



Rochester Economic Development

City Hall Room 005A
30 Church Street
Rochester, New York
14614-1290



Lovely A. Warren, Mayor
City of Rochester, NY

Authority Budget Office – Performance Measurement Analysis REDCO Fiscal Year Ended September 30, 2016

Performance Goals

- (1) Efforts continue in managing the NYS Empire Zone Program (EZ) so that certified businesses continue to receive economic development benefits. REDCO previously employed an individual working part-time whose main function was to continue to administer and oversee the EZ program. This individual has left REDCO during fiscal year 2016. Subsequently, functions and job responsibilities of this position are successfully being handled by other individuals and no interruptions in service or reporting are anticipated.
- (2) REDCO Continues to provide US Small business Administration loans to assist small businesses in the community which cannot gain access to conventional financing: For the FYE 9/30/16, REDCO approved three SBA 504 loan applications for an amount totaling \$561,700. The economic development benefits associated with these loans include: Jobs retained of 40, projected job creation of 23 new positions and new investment within the city of Rochester for \$1,498,000.
- (3) REDCO continues to market the Philip J. Banks Small Business Investment Program. No new grants were approved in the 2016 fiscal year.
- (4) The REDCO Revolving Loan fund continues to be an active financial resource utilized to stimulate new business investment, job creation and retention within the City of Rochester: For the FYE 9/30/2016, REDCO approved four loans, three to long-time City businesses contributing to our local economy projecting to create 22 jobs, retaining 357 creating new investment of \$5,887,130. The fourth, towards phase II of a major downtown development project to redevelop the long standing Midtown Tower into a mixed-use building that includes 181 luxury residential units, two floors of Class A office space and ground floor retail. The total investment is \$70,530,576.

Two other loans closed, which were part of major development projects, Syntech Technologies, Inc, with a total new investment of \$5,337,010, and the creation of 229 jobs, and phase I of the Sibley redevelopment loan (Midtown Tower), with a total new investment of \$28,652,685, with 3.5 FTE jobs retained, and 5 jobs projected to be created.

- (5) The Investing in Manufacturing Community Partnerships (IMCP) Loan Fund- Created in 2015 in connection with the City of Rochester's designation by the federal government as an Investing in Manufacturing Community Partnership community. The program provides low-interest loans for equipment purchases to companies in the optics, photonics, and advanced manufacturing industries. REDCO continues to market the program to manufacturing businesses. One loan was approved in 2015 that was anticipated to result in \$5,337,000 in new investment, with 124 jobs being retained and 121 new jobs expected to be created. The City of Rochester was recertified as



a "Manufacturing Community," in 2016, and will help in marketing the IMCP Loan Fund to further economic development efforts.

- (6) REDCO Kiva Rochester Matching Loan Fund. In May, 2016, the REDCO Board approved REDCO's participation in the local Kiva Zip Program. Kiva Rochester, through a \$100,000 investment into a matching loan fund. Kiva is crowdfunded micro-lending platform which was founded 10 years ago. Kiva's mission is to provide capital for entrepreneurs who may have difficulty securing loans from traditional lending institutions.

The Kiva Rochester program provides 0% interest crowdfunded loans to help small business owners and entrepreneurs launch or grow their businesses. Borrowers can receive loans of up to \$10,000 from online lenders through Kiva.org's online crowdsourcing platform. Businesses located within the City of Rochester are eligible to have online lenders matched dollar-to-dollar by the REDCO Kiva Rochester matching loan fund if the business: can demonstrate how the investment will increase revenue, capacity, or allow the business to hire additional employees; will commitment to providing regular reporting on investment and job creation; and receives the endorsement of a Kiva Trustee.

The Agreement between REDCO and Kiva Microfunds commenced on September 1, 2016 and has a three-year term expiring on August 31, 2019. The funds were disbursed to Kiva in October, 2016.

- (7) Continue efforts to assist the City of Rochester in its economic development activities through the use of REDCO's available capital resources. REDCO continues to own a 24,000 sq ft facility at 448 Smith St which is leased to the city of Rochester and used by the Rochester Rhinos professional soccer team. The lease was extended by REDCO in 2016 for 10 years.

