

### Project Summary

500 Stagg Street LLC, a New York limited liability company (the “Company”) whose sole member is Evergreen Inc.: Your North Brooklyn Business Exchange (“Evergreen”), a New York not-for-profit corporation and real estate developer that provides affordable space to industrial companies, seeks financial assistance in connection with the acquisition and renovation of an existing approximately 10,000 square foot building on an approximately 10,000 square foot parcel of land located at 500 Stagg Street, Brooklyn, NY (the “Facility”). The Facility will be owned and developed by the Company to provide affordable space to industrial companies (the “Project”). The Project cost is expected to be approximately \$7.1 million. Based on a review of the Project, Agency staff has concluded that the Project is likely to be completed within two years of the closing date.

### Project Location

500 Stagg Street  
 Brooklyn, NY 11237

### Actions Requested

- Inducement and Authorizing Resolution for an Industrial Incentive Program transaction.
- Approval of deviation from UTEP.
- Adopt a SEQRA Negative Declaration for the Project. The Project will not have a significant adverse effect on the environment.

### Anticipated Closing

October 2019

### Impact Summary

<b>Employment</b>	
Jobs at Project Occupancy:	10
Jobs to be Created at Project Location (Year 3):	10
<b>Total Jobs (full-time equivalents)</b>	<b>20<sup>1</sup></b>
<b>Projected Average Hourly Wage (excluding principals)</b>	<b>\$ 27.74</b>
<b>Highest wage/Lowest Wage (hourly)</b>	<b>\$28.79/\$15.00</b>

<b>Estimated City Tax Revenues</b>	
Impact of Operations (NPV 25 years at 6.25%)	\$2,319,732
One-Time Impact of Renovation	192,549
<b>Total impact of operations and renovation</b>	<b>\$2,512,281</b>

<b>Estimated Cost of Benefits Requested: New York City</b>	
Building Tax Exemption (NPV 25 years at 6.25%)	\$473,520
Sales Tax Exemption	36,231
Mortgage Recording Tax Partial Exemption	97,084
Agency Financing Fee	(39,556)
<b>Total Value of Benefits provided by Agency</b>	<b>\$567,279</b>
Available As-of-Right Benefits (ICAP)	222,707
Agency Benefits in Excess of As-of-Right Benefits	344,572

<sup>1</sup> The Company expects that prospective tenants of the Facility will relocate an estimated 10 jobs to the Facility and will subsequently hire an additional 10 employees over the next 3 years. For purposes of the cost benefit analysis, the Agency made a more conservative estimate of 16 total jobs at the Facility over the next 3 years.

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Costs of Net City Benefits Per Job	
Estimated Net Cost of NYCIDA Benefits per Total Jobs in Year 3	\$35,454
Estimated Net City Tax Revenue per Total Jobs in Year 3	\$157,017

Estimated Cost of Benefits Requested: New York State	
Sales Tax Exemption	\$35,225
Mortgage Recording Tax Partial Exemption	52,276
<b>Total Cost to NYS</b>	<b>\$87,501</b>

### **Sources and Uses**

Sources	Total Amount	Percent of Total Financing
Grant (NYC Industrial Developer Fund)	\$4,500,000	64%
Grant (NYC City Council)	1,000,000	14%
Grant (NY State)	650,000	9%
Permanent Loan	630,616	9%
Equity	329,735	4%
<b>Total</b>	<b>\$7,110,351</b>	<b>100%</b>

Uses	Total Amount	Percent of Total Financing
Land & Building Acquisition	\$4,850,000	68%
Hard Costs	1,168,057	16%
Soft Costs	299,040	4%
Capitalized Interest	533,642	8%
Fees and Other Costs	259,613	4%
<b>Total</b>	<b>\$7,110,351</b>	<b>100%</b>

### **Fees**

	Paid At Closing	On-Going Fees (NPV, 25 Years)
Agency Fee	\$39,556	
Project Counsel	25,000	
Annual Agency Fee	1,000	\$12,485
Total	\$65,556	\$12,485
<b>Total Fees</b>	<b>\$78,041</b>	

### **Financing and Benefits Summary**

The Project will utilize a \$4.5 million grant from the New York City Economic Development Corporation ("NYCEDC") Industrial Developer Fund ("IDF") to acquire the land and the Facility. The Project will also utilize a \$1,000,000 grant from the New York City Council ("City Council"), a \$650,000 grant from the New York State Regional Economic Development Council ("NYSREDC"), and approximately \$330,000 in equity from Evergreen to renovate the Facility inclusive of hard costs, soft costs and fees.

