

CDA ANNUAL REPORT for FY 2010

As required by the Bylaws of the Town of Riverhead Community Development Agency (CDA), the following information is provided for consideration and review by the Members of the CDA.

MEMBERSHIP- The Members of the Corporation shall be the members of the Riverhead Town Board, comprised of the following persons during FY 2010: Sean Walter, John Dunleavy, James Wooten, George Gabrielsen and Jodi Giglio. In addition, the 2010 CDA was served by: Executive Director Chris Kempner, Chief Finance Officer Bill Rothaar, Contracting Officer for real property Dawn Thomas and Contracting Officer for personal property Bill Rothaar. Neither members nor staff receives any compensation for their duties and responsibilities to the CDA.

The CDA established a Governance and Audit Committee as required by the Public Authorities Act of 2005 as amended (the "PAAA"). Sean Walter and John Dunleavy were appointed to the Governance Committee. Sean Walter, Deputy Supervisor Jill Lewis and George Gabrielsen were appointed to the Audit Committee. All other CDA policies and procedures required by the PAAA relating to investment, salary/compensation, whistleblowing, acquisition and disposition of real property and personal property, procurement, defense and indemnification for Directors, ethics, travel, remain in place as adopted by CDA Resolution #6 adopted May 1, 2007.

BACKGROUND

The five member Riverhead Town Board is the governing legislative body and consists of a supervisor and four council members, all of whom are elected at large. The Town Board acts separately in its capacity as the CDA Board, which is empowered under New York State General Municipal Law to foster economic development. The CDA consists of the Chairman (the Town Supervisor) and the four Town board members. In the capacity as the economic development agency of the Town of Riverhead, the CDA administers and secures financing for numerous downtown revitalization projects and public improvement projects.

The CDA, established in 1982, has been proactive in fostering economic revitalization in the downtown business district and was a major impetus in the establishment of a 3.2 acre waterfront aquarium. In addition, the CDA took title to the former Naval Weapons Industrial Reserve Plant at Calverton in 1998 as the result of special federal legislation, and as such is charged with the task of

overseeing economic development at the 2,900 acre site. Using powers granted under New York State Urban Renewal Law, pursuant to Section 505 of Article 15, the Community Development Agency has played a critical role in economic development at Calverton Enterprise Park, as well as downtown. Since 1998, the Calverton Enterprise Park real property, improved with buildings and infrastructure, has been leased and sold pursuant to the disposition of property procedures of Section 507 of the Urban Renewal Law. The Community Deve

The Community Development Agency has designated several Urban Renewal Areas for the purpose of encouraging neighborhood revitalization and economic development. The designated Urban Renewal Areas include: Calverton Enterprise Park, Millbrook Gables residential community, East Main Street Downtown Business District and Railroad Avenue Corridor. Within the designated boundaries of the urban renewal areas, available incentives are provided where feasible to attract investment and assist owners and businesses in improving their properties.

Portions of the Calverton Enterprise Park and East Main Street Urban renewal Areas were designated Empire Zones, a program that was sunsetted by New York State on June 30, 2010. This designation was initiated and administered by the CDA for its economic development benefits. Low interest loans and grants have also been made available to increase investment in these targeted areas. For instance, within the East Main Street Urban Renewal Area, the CDA has successfully developed an aquarium as a major tourist attraction, sold the 1930s art deco Suffolk Theatre for reuse, has completed restoration of an 1881 historic opera house, invested \$500,000 in historic restoration of properties occupied by the East End Arts Council, as well as assisting in the development of a 100 room hotel expansion at Atlantis Aquarium and two new mixed use housing/retail developments on Peconic Avenue, one that will incorporate a currently deteriorated structure and the other that revitalized a vacant building located at the gateway to downtown that now is an active revitalized historic anchor building with retail, office and housing completed in 2010.

CDA MISSION STATEMENT

The CDA's mission is to foster economic revitalization in the Town of Riverhead Urban Renewal Areas to implement projects that improve the environment, economy and quality of life of the Riverhead Town residents, businesses and visitors through creation of jobs, development of infrastructure, generation of additional tax revenue, and leveraging investment of capital in the Town of Riverhead.

Measurements by which the CDA and the achievement of its goals may be evaluated by the following:

- Investment dollars and leveraging (public and private funding);
- Infrastructure development;
- Tax base expansion;
- Jobs created; and
- Quality of life enhancements (preservation and open space, recreation, enhancement of environment, transportation and housing choices)

Below is a list of projects that have been advanced these goals during 2010.

DOWNTOWN ACTIVITY IN 2010

The CDA continued to advance the goals of the East Main Street Urban Renewal Plan (<http://riverheadli.com/Urban.Renewal.Plan.Update.October.10.01.08.pdf>), final Generic Environmental Impact Statement (located at <http://riverheadli.com/Final.Generic.Environmental.Impact.Stmt.10.01.08.pdf>), and Findings Statement for the GEIS (located at <http://riverheadli.com/Findings.Statement.10.01.08.pdf>) issued and adopted in October 2008.