REDCO also owns a 31,878 square foot light manufacturing facility which is leased to CVI Laser, LLC, a high-technology optical manufacturing company which employs 79 people. REDCO built the facility in 1989 and leased it to Melfes Griot, Inc, the predecessor company to CVI, Laser, LLC. During FYE 9/30/16, REDCO invested \$15,900 in exterior repairs and improvements to the facility. Currently are in the second year of a three-year lease with CVI Laser, LLC.

ECONOMIC DEVELOPMENT REPORT

A. REDCO's Area of Operations - General Lending and Business Environment

Private sector jobs the Rochester metro area (Livingston, Monroe, Ontario, Orleans and Wayne counties) increased by 1,200 or 0.3% from September, 2015 to September, 2016. Employment gains were largest in educational and health services, leisure and hospitality, and financial activities. Employment losses were focused in professional and business services and manufacturing.

The unemployment rate (not seasonally adjusted) for the Rochester metro area was 4.7% in September, 2016 down from 4.8% in September, 2015. The local area's unemployment rate was lower than the comparable rate for New York State of 5.1% (not seasonally adjusted) for September, 2016. The September, 2016 New York State unemployment rate increased from 4.8% in September, 2015. The national unemployment rate was 5.0% (seasonally adjusted) for September, 2016.

Health care remains the largest private employer in the Rochester area and accounts for more than 15% of all private sector jobs locally. Local health care jobs are spread across three major industries, including hospitals; ambulatory health care services (doctor offices; dentists; chiropractors; mental health practitioners; medical and diagnostic labs; and home health care services); and nursing/residential care facilities.

The largest employer in the Rochester area is the University of Rochester/University of Rochester Medical Center which employs approximately 27,500. Other large private sector employers are Rochester Regional Health System (15,700 employees), Wegmans Food Markets (13,600 employees), Xerox Corporation (6,400 employees) and Paychex (4,100 employees).

Local bank lending remains strong as the national and local economies strengthen.

REDCO approved one SBA 504 loan in fiscal 2016 and expects two to four new approvals in fiscal 2017.

B. Non-SBA Programs

1. Lending Programs

- **REDCO Revolving Loan Program.** The REDCO Revolving Loan Fund was created in April, 1990 to assist businesses located in or moving into the City of Rochester through low-interest loans and/or grants. Projects must result in new investment, job retention/creation, and/or taxable real estate property improvements within the City of Rochester. Five new loans were approved under the Program in FYE 9/30/16. Two of the borrowers have decided not to close on the respective loans. One of the loans closed in fiscal 2016.

As of FYE 9/30/16, there were 5 loans outstanding with an aggregate principal balance of \$3,260,670.

- **REDCO IMCP Loan Fund.** In 2014, New York Finger Lakes Region, led by the City of Rochester, was designated as a "Manufacturing Community" by the US Department of Commerce under the Investing in Manufacturing Communities Partnership (IMCP). The designation offers selected regions in the US preferential consideration for up to \$1.3 billion in federal dollars and assistance from 10 federal agencies. The REDCO IMCP Loan Fund is a corollary to this designation and is designed to provide additional financial support to manufacturing companies in the City who participate in the program. The loan program was funded with \$1.0 million transferred from the REDCO RLF. Loans are limited to \$200,000 and are for equipment purchases only. Applicants must be involved in three distinct industries: advanced manufacturing, optics, and photonics and must also have an established contractual / professional / legal / relationship with a designated IMCP partner.

No new loans were approved under the loan program in fiscal 2016. As of 9/30/16, there was one loan outstanding with a principal balance of \$195,695.

- **REDCO Kiva Rochester Matching Loan Fund.** In May, 2016, the REDCO Board approved REDCO's participation in the local Kiva Zip Program, Kiva Rochester, through a \$100,000 investment into a matching loan fund. Kiva is a crowdfunded micro-lending platform which was founded 10 years ago. Kiva's mission is to provide capital for entrepreneurs who may have difficulty securing loans from traditional lending institutions.