The IDF grant is being provided by NYCEDC as part of a Mayoral initiative to promote the development of industrial real estate by New York City non-profit organizations. The IDF grant includes standard City capital covenants, including a 30-year use restriction for the Facility. Due to the disbursement of the IDF on a reimbursement basis,

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and timing delay on the disbursement of City Council and NYSREDC grant funding, the Project will utilize a bridge loan from Local Initiatives Support Corporation (“LISC”) in the amount of \$6,500,000 to close the transaction. The LISC loan will have a term of 15 years with a 20-year amortization period, an interest rate of 6-7%, and a mortgage lien on the Facility. The Company demonstrates an ability to service the debt, with a debt service coverage ratio of approximately 1.5x at stabilization in year two of project operations.

The financial assistance proposed to be conferred by the Agency will consist of a property tax abatement, exemption from City and State sales and use taxes, and partial exemptions from City and State mortgage recording taxes.

### **Company Performance and Projections**

The Company is a New York limited liability company that was formed in June 2019 for the purpose of developing the Project. Evergreen, the sole member, is an industrial advocacy and membership organization that champions manufacturing, creative production, and industrial service businesses in North Brooklyn and beyond. Evergreen currently owns and operates four industrial properties in the North Brooklyn area comprising 22,400 square feet, which it leases to four light-industrial businesses employing 38 employees.

As part of the Project, the Company will acquire, renovate and subdivide the Facility into units to be leased to local manufacturers and industrial companies. It is expected that the Facility will be leased to tenant businesses in the food and beverage and/or the design and fabrication industries. The Project will help small industrial businesses by offering affordable rents (20% below market-rate), long-term leases, and the opportunity to build business networks. The Project will help retain industrial businesses in the East Williamsburg neighborhood of Brooklyn, an area which has seen the erosion of quality industrial jobs due to increases in rents and displacement by other tenant uses. The Company plans to attract tenants to the Facility through a marketing campaign, which will include direct mailings and web-based commercial advertising. To date, ten businesses have expressed strong interest in space at the Facility, and Evergreen has placed seven of those businesses on the wait list for space at the Facility once it is completed and available for occupancy.

### **Inducement**

- I. The Company will provide affordable industrial real estate space at below market-rate rents to local light manufacturing companies.
- II. The Company will facilitate the retention of quality and accessible industrial jobs with an estimated average annual salary of \$50,000 in a distressed low-income census tract in Brooklyn which has a 38.8% poverty rate, a 13.9% unemployment rate, and a 50.89% median family income level.
- III. The Project has received support from Councilmember Antonio Reynoso (D-34), NYCEDC through the IDF program, City Council and NYSREDC.
- IV. Without assistance from the Agency, the Company has stated that it likely would not pursue the Project as contemplated.

### **UTEP Considerations**

The Agency finds that the Project meets one or more considerations from Section I-B of the Agency’s Uniform Tax Exemption Policy (“UTEP”), including the following:

- I. The Project will create or retain permanent private-sector jobs.
- II. Financial assistance is required to induce the Project.
- III. The Project will generate at least \$1,000,000 in private-sector investment.

### **Deviation from UTEP**

In accordance with the GML, the Agency has adopted the UTEP. The UTEP provides that the recipient of financial assistance for an Industrial Program Project will be required to pay PILOT during the term of financial assistance in

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an amount equal to the City real property taxes in respect of the existing improvements that would have been payable by the recipient in the absence of the Agency's involvement with the Project. In this transaction, in order to help address the Company's operating needs, the benefits schedule will be adjusted such that the Company will not be required to pay PILOT in respect of the existing improvements for 15 years; the abatement will be phased out over the subsequent 10 years. As the Project will provide below market rents to small industrial tenants, an exemption from PILOT for existing improvements will enable the Project to be financially viable. The total net present value of the benefits to be provided will not deviate from the benefits that would be available for the Project under a standard transaction.

The Agency believes that this deviation from its UTEP is justified because of the considerations outlined above.

