

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Christine C. Quinn
Speaker of the Council

Hon. Karen Koslowitz
Chair, Committee on Economic Development



Hearing on the Fiscal 2014 Preliminary Budget & the Fiscal 2013 Preliminary Mayor's Management Report

Economic Development Corporation

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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 Budget Summary

The January 2013 Capital Commitment Plan includes \$1.6 billion in Fiscal 2013-2016 for the Economic Development Corporation (including City and Non-City funds). This represents 3.5-percent of the City's total \$39.3 billion January Plan for Fiscal 2013-2016. The agency's January Commitment Plan for Fiscal 2013-2016 is 7-percent more than the \$1.3 billion scheduled in the September Commitment Plan, an increase of \$88.8 million.

The majority of the 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 2012 EDC committed \$244.4 million or 25.2 percent of its annual capital plan. Therefore, it is assumed that a significant portion of the agency's Fiscal 2013 Capital Plan will be rolled into Fiscal 2014, thus increasing the size of the Fiscal 2014-2017 Capital Plan. Since adoption last June, the total Capital Commitment Plan for Fiscal 2013 has increased from \$1.1 billion to \$1.2 billion, an increase of \$78.3 million or 6.9 percent

Fiscal 2013-2016 Commitment Plan: Adopted and Preliminary Budget Chart

	FY 13	FY 14	FY 15	FY 16	Total
Adopted					
Total Capital Plan	\$1,141,830	\$61,171	\$48,065	\$14,665	\$1,265,731
Prelim					
Total Capital Plan	\$1,220,112	\$64,671	\$51,565	\$18,165	\$1,354,513
Change					
Level	\$78,282	\$3,500	\$3,500	\$3,500	\$88,782
Percentage	6.86%	5.72%	7.28%	23.87%	7.01%

Dollars in Thousands

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 is budgeted for repairs and improvements to the Brooklyn Navy Yard, \$4.5 million for repairs to Pier A, \$2.7 million for repairs at the Trust for Governor's Island, \$2.2 million in repairs to Homeport, \$3 million to repair the Brooklyn Cruise Terminal, \$1.5 million to repair the 34th Street Ferry Landings, and \$3 million for repairs to various City-owned property City-wide. Sandy capital funding is currently forecasted in the Preliminary Capital Commitment Plan as City funds. These funds will be treated as grant funding by the City and the commitments will be transferred to a federal non-city budget code as they are spent.

The City has also received \$1.77 billion in Community Development Block Grant (CDBG) funding. CDBG funding does not go through the City's Capital Plan so This represents the first of three tranches of CDBG funding to be issued by the Federal Government for Hurricane Sandy. The administration's action plan for this funding has not yet been posted or approved by the Federal Department of Housing and Urban Development but if approved this initial allocation will be used mainly to assist recovery in housing and businesses affected by Hurricane Sandy.

Preliminary Capital Budget Highlights

The following are the largest projects in EDC's January 2013 Capital Commitment Plan in terms of planned commitments for Fiscal 2013-2016:

- 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 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.

