



Western NY Power Proceeds Allocation Board

February 1, 2016

MEMORANDUM TO THE WESTERN NEW YORK POWER PROCEEDS ALLOCATION BOARD

FROM THE WESTERN NEW YORK REGIONAL DIRECTOR, EMPIRE STATE
DEVELOPMENT CORPORATION

**SUBJECT: Applications for Fund Benefits from the Western New York
Economic Development Fund**

SUMMARY

The Western New York Power Proceeds Allocation Board (“Allocation Board” or “Board”) is requested to recommend to the Board of Trustees of the Power Authority of the State of New York (“NYPA” or “Authority”) that awards of Fund Benefits be made to the following applicants identified in Exhibits “A-1”, General Mills Operations, LLC (“General Mills”), and “A-2”, Buffalo Arts and Technology Center, Inc. (“BATC”), in the amounts indicated on such Exhibits.

BACKGROUND

1. Western New York Power Proceeds Allocation Act

On March 30, 2012, Governor Cuomo signed into law the Western New York Power Proceeds Allocation Act (the “Act”). The Act provides for the creation, by the Authority, of the Western New York Economic Development Fund (“Fund”). The Fund consists of the aggregate excess of revenues received by the Authority from the sale of Expansion Power (“EP”) and Replacement Power (“RP”) produced at NYPA’s Niagara Power Project that was sold in the wholesale energy market over what revenues would have been received had such energy been sold on a firm basis to an eligible EP or RP customer under the applicable tariff or contract.

Under the Act, an “eligible applicant” is a private business, including a not-for-profit corporation. “Eligible projects” is defined to mean “economic development projects by eligible applicants that are physically located within the state of New York within a thirty mile radius of the Niagara power project located in Lewiston, New York that will support the growth of business in the state and thereby lead to the creation or maintenance of jobs and tax revenues for the state and local governments.” Eligible projects include, for example, capital investments in buildings, equipment, and associated infrastructure owned by an eligible applicant for fund

benefits; transportation projects under state or federally approved plans; the acquisition of land needed for infrastructure; research and development where the results of such research and development will directly benefit New York state; support for tourism and marketing and advertising efforts for western New York state tourism and business; and energy-related projects.

Eligible projects do not include public interest advertising or advocacy; lobbying; the support or opposition of any candidate for public office; the support or opposition to any public issue; legal fees related to litigation of any kind; expenses related to administrative proceedings before state or local agencies; or retail businesses as defined by the board, including without limitation, sports venues, gaming and gambling or entertainment-related establishments, residential properties, or places of overnight accommodation.

Fund Benefits have been provided to successful eligible applicants in the form of grants. It is anticipated that Fund Benefits will be disbursed as reimbursement for expenses incurred by an Eligible Applicant for an Eligible Project, or for proposed eligible expenditures to be incurred by the eligible applicant for an eligible project when NYPA has authorized advance disbursements.

At least 15% percent of the Fund is dedicated to eligible projects which are “energy-related projects, programs and services,” which is defined as “energy efficiency projects and services, clean energy technology projects and services, and high performance and sustainable building programs and services, and the construction, installation and/or operation of facilities or equipment done in connection with any such projects, programs or services.”

Allocations of Fund Benefits may only be made on the basis of moneys that have been deposited in the Fund. No award may encumber funds that have not been deposited in the Fund.

2. Western New York Power Proceeds Allocation Board

Under the Act, the Allocation Board is charged with soliciting applications for Fund Benefits, reviewing applications, making eligibility determinations, evaluating the merits of applications for Fund Benefits, and making recommendations to NYPA on Fund Benefit awards. The Allocation Board uses the criteria applicable to EP, RP and PP allocations, and for revitalization of industry, provided for in Public Authorities Law § 1005. Additionally, the Board is authorized to consider the extent to which an award of Fund Benefits is consistent with the strategies and priorities of the Regional Economic Development Council having responsibility for the region in which an eligible project is proposed.