The Kiva Rochester program provides 0% interest crowdfunded loans to help small business owners and entrepreneurs launch or grow their businesses. Borrowers can receive loans of up to \$10,000 from online lenders through Kiva.org's online crowdsourcing platform. Businesses located within the City of Rochester are eligible to have online lenders matched dollar-to-dollar by the REDCO Kiva Rochester matching loan fund if the business: can demonstrate how the investment will increase revenue, capacity, or allow the business to hire additional employees; will commitment to providing regular reporting on investment and job creation; and receives the endorsement of a Kiva Trustee.

The Agreement between REDCO and Kiva Microfunds commenced on September 1, 2016 and has a three-year term expiring on August 31, 2019. The funds were disbursed to Kiva in October, 2016.

- **Philip J. Banks REDCO Small Business Assistance Program.** In April, 2010, REDCO established the Philip J. Banks Small Business Assistance Program. The program was funded with \$500,000 from the REDCO Revolving Loan Fund. The program assists small retail/commercial/industrial businesses that are investing in real estate which will lead to job retention and/or creation, an increase in the tax base, and revitalization of commercial corridors and neighborhoods. Matching grants of up to \$15,000 and/or loans up to \$50,000 for the cost of interior/exterior building renovations, improvements and/or additions are available.

To date, 19 grants totaling \$290,357 and 0 loans have been funded under the program. In fiscal 2016, no loans or grants were approved under the program (has not yet closed).

2. Non-Lending Programs

- **Melles Griot Building.** In 1986, Melles Griot, Inc. (now known as CVI Melles Griot), a local designer and manufacturer of precision optical products, was located in the Town of Brighton and was proceeding with plans to build a new facility in the Rochester Science Park located on South Avenue in the City of Rochester. However, in early 1988 the company was purchased by an international firm whose policy prohibited new real estate undertakings. As a result, Melles Griot asked the City to help it find a developer who would construct and own the building and lease it to the company.

In response to Melles Griot's request, REDCO undertook the project and constructed a 30,000 square foot building in the Rochester Science Park and leased it back to the company under a 10-year lease which commenced in November, 1990.

The building construction was primarily funded by Industrial Development Revenue Bonds through the County of Monroe Industrial Development Agency (COMIDA) and an equity contribution from REDCO. (The IRBs have been paid in full.) Excess income derived from the lease is utilized by REDCO to fund building reserves and to support operations. As a result of this project, 35 jobs were retained and 35 new jobs were created. In 2007, Melles Griot, Inc. was acquired by CVI Laser, LLC and REDCO authorized the assumption of the lease by CVI Laser, LLC. The current lease with CVI expires on January 31, 2018.

- **New York State Empire Zones Program.** Effective January 1, 1995, certain areas in the City of Rochester were designated as New York State Empire Zones (formerly known as Economic Development Zones). The Empire Zone Program encourages business development in distressed areas of New York State by offering new or expanding businesses a combination of tax credits (i.e., investment tax credits for investments in machinery and equipment, wage tax credits for newly created jobs, real estate tax abatements, and sales tax refunds), as well as reduced utility rates.

The Program is sponsored by the New York State Department of Economic Development and is managed by REDCO, as part of its economic development activities. REDCO supports the local Empire Zone Program by supplying one part-time staff person. The Empire Zone Program expired on June 30, 2010 therefore no new businesses can be certified under the program. Existing Empire Zone certified businesses can continue receiving Zone benefits until the original term of the benefits runs out.

- **448 Smith Street (a/k/a 460 Oak Street).** In October, 2008, REDCO purchased the 24,814 sq. ft. building located at 448 Smith Street (a/k/a 460 Oak Street) from Maguire Family Properties, Inc. for \$725,000. The building, which is located next to the soccer stadium utilized by the Rochester Rhinos men's professional soccer team, was purchased by REDCO to: (a) complete the City of Rochester's control over the entire soccer stadium site; (b) assist with the re-development of an under-utilized property; and (c) assist in stabilizing the Rochester Rhinos' operating expenses. A portion of the building is utilized by Adirondack Sports Club, LLC (owner of the Rochester Rhinos) for team offices and storage and the City of Rochester Department of Environmental Services utilizes a portion of the building for storage.

