



Date: September 27, 2016
To: THE TRUSTEES
From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER
Subject: Western New York Workforce Training Center - Funding Request

SUMMARY

The Trustees are requested to authorize up to \$15 million in 2016-2017 for development of the Western New York Workforce Training Center (“Center”) to be located at 683 Northland Avenue, on the East Side in Buffalo, NY. These funds will be provided under grant agreement(s) with the Buffalo Urban Development Corporation (“BUDC”) in support of energy related projects as authorized under Public Authorities Law Section 1005(17)(a). The funding will support high performance and sustainable building programs in a world-class training facility to be utilized by the New York Power Authority (“NYPA or “the Authority”) for recruiting new talent into the industry as well as internal training for employees. The Center and the Northland Beltline Corridor area redevelopment, as a whole, is expected to result in economic development for the City of Buffalo and surrounding areas, and enhanced quality of life and employment opportunities for city and area residents.

BACKGROUND

Under Public Authorities Law (“PAL”) §1005(17)(a), the Authority may finance and design, develop, construct, implement, provide and administer energy-related projects, programs and services for any public entity within the state. NYPA’s funding will be provided to the Center, pursuant to the provisions of PAL §1005(17)(a), for the purposes of financing a high performance and sustainable building program. NYPA funds shall be used solely for payment of approved planning, design and implementation costs incurred in connection with the renovation and retrofitting of the facility through the incorporation of high performance and sustainable construction techniques and related equipment.

Initial budget estimates indicate that the total renovation of the Center will cost approximately \$40 million. This includes renovation of the core and shell, environmental abatement, design services, and a design and construction contingency. In addition to the Authority’s \$15 million contribution, other committed sources of funding include \$17 million from the Empire State Development (“ESD”), in addition to the cost of purchasing the building and an initial operating subsidy (equaling \$29 million total), and a National Grid brownfield grant (\$300,000). Other potential sources of funding (in progress but not yet committed) include Historic Preservation Tax Credits, U.S. Economic Development Assistance, NYSERDA (for high performance features), and Brownfield Tax Credits. These sources, as well as other potential funding opportunities, are being pursued to ensure there is no deficit. The operating budget for the Center is expected to lead to full sustainability within five years. ESD has allocated some funds to cover possible operating budget gaps in the initial years.

Energy and manufacturing companies require highly skilled employees that are proficient in mathematics, computing, mechanics, and other technical skills that traditional high

schools, community colleges, and vocational training programs may not currently provide due to historic trends away from a technically-focused curriculum. To address this gap, NYPA and ESD have formed a team and committed funds to develop a regional center to address the skilled workforce needs of the energy and manufacturing industries in Western New York, in line with the German dual training model which combines practical on-the-job training with more broad-based education. The Center will be designed to:

1. Meet the Authority's skilled-trades employee needs (existing and new employees);
2. Meet the need for skilled energy and manufacturing employees in the region, generally;
3. Offer programs that enable students to earn transferable credits (specifically within the State University of New York ("SUNY") system) and build upon a career path;
4. Allow access to state-of-the-art classroom and equipment;
5. Provide training in "soft skills" to enable long-term employment;
6. Position the Western New York region as a source of highly trained employees (and, in turn, reinforce economic development in the region).

The energy and manufacturing industries are facing similar skills gaps throughout New York State. Nearly 10% of Authority employees are currently eligible for retirement, and another 30% (more than 500 employees), many of which in technical skilled trades positions, will become eligible within the next ten years. The Center for Energy Workforce Development ("CEWD") estimates that nearly half of the electric power generation, transmission and distribution workforce throughout the U.S. may need to be replaced in the coming years due to baby boomer retirements. In New York State alone, there is a projected demand to fill approximately 7,000 energy career-related positions over the next ten years, such as line workers, plant or field operators, technicians, engineers, pipefitters and welders (according to the 2015 CEWD Demand Report).