At its meeting on March 4, 2013, the Board, in accordance with the Act, adopted by-laws, operating procedures, guidelines related to the application, and a form of application. A copy of the relevant criteria (collectively, “Program Criteria”), adapted from this Board’s “Procedures for the Review of Applications for Fund Benefits,” is attached as Exhibit “C” to this memorandum.

The Board also defined “retail business” to mean “a business that is primarily used in making retail sales of goods or services to customers who personally visit such facilities to obtain goods or services.”

Finally, the Board designated the Western New York Regional Director for Empire State Development (“ESD”) to act on its behalf for administrative matters and along with NYPA, to provide staff services (“Staff”). Among other things, Staff was authorized to perform analyses of applications seeking Fund Benefits and to make recommendations to the Board on the applications.

3. Application Process

Initially, the Allocation Board established a series of application due dates coupled with a schedule of dates the Board expected to meet to consider applications. The program was initially promoted through a media release and with assistance from state and local entities, including the Western New York and Finger Lakes Regional Economic Development Councils, ESD and local and regional economic development organizations within the State. A webpage was created that is hosted on WWW.NYPA.GOV/WNYPPAB with application instructions, a link to the approved application form and other program details including a contact phone number and email address staffed by the Western New York Empire State Development regional office. As the program is now well-known, a rolling application process is used and the Allocation Board meets regularly to consider applications for Fund Benefits.

DISCUSSION AND RECOMMENDATIONS TO THE BOARD

1. Recommendations for Awards of Fund Benefits

In this fourteenth round, the Allocation Board has before it two applications, which have been made available to the Board for review. Staff analyzed the applications and is now making recommendations to the Board on these applications.

In summary, the first application by General Mills seeks Fund Benefits to support the renovation and expansion of a food processing facility in Buffalo, New York. The total amount to be expended on the project by General Mills is approximately \$25,000,000.

The second application by BATC seeks Fund Benefits to support three years of programming costs related to its pre-training literacy medical coding and pharmacy technician curriculums. The total amount to be expended on the project by the BATC is approximately \$2,108,528.

Based on a review of these applications and consideration of relevant Program Criteria, Staff recommends that the Allocation Board recommend to the NYPA Trustees that these applicants receive awards of Fund Benefits in the amounts indicated on Exhibits “A-1” and “A-2”, respectively.

One or more of these applications may propose projects that must receive approvals and/or comply with other legal requirements, such as the State Environmental Quality Review Act, before it may proceed. Staff recommends that any affirmative recommendation by the Board for such projects not be forwarded to the NYPA Board of Trustees for action until after the Board receives appropriate notification that all such approvals and requirements have been satisfied, and that such recommendations be made subject to further consideration by the Board in the event that such approvals and/or legal requirements are not satisfied.

2. Applications for Future Consideration

The Board is also requested to defer the applications listed on Exhibit “B” for future consideration to allow staff more time to evaluate them.

PROJECT STATUS

Under the Act, a recommendation for Fund Benefits by the Allocation Board is a prerequisite to an award of Fund Benefits by NYPA. Upon a showing of good cause, NYPA has discretion to adopt the Allocation Board’s recommendations or to award Fund Benefits in different amounts or on different terms than recommended by the Board. In addition, the Authority is authorized to include in any contract providing for the implementation of an award (“Award Contract”) any terms and conditions that NYPA deems appropriate.

Given the preliminary stage of the projects identified in Exhibits “A-1” and “A-2” Staff is not in a position to recommend definitive terms and conditions that should be included in any Board recommendation for an award, but Exhibits “A-1” and “A-2” do list some potential terms and conditions for NYPA’s consideration. It is anticipated that NYPA staff, in consultation with Staff, would negotiate final terms and conditions if an award is made after the receipt of more detailed information concerning the project.

RECOMMENDATION

Based on the foregoing discussion and information, Staff recommends that the Allocation Board:

1. Recommend to the NYPA Board of Trustees that the applicants listed in Exhibits “A-1” and “A-2” receive an award of Fund Benefits in the amounts recommended in the Exhibits for the project proposed; and
 2. Defer consideration of the applications listed in Exhibit “B” for a later time.
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For the reasons stated, Staff recommends the adoption of the above-requested action by adoption of a resolution in the form of the attached draft resolution.

