



New York City Economic Development Corporation

CITY COUNCIL
LAND USE DIVISION

2009 APR 21 P 2:33

**Testimony of Liza Kent, Senior Vice President
New York City Economic Development Corporation
at a hearing of the New York City Council
Committee on Economic Development**

April 21, 2009

Good morning. My name is Liza Kent. I am Grants Director at New York City Economic Development Corporation. I have worked on nomination of eligible projects for possible funding under a NYS grant program called Restore NY. With your support and approval, on or before the May 4, 2009, deadline, New York City will submit an application for funding for two projects – Bush Terminal Industrial Campus and Arverne East.

To begin our testimony today, I would like to provide some background on the Restore NY program and criteria; after that project managers from EDC and HPD (Theresa Ward and Wendell Walters) will provide information on the proposed projects.

Restore NY is a relatively new program. Announced by the State in August 2006, it authorized the Empire State Development Corporation to provide funding to municipalities for demolition, deconstruction, rehabilitation, and/or reconstruction of real property in furtherance of local revitalization and redevelopment efforts.

The State funded Restore NY for \$300 million over 3 years, with \$50 million allocated for Fiscal 2006, \$100 million allocated for '07-08 and \$150 million allocated for '08-09. New York City is permitted to submit applications for up to two projects for up to \$10 million per project.

RestoreNY offers 90% State reimbursement for eligible projects. Projects must involve vacant, abandoned, surplus, or condemned commercial and/or residential buildings within the municipality's control. Special consideration is given to projects located in economically distressed urban areas, Brownfield Opportunity Areas or Empire Zones and communities with severe economic distress and/or dislocation.

Restore NY guidelines provide allowable costs per square foot for demolition and reconstruction. The Restore NY scoring system includes a maximum of 115 points, providing up to 15 points for economic distress, 25 points for location in designated zones, up to 40 points for achieving Restore NY program goals which are: improve housing, induce commercial investment, revitalize urban centers; 20 points for project readiness and feasibility and 15 points at ESDC discretion.

The final round of the Restore NY program was announced February 5, 2009. To participate, municipalities were required to submit a Notice of Intent to Apply to ESDC on March 9, 2009. The Notice of Intent to Apply had to identify the projects to be submitted.

After reviewing eligibility requirements and proposed projects with City agencies and with ESDC, on March 9, 2009, the City submitted a Notice of Intent to Apply for the 2 projects mentioned above - Bush Terminal 39/40, 45 and Arverne East. Complete applications are due May 4, 2009.

Project Managers for each project are here to provide project details: Theresa Ward from EDC and Wendell Walters from HPD.

Restore New York Public Hearing
Arverne East Phase 1A

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Good morning, I am Wendell Walters, Assistant Commissioner of Housing Production at the New York City Department of Housing Preservation and Development.

I would like to begin with a brief background on the Arverne Urban Renewal Area (or URA) and the Arverne East Project. Arverne was a thriving beachside bungalow community through the first half of the 20th century; it was cited as a recreational get-away for City residents. Unfortunately, the area began to lose its appeal, leading to disinvestment, which resulted in a deteriorating housing stock, and ultimately culminating in the declaration of an Urban Renewal Area. By 1964, 308 acres in Arverne were declared an Urban Renewal Area, and the remnants of the once thriving community were cleared in the 1970's. The land remained vacant for decades; as several prior attempts to revitalize and invest in the community have failed to come to fruition. The vacant portion of the Arverne URA is arguably one of the largest, most underutilized assemblages of land remaining in the City.

In 1998, HPD in collaboration with the local Community Board and the Department of City Planning, aided by a market study, laid out the design of the future use of the URA. This analysis defined the community's goals for the site and the feasibility of implementing these goals in order to produce a mixed-use development that includes housing and economic development opportunities. One of the 1st steps in seeing this vision through was to conduct an Environmental Impact Statement (EIS) and initiate a

Uniform Land Use Review Procedure (ULURP) application for the redevelopment of the Arverne URA. As indicated earlier, the market study and dialog with the Community Board and Department of City Planning were the basis by which HPD developed the program for redevelopment, and was incorporated into the EIS and ULURP application. To accomplish our objectives the ULURP included changes to both the zoning and City Map. The Final EIS was completed in October of 2003 and the ULURP application was approved December 2003. Since securing the public approvals HPD has been leading the redevelopment efforts in the Arverne URA with our development partners. Our objective is to restore the Rockaway Peninsula to its former status as a world-class beachside community and one of the City's premier locations to live, shop, and visit.

