

CDA ANNUAL REPORT for FY 2014

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 2014:

Sean Walter, John Dunleavy, James Wooten, George Gabrielsen and Jodi Giglio. In addition, the 2014 CDA was served by: Executive Director Chris Kempner; Chief Finance Officer/Contracting Officer for personal property, Bill Rothaar; and Contracting Officer for real property Robert Kozakiewicz. 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, were ratified by CDA Resolution #2, adopted January 7, 2014.

BACKGROUND

The Town of Riverhead is a rural municipality with a population of approximately 34,000, located on the east end of Long Island in Suffolk County. Riverhead is within a commutable distance of all of Suffolk and Nassau Counties. The total Town budget for FY 2014 was just under \$47,000,000.00. 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.

Urban Renewal Areas. The CDA has designated several Urban Renewal Areas for the purpose of encouraging neighborhood revitalization and economic development. *The designated Urban Renewal Areas include: 1) Calverton Enterprise Park (EPCAL), 2) Millbrook Gables residential community, 3) East Main Street Downtown Business District and 4) 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 Long Island (formerly Atlantis) Aquarium and Exhibition Center and three new mixed use housing/retail developments on Peconic Avenue, one that incorporated 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. In 2014, significant progress was made on the redevelopment of a formerly vacant Woolworth department store that now houses 19 workforce housing units and 24,000 square feet of commercial on the first floor.

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);
- Renovation of blighted and vacant areas, buildings and infrastructure;
- 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 2014.

DOWNTOWN ACTIVITY IN 2014

The Community Development Agency actively pursues grant funding to incentivize private developments in Downtown Riverhead. In the past 4 years the CDA through the Town has

secured several million dollars in funding towards private and public projects. A partnership with NYS DHCR Main Street program provides up to 75% towards façade and interior renovations for businesses in the Business Improvement District (BID) area. Downtown Riverhead has an active BID Association that provides extensive programming to attract visitors <http://riverheadbid.com/>. Additionally the Downtown area has a shared municipal parking district to provide parking, an historic district triggering historic rehabilitation tax credits¹, and an urban renewal area triggering New Market Tax Credit availability for projects over \$5 million. Extensive information regarding the downtown infrastructure and special districts is available online in the East Main Street Urban Renewal Area Plan and accompanying GEIS located at <http://www.townofriverheadny.gov/pView.aspx?id=35106&catid=118>. The CDA continued to advance the goals of the East Main Street Urban Renewal Plan (<http://riverhead.municipalcms.com/docview.aspx?docid=27952>), final Generic Environmental Impact Statement (located at <http://riverhead.municipalcms.com/docview.aspx?docid=27953>), and Findings Statement for the GEIS (located at <http://riverhead.municipalcms.com/docview.aspx?docid=27954>) issued and adopted in October 2008.

In 2014, the CDA and the Town of Riverhead Community Development Department assisted several significant downtown revitalization projects including:

- Woolworth Revitalization, LLC, (130 East Main Street), a multimillion dollar mixed use residential redevelopment of 36,000 square feet of formerly vacant and blighted space supported in part with \$75,000 in NYS DHCR Main Street funds and a \$250,000 infrastructure development subsidy approved by the Suffolk County Legislature, funded through the county's affordable housing opportunities. The 19 second floor apartments, being built in 15,000 square feet on the second floor, will meet the county's affordable housing requirements for tenant income and rent subsidies. The units will be marketed by the L.I. Housing Partnership, which will screen and qualify tenants for the site. The project received a special permit after a Town Board public hearings to allow a new gym use as part of the redevelopment.
- Sale of the formerly town owned/vacant historic “Second Street Firehouse” to a private developer for use as a County Agri-tourism center (NYS Empire State Development awarded a \$500,000 grant towards the capital improvements and a \$200,000 “I LOVE NY” marketing grant towards promotion of the facility.
- Opening of the Riverhead Winter Farmer’s market in a formerly vacant storefront on Main Street.
- Opening of Joe’s Garage Restaurant.

¹ In March 2012, a section of downtown Riverhead was approved for New York State’s Register of Historic Places. The same area was approved for inclusion on the National Register of Historic Places on August on Aug. 14, 2012, opening the door for huge tax benefits for those looking to renovate and improve old buildings. The boundaries of the district run along Main Street, from Griffing Avenue in the west to Maple Avenue in the east, and include parts of Peconic, Roanoke, East and Maple avenues in between. Currently, the Town of Riverhead has submitted an application to expand the Downtown Riverhead Historic District using funds from the NYS DOS BOA grant.