In June, 2012, REDCO entered into a lease for the entire building with the City of Rochester, who continues to sublease a portion of the building to the Rochester Rhinos team. The building is divided into three areas, referred to as Area One (8,990 sq. ft. utilized by the Rhinos for offices), Area Two (10,559 sq. ft. utilized by the Rhinos for its locker room facility) and Area Three (separate 5,265 sq. ft. storage room used by the City of Rochester). For Area One, the lease requires rent of \$4.00/sq. ft. and expires on December 31, 2022. For Areas Two and Three, the lease requires rent of \$4.25/sq. ft; however, if the tenant meets certain lease conditions, the annual rent is reduced to \$1.00. The Area Two and Three currently lease expires on March, 31, 2026. The tenant is responsible for all operating costs, repairs and maintenance of the property, thus alleviating REDCO of all building carrying costs.

C. Other SBA Programs

Not Applicable

D. REDCO's Economic Development Strategy

REDCO's economic development strategy is to create jobs and increase investment within the City of Rochester. This is also done by the City of Rochester Department of Neighborhood & Business Development; however, with REDCO there is greater flexibility with loan funds and access to more capital resources to assist in business expansions and development projects. REDCO offers low-interest loans, gap financing, and loan guarantees. Occasionally REDCO has also made equity investments, provided interim financing, and has acted as developer and landlord for larger projects. REDCO will customize a solution for businesses that are willing to make an investment in the City of Rochester which will create/retain jobs.

REDCO staff members also provide much needed technical assistance to City businesses by providing assistance with state and federal grant/lending programs, as well as providing tax abatement information. REDCO can also be an advocate for business with other City departments. It is also a clearinghouse of information on private lending organizations. REDCO and City of Rochester staff members can be experienced business and financial consultants for projects by providing feasibility analyses, site selection studies, financial packaging, assistance with permits and approvals, and project scheduling and implementation.

In fiscal 2017, REDCO will continue to carry on its overall economic development strategy. It is expected that REDCO will approve two loans from the REDCO Revolving Loan Fund and two SBA 504 loans.

OPERATING REPORT

A. Officers/Directors/Staff Listing as of 9/30/16

1, 2. Board of Directors

CHARLES A. BENINCASA Treasurer
Area of Expertise: Government finance
Director of Finance, City of Rochester
City Hall, 30 Church Street, Room 109-A
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Phone: (585) 428-7151 Fax: (585) 428-7533
Director (Ex Officio)

JENNIFER L. BERRIOS, ESQ. Director *
Area of Expertise: Commercial real estate and development
Pullano & Farrow, PLLC
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GARY J. BONADONNA, JR. Director
Area of Expertise: Labor unions
Rochester Regional Joint Board, Political Director, UNITE HERE
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KEITH E. CLEARY Director
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Vice President and Business Banking Director
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SERGIO ESTEBAN, P.E. Director
Area of Expertise: Engineering, architecture, planning,
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President & CEO, LaBella Associates, P.C.
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Exec. Committee

MICHELLE A. HUTCHINSON, ESQ. Director
Area of Expertise: Commercial development, commercial real estate
Managing Partner, Brown & Hutchinson
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BARBARA J. JONES Director
Area of Expertise: Commercial lending
Retired Vice President and Regional Manager
Community Investment, Chase Manhattan Bank
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DANA K. MILLER Director
Area of Expertise: Neighborhood and economic development
Vice President, City Council, Rochester, NY
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RICHARD MUELLER Director
Area of Expertise: Commercial real estate lending
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Exec. Committee

DAVID RODRIGUEZ Director
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LORETTA C. SCOTT Director (Ex Officio)
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Exec. Committee