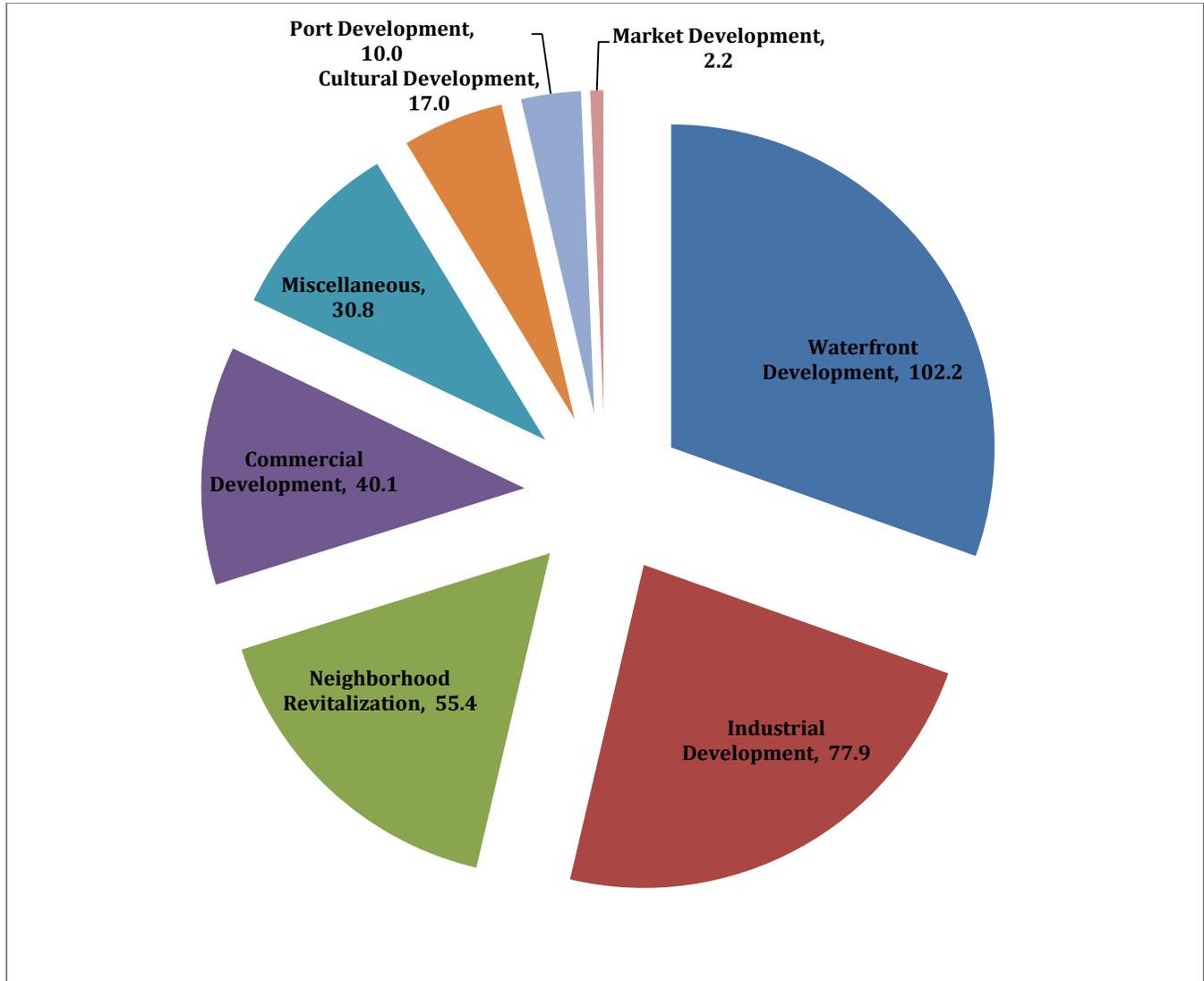
- ☑ **Governors Island.** EDC's Fiscal 2013 January Capital Commitment Plan includes approximately \$218.6 million in Fiscal 2013-2016 City Capital funds for the management and redevelopment of Governors Island. In FY13 the Trust for Governors Island has spent \$86.1 million of the \$218.6 million available in the Capital Plan. These funds would cover 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 of \$132.5 million will be used for successive phases of this work and outstanding maritime infrastructure items
- ☑ **Willets Point Redevelopment.** EDC's Fiscal 2013 January Capital Commitment Plan includes \$203.9 million in Fiscal 2013-2016 (187.2 million in Fiscal 2013). The 187.2 million consists mainly of infrastructure improvements for \$118.3 million, acquisition and relocation \$52.2 million, and remediation/technical services \$240,000. Currently, the acquisitions are ongoing with \$42.2 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.
- ☑ **BNYDC.** EDC's Fiscal 2013 January Capital Commitment Plan includes \$124.2 million in Fiscal 2013-2016 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 2013-2016, 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 \$124.2 million budgeted through Fiscal 2016, capital in the amount of the \$29.3 million was provided in Fiscal 2013 for Hurricane Sandy Related work. There are roughly 250 tenants at present generating approximately 6,000 jobs.
- ☑ **Passenger Ship Terminal/Pier Rehabilitation.** EDC's Fiscal 2013 January Capital Commitment Plan includes \$51.1 million in Fiscal 2013-2016 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 2013 January Capital Commitment Plan includes \$52 million in Fiscal 2013-2016 for the restoration of Loew's Kings Theatre in Flatbush, Brooklyn. 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 expected opening is in the fall of 2014.