RESOLUTION

NOW THEREFORE BE IT RESOLVED, That the Western New York Power Proceeds Allocation Board (“Allocation Board”) hereby recommends that the Power Authority of the State of New York (“NYPA”) make an award of Fund Benefits to the applicant listed in Exhibits “A-1” and “A-2” in the amounts recommended therein, for the reasons set forth in the attached memorandum and any attachments thereto; provided that (i) if an application proposes a project that must receive approvals and/or comply with other legal requirements, such as the State Environmental Quality Review Act, before it may proceed, the recommendation for such application shall not be forwarded to NYPA until Staff, on behalf of the Board, receives appropriate notification that such legal approvals and/or requirements which are necessary for the project(s) to proceed have been satisfied, and (ii) such recommendations shall be subject to further Board review in the event that such approvals and/or legal requirements are not satisfied; and be it further

RESOLVED, That the Allocation Board hereby finds and determines that the applications listed on Exhibit “B” will be deferred for consideration at a later time; and be it further

RESOLVED, That Staff is authorized on behalf of the Allocation Board to transmit the Board’s decision and recommendations to NYPA subject to the qualification stated above regarding legal approvals and/or requirements, and to do any and all things and take any and all actions to effectuate the Board’s decision and the foregoing resolution.



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT A-1

Applicant Name:	General Mills Operations, LLC. (the "Buffalo Plant")	REDC Region:	Western New York
Project Type:	Business Investment	County:	Erie County
Industry:	Food Manufacturing	Locality:	City of Buffalo
Amount Requested:	\$500,000	Start Date:	May 2016
		Finish Date:	October 2016
RECOMMENDED OFFER			
Recommended Total Award:		\$ 500,000	
Total Project Cost:		\$25,000,000	
% of Project Cost Recommended:		2%	
PROJECT BUDGET (Proposed by Applicant)			
Use of funds	Amount	Source of Funds	Amount
Mfg./Processing Equipment	\$13,000,000	WNY EDF	\$500,000
Construction & Renovation	\$5,000,000	Empire State Development	\$500,000
Design & Planning	\$4,000,000	General Mills Internal Capital Funding	\$24,000,000
Demolition	\$2,000,000		
Related Employee Training	\$1,000,000		
Total:	\$25,000,000	Total:	\$25,000,000
REGIONAL IMPACT MEASUREMENTS			
Job Commitments:	<p>The Buffalo Plant previously committed to retain 400 full time equivalent ("FTE") positions in exchange for the NYPA power allocations discussed below. It currently employs 417 FTEs.</p> <p>In exchange for a Fund Benefits award, the Buffalo Plant will commit to retain the other 17 existing FTEs (i.e., over the committed 400) over a period of time to be specified in a Fund Benefit Agreement.</p>		
Average Salary of Jobs:	\$115,000		
Indirect Jobs Created:	N/A		
Other Impact:	None		



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT A-1

PROJECT DESCRIPTION (Adapted from Application)			
<p>The Buffalo Plant is vying for additional cereal production business with sister facilities located in Cincinnati, Cedar Rapids, Albuquerque, and Covington, GA. To present a more competitive package to its corporate headquarters, the Buffalo Plant seeks support to purchase new cereal processing and packaging equipment, upgrade ingredient unloading systems, large packaging and material handling systems and upgrade employees skills.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
ESD Excelsior:	\$ 500,000	NYPA: The Buffalo General Mills plant currently receives the following NYPA power allocations: (1) 500 kW Recharge Power, (2) 1000 kW Expansion Power, and (3) 4,100 kW Replacement Power.	\$
IDA: PILOT, Sales Tax & Mortgage Recording	\$ N/A	Other: N/A	\$
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT	STATUS	
	\$		
BASIS FOR RECOMMENDATION			
<p>The Buffalo Plant is among the oldest of the General Mills' plants remaining in the US, thereby placing it at risk due to sales downturn in the cereal industry. General Mills recently closed or is in the process of closing cereal plants in Lodi, CA and Chicago. With those closings, General Mills needs to shift the production of Rice and Wheat Chex to another plant, which is the production line up for competition.</p> <p>The Cincinnati, Cedar Rapids, Albuquerque, NM and Covington, GA facilities are also being considered for the production line. A Fund Benefit Award would allow the Buffalo Plant to present a more compelling reason for the parent company to shift this production line to Buffalo thereby retaining 17 FTE positions and securing the long term viability of the plant in WNY.</p>			



