

FOR CONSIDERATION

July 19, 2018

TO: The Directors

FROM: Howard A. Zemsky

SUBJECT: West Harrison (Mid-Hudson Region – Westchester County) – White Plains Aviation Partners 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; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Grantee: White Plains Aviation Partners, LLC d/b/a Million Air (the “Company”)

ESD* Investment: A grant of up to \$1,000,000 for the construction of a new terminal and a mega-hanger

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

Project Location: 136 Tower Road, West Harrison, Westchester County

Proposed Project: Construction of a new terminal and mega-hangar at Westchester County Airport

Project Type: Business Investment project involving job retention and creation

Regional Council: The Mid-Hudson Regional Economic Development Council has been made aware of this item. The Incentive Proposal was accepted in December 2015. The project is consistent with the Mid-Hudson Regional Economic Development Council’s Plan to support infrastructure growth and development.

Employment:	Initial employment at time of ESD Incentive Proposal:	27
	Current employment level:	27
	Minimum employment on January 1, 2020:	54

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>		
Construction/Renovation	<u>\$52,500,000</u>		
Total Project Costs	<u>\$52,500,000</u>		
<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$1,000,000	2%	
Municipal Bonds	45,000,000	86%	7.1%/30yrs/first lien on RE
Company Equity	<u>6,500,000</u>	<u>12%</u>	
Total Project Financing	<u>\$52,500,000</u>	<u>100%</u>	

III. Project Description

A. Company

Industry: Aviation/Transportation

Company History: The Company was founded in 1984 by the Mary Kay Cosmetics family as a single site Fixed Base Operations (“FBO”) airport which provides support services to general aviation aircrafts. As of 2017, the Company operates 33 separate airports and currently has the third largest FBO chain in North America. The Company system is operated throughout the US, Canada, and the Caribbean with 1,000 employees.

Ownership: The Company is a privately-owned corporation.

Size: Approximately 1,000 employees with 33 separate airports

Market: FBO industry with a designation for jet aircrafts used to transport small groups of people. This market has three primary types of operators who own, manage, and operate business or private jets, flight departments, charter operators, and fractional owners. Major competitors include Signature Aviation and Atlantic Aviation.

ESD Involvement: In March 2015, the Company purchased FBO operations and facilities at the Westchester County Airport (“Airport”). The Company sought assistance from ESD for infrastructure upgrades to the Airport, including

new terminals, hangers, and other infrastructure upgrades such as parking space. An offer was made and accepted by the Company in December 2015. Without ESD's assistance the project would not have been viable.

Competition: NA

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

B. The Project

Completion: February 2018

Activity: The project includes the construction of a new mega-hanger and terminals at the Airport. The project is part of the Company's plan to upgrade and modernize the Airport, which has not seen major infrastructure investment in decades. The construction of a new hanger and terminal along with the lack of parking, were identified as major deficiencies in an assessment by the Airport, conducted in 2017.

Results: The project will retain 27 jobs and create 27 new jobs at the project location. Additionally, it will support the region's infrastructure and transportation system, helping tourism and local business grow. The project will also help to support growth and revenue for the Airport, ensuring its continued existence in the region.

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ESD Project No.: AA357

Project Team:	Origination	Eric Warren
	Project Management	Emma Miran
	Contractor & Supplier Diversity	Denise Ross
	Finance	Jonevan Hornsby
	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 \$1,000,000 capital grant (\$10,000) 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. REW Investments, Inc. will guarantee the grant repayment obligation of its subsidiary, White Plains Aviation Partners, LLC in the event of an Employment Shortfall or other 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 or grants from a government source.
5. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
6. Up to \$1,000,000 will be disbursed to the Grantee in two installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$500,000) upon documentation of project costs totaling \$52,500,000, upon completion of the project substantially as described in these materials, a certificate of occupancy, and documentation of the employment of at least 27 Full-time Permanent Employees at the Project Location, assuming that all project approvals have been completed and funds are available;
 - b) a Second Disbursement of an amount equal to 50% of the grant (\$500,000) will be disbursed upon documentation of the employment of at least 54 Full-time Permanent Employees at the Project Location (Employment Increment of 27), provided Grantee is otherwise in compliance with program requirements.

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 7, 2015, to be considered eligible project costs. All disbursements must be requested by April 1, 2020.

7. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,000,000, 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.
8. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee's number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	27
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A	B
Reporting Date	Employment Goals
February 1, 2019	27 + X
February 1, 2020	27 + X
February 1, 2021	27 + X
February 1, 2022	27 + X

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as

described in section C.5 above (i.e. $X=27$, and Employment Goals shall equal $[27 + X = 54]$ if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then $X=0$.

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 maintain its employment level of 27 and create 27 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

Without ESD assistance to lower costs and make the Company's facility competitive with one in Texas, 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.

Benefit-Costs Evaluations are used in evaluating projects that are categorized as Business Investment, Infrastructure Investment, and Economic Growth Investment and that involve 1) job retention and/or creation and/or 2) construction-related activity. For Business Investment projects, benefits typically reflect the impact of both jobs and construction-related activity. For Infrastructure Investment and Economic Growth Investment projects, which generate long-term benefits not captured in the period of analysis and may involve no permanent job commitments, the estimated benefits typically reflect only construction-related activity.

Business Investment Project

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$3,263,214;
- Fiscal cost to NYS government is estimated at \$1,000,000;
- Project cost to NYS government per direct job is \$62,222;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$34,026;
- Ratio of project fiscal benefits to costs to NYS government is 3.26:1;
- Fiscal benefits to all governments (state and local) are estimated at \$6,013,867;
- Fiscal cost to all governments is \$1,000,000;
- All government cost per direct job is \$62,222;
- All government cost per total job is \$34,026;
- The fiscal benefit to cost ratio for all governments is 6.01:1;
- Economic benefits (fiscal plus total net resident disposable income from project

employment) are estimated at \$43,555,627, or \$1,482,013 per job (direct and indirect);

- The economic benefit to cost ratio is 43.56:1;
- Project construction cost is \$52,500,000, which is expected to generate 343 direct job years and 172 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.86 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is one year.

See Project Summary Benefit-Cost Evaluation (attached) for detail and definitions.

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. Environmental Review

The Westchester County Board of Legislators, as lead agency, has completed an environmental review of the project pursuant to the requirements of the State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project to be an Unlisted Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on May 9, 2016. ESD staff reviewed the Negative Declaration and supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

VI. 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 MWBE Participation. Establishment of specific goals related to the total value of ESD's funding is still pending.

VII. 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.

VIII. Additional Submissions to Directors

Resolutions
New York State Map

Benefit-Cost Analysis
Project Finance Memorandum
Project Photographs