As stated, the eastern-most portion of the Arverne URA, is known as Arverne East. The site consists of approximately 81.5 acres and is generally located on the south side of Edgemere Avenue between Beach 32nd and Beach 44th Streets. In August of 2005, HPD issued a Request for Proposals (RFP) for the redevelopment of this eastern section of the Arverne URA. Through competitive review, HPD sought a redevelopment plan that would stimulate further investment in the community. In addition to furthering the goals of the Mayor's New Housing Marketplace by adding a range of quality housing options to meet the City's housing needs, the proposal was to demonstrate the integration of several additional features – open space elements, retail opportunities, transit-oriented development - in a way best serving the community that also respected the environmental sensitivities of the area as outlined in the EIS. After a lengthy review of proposals and interviews with prospective developers, HPD designated the joint

venture partnership of the Bluestone Organization/L+M Development Partners and Triangle Equities, to develop Arverne East.

Today's hearing specifically pertains to Phase 1A of the Arverne East development project. As Lee mentioned, The City of New York has submitted an intent to apply to the Empire State Development Corporation for a Restore New York Communities Initiative grant for \$10M for the reconstruction of 103 owner occupied two-family houses, which will result in 206 dwelling units. This Phase of the Arverne East Project is located between Beach 32nd and 36th Streets, with the northern boundary at Edgemere Avenue and southern boundary at Sprayview Avenue. Phase 1A in its entirety is located within the Rockaway Empire Zone, further illustrating that this project is situated in an area targeted for reinvestment. The total project budget or investment associated with Phase 1A is estimated at \$58 million.

The reconstruction of the 103 two-family homes in Phase 1A will require both extensive site work and infrastructure. Arverne East Phase 1A will include infrastructure upgrades for outdated roadways and sewers, as well as the construction of new private sewers and streets. Phase 1A construction is expected to commence late next year 2010. Due to the unprecedented state of the housing market, the Restore New York grant is a great opportunity for the City to obtain an alternate source of funding. This will allow HPD and the development team to go forward with the Phase 1A project, and will induce the next phase of Arverne East which includes the development of the commercial center.

The 103 two-family homes will be publicly marketed as affordable and made available through a lottery to potential purchasers who qualify under the program's income restrictions. It is currently estimated that the homes will be affordable to a typical family of four, with a household income ranging from approximately \$68,824 (90% AMI) to \$102,007 (130% AMI). As part of the program agreement to be executed between the City and the Arverne East development team, there will be an owner occupancy requirement imposed on any units that receive city, state or federal subsidies. New York State Affordable Housing Corporation (AHC) funds will be targeted for subsidy to achieve lower sales prices for qualified purchasers.

Phase 1A is the first phase of the larger Arverne East project. Arverne East will have up to 400,000 square feet of commercial space - including local shops, restaurants, a supermarket, and entertainment opportunities. Retail will be served by the two transit stations on site, as well as approximately 1000 public parking spaces. As a critical component of the Mayor's New Housing Marketplace Plan, Arverne East will also provide up to 1600 new dwelling units. The proposed mixed-use neighborhood will also include a variety of community parks, community facilities, and a 35-acre beachfront preserve. Additionally, pedestrian usage is encouraged by creating a lighted mall under the elevated train and incorporating streetscape enhancements such as landscaping and the installation of bike sheds.

As indicated, the commencement of Arverne East Phase 1A will help induce future commercial and residential investment in the project and the surrounding neighborhood. This first phase of redevelopment - the reconstruction of homes - is instrumental to the development of the overall Arverne East project and is the first step in revitalizing this beachfront community.

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**Testimony of Theresa Ward, Vice President
New York City Economic Development Corporation
at a hearing of the New York City Council
Committee on Economic Development
April 21, 2009**

Good morning, Chairman White and members of the Economic Development Committee. My name is Theresa Ward. I am a Vice President at New York City Economic Development Corporation and I am the manager of development at the Bush Terminal Industrial Campus.

We are here to ask for your support in our application for Restore New York grant funding for a new industrial development project at the Bush Terminal Industrial Campus in Sunset Park, Brooklyn. I will begin with some background on the Bush Terminal Industrial Campus.

The campus was developed by Irving T. Bush and completed in 1905. At that time it was one of the largest inter-modal shipping, warehousing and manufacturing centers in the United States. Following World War II, industry in the area declined and shipping operations moved to New Jersey. As a result, activity at the campus declined and parcels were sold off. The City currently owns the 32-acre portion of the original industrial campus that is bounded by 41st Street on the North, 52nd Street on the South, First Avenue on the East, and the Gowanus Bay on the West. Also to the west of the campus is the future Bush Terminal Piers Park, which begins remediation this year. A circulation plan is being carefully designed to segregate park access from the industrial campus.

The Campus is zoned M3-1, which is a heavy industrial zoning, and it is also in an Industrial Business Zone. It has 10 industrial buildings totaling 1.2 Million

square feet. The Campus has functioned as a sanctuary for industrial businesses that have been forced out of higher priced locations in Manhattan, Queens, and other parts of Brooklyn. Currently the campus is home to almost 60 businesses with nearly 600 jobs. About 50% are warehousing businesses, 40% manufacturing and the remainder is industrial-related office and retail.

