Hearing on the Fiscal 2013 Executive Budget

Economic Development Corporation

June 1, 2012

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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 the development of the City’s marine terminals, airports, heliports, rail yards, and industrial parks.

Capital Budget Summary

The May 2012 Capital Commitment Plan includes $1.48 billion in Fiscal 2012-2016 for EDC (including City and Non-City funds). This represents 3.73 percent of the City’s total $39.52 billion Executive Plan for Fiscal 2012-2016. The EDC’s Executive Commitment Plan for Fiscal 2012-2016 is 3.85 percent more than the $1.42 billion scheduled in the Preliminary Commitment Plan, an increase of $54.7 million (see Table 1 below).

Table 1: EDC’s Fiscal 2012-2016 Commitment Plan: Preliminary and Executive Budget

<table>
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<th></th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
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<td>Preliminary</td>
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<td>Executive</td>
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<td></td>
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<tr>
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<td>($3,803)</td>
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<tr>
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<td>23.99%</td>
<td>14.45%</td>
<td>0.00%</td>
<td>-20.59%</td>
<td>3.85%</td>
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</table>

The majority of capital projects span multiple fiscal years, and it is common practice for an agency to roll unspent capital funds from the current fiscal year into future fiscal years. In Fiscal Year 2011, EDC committed approximately $937 million or 16.89 percent of its annual capital plan. Therefore, it is assumed that a significant portion of EDC’s Fiscal 2012 Capital Plan will be rolled into Fiscal 2013, thus increasing the size of the Fiscal 2013-2016 Capital Plan. Since the Preliminary Budget was released in February, the City-wide Capital Commitment Plan for Fiscal
2013 has increased from $8.69 billion to $10.82 billion, an increase of $2.13 billion or 24.6 percent.

**EDC’s Fiscal 2012-2016 Executive Capital Commitment Plan by Category**

**TOTAL: $1.48 billion**

EDC’s Executive Capital Commitment Plan for Fiscal 2012-2016 is $1.48 billion. Approximately 37 percent or $550.3 million are for Commercial Development, which includes Willets Point Redevelopment, Coney Island Development, the Roosevelt Island NYC Applied Sciences initiative,
Hunter’s Point South, and the Staten Island Homeport. The funds are used for site acquisition, infrastructure development, and environmental remediation. Approximately 24 percent or $360.6 million of the $1.48 billion capital funds are used for Miscellaneous projects, which include investments in commercial projects and to the City’s public markets, and other miscellaneous projects. Lastly, about 12 percent or $172.8 million are utilized for Industrial Development. These funds are used for the industrial management of the Brooklyn Army Terminal and the South Brooklyn Marine Terminal, for the renovations of the Hunts Point Terminal Produce Market, and for the purchase and rehabilitation of the Federal Building in Sunset Park, Brooklyn, for industrial use.

Fiscal 2013 Executive Capital Budget Highlights

The following are the largest projects in EDC’s May 2012 Capital Commitment Plan in terms of planned commitments for Fiscal 2012-2016:

- **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 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. Of the $100 million, $71.66 million would be used in Fiscal 2013 for the construction costs of the new academic facility, including site preparation, project and construction management, and other related costs. The remaining $28.35 million is budgeted for Fiscal 2017-2019 and would cover energy infrastructure, including the construction of a new high-pressure gas line to Roosevelt Island. To get the Applied Science started, Google offered to provide Cornell University with 22,000 square feet of office space at the Google’s Manhattan headquarters starting in July free of charge for 5 years and 6 months or until the completion of Cornell’s campus on Roosevelt Island.

- **Governors Island.** EDC’s Fiscal 2013 Executive Capital Commitment Plan includes approximately $281 million in Fiscal 2012-2016 for the management and redevelopment of Governors Island. To date, the Mayor’s Office of Management and Budget (OMB) has authorized for use $158 million for 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.

- **Willets Point Redevelopment.** EDC’s Fiscal 2013 Executive Capital Commitment Plan includes $209.81 million in Fiscal 2012-2016 for the site infrastructure, acquisition, relocation, and remediation/technical services for the Willets Point Redevelopment. The total capital plan funding for Willets Point is $402.72 million. To date only $215.22 million has been committed. In May 2012 a new deal was struck between the Bloomberg Administration and the developers.