In 2010, the CDA and the Town of Riverhead Community Development Department assisted several significant downtown revitalization projects including:

- Atlantis Aquarium Hyatt Hotel expansion to develop 100 room hotel, catering hall and rotating gallery exhibit space through private funding, \$2,400,000 New York State Empire State Development RESTORE NY III Funding and Town of Riverhead Industrial Development Agency incentives
- 1 East Main Street (revitalization of vacant historic anchor property to provide retail, housing and office space through private investment, New York State Department of Housing and Community Renewal Main Street grant funds, Town of Riverhead Industrial Development Agency incentives);
- Revitalization of the 3-acre Grangebél Park – a key greenspace located at the entrance to Downtown Riverhead;
- Summerwind Square (revitalization of three vacant and underutilized parcels to create a 52 unit mixed use workforce housing complex with ground floor retail supported by Suffolk County Workforce Housing Funding and Town of Riverhead Industrial Development Agency incentives);

- Suffolk Theatre Revitalization (former CDA property transferred to private developer to be renovated from vacant building to active theater through private funding and New York State Department of Housing and Community Renewal Main Street grant funds);
- Infrastructure improvements including site redevelopment of the East End Arts Council greenspace and walkway that is a visual and physical connection of Main Street to the Peconic Riverfront and the Peconic Avenue crosswalk connecting the Peconic Riverfront to Grangebel Park (funded by HUD CDBG funds and Suffolk County Downtown Revitalization funds);
- Various other façade and building improvements in the downtown area funded by New York State Department of Housing and Community Renewal Main Street grant funds.

RAILROAD AVENUE CORRIDOR ACTIVITY IN 2010

In 2007, the CDA board held a hearing on the designation of Vintage Group, LLC, as a Qualified & Eligible (Q & E) Sponsor for the purchase and development of the parking lot owned by the Town of Riverhead located on Court Street together with the acquisition and development of some or all of the privately-owned properties located on the adjacent block bordered by Railroad Street, Griffing Avenue, Court Street and Cedar Avenue, for redevelopment consistent with the Town of Riverhead Urban Renewal Plan/Railroad Street Corridor adopted April 4, 1997. In 2009, Q & E status was extended after an additional public hearing and extensions of time for an Agreement of Sale to be fully executed were extended through June 15, 2010. On June 15, 2010, the CDA Board authorized amending CDA Resolutions #9, #17 and #27 of 2008 and Resolutions #13 and #19 of 2009 to provided that designation of Vintage Square Properties LLC as a Qualified and Eligible Sponsor would expire and be of no force and effect unless an Agreement of Sale consistent with CDA resolution #9 of 2008 be fully executed on or before December 15, 2010 subject to a new Qualified and Eligible Sponsor hearing if substantive changes made to the draft Agreement of Sale on file with the Town Clerk.

CALVERTON ENTERPRISE PARK ACTIVITY IN 2010

The CDA Board entered into contract with REPCAL LLC in 2007 for the sale of approximately 300 acres in response to a Request for Proposals (“RFP”) to select an experienced developer(s) for the redevelopment of approximately 600 acres of land zoned for industrial and office uses at Calverton Enterprise Park. The CDA Board designated REPCAL, LLC as a Qualified and Eligible Sponsor for the redevelopment project to include 300 acres of land zoned Industrial, a portion of

the 600 acres. The CDA continued to work with REPCAL, LLC through 2009 to progress the project and the CDA agreed to extend the due diligence period as well as to execute a fifth amendment to the agreement of sale dated October 2, 2007, to reduce the sales price for the 300 acres to \$18 million to facilitate the closing. The CDA Board designated REPCAL, LLC as a Qualified and Eligible Sponsor for the new terms of the agreement prior to authorizing the amendment. In 2010 the CDA board authorized the CDA Chair/Town Supervisor to Execute a Sixth Amendment to the Agreement of Sale with REPCAL, LLC, extending the Outside Condition Satisfaction Date for a three month period through October 31, 2010 in exchange for a payment of \$125,000 to be credited to REPCAL, LLC, at closing or in the event that closing does not occur for any reason other than Seller's willful default, to remain the property of the CDA.