The subject of the Restore New York grant today is the development site located in the central portion of the campus. The site is a 130,000 square foot parcel of land on which three small buildings totaling 37,100 square feet are situated. Zoning allows a 2.0 floor-area ratio which means up to 260,000 square feet of industrial space could be built on the site. It is currently underutilized and there is a significant opportunity to develop modern industrial, green building on the site.

EDC released a Request For Proposals for this site in March 2007. The goal was redevelopment of a new industrial building or buildings with job-intensive businesses, preferably that would make use of the rail that connects to a float bridge at 51st Street which transports cargo back and forth from the Greenville Yard in Jersey City.

EDC received five proposals. Two were considered high quality responses that provided significantly more jobs than what exist now. One is a distributor that would employ up to 120 employees on site. The other is an industrial business that could utilize the rail access and employ up to 150 employees on site. Both businesses have committed to build at least 100,000 square feet of industrial space.

The following page has a map of the Bush Terminal Industrial Campus.

MAP OF BUSH TERMINAL INDUSTRIAL CAMPUS



Campus Size: 32 Acres, 1.2 Million SF buildings
Development Site: 130,000 SF land
Zoning: M3-1
Size of Buildings 39, 40, 45: 37,100 SF
FAR: 2.0 - 260,000 SF maximum

This site presents a unique opportunity since it is very difficult to find large, transit accessible, industrial land sites in New York City. Currently there are three businesses situated on the site employing approximately 15 people. Tenants are on month-to-month agreements.

Both proposals are still being considered, but our task now is to identify the funds for infrastructure replacement to facilitate this new development project.

Conditions on the campus are not conducive to new development. *The infrastructure is over 100 years old and not sufficient to allow for modern, job intensive industrial operations, and the reliability is poor. For example, within the past two years, one of the feeders from the electrical substation failed. The failure cost EDC \$1 million to repair, and the southern half of the campus was without electricity for four days. A private developer or business cannot be expected to assume a site with such risks.*

The grant of \$10 million in Restore New York funds would allow EDC to commence replacement of the infrastructure within one year of the award. The improvements are 90% designed and contractor selection could take place in a matter of months.

EDC would replace the electrical substation, water main and gas main on 42nd and 43rd Streets. Feeders from these utilities to the development site would be replaced to make development on the site feasible. Demolition of the existing buildings and asbestos abatement would prepare the site for development.

Overall the campus needs \$33.6 Million in infrastructure improvements in order to function as a quality industrial campus. According to the Restore New York

grant guidelines, \$10 Million is the maximum request allowed. We are requesting the full \$10 Million to meet the portion of campus infrastructure that relates to the development site, and remediate and demolish the existing buildings.

EDC has explored several options for funding this need, including selling parcels of the campus to private parties and using the proceeds from these sales to pay for site-wide infrastructure. However, City ownership of industrial campuses such as the Brooklyn Army Terminal and the Brooklyn Navy Yard have been successful over the long term in preserving affordable industrial space on the Brooklyn Waterfront. Therefore, we are seeking grant money to complete the necessary infrastructure work instead of selling off portions of the campus.

Without the Restore New York grant to fund demolition, remediation and infrastructure improvements, this site will not attract private investment and the campus will continue to operate at a loss, threatening its long term viability.

*The development of this site is a key step to realizing a revitalized Bush Terminal Industrial Campus which would allow the community to accomplish goals set in at least 4 community and comprehensive plans: the **Sunset Park Waterfront Vision Plan**, the **Sunset Park 197-a Plan**, **PlaNYC's Energy Consumption and Emissions Reduction goals**, and the **New York City Industrial Policy** released in January 2005. All of these plans include one or more goals of protecting and growing industrial employment, promoting comprehensive infrastructure improvements and promoting green practices.*

Based on this testimony, I hope you approve the resolution before you in support of the City's application for the Restore New York grant. Thank you for your time this morning.

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Liza Kent

Address: 110 William St

I represent: NYC EDC

Address: _____

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: _____

(PLEASE PRINT)

Name: Wendell Walters

Address: _____

I represent: MPD

Address: 100 Eldon St

**THE COUNCIL
THE CITY OF NEW YORK**

Appearance Card

I intend to appear and speak on Int. No. _____ Res. No. _____

in favor in opposition

Date: 4/21/09

(PLEASE PRINT)

Name: Theresa Ward - NYC Econ. Devel.

Address: 110 William St. NY, NY 10038

I represent: NYC Economic Development Corp.

Address: _____

◆ Please complete this card and return to the Sergeant-at-Arms ◆