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT A-1

ANTICIPATED DISBURSEMENT TERMS

It is anticipated that Fund Benefits would be used to reimburse the applicant for a portion of the costs associated with the acquisition of machinery and equipment, construction and renovation, planning and design and demolition. Funds would be disbursed in lump sum upon project completion, as evidenced by such documentation NYPA may require verifying project completion and applicant expenditures of approximately \$25,000,000.



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Western New York Economic Development Fund Recommendation Memo

EXHIBIT A-2

Applicant Name:	Buffalo Arts and Technology Center, Inc. ("BATC")	REDC Region:	Western New York
Project Type:	Workforce Development	County:	Erie County
Industry:	Not for Profit- Workforce Development	Locality:	Buffalo
Amount Requested:	\$450,000	Start Date:	June 2016
		Finish Date:	June 2019
RECOMMENDED OFFER			
Recommended Total Award:	\$ 380,000		
Total Project Cost:	\$2,108,528		
% of Project Cost Recommended:	18%		
PROJECT BUDGET (Proposed by Applicant for 2016,2017 & 2018)			
Use of funds	Amount	Source of Funds	Amount
Salaries and Wages	\$1,384,618	WNY EDF	\$450,000
Rent/Facilities	\$388,167	Committed:	
Supplies and Materials	\$238,626	John R. Oishei	\$200,000
Insurance	\$ 41,421	M&T Charitable Foundation	\$75,000
Office Expenses	\$39,243	Robert & Martha Fierle	\$6,600
Professional Development	\$16,453	Vogt Foundation	\$6,600
		Josephine Goodyear Foundation	\$6,600
		Potential:	
		John R. Oishei	\$394,000
		M&T Charitable Foundation	\$73,500
		Robert Wilmers Foundation	\$148,500
		First Niagara Foundation	\$99,000
		Peter Cornell Trust	\$3,300
		Annual Giving	\$645,428
Total:	\$2,108,528	Total:	\$2,108,528
REGIONAL IMPACT MEASUREMENTS			
Job Commitments:	The Funding Track under which the application was submitted does not require job-related commitments.		
Average Salary of Jobs:	N/A		



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT A-2

Indirect Jobs Created:		N/A	
Other Impact:		Train 36 unemployed/underemployed individuals annually for a total of 108 over a three year period.	
PROJECT DESCRIPTION (Adapted from Application)			
<p>BATC provides adult career training courses to under-represented populations located within the City of Buffalo. It is seeking a Fund Benefit award to support three years of programming costs related to its pre-training literacy, medical coding and pharmacy technician, curriculums including staff salaries, course books and materials, computers and technology support, national certification examinations, and overhead allocations for rent, insurance, office expenses, and professional development.</p>			
OTHER ECONOMIC DEVELOPMENT BENEFITS RECEIVED			
ESD Excelsior:	N/A		\$
IDA: PILOT, Sales Tax & Mortgage Recording	N/A		\$
PREVIOUS STATE ASSISTANCE OFFERED OR PROVIDED			
TYPE	AMOUNT		STATUS
ESD	\$1,000,000		Closed
BASIS FOR RECOMMENDATION			
<p>BATC assists unemployed and underemployed adults with securing employment by providing New York State licensed career training for jobs in the medical field. The organization's two workforce development programs, Medical Coding and Pharmacy Technician, provide training for skilled positions projected to be in strong demand in WNY over the next decade. Training for both curriculums includes coursework that has been evaluated by partner health care organizations as well as the New York State Education Department.</p> <p>BATC's workforce model was specifically developed for Buffalo and our fast growing healthcare sector. Working with hospitals and other medical organizations, BATC determined the skills and</p>			