THADDEUS S. SCHOFIELD Secretary*
Economic Development Manager, Department of Neighborhood
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RUTH H. SCOTT Director
Area of Expertise: Community relations, leadership development
CEO, Scott Associates Consulting, Inc.
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BAYE' M. MUHAMMAD Chairman/President
Area of Expertise: Neighborhood development Director (Ex Officio)
Commissioner, Department of Neighborhood & Business Exec. Committee
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DALE K. TROTT Director
Area of Expertise: Small business owner
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JULIO VAZQUEZ Director
Area of Expertise: Community development
Founding Member and Board President, Eugenio Maria de
Hostos Charter School
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jvazquez18@rochester.rr.com
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LOVELY A. WARREN..... Director (Ex Officio)
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warrenl@cityofrochester.gov
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KATHLEEN WASHINGTON Vice President
 Area of Expertise: Business and real estate development
 Deputy Commissioner, Department of Neighborhood & Business Development
 Director (Ex Officio)
 Exec. Committee*

City of Rochester
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 Rochester, New York 14614
washing@cityofrochester.gov
 Phone: (585) 428-6150 Fax: (585) 428-6042

DAVID A. YOUNG, JR. Director
 Area of Expertise: Labor union
 Business Manager, International Brotherhood of Electrical
 Workers (I.B.E.W.), Local Union 86
 2300 East River Road
 Rochester, New York 14623
dyoung@ibelu86.com
 Phone: (585) 235-1510 ext. 111 Cell: (585) 576-7571

* Change from previous year

3. Professional Staff

Staff Member	Staff Function	% Time
Thaddeus Schofield *	REDCO Secretary	20%
David Balestiere *	Work-out, Delinquencies	10%
Timothy Curtin *	Legal, Closing	25%
Susan Holt *	Financial Analysis, Servicing, Packaging and Processing, Portfolio Administration	50%

* Employed by the City of Rochester

4. Contracts

Not Applicable

B. Board Meetings

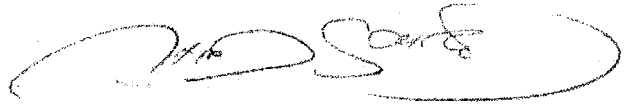
Board meeting minutes are attached for meetings held on the following dates:

1. November 19, 2015
2. December 4, 2015
3. December 28, 2015
4. January 16, 2016
5. March 30, 2016
6. April 14, 2016
7. April 28, 2016
8. May 26, 2016
9. August 31, 2016

C. Legal

1. There were no changes made to the Articles of Incorporation of REDCO in FYE 9/30/16. Changes made to the By-Laws of REDCO in FYE 9/30/16 are summarized on the following pages.
2. REDCO's Board of Directors is currently in compliance with SBA regulations governing CDC's.
3. REDCO is subject to a discrimination allegation by a disgruntled former employee. The matter is currently being investigated by the NYS Department of Labor. REDCO anticipates no pecuniary liability as a consequence of the pending investigation.

REDCO notified The SBA Buffalo District Office and the SBA Rochester Branch Office on December 1, 2016 regarding this matter.



Thaddeus S. Schofield, Secretary

FINANCIAL REPORT

The following items are attached:

1. Single Audit report for REDCO for the fiscal year ended September 30, 2016 prepared by Freed Maxick, CPAs, P.C.; and
2. Comprehensive Annual Financial Report for the City of Rochester, New York for the fiscal year ended June 30, 2016 prepared by Freed Maxick, CPAs, P.C.

504 Related Income/Expense Information

Income:

Servicing Fee Income	\$21,146.21
Closing Fee Income	14,804.86
Escrow Float Interest Income	<u>795.33</u>
	\$36,746.40

Less Expenses:

NADCO Membership Fee	\$750.00
FedEx Charges	54.96
Equifax (Credit Reports)	14.00
Refreshments for Board Meetings	1,201.19
IRS (IVES)	52.01
UCC Continuation Filing Fees	120.00
e504 Software Annual Fee	510.00
e504 Software Re-installation	<u>500.00</u>
	\$ 3,202.16

Net Income	<u>\$33,544.24</u>
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