### **Applicant Summary**

The Company is a newly formed for-profit limited liability company whose sole member is Evergreen. Evergreen is a membership organization that champions manufacturing, creative production, and industrial service businesses in North Brooklyn and beyond. Evergreen connects businesses with resources and opportunities to help create and maintain high quality jobs at all skill levels. Evergreen also owns and operates properties which are leased to small light-industrial businesses.

In 1982, a handful of local business owners worked with St. Nick's Alliance to create Evergreen (then known as The East Williamsburg Valley Industrial Development Corp. ("EWVIDCO")). The purpose of the organization was to revitalize East Williamsburg by attracting new businesses, providing business assistance to existing firms and grow overall job opportunities in the neighborhood. Initially, Evergreen worked to achieve its mission of economic development by addressing the high crime and poor sanitation affecting the area and serving as a liaison to government offices. Since that time, Evergreen has grown and diversified its services to help address a range of needs for the local business community, including by leasing space to local light-industrial businesses at its four properties in North Brooklyn.

Evergreen also manages the Greenpoint/Williamsburg and North Brooklyn Industrial Business Zones and the North Brooklyn Empire Zone under the New York City Industrial Business Zone (IBZ) program. Through this program, Evergreen is responsible for meeting the business service needs of thousands of industrial businesses in the Greenpoint/Williamsburg and North Brooklyn Industrial Business Zones and Ombudsman Zones. These businesses depend on Evergreen for free, quick and reliable assistance with tax credits, incentives, financing, real estate and relocation assistance, energy and green issues, workforce needs, and advocacy.

Evergreen works closely with public agencies, nonprofit organizations and community organizations, including the New York City Department of Small Business Services, New York State Empire State Development Corporation, New York Industrial Retention Network, the Industrial and Technical Assistance Corporation, St. Nick's Alliance, Opportunities for a Better Tomorrow, and Community Board 1 in Brooklyn.

### **Leah Archibald, Executive Director**

Leah Archibald is the Executive Director of Evergreen, a membership organization that promotes the development and retention of production, manufacturing, and industrial service jobs in North Brooklyn. She and her team help over 300 businesses a year to obtain financing, find real estate, locate qualified employees and advocate for effective industrial policy with the city, state and federal government. Prior to joining Evergreen, Ms. Archibald was the Marketing Manager at the Industrial and Technology Assistance Corporation and the Executive Director of the Southwest Brooklyn Industrial Development Corporation. Ms. Archibald also worked in community development with New York State Assemblyman Jim Brennan and West Hollywood Councilman Paul Koretz. Ms. Archibald has been deeply engaged in many civic activities, including Community Board 7, the Greenpoint Community Environmental Fund Steering Committee and the Newtown Creek Superfund Community Advisory Group.

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### **Tod Greenfield, Chairman, Board of Directors**

Tod Greenfield is Chairman of Evergreen's Board of Directors. Mr. Greenfield is a Principal of Martin Greenfield Clothiers ("MGC"), a family owned Brooklyn-based manufacturer of hand tailored men's clothing. In 2000 Mr. Greenfield joined the board of directors of EWVIDCO which later became Evergreen. He became Chairman of the Board in 2002. In 2000, Mr. Greenfield also joined the board of directors of the Clothing Manufactures of America and has contributed as a negotiator for the nationwide Contract with UNITE-HERE for the past seven years. Mr. Greenfield graduated from Poly Prep high school in Brooklyn, and Skidmore College in Saratoga Springs where he graduated with a B.S. in theatrical lighting design and anthropology in 1982. He also studied hand tailoring at the Fashion Institute of Technology before joining MGC.

### **Employee Benefits**

Because the Project is to be leased, and tenants have not yet been identified, the benefits that employees at the Project location will receive upon completion of the Project are not known at this time.

### **Recapture**

Pursuant to UTEP, all benefits are subject to recapture for a 10-year period.

### **SEQRA Determination**

The Project is an Unlisted Action. With no significant adverse environmental impacts, staff recommends the Board adopt a Negative Declaration for the Project. The completed Environmental Assessment Form for the Project has been reviewed and signed by Agency staff.

### **Due Diligence**

The Agency conducted a background investigation of the Company and Evergreen and their respective principals.