At their September 2013 meeting, the Trustees were briefed on the Center as part of an Informational Item on some of the benefits the Authority provides in Western New York. Governor Andrew M. Cuomo included a focus on preparing the workforce of today and tomorrow as part of his 2013 State of the State Policy Book, and on July 15, 2015, unveiled plans for the Western New York Workforce Training Center to be located at 683 Northland Avenue, in approximately 100,000 square feet of space on Buffalo's East Side. The initiative creates two co-located training facilities – an Advanced Manufacturing Training Center and a Utility of the Future & Clean Energy Training Center – combined into one space accounting for the many synergies between the industries. As a centerpiece of the Authority's workforce planning strategic initiative, the Center will help ensure a robust and diversified workforce of highly trained, skilled workers ready to meet the challenges of the 21st-century electric utility and advanced manufacturing industries.

The Authority has signed two Memorandums of Understanding ("MOU's") to support the development of the Center. The first was entered into among the Authority, NYSERDA, ESD, National Grid, Rochester Gas & Electric ("RG&E"), and New York State Gas & Electric ("NYSEG") in September 2014, agreeing to work together on the proposed Center. The second was executed in April 2016 among the Authority, ESD and BUDC outlining expectations for the development of the Center.

Initial steps (led by ESD and/or BUDC) in the development process have been undertaken. BUDC, the City of Buffalo's not-for-profit development agency, awarded a contract to Watts Architectural & Engineering for design and programming in March 2016. BUDC also issued a solicitation for a construction management firm and received 10 proposals in July

2016. ESD issued a solicitation for a team to operate the Center and received proposals in July 2016; bids are under review and an award is expected in fall 2016. Current schedules project the Center's construction process to begin in early 2017, and commence operation by mid-2018.

The initiative represents a first-of-its-kind public-private training partnership with multiple state entities such as the Authority, ESD, and various local SUNY colleges and universities, local government (City of Buffalo), and private industry, including the local utilities. Programs offered at the Center will include credit-bearing certificates and two-year degrees, resulting in jobs such as electrician, plant operator, lineman, mechanic, machinist, welder, technician, and many others. Three local SUNY institutions – Alfred State College, Erie Community College, and Buffalo State College – as well as other public and private academic partners, will work together to offer stackable curriculum for highly needed jobs in the energy and manufacturing fields.

The development of the Center supports the Authority's workforce planning strategic initiative and will allow NYPA to better address the pending retirements and changing skill requirements. Workforce development has become increasingly important with the implementation of the Governor's Reforming the Energy Vision initiative which will fundamentally transform the way electricity is distributed and used in New York State. The Center will enable the Authority and other utilities to prepare for the rapid integration of innovative technology into existing operations, and serve as a source of highly skilled talent for entry level positions, leaving the industry far better prepared to address the challenges ahead.

DISCUSSION

The grant(s) that would be provided for the Center will be for the purposes of financing this energy-related project and will be used solely for payment of approved planning, design and implementation costs incurred in connection with the renovation and retrofitting of the building through the incorporation of high performance and sustainable construction techniques and related equipment. The Center will provide the Authority with the following benefits:

1. Priority space to utilize for training existing employees (allowing for continual job training and upskilling of current employees);
2. Support for the Workforce Planning strategic initiative;
3. Address pending retirements;
4. Pipeline of highly-qualified candidates with the ability to address rapid integration of innovative technology; and
5. Increased awareness of NYPA in the community and support for industry-wide training efforts.

Staff will continue to coordinate with BUDC and ESD on the development of the Center and will participate in an Advisory Group to be established for the Center on an ongoing basis once it is opened.

FISCAL INFORMATION

The development of the WNY Workforce Training Center will be funded from the Authority's Operating Fund. Funding for the Center has been accounted for in the 2016 Project and Business Development department budget which the Trustees approved at their December 17, 2015 meeting.

RECOMMENDATION

The Vice President – Project and Business Development recommends that the Trustees approve the requested funding of up to \$15 million to be used during 2016-2017 for the development of the Workforce Training Center described above.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That the Trustees hereby authorize the funding of up to \$15 million in 2016-17 for the development of the Western New York Workforce Training Center, as described in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the Vice Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.