$68            | \$81            | \$50            | \$50             | \$50            | \$50            |
| <b>Sub-Total</b>                                  | <b>\$68</b>     | <b>\$81</b>     | <b>\$50</b>     | <b>\$50</b>      | <b>\$50</b>     | <b>\$50</b>     |
| <b><i>Licenses, Permits &amp; Franchises:</i></b> |                 |                 |                 |                  |                 |                 |
| <b>Terminal Market Permits</b>                    | \$340           | \$340           | \$340           | \$340            | \$340           | \$340           |
| <b>Work Permit- Plan Examination</b>              | 14              | 254             | 100             | 100              | 100             | 100             |
| <b>Brooklyn Meat Market Permits</b>               | 970             | 970             | 970             | 970              | 970             | 970             |
| <b>Sub-Total</b>                                  | <b>\$1,324</b>  | <b>\$1,564</b>  | <b>\$1,410</b>  | <b>\$1,410</b>   | <b>\$1,410</b>  | <b>\$1,410</b>  |
| <b>TOTAL</b>                                      | <b>\$72,627</b> | <b>\$81,269</b> | <b>\$94,401</b> | <b>\$ 79,958</b> | <b>\$80,170</b> | <b>\$80,170</b> |

## Performance Measures

| Performance Statistics                                                                              | FY 11<br>Actual | FY 12<br>Actual | FY 13<br>Actual | Target<br>FY 14 | Target<br>FY 15 | 4-Month<br>Annual<br>FY 13 | 4-Month<br>Annual<br>FY 14 |
|-----------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------------|----------------------------|
| Projected new private investment related to sale/long-term lease of City-owned property (\$000,000) | 63.0            | 432.3           | 331.2           | 1000.0          | 425.0           | 109.4                      | 722.5                      |
| Capital expenditures (\$000,000) (excludes asset management and funding agreements)                 | N/A             | N/A             | 365             | *               | *               | 80.7                       | 129.7                      |
| Graffiti sites cleaned                                                                              | 17,210          | 13,367          | 10,727          | *               | *               | 4,874                      | 3,533                      |
| Square feet of graffiti removed (000)                                                               | 5,912           | 4,242           | 4,078           | *               | *               | 1,548                      | 1,715                      |
| New York City Industrial Development Agency projects - Contracts closed                             | 7               | 12              | 20              | *               | *               | 8                          | 7                          |
| Projected three-year job growth associated with closed contracts                                    | 270             | 1,452           | 5,348           | 2,000           | 2,100           | 217                        | 140                        |
| Projected net City tax revenues generated in connection with closed contracts (\$000,000)           | 229.2           | 302.1           | 576.4           | up              | up              | 59                         | 41.4                       |
| Private investment leveraged on closed projects (\$000,000)                                         | N/A             | N/A             | 1,710.5         | *               | *               | 230.3                      | 32.7                       |
| Build NYC Resource Corporation - Contracts closed                                                   | N/A             | 4               | 24              | *               | *               | 8                          | 10                         |
| Projected three-year job growth associated with closed contracts                                    | N/A             | 12              | 491             | 500             | 525             | 3                          | 42                         |
| Projected net City tax revenues generated in connection with closed contracts (\$000,000)           | N/A             | N/A             | 173.6           | up              | up              | 45.6                       | 96                         |
| Private investment leveraged on closed projects (\$000,000)                                         | N/A             | N/A             | 513.7           | *               | *               | 82.3                       | 290.4                      |
| Value of funding disbursed pursuant to City funding agreements (\$000,000)                          | 71.1            | 104.8           | 91.0            | *               | *               | 22.6                       | 52.8                       |
| Capital expenditures on asset management (\$000,000)                                                | N/A             | N/A             | 11.5            | *               | *               | 7.9                        | 18.6                       |
| Occupancy rate of NYCEDC-managed property (%)                                                       | 91.7%           | 95.0%           | 95.7%           | 95.0%           | 95.0%           | 95.3%                      | 96.5%                      |
| Portfolio revenue generated (\$000,000)                                                             | N/A             | N/A             | 180.3           | *               | *               | N/A                        | N/A                        |
| Square footage of assets actively managed by NYCEDC (000)                                           | 57,274.0        | 65,570.3        | 65,537.1        | *               | *               | N/A                        | N/A                        |
| Outstanding violations at beginning of the period                                                   | N/A             | N/A             | 55              | *               | *               | 142                        | 58                         |
| Outstanding violations closed during the period                                                     | N/A             | N/A             | 19              | *               | *               | 59                         | 30                         |
| Active Center for Economic Transformation projects managed                                          | 36              | 55              | 94              | *               | 120             | 76                         | 98                         |
| Innovation Index score (calendar year)                                                              | N/A             | 116.7           | 119.5           | *               | *               | N/A                        | N/A                        |
| New York City unemployment rate (%)                                                                 | 8.9%            | 9.4%            | 8.5%            | *               | *               | 9.2%                       | 8.6%                       |