<b>Compliance Check:</b>	Not Applicable
<b>Living Wage:</b>	Compliant
<b>Paid Sick Leave:</b>	Compliant
<b>Affordable Care Act:</b>	To be compliant
<b>Bank Account:</b>	JP Morgan Chase
<b>Bank Check:</b>	Relationships are reported to be satisfactory
<b>Suppliers Checks:</b>	Relationships are reported to be satisfactory
<b>Customers Checks:</b>	Relationships are reported to be satisfactory
<b>Unions:</b>	Not Applicable
<b>Vendex Check:</b>	No derogatory information was found
<b>Attorney:</b>	Megan Vallerie, Esq. Seyfarth Shaw 620 Eighth Avenue New York, NY 10018

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**Consultant:**

Kei Hayashi  
BJH Advisors, LLC  
224 Centre Street, 6<sup>th</sup> Floor  
New York, NY 10013

**Community Board:**

Brooklyn, CB 1

## 500 Stagg Street LLC

### Financial Statements

#### Pro Forma

	Y1	Y2	Y3	Y4	Y5
<b>ANNUAL OPERATING INCOME</b>					
Gross Income (Rent x 90% of Square Footage)	\$51,000	\$154,020	\$157,100	\$160,242	\$163,447
Less Vacancy/Collection Losses (10% annually)	\$2,550	\$7,701	\$7,855	\$8,012	\$8,172
<b>EFFECTIVE GROSS INCOME</b>	<b>\$48,450</b>	<b>\$146,319</b>	<b>\$149,245</b>	<b>\$152,230</b>	<b>\$155,275</b>
<b>ANNUAL OPERATING EXPENSES</b>					
Property Taxes	\$21,958	\$36,978	\$38,272	\$39,612	\$40,998
Insurance (\$11,000 in Year 1; 2% increase annually)	\$11,000	\$11,220	\$11,444	\$11,673	\$11,907
Management Fee (8% of Effective Gross Income)	\$4,845	\$10,737	\$11,940	\$12,178	\$12,422
Repairs/Maintenance (1% of Gross Income)	\$638	\$1,413	\$1,571	\$1,602	\$1,634
Replacement Reserve (.70 psf Y1, increased 3% thereafter)	\$7,000	\$7,210	\$7,426	\$7,649	\$7,879
<b>TOTAL OPERATING EXPENSES</b>	<b>\$45,441</b>	<b>\$67,558</b>	<b>\$70,653</b>	<b>\$72,715</b>	<b>\$74,840</b>
<b>NET OPERATING INCOME</b>	<b>\$3,010</b>	<b>\$78,761</b>	<b>\$78,592</b>	<b>\$79,515</b>	<b>\$80,435</b>
<b>CUMMULATIVE REPLACEMENT RESERVE</b>	<b>\$7,000</b>	<b>\$14,210</b>	<b>\$21,636</b>	<b>\$29,285</b>	<b>\$37,164</b>
Net Operating Income	\$3,010	\$78,762	\$78,592	\$79,515	\$80,435
Perm Debt		\$52,284	\$52,284	\$52,284	\$52,284
<b>CASH FLOW AFTER DEBT SERVICE</b>	<b>\$3,010</b>	<b>\$26,477</b>	<b>\$26,308</b>	<b>\$27,231</b>	<b>\$28,151</b>
CUMMULATIVE CASH FLOW	\$24,968	\$51,445	\$77,753	\$104,985	\$133,136
<b>DEBT SERVICE COVERAGE RATIO</b>		1.51	1.50	1.52	1.54

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### **Income Statement**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>% Change 2017- 2018</b>	<b>% Change 2016- 2018</b>
Revenues and Other Support					
Government contracts	\$207,594	\$276,539	\$408,499	-25%	-32%
Contributions	\$232,624		\$440,000		
Membership dues	\$46,800	\$46,650	\$46,475	0%	0%
Special events	\$95,395	\$87,890	\$116,885	9%	-25%
Interest income	\$126	\$113	\$220	12%	-49%
Rental income	\$296,075	\$288,345	\$283,629	3%	2%
Other	\$6,770	\$4,734	\$4,225	43%	12%
Total Revenues and Other Support	\$885,384	\$704,271	\$1,299,933	26%	-46%
Expenses					
Program Services					
Industrial development	\$638,704	\$573,289	\$603,777	11%	-5%
North Brooklyn Industrial Center	\$396,364	\$361,481	\$340,034	10%	6%
Total program services	\$1,035,068	\$934,770	\$943,811	11%	-1%
Supporting Services					
Administration	\$120,394	\$163,048	\$105,865	-26%	54%
Direct cost of special events	\$17,136	\$30,695	\$31,063	-44%	-1%
Total supporting services	\$137,530	\$193,743	\$136,928	-29%	41%
Total expenses	\$1,172,598	\$1,128,513	\$1,080,739	4%	4%
Change in Net Assets	(\$287,214)	(\$424,242)	\$219,194	32%	-294%
Net Assets, Beginning of Year	\$5,999,076	\$6,423,318	\$6,204,124	-7%	4%
Net Assets, End of Year	\$5,711,862	\$5,999,076	\$6,423,318	-5%	-7%

