

A. Rochester – RESTORE III – Development Site Clearance (W868)

June 24, 2010

General Project Plan

Grantee: City of Rochester (“Rochester” or the “City”)

ESD Investment: A grant of up to \$3,500,000, pending passage of the New York State budget, to be used for a portion of the cost of demolition to create shovel-ready sites as part of Rochester’s Development Site Clearance project.

Project Locations: 100-142 Fernwood Avenue, 230-250 Alexander Street and 75 vacant parcels, Rochester, Monroe County.

NYS Empire Zone (or equivalent): N/A

Project Completion: December 2011

Grantee Contact: Bret Garwood, Director of Business & Housing Development
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Project Team:

Project Management	Edward Muszynski
Affirmative Action	Helen Daniels
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Project Description:

Background

Formed in 1817 as a flour mill town on the Genesee River, the City of Rochester grew rapidly to reinvent itself sequentially from its original name, the “flour city,” to the “flower city” (with the rise of the horticulture industry), and to a technological community and advanced manufacturing center with Eastman Kodak and Xerox. During the 1980s, these two companies employed over 60,000, but the area has lost over 23,000 manufacturing jobs since 2000. Accompanying this decline are worsening indices of poverty. According to census data, 37.9% of children in the City under the age of 18 live in poverty, the highest such incidence in Upstate New York. In 2000, City’s population was 219,773.

The City’s adopted comprehensive plan, *Rochester 2010: The Renaissance Plan*, includes eleven major components, three of which are Center City, Healthy Urban Neighborhoods and Economic Vitality. The project addresses the goals associated with each of these campaigns and the Center City Master Plan. The project is consistent with the findings and recommendations of the *Rochester Housing Market Study*, completed by Interface Studio and Zimmerman/Volk Associates, and with Rochester’s Housing Policy and its *Consolidated Community Development Plan/Strategic Plan, 2005-06 through 2009-10*.

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A major key to revitalization of downtown Rochester is the creation of more mixed-use structures. Downtown residential development has proven to have significant benefits to the City's tax base and, once a certain residential density threshold is achieved, will attract retail and commercial services back to the Center City. As with many upstate cities, Rochester has experienced significant vacancies in the Class B office space market. Class B space currently comprises 51% of the downtown competitive office market and has a vacancy rate of approximately 30%. These properties have been prime candidates for conversion to mixed-use market rate housing, including offices, with retail on the ground floor. The City has adopted a number of programs to facilitate such projects, including the:

- Commercial Urban Exemption (CUE) Program, providing property tax abatements for the conversion of vacant industrial and commercial buildings to mixed-use market rate residential rental properties under the State's 485(a) exemption; and
- Core Housing Owner Incentive Exemption (CHOICE) Program, providing property tax abatements through a Monroe County Industrial Development Agency payment-in-lieu-of-taxes agreement for new owner-occupied downtown residential units.

In 2006, ESD awarded the City a Restore I grant of \$2,000,000 for Phase I of residential demolition involving approximately 153 blighted structures. The project is now complete. ESD also awarded the City a Restore I grant of \$300,000 to renovate a downtown mixed-use structure located at an important gateway to the City which is now complete. In 2008, ESD awarded the City a Restore II grant of \$1,900,000 for Phase II of residential demolition involving approximately 130 blighted structures which is now underway. In addition, a Restore II grant of \$4,100,000 was awarded to renovate four downtown commercial buildings. This project is also in progress. On January 21, 2010, ESD approved the first of Rochester's Restore III awards, a \$6,000,000 grant for renovation of five downtown properties for mixed use.

In addition to the Restore funds, in 2002 ESD assisted the City with a \$128,326 loan/grant combination for construction of infrastructure to support the relocation of two manufacturers to the Western Gateway industrial area. ESD has also assisted the City as the conduit for state funds for a convention center completed in the mid-1980s and two stadiums: a baseball stadium in 1995 and a soccer stadium in 2003. The latter two projects have been completed.

The Project

Restore NY funds will be used for the demolition of privately owned properties to create two shovel-ready sites and for the demolition of 75 City-owned properties:

- Conifer on Fernwood – Demolition of two vacant structures would make possible a new, \$8.9 million housing subdivision.
- Former Genesee Hospital site – Asbestos abatement and demolition of nine vacant structures to facilitate a 7.4-acre, \$75 million mixed-use development, consisting of office, retail and residential. A 600-car parking garage will also be constructed.

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- 75 City-owned properties – Asbestos abatement and demolition of these dilapidated structures would reduce downward pressure on housing values in these neighborhoods. Redevelopment would occur under existing owner-occupied infill programs like Habitat for Humanity and through affordable rental housing construction by non-profit developers. (See Exhibit A. - The City will select approximately 75 properties from the 150 vacant parcels Ex. A, items 9-158.)

These three projects will have a significant positive impact on Rochester's housing and commercial development. The City is beginning to realize success through its housing and mixed-use revitalization strategies, and the Restore NY initiative significantly advances this goal. The individual project budgets are as follows:

Financing Uses	Amount	Financing Sources	Amount	Percent
Conifer on Fernwood Demolition	\$786,773	ESD Grant	\$500,000	64%
		City Equity*	286,773	36%
Total Project Costs	\$786,773	Total Project Financing	\$786,773	100%

*Sources of equity are funds from the buildings' owners.