Western NY Power Proceeds Allocation Board

Western New York Economic Development Fund Recommendation Memo

EXHIBIT A-2

attributes coders and pharmacy techs needed to become successful, then built a 1200-hour NYS certified curriculum for each. The model incorporates a soft skill training component, a nine month job specific training program and a 6-8 week internship.

Upon completion of the training course adult students will have gained both the content knowledge and workplace behaviors necessary to achieve success in their new positions. The final step students must take is to pass the required national certification exam.

BATC boasts a 91% graduation rate and in several cases students have been hired directly following their 8 week internships. To date BATC has shown that the provided training has been successful as 22 of 24 participating students are employed full time in jobs paying an average of more than \$34,000 annually. A Fund Benefit Award will allow the center to continue to train students for these specific employment opportunities, help establish a solid foundation, and support continued organizational growth. BATC opened in 2013 and as the success of the BATC training and graduate placement continues, its reputation in the community strengthens and grows.

ANTICIPATED DISBURSEMENT TERMS

It is recommended that Fund Benefits be used only to pay for (1) the professionals who will provide training services to participants, and (2) supplies and materials needed for the program as set forth in the full Application.

Also, it is recommended that Fund Benefits be disbursed annually upon satisfaction of certain milestones, such as evidence that classes have occurred and students have fulfilled graduation requirements, confirmation that sufficient funding has been secured from other sources to support adult training programs and other milestones to be determined by the New York Power Authority.



Western NY Power Proceeds Allocation Board

Exhibit "B"
February 1, 2016

Applications Deferred for Further Analysis

Line	Business	Classification
1	Buffalo and Erie County Development Corporation (Bethlehem Steel)	Deferred for further analysis
2	Niagara Aerospace Museum	Deferred for further analysis
3	Cornell Cooperative Extension of Niagara County	Deferred for further analysis



Western NY Power Proceeds Allocation Board

Exhibit "C"

Criteria adapted from the Western NY Power Proceeds Allocation Board's
"Procedures for the Review of Applications for Fund Benefits"

1. The extent to which an award of Fund Benefits would be consistent with the strategies and priorities of the Regional Economic Development Council ("REDC") having responsibility for the region in which an Eligible Project is located.¹ The Western New York Regional Economic Development Council which is responsible for Eligible Projects in Erie and Niagara Counties Strategies & Priorities are:
 - Promote "Smart Growth" by investing in areas that infrastructure already exists and achieves certain goals, such as: preserving historic buildings; reviving downtowns; reviving main streets; investing in existing neighborhoods; and investing in former industrial sites. A project consistent with Smart Growth will also focus on: enhancing walkability; enhancing multiple modes of transportation; connecting disadvantaged communities to employment clusters; spurring mixed-use private investment in existing communities and preserving/enhancing natural lands and or resources.
 - Promote workforce development by increasing diversity in the labor force, developing and cultivating that includes workers with advancement potential, underemployed, unemployed and special population; align education and skills training to job market for current and future industry needs.

¹ As provided for in EDL § 189-c(4), criteria 2-15 are adapted from the criteria for eligibility for Expansion Power, Replacement Power and Preservation Power under Public Authorities Law § 1005. The specific criteria identified in PAL § 1005(13)(b)(4)-(5) are relevant to power allocations under these programs but do not have any logical application to allocations of Fund Benefits. Therefore, the Board does not expect to use these criteria to evaluate applications for Fund Benefits. Additionally, in accordance with PAL § 1005(13), criteria 13-15 listed herein will only be used in the case of Eligible Projects which are proposed by Applicants as, and determined by the Board to be, "revitalization" projects.

