



FOR CONSIDERATION

January 16, 2020

TO: The Directors

FROM: Eric J. Gertler

SUBJECT: Poughkeepsie (Mid-Hudson Region – Dutchess County) – EFG/Saber Heritage Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10(g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions; Adoption of Findings Pursuant to the State Environmental Quality Review Act

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General Project Plan

I. Project Summary

Grantee: EFG/Saber Heritage SC, LLC (“EFG/Saber” or the “Company”)

ESD\* Investment: A grant of up to \$2,500,000 to be used for a portion of the cost of infrastructure improvements, including but not limited to demolition and environmental remediation

\* The New York State Urban Development Corporation doing business as Empire State Development (“ESD” or the “Corporation”)

Project Location: 3532 North Road (Route 9), Poughkeepsie, Dutchess County

Proposed Project: Demolition, remediation, and infrastructure improvements to turn the former Hudson River State Hospital for mental health services into a mixed-use development including residential units, commercial development, and a hotel

Project Type: Environmental remediation and infrastructure improvements

Regional Council: The Mid-Hudson Regional Economic Development Council has been made aware of this item.

## II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>	
Demolition and Remediation	\$8,577,743	
Site Infrastructure	3,510,924	
Indirect/Soft Costs	<u>1,158,574</u>	
Total Project Costs	<u>\$13,247,241</u>	
<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$2,500,000	19%
Company Equity	<u>10,747,241</u>	<u>81%</u>
Total Project Financing	<u>\$13,247,241</u>	<u>100%</u>

## III. Project Description

### A. Company

Industry: Real Estate Development Company

Company History: EFG/Saber Heritage SC, LLC was formed in October 2013 to undertake the acquisition and redevelopment of a portion of the former Hudson River State Hospital property located along Route 9 in the Town of Poughkeepsie, Dutchess County, NY.

Ownership: EFG/Saber Heritage SC, LLC is a limited liability company. The majority of EFG/Saber Heritage SC, LLC is owned by EnviroFinance Group, LLC ("EFG").

Size: This project is the Company's first real estate development in NYS.

Market: Real Estate Development

ESD Involvement: The Hudson River State Hospital in Poughkeepsie, NY had been vacant since 2003 after falling into a severe state of disrepair. In November 2013, the Company purchased the site from Hudson Heritage Development, LLC. Redevelopment could not be completed without critical and costly demolition, remediation, and infrastructure improvements. In May 2016, the Company submitted an application for financial assistance in order to undertake the initial phases of this redevelopment effort. In November 2016, the Company was awarded a \$2,500,000 grant from ESD to bridge a financing gap. Without ESD assistance, the Company would not be able to undertake the redevelopment effort.

Competition: N/A

Past ESD Support: This is the Company's first project with ESD.

B. The Project

Completion: June 2020

Activity: The Company plans to redevelop the 156-acre Hudson River State Hospital site in Poughkeepsie into a mixed-use development, generally referenced as "Hudson Heritage". The initial phase of the redevelopment effort at the project site has been approved for redevelopment into a mixed-used community with 134 residential units, and 193,300 square feet of commercial/retail space. This Project is the first of two phases of redevelopment, during which the Company will invest in infrastructure work to support the redevelopment of the brownfield site which includes asbestos/lead abatement, demolition, and construction of new utilities and infrastructure, including connections to the public water supply and sewer system, stormwater collection and treatment facilities, on-site roadways and improved off-site roadway connections.

To-date it is estimated that approximately 50% of the initial phase of redevelopment is complete; several buildings in the southern portion of the property have been abated and demolished in preparation of development of the commercial components. Abatement and demolition of additional buildings will be ongoing, as well as construction of the necessary sewer components, roadways, grading, and excavation associated the second phase of the redevelopment.

Results: Initial site preparation and infrastructure for the Project will be complete, which will allow the Company to proceed with the development of 134 new residential units and 193,300 square feet of new commercial/retail space.

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ESD Project No.: AB196 / 124,544

Project Team:	Origination	Meghan Taylor
	Project Management	Steffen Loh
	Contractor & Supplier Diversity	Denise Ross
	Finance	Kathleen Uckert
	Design & Construction	Ethan Morrissey
	Environmental	Soo Kang

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$2,500,000 capital grant (\$25,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no materially adverse changes in its financial condition prior to disbursement.
3. EnviroFinance Group, LLC will guarantee the grant repayment obligation of its subsidiary, EFG/Saber Heritage SC, LLC, in the event of default, as defined in these materials or the Grant Disbursement Agreement.
4. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
5. Up to \$2,500,000 will be disbursed to the Grantee for eligible expenses during the course of construction, no more frequently than quarterly, in compliance with ESD Design & Construction requirements and in proportion to ESD's share of funding, assuming that all project approvals have been completed and funds are available.

Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after December 22, 2016 to be considered eligible project costs. All disbursements must be requested by April 1, 2022.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$2,500,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company 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.

#### D. Labor Peace

Section 2879-b does not apply here because a hotel is not a principal function of this project and therefore this is not a covered project under the statute.

#### IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.  
As a result of this project, the Company will create approximately 63 temporary construction jobs.
2. The proposed project would be unlikely to take place in New York State without the requested assistance.  
Without ESD assistance the cost would have been too high to make the project feasible in New York.
3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.  
No Benefit-Cost Analysis (“BCA”) is required since these projects generate long-term benefits not captured in the short-term period used for the BCA and may involve no permanent job commitments.
4. The requirements of Section 10(g) of the Act are satisfied.  
No residential relocation is required because there are no families or individuals residing on the site.

#### V. Design and Construction

Submission of Payment Requisitions to ESD will be made according to the design and construction disbursement terms outlined in the Grant Disbursement Agreement. ESD reserves the right to inspect the project site to insure compliance of these terms and monitor project progress.

#### VI. Environmental Review

ESD (the “Corporation”), pursuant to the State Environmental Quality Review Act (“SEQRA”), Article 8 of the Environmental Conservation Law, and its implementing regulations (6 NYCRR Part 617), ratifies and makes the following findings based on the Final Environmental Impact Statement (“FEIS”) certified as complete on September 20, 2017 by the Town of Poughkeepsie Town Board, as lead agency, for the Hudson Heritage project (the “proposed action”).

SEQRA requires the adoption of written findings, supported by a statement of relevant facts and conclusions considered, prior to agency decisions on actions that have been the subject of an FEIS. The Findings Statement, attached as Exhibit A, contains the facts and conclusions in the Draft Environmental Impact Statement (“DEIS”) and FEIS relied upon to support the Corporation’s decision on the action that is the subject of the requested authorization.

The findings that the Corporation hereby ratify and make are that:

- The Corporation has given consideration to the DEIS and FEIS;
- The requirements of the SEQRA process, including the implementing regulations of the New York State Department of Environmental Conservation, have been met;
- Consistent with social, economic and other essential considerations from among the reasonable alternatives available, the proposed action is one that avoids or minimizes significant adverse environmental effects to the maximum extent practicable, including the effects disclosed in the relevant environmental impact statement;
- Consistent with social, economic and other essential considerations to the maximum extent practicable, any significant adverse environmental effects revealed in the environmental impact statement process as a result of the proposed action will be avoided or minimized to the maximum extent practicable by incorporating as conditions to the decision those mitigative measures which were identified as practicable; and
- The proposed action is in compliance with Section 14.09 of the State Historic Preservation Act.

Therefore, it is recommended that the Corporation ratify and adopt the SEQRA Findings Statement attached as Exhibit A.

#### VII. Non-Discrimination and Contractor & Supplier Diversity

ESD’s Non-Discrimination and Contractor & Supplier Diversity policies will apply to this Project. The Grantee shall be required to include minorities and women in any job opportunities created, to solicit and utilize Minority and Women-owned Business Enterprises (MWBES) for any contractual opportunities generated in connection with the Project and shall be required to use Good Faith Efforts (pursuant to 5 NYCRR §142.8) to achieve an overall MWBE Participation Goal of 33%. The overall goal shall include a Minority Business Enterprise Participation Goal of 20% and a Women Business Enterprise Participation Goal of 13% related to the total value of ESD’s funding.

#### VIII. Smart Growth Public Infrastructure Review

Pursuant to the requirements of the State Smart Growth Public Infrastructure Policy Act (the “SG Act”), ESD’s Smart Growth Advisory Committee has reviewed a Smart Growth Impact Statement for the project and found that the project is consistent with the State Smart Growth Public Infrastructure Criteria (“Smart Growth Criteria”). The designee of the Chief Executive Officer of the Corporation has attested that the project, to the extent practicable, meets the relevant Smart Growth Criteria set forth in the SG Act.

IX. ESD Employment Enforcement Policy

ESD's Employment Enforcement Policy will not apply since the project will not directly create or retain jobs.

X. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.