- ☑ **Hunts Point Market.** EDC's Fiscal 2013 January Capital Commitment Plan includes approximately \$28 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 are in continued discussions about extending the produce market lease and the plan to build a larger and modernized market.
- ☑ **Brooklyn Army Terminal (BAT).** EDC's Fiscal 2013 January Capital Commitment Plan includes approximately \$23.2 million in Fiscal 2013-2016 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.
- ☑ **Downtown Brooklyn Redevelopment.** EDC's Fiscal 2013 January Capital Commitment Plan includes \$19.7 million in Fiscal 2013-2016 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 Boerem Place, Willoughby Square, an underground parking facility, and the creation of an underground railroad commemorative feature.
- ☑ **Homeport.** EDC's Fiscal 2013 January Capital Commitment Plan includes \$20.76 million 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.

Fiscal 2014-2023 Preliminary Capital Commitment Plan by Category

Total: \$335.6 million



Dollars in Millions

FY 2014-2023 Preliminary Ten-Year Capital Strategy											
Dollars in thousands											
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
Commercial Development	\$468	\$28,097	\$664	\$861	\$380	\$0	\$9,637	\$0	\$0	\$0	\$40,107
Cultural Development	8,500	8,500	0	0	0	0	0	0	0	0	\$17,000
Industrial Development	26,225	5,970	6,065	6,160	6,350	5,500	5,500	5,500	5,309	5,345	\$77,924
Market Development	1,552	152	161	171	171	0	0	0	0	0	\$2,207
Miscellaneous	9,744	2,615	3,457	8,069	6,907	0	0	0	0	0	\$30,792
Neighborhood Revitalization	3,000	2,000	434	7,231	10,097	6,528	6,690	6,854	6,198	6,322	\$55,354
Port Development	10,000	0	0	0	0	0	0	0	0	0	\$10,000
Waterfront Development	5,182	4,231	7,384	8,331	6,469	14,353	14,906	14,623	13,223	13,488	\$102,190
Total	\$64,671	\$51,565	\$18,165	\$30,823	\$30,374	\$26,381	\$36,733	\$26,977	\$24,730	\$25,155	\$335,574

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.

Waterfront Development

EDC's Preliminary Ten-Year Capital Strategy allocates \$102.2 million to stabilize and rehabilitate bulkheads and piers in all five boroughs. The City's piers and bulkheads have become severely deteriorated due to weathering and marine borer activity. This category also includes funding for the redevelopment of public space along the City's waterfront.

Industrial Development

EDC markets City-owned real estate to industrial users and works closely with firms to find sites for their expansion and relocation. EDC's Preliminary Ten Year Capital Strategy includes \$77.9 million for pre-development infrastructure improvements and health and safety related infrastructure improvements and the Brooklyn Navy Yard. Other projects include upgrades to the physical plant of the City's industrial parks and City-owned properties such as Bush Terminal and the Brooklyn Army Terminal.

Neighborhood Commercial Rehabilitation

EDC has allocated \$55.4 million for Neighborhood Commercial Rehabilitation. Projects in this category include physical improvements to public areas, including street and side walk reconstruction, new public lighting and landscaping, pedestrian and intermodal improvements in the mixed-use district, as well as various improvement projects throughout the City's Business Improvement Districts (BIDs).