- NYS Department of State Brownfield Opportunity Grant (\$567,000 total with \$467,000 contract currently awarded to Nelson, Pope, Voorhis, LLC) for revitalization plan for NYS Route 25/Peconic River corridor from Tanger Outlets to Riverhead Town Hall;
- 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 NYS DOT design for \$1.2 million rehabilitation of the Main Street sidewalks from Ostrander to Tanger Outlet Mall;
- 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;
- 2014 businesses opened:
 - Woolworth Revitalization (128 E. Main Street – Maximus Fitness Gym, Goldbergs Bagels);
 - 30 West Main – commercial office in formerly vacant building;
 - Riverhead Indoor Farmers Market
 - Joe’s Garage Restaurant and Grill
- Approximately 770 municipally owned parking spaces walkable to downtown;
- Coordination Taste North Fork with East End Tourism Alliance.

CALVERTON ENTERPRISE PARK (EPCAL) ACTIVITY IN 2013

EPCAL. New York State (NYS) has identified EPCAL, the largest commercial industrial subdivision in the northeast, as a uniquely important development priority by adopting Special Act S3643A/A4678A for organized and expeditious redevelopment of this urban renewal area. EPCAL provides a shovel ready site with 90 day permit approval pursuant to special NYS legislation that incentivizes private investment into an Urban Renewal Area by streamlining the approval process and in turn, lowering the cost of doing business. Given the large size of undeveloped acreage and the existing infrastructure, the EPCAL site is well suited to attract “game changer” industries for an enhanced development rather than just a conventional industrial park.

The current goal for redevelopment of EPCAL at the federal, state, county and local level is to create higher paying manufacturing and construction industries jobs. EPCAL provides proximity to a highly skilled and technically trained workforce, educational and training system, and supply chain partners. Long Island has played a prominent role in engineering, aerospace, energy and other scientific research. Brookhaven Department of Energy research is located 10 miles from the EPCAL site <http://www.bnl.gov>. Stony Brook University operates the Calverton Business Incubator on 50 acres of the EPCAL site along NYS Route 25. <http://www.stonybrook.edu/calverton/>

The Reuse & Revitalization of EPCAL is one of the largest economic development projects in the Northeast. The goals and objectives of the EPCAL Reuse & Revitalization Plan are consistent with the local and regional goals and promise to promote and encourage uses that promote environmental quality and reduce reliance on imported fuels, i.e. solar; high-tech energy and/or green technology businesses; compliment and support the local agricultural economy, i.e.

food processing; food distribution; appropriate industrial and commercial development to accommodate regional growth influences; use of the rail spur to support investment and development and reduce and/or mitigate traffic; and strengthen relations and coordinate with Stony Brook University (SBU), which operates the Calverton Business Incubator on 50 acres of the EPCAL site along NYS Route 25, and the Brookhaven National Laboratory for creation of and promotion of the site i.e., high-tech business/research park.

EPCAL History. The Enterprise Park at Calverton (EPCAL) located in the Town of Riverhead is a planned redevelopment of a 2,900-acre property formerly owned by the federal government and leased to the Grumman Corporation for final assembly and flight-testing of military aircraft. In 1996, defense downsizing resulted in closure of the Grumman facility and the U.S. Government transferred the site to the Town of Riverhead Community Development Agency (CDA) in September 1998 for economic development with the goals to: 1) attract private investment; 2) increase the tax base; 3) maximize job creation; and 4) enhance the regional quality of life. A 1998 comprehensive reuse planning study of the EPCAL site identified a mix of industrial and regional recreational uses as the best means to achieve these goals.

The Town of Riverhead sold the industrial core at EPCAL in 2001 to M-GBC, LLC, which subdivided the parcel into approximately 40 lots and sold to industrial users – with many interested in additional expansion at EPCAL. Approximately 36 businesses with 600 employees exist in the industrial core.

EPCAL Subdivision Progression. In 2011, the CDA executed an agreement with VHB Engineering, Surveying and Landscape Architecture, P.C. (VHB) to update the Comprehensive Reuse Plan for the 2,900 acre Calverton site formerly known as the Naval Weapons Industrial Reserve Plant at Calverton including but not limited to development of a revised land use plan and associated zoning, updated market assessment, preparation of subdivision plan, and assistance in the administration of the SEQRA process.