In 2007 the CDA Board issued a RFP to select an experienced developer(s) for the redevelopment of approximately 755 acres as a Hotel Conference Center and/or other commercial-recreational uses as permitted by zoning. Several proposals were received and had been presented at public meetings by year-end. During 2007, the CDA board held a hearing on the CDA's designation of Riverhead Resorts LLC as a Qualified & Eligible Sponsor. The CDA Board entered into a contract with Riverhead Resorts LLC for the sale of approximately 755 acres of property within the planned recreational park zone district of Calverton Enterprise Park in early 2008 and designated Riverhead Resorts LLC as a Qualified & Eligible Sponsor for redevelopment of said acreage. In 2009 the CDA board authorized an amendment to the agreement of Sale dated January 15, 2008, with Riverhead Resorts LLC to waive the extension fee due on December 15, 2009 in consideration of extending the date of Closing and releasing the escrow under new terms. In 2010, Riverhead Resorts LLC filed its application for subdivision approval with the Town Planning Board. The CDA Board subsequently authorized the CDA Chair to execute a Second Amendment to Agreement of Sale dated January 15, 2008 (extending the closing date to June 15, 2010) as amended by the First Amendment dated December 15, 2009 (extending the closing date to May 15, 2010) with Riverhead Resorts LLC. The Termination of the Agreement of Sale with Riverhead Resorts LLC was formally terminated by CDA resolution #18 on November 12, 2010 based upon the failure of Riverhead Resorts LLC to extend the Closing Date.

In 2008, the CDA board authorized and issued an RFP for rail design engineers for the Calverton Rail Access and Development Project and selected HDR, Inc., an employee-owned architectural, engineering and consulting firm with rail development expertise as the consultant for the project. In December 2008 the

CDA authorized HDR to proceed with initial preliminary planning for the Calverton Rail Access Rehabilitation Project. In March 2009 the CDA board authorized HDR to proceed with the NYSEERDA funded design portion of the project (NYSEERDA grant of \$75,000) and in December 2009 the CDA board authorized HDR, Inc. to continue planning for the project with additional Town and CDA funds augmented with \$650,000 funding secured in October 2009 from New York State Empire State Development. In December 2009 the CDA board authorized the Calverton Rail Access Project to receive American Reinvestment and Recovery Act funding from the New York State Department of Transportation for the construction of the Calverton Rail Access Rehabilitation Project in an amount up to \$4.8 million. In April 2010 the project received a Gold GREENLites Transportation Sustainability Award from New York State Department of Transportation. The project broke ground in May 2010 and made significant progress toward completion by the time weather shut down construction in December 2010. Additionally, the CDA board authorized optimized reconstruction of the Rail Project by progressing a Change Order to the construction contract for optimized design and authorizing the CDA Chair to enter into amended professional services agreements with Dunn Engineering Associates, P.C. and/or directly with a rail design firm subject to review and approval by the Town Attorney. It is anticipated construction will be completed and the rail ready for operation by close of 2011.

In 2010 the CDA board held a public hearing and subsequently designated Altitude Express, d/b/a SkyDive Long Island, as a Qualified and Eligible Sponsor for the Extension of an existing runway use agreement.

AGREEMENTS ENTERED INTO BY THE CDA IN 2010

Agreements entered into by the CDA in 2010 include:

- 1) Acceptance of up to \$4,800,000 in New York State Department of Transportation American Reinvestment and Recovery Act grant funding that included authorizing the Chairman of the CDA/Supervisor of the Town of Riverhead to execute all necessary agreements and certifications on behalf of the CDA/municipality and appropriated capital funds to cover first instance and all non-eligible costs of participation in the reimbursement grant program;
- 2) Award of the Calverton Rail Access Rehabilitation Contract to Railroad Construction Co., Inc. in the amount of \$3,496,684 subject to the terms of a funding agreement with New York State Department of Transportation
- 3) Award of the Calverton Rail Access Rehabilitation Construction Administration Contract to Dunn Engineering Associates, P.C., in the amount of \$439,587 subject to New York State Department of Transportation approval;