Financing Uses	Amount	Financing Sources	Amount	Percent
Former Genesee Hospital Demolition	\$13,838,905	ESD Grant	\$2,000,000	14%
		City Equity*	11,838,905	86%
Total Project Costs	\$13,838,905	Total Project Financing	\$13,838,905	100%

*Sources of equity are funds from the buildings' owners.

Financing Uses	Amount	Financing Sources	Amount	Percent
75 City-Owned Properties Demolition	\$1,250,651	ESD Grant	\$1,000,000	80%
		City Equity	250,601	20%
Total Project Costs	\$1,250,651	Total Project Financing	\$1,250,601	100%

Financial Terms and Conditions:

1. At the time of disbursement, the City will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The City will be obligated to advise ESD of a material adverse change in its financial

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condition prior to disbursement.

3. The City will ensure the contribution of at least a 10% match of the grant amount to the Project.
4. Up to \$3,500,000 will be disbursed to Grantee as reimbursement for eligible costs, no more frequently than quarterly and in proportion to ESD's funding share, assuming all project approvals have been completed and funds are available. The final disbursement, which shall be at least 10% of the grant amount, shall be made to the Grantee upon completion of the project. Payments assume that all project approvals have been completed and funds are available, and will be made upon presentation to ESDC of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after May 4, 2009 to be considered reimbursable project costs. Previously expended funds may be applied toward match requirements retroactive to June 23, 2006, when the Restore New York Legislation was enacted.
5. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$3,500,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the City 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. If the Grantee is not the owner of the Project, then the Grantee shall prohibit, for five years from the date of the initial disbursement of Grant funds, any transfer of the Project in whole or in part, by sale, lease, or conveyance of any interest in or with respect to the Project except (a) transfers of minor interests in the Project site, such as utility easements and limited rights-of-way, and (b)(i) the arms-length basis sale or lease of individual residential units in the ordinary course of business for a residential development and (ii) the arms-length basis residential or commercial lease in the ordinary course of business for a commercial, residential, or mixed-use rental development. In the event that such a prohibited transfer occurs within such five- year period, the Grantee shall pay to ESD, promptly upon ESD's written demand therefore, the applicable amount indicated below.

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;
- (ii) 80% of the disbursed amount if the transfer occurred in the second full calendar year after the disbursement was made;

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- (iii) 60% of the disbursed amount if the transfer occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the transfer occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the transfer occurred in the fifth full calendar year after the disbursement was made.

Design and Construction:

Design & Construction (“D&C”) staff will review project plans, scope, budget and schedule. D&C will visit the site at its option, review requisitions and recommend payment when its requirements have been met.

Environmental Review:

The City of Rochester, as lead agency, has completed environmental reviews of the proposed demolition of two buildings at the Conifer on Fernwood site at 100 Fernwood Avenue, demolition of the former Genesee Hospital site at 230-250 Alexander Street, and demolition of City-Owned properties in Rochester, NY, pursuant to the requirements of the State Environmental Quality Review Act (“SEQRA”) and the implementing regulations of the New York State Department of Environmental Conservation. These reviews found the projects to be Unlisted Actions, which would not have a significant effect on the environment and Negative Declarations were issued accordingly for each project. ESD staff reviewed the Negative Declarations and supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

Due to the former Vogt Manufacturing building's eligibility for inclusion in the State and National Registers of Historic Places, ESDC 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. ESDC, OPRHP, City of Rochester and 100 Fernwood Avenue Associates have agreed that the project will be implemented in accordance with a Letter of Resolution. ESDC will ensure that all conditions stipulated in the Letter of Resolution are met.

Affirmative Action:

ESD’s Non-Discrimination and Affirmative Action policy will apply. The City of Rochester shall use its best efforts to achieve Minority and Women-owned Business Enterprise participation of not less than 5 % of the total dollar value of work performed pursuant to contracts or purchase orders entered into in connection with the construction work related to the project and meaningful Minority and Female Workforce Participation.

Statutory Basis – Restore NY Communities:

Land Use Improvement Project Findings

1. The area in which the project is to be located is a substandard or insanitary area, or is in danger of becoming a substandard or insanitary area and tends to impair or arrest sound growth and development of the municipality.

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The project involves site clearance to make room for housing and mixed-use development in different sections of the City of Rochester. The structures being demolished would become blighting influences if left in their current states.

2. The project consists of a plan or undertaking for the clearance, replanning, reconstruction and rehabilitation of such area and for recreational and other facilities incidental or appurtenant thereto.

The project involves demolition and site clearance to create shovel-ready sites for housing and mixed-use developments that are already planned. These are activities that the City has included in its comprehensive plan, Center City Master Plan, Housing Policy, Consolidated Community Development Plan, and Rochester Housing Market Study recommendations. The project will complement previous and current revitalization programs. It will eliminate blight, help revitalize the urban center, induce commercial investment and improve downtown housing.

3. The plan or undertaking affords maximum opportunity for participation by private enterprise, consistent with the sound needs of the municipality as a whole.

Two of the three (3) projects are privately owned. The City published a property assessment list and held a public hearing on the project at the time of application. The City will ensure compliance with all applicable local laws and regulations.

4. The requirements of Section 10(g) of the Act are satisfied.

There are no families or individuals displaced from the project areas.

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Rochester (Monroe County) – Rochester – RESTORE III – Development Site Clearance -
Restore NY Communities 08-09 (Capital Grant) – Determination of No Significant Effect
on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Rochester – RESTORE III – Development Site Clearance Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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