In 2013, the CDA adopted a development plan for EPCAL including proposed subdivision map, full environmental assessment form, draft scope of issues for the anticipated supplemental generic environmental impact statement, as well as authorized commencement and preparation of the supplemental generic impact statement for purposes of study of potential environmental impacts. The CDA accepted and adopted findings and recommendations of a market study prepared by RKG Associates and authorize VHB to proceed with environmental review of Development Plan “A” and alternate development plan as presented on December 8, 2011. The RKG market study and absorption analysis for EPCAL to support the VHB plan projections indicate total non-residential square footage build out at EPCAL to be approximately 2 million square feet on 150 acres by 2025 based on a rate of absorption of 132,000 square feet on ten acres per year.

By Town of Riverhead CDA Resolution #10 dated June 18, 2013, the Town of Riverhead Board, upon completion of coordinated review pursuant to 6 NYCRR Sect. 617.6 declared itself Lead Agency; classified the proposed action as a Type I action pursuant to 6 NYCRR Sect. 617.4;

adopted a Positive Declaration requiring a Draft Supplemental Generic Environmental Impact Statement be prepared and conducted a formal public scoping.

By Town of Riverhead CDA Resolution #14 dated October 1, 2013, the Town of Riverhead Board, upon review of all comments made at the public scoping hearing adopted a Final Scope for the Draft Supplemental Generic Environmental Impact Statement (“DSGEIS”) supporting the subdivision available for public review online and in hard copy at the Office of the Town Clerk.

Town of Riverhead CDA Resolution #11 dated August 7, 2014, authorized acceptance, filing and publishing notice of completion of the Draft Supplemental Generic Environmental Impact Statement (“DSGEIS”) for a comprehensive development plan for EPCAL (EPCAL Reuse & Revitalization Plan), Amendment to the Town of Riverhead Comprehensive Master Plan, Amendment to the Zoning Code and Map, and Subdivision of the EPCAL property. Town of Riverhead CDA Resolution #12 authorized the publish and post of notice of the Public Hearing on the DSGEIS; Amendments to the Town of Riverhead Comprehensive Master Plan, Zoning Code and Map; and the Subdivision that was held September 3, 2014. Town of Riverhead CDA Resolution #13 dated August 7, 2014, authorized submission of the EPCAL Reuse & Revitalization Plan (an updated and amended Urban Renewal Plan for the redevelopment of a portion of property identified and designated as an Urban Renewal Area under the Original Urban Renewal Plan “Calverton Enterprise Park Urban Renewal Plan”) to the Riverhead Planning Board and CDA Resolution #16 dated August 19, 2014 authorized the Supervisor to execute the application for the Subdivision and referred the application for the Subdivision to the Planning Board for the Town of Riverhead. Town of Riverhead CDA Resolution #14 dated August 7, 2014, authorized the publish and post of notice of the Public Hearing on the EPCAL Reuse & Revitalization Plan that was held September 3, 2014.

These documents including proposed revised land use plan and updated market assessment are available at <http://www.townofriverheadny.gov/pview.aspx?id=32339>.

In 2014, the CDA Board advanced efforts to locate an Energy Park at EPCAL. The CDA board authorized a Request for Proposals for the lease or sale of property at EPCAL for the purpose of construction, operation, and maintenance of New Generation, Energy Storage and Demand Response Resources more fully described in LIPA’s 2013 GS & DR RFP via CDA Resolution #3 adopted January 7, 2014.

The Calverton Rail Spur continues to operate freight rail access to the industrial park. 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., 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 \$75,000 NYSERDA grant funded design portion of the project and in December 2009, the CDA board authorized HDR, Inc. to continue planning for the project with \$650,000 New York State Empire State Development grant funding secured in October 2009. 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. Construction was completed and the rail ready for operation by close of 2012.

RAILROAD AVENUE CORRIDOR ACTIVITY IN 2014

On behalf of New York State Courts, Suffolk County is charged with providing adequate facilities for court functions in Suffolk County. Suffolk County over a 15 year period has renovated and expanded existing buildings located adjacent to the Railroad Avenue Corridor to introduce 8 new courtrooms for a total of 18 courtrooms and larger jury space. In late 2013 Suffolk County completed construction on 5 additional vacated courtrooms thus bringing the facility to full occupancy. This expansion has generated significant activity in the Railroad Avenue Corridor and the Town anticipates renewed interest in private investment for redevelopment of the area.