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1 Seth Pinsky, EDC President, testimony on the Fiscal 2013 Preliminary Capital Budget, April 2012.
2 Ibid.
3 Ibid
Related Companies and Sterling Equities.\textsuperscript{4} The initial plans called for a 680,000 square-foot mall, a hotel, and up to 400 apartments. The new plans include a 1.4 million square-foot mall, a parking garage next to the Met’s Citi Field stadium, and also a 200-room hotel and stores on the other side of the stadium. The new plans were developed because the Willets Point redevelopment requires expensive upfront costs, including cleaning the area of waste and raising the level of the land, most of which is below the flood plain. The area is also not very appealing when it comes to attracting new development. Citi Field sits amid an ocean of parking lots, and Willets Point is a collection of sheds and cinder block garages. But before any development can happen, the new plans must once again go through a new environmental review, public hearings, and the City’s public review process. The developer must also clean a 20-acre stretch of the heavily polluted Willets Point, which could cost $40 million or more.

\textbf{BNYDC.} EDC’s Fiscal 2013 Executive Capital Commitment Plan includes $132.81 million in Fiscal 2012-2016 for the Brooklyn Navy Yard Development Corporation (BNYDC) to manage the City-own 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 2012-2016, as well as the redevelopment of a 287,000 square-foot site (formerly the Naval housing) into a supermarket. These capital improvements have been undertaken to attract and retain tenants at the Navy Yard. There are roughly 275 tenants at present and approximately 6,000 jobs.

\textbf{Hunts Point Market.} EDC’s Fiscal 2013 Executive Capital Commitment Plan includes $57.82 million in Fiscal 2012-2016 for the Hunts Point Market. Of this amount, $51.5 million is budgeted in Fiscal 2013 for the reconstruction of the produce market. The remaining capital funding would cover the food distribution facilities, roadways and green trails. In June 2011, the City and Hunts Point Market reached an agreement to keep the Market in the Bronx for three more years, and both sides are working to reach a long-term lease agreement, as well as plans to build a larger, modernized market.

\textbf{Passenger Ship Terminal/Pier Rehabilitation.} EDC’s Fiscal 2013 Executive Capital Commitment Plan includes $46.7 million in Fiscal 2012-2016 for the Passenger Ship Terminal/Pier Rehabilitation. This includes the Passenger Ship Terminal improvements and Piers 88, 89, and 92 substructure and barge, pile, and offshore end rehabilitation. This is part of the Administration’ and the City Council’s $3.3 billion comprehensive plan launched in March 2011 to improve the City’s waterfront and waterways.

\textbf{Brooklyn Army Terminal (BAT).} EDC's Fiscal 2013 Executive Capital Commitment Plan includes $30.08 million in Fiscal 2012-2016 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.

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**Theatre for New Audience.** EDC’s Fiscal 2013 Executive Capital Commitment Plan includes $29.79 million in Fiscal 2012-2016 for the Theatre for New Audience in Brooklyn. The construction of the new 27,500-square-foot theatre started in June 2011, and the venue is expected to open in 2013. Originally a parking lot, the Theatre for New Audience will be a 299-seat stage and will house a 50-seat rehearsal space and a lobby cafe. It will overlook a new public garden plaza and sit along a walking path between the Brooklyn Art’s Museum (BAM) Opera House and Harvey Theater. The City’s ambitious plan is to create a new $650 million cultural district.

**Coney Island Redevelopment.** EDC’s Fiscal 2013 Executive Capital Commitment Plan includes $26.21 million in Fiscal 2012-2016 for the Coney Island Redevelopment. In Fiscal 2010, EDC committed $105.7 million for land acquisition in Coney Island to create a vibrant new mixed-use, year-round destination for new entertainment, amusement parks, retail and residential uses. The $26.21 million will be utilized for public open space and amusement park areas, including the parachute jump.

**Downtown Brooklyn Redevelopment.** EDC’s Fiscal 2013 Executive Capital Commitment Plan includes $20.89 million in Fiscal 2012-2016 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 will include streetscape improvements along Fulton Street, Flatbush Avenue, and throughout MetroTech, as well as investments in Boerum Place, Willoughby Square, an underground parking facility, and the creation of an underground railroad commemorative feature.

**Homeport.** EDC’s Fiscal 2013 Executive Capital Commitment Plan includes $20.76 million in Fiscal 2012-2016 for Staten Island’s Homeport. The Homeport is a 35-acre decommissioned U.S. Naval Base in Staten Island that would be 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 $20.76 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.

**Downtown Jamaica, Queens, Station Plaza Acquisition:** EDC’s Fiscal 2013 Executive Capital Commitment Plan includes $18.7 million in Fiscal 2012 to cover property acquisition costs associated with the redevelopment of the Station Plaza transit area located in downtown Jamaica, Queens. The project will result in the creation of a new public plaza, and will consist of pedestrian improvements such as sidewalk widening and the creation of retail kiosks on the plaza, and well as traffic congestion improvements for commuters, such as turning lanes and loading lanes for bus traffic, and improved connections to subway stations.