Commercial Development

EDC has planned to spend \$40.1 million in an effort to expand the City's commercial base and diversify the City's economy by fostering the growth of new industries and new retail opportunities. Projects in this category include the development of a new mixed-use neighborhood at Willets Point and investments in the redevelopment of Governor's Island. EDC plans to develop off-site infrastructure for eventual linkage to the Willet's Point development and to rehabilitate the seawall and improve the infrastructure of Governor's Island.

Cultural Development

EDC has allocated \$17 million to the enhancement of cultural institutions City-wide in the Preliminary Ten Year Strategy. Cultural institutions draw many tourists and can be an engine for economic growth in the areas which they exist.

Port Development

EDC has planned to spend \$10 million in Fiscal Years 2014 through 2023 for improvements for projects such as the Manhattan Cruise Terminal and the Brooklyn Cruise Terminal. These improvements are intended to retain and expand tourism-related businesses.

Market Development

EDC maintains the City's ongoing commitment to preserve its markets through infrastructure improvements in this Ten Year Plan category. Projects that fall under this designation include improvements at the Essex Street Market and La Marqueta in Manhattan.

Miscellaneous

EDC is sometimes tasked with unique projects that do not fit neatly into any of the aforementioned categories. Portions of infrastructure support for the Trust for Governor's Island as well as some Elected Official projects fall under this category.

Performance Measures

Performance Statistics	FY 10 Actual	FY 11 Actual	FY 12 Actual	Target FY 13	Target FY 14	4-Month Annual FY 12	4-Month Annual FY 13
*Projected new private investment related to sale/long-term lease of City-owned property (\$000,000)	98.0	63.0	918.3	*	918.0	72.4	109.4
Capital expenditures (\$000,000) (excludes asset management and funding agreements)	N/A	N/A	N/A	*	*	N/A	80.7
Graffiti sites cleaned	N/A	17,210	13,367	*	*	5,143	4,877
Square feet of graffiti removed (000)	N/A	5,912.3	4,241.6	*	*	1,658.1	1,548.0
Visitors to New York City (000,000) (calendar year)	45.6	48.7	50.9	*	*	N/A	N/A
New York City Industrial Development Agency projects - Contracts closed	7	7	12	*	*	7	8
* - Projected three-year job growth associated with closed contracts	112	270	1,452	*	1,450	1,380	117
* - Projected net City tax revenues generated in connection with closed contracts (\$000,000)	N/A	\$229.2	\$302.1	*	\$302.0	N/A	\$123.6
- Private investment leveraged on closed projects (\$000,000)	N/A	N/A	N/A	*	*	N/A	\$221.5
Build NYC Resource Corporation - Contracts closed	N/A	N/A	4	*	*	N/A	8
* - Projected three-year job growth associated with closed contracts	N/A	N/A	12	*	*	N/A	19
* - Projected net City tax revenues generated in connection with closed contracts (\$000,000)	N/A	N/A	N/A	*	*	N/A	47.8
- Private investment leveraged on closed projects (\$000,000)	N/A	N/A	N/A	*	*	N/A	95.3
Value of funding disbursed pursuant to City funding agreements (\$000,000)	246.4	71.1	104.8	*	*	50.3	22.6
Capital expenditures on asset management (\$000,000)	N/A	N/A	N/A	*	*	N/A	7.9
*Occupancy rate of NYCEDC-managed property (%)	91.7%	91.7%	95.0%	*	95.0%	94.9%	95.3%
Portfolio revenue generated (\$000,000)	N/A	N/A	N/A	*	*	N/A	N/A
Square footage of assets actively managed by NYCEDC (000)	N/A	57,274.0	65,570.3	*	*	N/A	N/A
Outstanding violations at beginning of the period	N/A	N/A	N/A	*	*	N/A	142
Outstanding violations closed during the period	N/A	N/A	N/A	*	*	N/A	59
*Active Center for Economic Transformation projects managed	N/A	36	55	*	*	N/A	76
Innovation Index score (calendar year)	N/A	116.7	119.5	*	*	N/A	N/A
New York City unemployment rate (%)	10.1%	8.9%	9.4%	*	*	9.1%	9.7%