- 4) Award of Change Order #1 to the Calverton Rail Access Rehabilitation Contract to Railroad Construction Co., Inc. in the amount of \$310,584.50 subject to approval by the New York State Department of Transportation;
- 5) Authorized Systra to Proceed with Professional Services for the rail planning consulting services not to exceed \$40,000 for reconstruction of the Calverton Rail Rehabilitation;
- 6) Authorized CDA Chair/Town Supervisor to sign a tri-party agreement with New York State Department of Transportation and Long Island Railroad (for direct reimbursement by NYSDOT to LIRR) for the installation of the switch to the Calverton Rail Access on LIRR Right of way to cover LIRR force account labor and other costs subject to review and approval by the Town Attorney;
- 7) Authorized Optimized Reconstruction of the Calverton Rail Access Rehabilitation Project by progressing a Change Order to the construction contract for optimized design and authorizing the CDA Chair to enter into amended professional services agreements with Dunn Engineering Associates, P.C. and/or directly with a rail design firm subject to review and approval by the Town Attorney;
- 8) Authorized the CDA Chair/Town Supervisor to execute and addendum to an existing runway use agreement with Altitude Express, d/b/a SkyDive Long Island, after public hearing and designation of same as a Qualified and Eligible Sponsor resulting in approximately \$32,192 in 2010 lease payments to CDA;
- 9) Authorized the CDA Chair to execute a Second Amendment to Agreement of Sale dated January 15, 2008 (extending the closing date to June 15, 2010) as amended by the First Amendment dated December 15, 2009 (extending the closing date to May 15, 2010) with Riverhead Resorts LLC;
- 10) Formally acknowledged the Termination of the Agreement of Sale with Riverhead Resorts LLC based upon the failure of Riverhead Resorts LLC to extend the Closing Date;
- 11) Amended CDA Resolutions #9, #17 and #27 of 2008 and Resolutions #13 and #19 of 2009 to provided that designation of Vintage Square Properties LLC as a Qualified and Eligible Sponsor to expire and be of no force and effect unless an Agreement of Sale consistent with CDA resolution #9 of 2008 if fully executed on or before December 15, 2010 subject to a new Qualified and Eligible Sponsor hearing if substantive changes made to the draft Agreement of Sale on file with the Town Clerk;
- 12) Authorized the CDA Chair/Town Supervisor to Execute a Sixth Amendment to the Agreement of Sale with REPCAL, LLC, extending the Outside Condition Satisfaction Date for a three month period through October 31, 2010 in exchange for a payment of \$125,000 to be credited to REPCAL, LLC, at

closing or in the event that closing does not occur for any reason other than Seller's willful default, to remain the property of the CDA;

- 13) Authorized the CDA Chair/Town Supervisor to sign and submit subdivision applications to the New York State Department of Environmental Conservation and the Suffolk County Department of Health Services with respect to the Calverton Enterprise Park;
- 14) Authorized the CDA Chair/Town Supervisor to Execute a License Agreement and amendment with Laufer Wind Group to enter and use a portion of the Calverton Enterprise Park to test wireless detection system components for a fee of \$2,000 for the first month and \$1,000 per month thereafter until the agreement is terminated;
- 15) Ratified the Execution of an Agreement with the Isotope Films, LLC and Gotham Arts, Inc. for use of the runway for one day film production of a short film entitled, "Love, Lots of It" for the sum of \$400;
- 16) Expressed Support for the Establishment of a YMCA at EPCAL on Property Adjoining the Town's Park at Calverton Enterprise Park;

DESCRIPTION OF MATERIAL PENDING LITIGATION

The Town of Riverhead Community Development is not a defendant in any pending lawsuits and as such, there is no pending litigation known which will have a material adverse effect on the financial condition of the Town.

GRANT FUNDING

CDA Parks Projects. The CDA applied for and received notification of a \$100,000 grant from the New York State Office of Parks, Recreation and Historic Preservation in 2006 for funding under the Recreational Trails Program towards the development of an 8.9 mile multisport athletic trail. No funds were expended in 2009 and no funds were received for reimbursement by year-end although The project was bid, awarded and substantially constructed in 2010 a significant amount of the grant funds were received for reimbursement by year-end 2010. The project augments a town park project initiated by the CDA in 2001 involving \$600,000 in grant funds from the New York State Office of Parks Recreation and Historic Preservation for public recreational improvements. Phase I was designed and engineered in 2006 and under construction in 2007/8. The majority of funds were expended in 2007 and a majority of the grant funds were received for reimbursement by year-end 2008. Close out and final audit of the Phase I grant funds are anticipated to be completed in 2011.

Calverton Rail Access Rehabilitation Project. The CDA applied for and received notification of a \$75,000 grant from the New York State Energy Research and Development Authority (NYSERDA) in 2008 for funding under the Sustainable Transportation Systems Program towards design and logistics associated with rehabilitation of 2.65 miles of an existing rail spur that links Long Island Rail Road mile post 69.1 to the Calverton Enterprise Park. The infrastructure project is expected to remove vehicles from the roads, mitigate traffic congestion and allow area businesses to compete more effectively through reduced shipping costs and lower the prices of goods. In 2009, the CDA accepted the grant award from NYSERDA and entered into a professional services agreement with HDR, Inc. to proceed with design of the Calverton Rail Access Rehabilitation Project funded by NYSERDA. In December 2009 the CDA board authorized HDR, Inc. to continue planning for the project with additional Town and CDA funds augmented with \$650,000 funding secured in October 2009 from New York State Empire State Development. In 2010 the CDA board authorized the Calverton Rail Access Project to receive American Reinvestment and Recovery Act funding from the New York State Department of Transportation for the construction of the Calverton Rail Access Rehabilitation Project in an amount up to \$4.8 million. In April 2010 the project received a Gold GREENLites Sustainability Award from New York State Department of Transportation. The project broke ground in May 2010 and made significant progress toward completion by the time weather shut down construction in December 2010. It is anticipated construction will be completed and the rail ready for operation by close of 2011.