- Foster entrepreneurship and new business formation and growth. Designing a plan that brings new technologies and/or products to the marketplace, increases new startups in strategic industries and facilitates the commercialization of products that can lead to job growth in the Region.
- Increase the industry profile of agriculture in WNY by: creating better access to markets; creating new products; creating new more efficient processes; creating strong regional brands; creating programs that promote careers in agriculture.
- Utilize Western New York’s proximity to Canadian and U.S. population centers to advance economic development in WNY. Bi-national projects will: utilize cross-border planning to create transportation and logistical infrastructure; improve operational relationships; promote the attractiveness of WNY as a hub for global trade.
- Position the WNY region as a global energy hub through new sources of clean energy, energy efficiency and energy efficient transportation.
- Support growth of advanced manufacturing by making research more available to manufacturers to help them innovate.
- Spur growth in the health and life sciences industry through improved commercialization, recruit high profile research talent and reducing the cost burden of healthcare while improving health outcomes.
- Expand the scope of higher education by increasing accessibility to Higher Education for communities that currently have limited access to educational opportunities; better aligning education with the industry needs and creating support structures for start-ups which will assist start-ups with commercialization, business planning, workforce preparation, facilities, etc.
- Grow visitors and visitor spending by raising the profile of WNY as a national and international destination; connect multiple tourist destinations in WNY; improve the profile of the WNY Gateway to the United States.

For more information on the Western New York Regional Economic Development Council please go to <http://regionalcouncils.ny.gov/content/western-new-york>.

2. The extent to which an award of Fund Benefits would be consistent with the strategies and priorities of the Regional Economic Development Council (“REDC”) having responsibility for the region in which an Eligible Project is located.² The Finger Lakes Regional Economic Development Council which is responsible for Eligible Projects in

² As provided for in EDL § 189-c(4), criteria 2-15 are adapted from the criteria for eligibility for Expansion Power, Replacement Power and Preservation Power under Public Authorities Law § 1005. The specific criteria identified in PAL § 1005(13)(b)(4)-(5) are relevant to power allocations under these programs but do not have any logical application to allocations of Fund Benefits. Therefore, the Board does not expect to use these criteria to evaluate applications for Fund Benefits. Additionally, in accordance with PAL § 1005(13), criteria 13-15 listed herein will only be used in the case of Eligible Projects which are proposed by Applicants as, and determined by the Board to be, “revitalization” projects.

Orleans and Genesee Counties Strategies & Priorities can be found at:
<http://regionalcouncils.ny.gov/content/finger-lakes>.

3. The number of jobs that would be created as a result of an award of Fund Benefits.
 4. The applicant's long term commitment to the region as evidenced the current and/or planned capital investment in applicant's facilities in the region.
 5. The ratio of the number of jobs to be created to the amount of Fund Benefits requested.
 6. The types of jobs that would be created, as measured by wage and benefit levels, security and stability of employment.
 7. The amount of capital investment, including the type and cost of buildings, equipment and facilities, proposed to be constructed, enlarged or installed.
 8. The extent to which an award of Fund Benefits would affect the overall productivity or competitiveness of the applicant and its existing employment.
 9. The extent to which an award of Fund Benefits may result in a competitive disadvantage for other business in the State.
 10. The growth potential of the applicant's facilities and the contribution of economic strength to the area in which the applicant's facilities are or would be located.
 11. The extent of the applicant's willingness to satisfy affirmative action goals.
 12. The extent to which an award of Fund Benefits is consistent with state, regional and local economic development strategies and priorities and supported by local units of government in the area in which the business is located.
 13. The impact of an award of Fund Benefits on the operation of any other facilities of the applicant, and on other businesses within the region.
 14. That the business is likely to close, partially close or relocate resulting in the loss of a substantial number of jobs.
 15. That the applicant is an important employer in the community and efforts to revitalize the business are in long-term interests of both employers and the community.
 16. That a reasonable prospect exists that the proposed award of Fund Benefits will enable the applicant to remain competitive and become profitable and preserve jobs for a substantial period of time.
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