ADDITIONAL CDA ACTIVITIES

The CDA submitted funding applications to the New York State Long Island Economic Development Regional Council to fund enhanced sewer infrastructure to support expansion of the subdivision at Calverton Enterprise Park and was awarded a grant of \$1.34 million towards the \$6.5 million upgrade from secondary to tertiary treatment that will also relocate the outflow pipe from McKay Lake, that is hydrologically connected to the Peconic Estuary to north of the groundwater divide. Senator LaValle successfully included a \$5 million dollar grant towards the upgrade in the 2014 NYS budget. Also in 2014, the NYS DEC awarded a \$476,000 towards the upgrade through the Water Quality Improvement Program. Suffolk County awarded \$125,000 under the 1/4% Clean Water grant program in 2015.

The Main Street grant awarded in 2012 by NYS DHCR to support commercial and residential development in the East Main Street Urban Renewal Area continues to move forward with renovation of 15 buildings. The Town maintained a contract with Nelson Pope Voorhis awarded in 2012 through NYS DOS BOA grant to redevelop the Main Street corridor from the back entrance of Tanger Outlets through Hubbard Avenue in Downtown Riverhead that includes the East Main Street Urban Renewal Area. Under the contract the existing Historic District will be expanded.

AGREEMENTS ENTERED INTO BY THE CDA IN 2014

Agreements entered into by the CDA in 2014 include:

- 1) Retainer Agreement with Harris Beach, PLLC for services related to secure a short term loan collateralized and/or secured by property owned by the CDA and services related to lease, sale, increment financing necessary for implementation of a finance plan (loan) to assist the Town in addressing projected budget shortfalls, and negotiations with Designated Developers/Investors in reference to redevelopment at EPCAL;
- 2) Option Agreement with Insurance Auto Auctions for use of a portion of the 7,000 foot runway and associated taxiways (2012 fees - \$437,000; 2013 fees- \$1,384,000; 2014 fees - \$25,000. Total fees- \$1,846,000);
- 3) License Agreement with Long Island Aero Modelers Association (LIAMA) to conduct the event "Model Aviation Day" on August 15, 2014 through August 17, 2014;

- 4) License Agreement with Riverhead Adventures, LLC for two one week terms to conduct two (2) separate 5K recreational runs on May 26, 2014 and September 8, 2014;
- 5) Board authorization to transfer of all title, interest and possession to the building known as the “Henry Pfeifer Community Center” and the existing improvements adjacent to and related to use of the building to the Town of Riverhead for consideration of one dollar for future development as the Town animal shelter;
- 6) License Agreements with Mad Scary Films and Del Valle Productions, Inc. for use of portions of Calverton Enterprise Park at Calverton Western Runway/Taxiway, and the Henry Pfeifer Community Center for filming on June 17, 2014, and September 22/23, 2014, for a total of \$700;
- 7) License Agreement with The Federal Bureau of Investigation at the request of Suffolk County Police Department for use of portions of Calverton Enterprise Park at Calverton Western Runway/Taxiway to conduct bomb technician training;
- 8) Retained the law firm Smith, Finkelstein, Lundberg, Isler and Yakaboski as Special Counsel in Connection with the Redevelopment of EPCAL.

Existing agreements the CDA continued during 2014 entered into in previous years:

- 9) Agreement with New York & Atlantic Railway Company to use railroad track and rail infrastructure at EPCAL to conduct freight rail operations;
- 10) Authorized Right of Entry on CDA premises and use of credits for freight rail track to CAPS Realty Holdings LLC and Eastern Wholesale Fence;
- 11) Agreement with VHB Engineering, Surveying and Landscape Architecture, P.C. (VHB) to update the Comprehensive Reuse Plan for the 2,900 acre Calverton site formerly known as the Naval Weapons Industrial Reserve Plant at Calverton, including but not limited to development of a revised land use plan and associated zoning, updated market assessment, preparation of subdivision plan, and assistance in the administration of the SEQRA process

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 that will have a material adverse effect on the financial condition of the Town.

GRANT FUNDING

Enhancement of EPCAL Sewer Infrastructure. The CDA submitted application and was awarded a grant from the New York State Long Island Economic Development Regional Council to fund enhanced sewer infrastructure to support expansion of the subdivision at Calverton Enterprise Park and was awarded a grant of \$1.34 million towards the \$6.5 million upgrade from secondary to tertiary treatment that will also relocate the outflow pipe from McKay Lake, that is hydrologically connected to the Peconic Estuary to north of the groundwater divide.

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. The project was bid, awarded and substantially constructed in 2010 and 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 were completed in 2011. Additional work on Phase II of the ballfield development continued in 2011 with entrance improvements to the ballfields and was completed in 2014.

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. Construction restarted in 2011 and was completed in 2013 with the rail ready for operation.