### **Balance Sheet**



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	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>% Change 2017- 2018</b>	<b>% Change 2016- 2018</b>
<b>Assets</b>					
Cash and cash equivalents	\$417,108	\$377,552	\$569,854	10%	-34%
Cash, tenants	\$33,707	\$33,708	\$33,698	0%	0%
Contributions and government contracts receivable	\$49,719	\$219,069	\$383,957	-77%	-43%
Rental receivable, tenants	\$3,780	\$10,650	\$7,669	-65%	39%
Prepaid expenses and other assets	\$39,507	\$44,430	\$46,725	-11%	-5%
Property and equipment, net	\$5,336,919	\$5,513,334	\$5,691,752	-3%	-3%
<b>Total Assets</b>	<b>\$5,880,740</b>	<b>\$6,198,743</b>	<b>\$6,733,655</b>	<b>-5%</b>	<b>-8%</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$53,972	\$71,012	\$168,548	-24%	-58%
Security deposits, tenants	\$33,707	\$33,708	\$33,698	0%	0%
Loans payable	\$81,199	\$94,947	\$108,091	-14%	-12%
<b>Total liabilities</b>	<b>\$168,878</b>	<b>\$199,667</b>	<b>\$310,337</b>	<b>-15%</b>	<b>-36%</b>
<b>Net Assets</b>					
Unrestricted	\$3,658,226	\$3,856,480	\$3,970,553	-5%	-3%
Restricted	\$2,053,636	\$2,142,596	\$2,452,765	-4%	-13%
<b>Total net assets</b>	<b>\$5,711,862</b>	<b>\$5,999,076</b>	<b>\$6,423,318</b>	<b>-5%</b>	<b>-7%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$5,880,740</b>	<b>\$6,198,743</b>	<b>\$6,733,655</b>	<b>-5%</b>	<b>-8%</b>

## **Statement of Cash Flows**

**500 Stagg Street LLC**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>% Change 2017- 2018</b>	<b>% Change 2016- 2018</b>
<b>Operating Activities</b>					
Change in net assets	(\$287,214)	(\$424,242)	\$219,194	32%	-294%
Depreciation and amortization	\$177,686	\$178,418	\$180,628	0%	-1%
<b>Changes in</b>					
Contributions and government contracts receivable	\$169,350	\$164,888	(\$146,092)	3%	213%
Rental receivable, tenants	\$6,870	(\$2,981)	(\$7,318)	-330%	59%
Prepaid expenses and other assets	\$4,923	\$2,295	(\$9,540)	115%	124%
Accounts payable and accrued expenses	(\$17,040)	(\$97,536)	\$108,361	83%	-190%
Net cash provided by (used in) operating activities	\$54,575	(\$179,158)	\$345,233	130%	-152%
<b>Investing Activities</b>					
Purchase of property and equipment	(\$1,271)		(\$6,750)		
Net cash used in investing activities	(\$1,271)		(\$6,750)		
<b>Financing Activities</b>					
Principal payments of loan	(\$13,748)	(\$13,144)	(\$12,418)	-5%	-6%
Net cash used in financing activities	(\$13,748)	(\$13,144)	(\$12,418)	-5%	-6%
Net Change in Cash and Cash Equivalents	\$39,556	(\$192,302)	\$326,065	121%	-159%
Cash and Cash Equivalents, Beginning of Year	\$377,552	\$569,854	\$243,789	-34%	134%
Cash and Cash Equivalents, End of Year	\$417,108	\$377,552	\$569,854	10%	-34%
<b>Supplemental Cash Flows Information</b>					
Cash paid during the year for interest	\$5,396	\$5,543	\$4,331	-3%	28%