# Empire State Development

# New York City – The Breakthrough Initiative Program Guidelines

## State of New York

Governor Kathy Hochul

## Empire State Development

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# I. Overview

As part of the 2025 Regional Economic Development Council ("REDC") Initiative's ACHIEVE competition, the New York City Regional Economic Development Council ("NYCREDC") submitted a proposal entitled "The Breakthrough Initiative: Removing Barriers to Jobs and Affordable Housing Development" ("The Breakthrough Initiative Proposal" or the "Proposal"). The Proposal, which was awarded $50 million in ACHIEVE funding on December 23, 2025, aims to establish a new model for development that co-locates homes and workplaces, unlocking the potential for more housing and more jobs throughout the five boroughs. It builds on citywide efforts like City of Yes for Economic Opportunity and Housing Opportunity, the 2025 Industrial Plan, the 2025 City Charter amendments, and neighborhood rezonings that advance the State's and City's goals for economic opportunity and housing affordability.

The Proposal recommended funding for 8 mixed-use projects that co-locate job opportunities with affordable housing. These "Anchor Projects" will drive growth in strategically vital sectors such as advanced manufacturing, green energy, and maritime logistics, as well as the locally rooted industries of fashion, furniture, food production, and other artisan or high-value goods.

The Anchor Projects will be executed through partnerships between affordable housing developers, local businesses, and nonprofit operators, emphasizing the collaborative efforts needed to deliver mixed-use models of job and housing creation. Each Anchor Project will dedicate at least 5,000 square feet to job-supporting activities, including:

- Industrial or commercial space for small businesses, offered at below-market rents.
- Business incubation or technical assistance programs with shared work areas or meeting rooms.
- Workforce development programs focused on industrial or emerging sectors.

This guidance governs the launching of The Breakthrough Initiative Program (the "Program") and how the eight mixed-use projects identified by the Breakthrough Initiative Proposal can apply for the available funding.

To support the initiative's success and sustainability, a portion of the Program funding will be used to establish a citywide "Network Convener" – a partnership between the Industrial Technology Assistance Corporation (ITAC) and the New York City Employment and Training Coalition (NYCETC). The Network Convener will play a central role in engaging communities, developers, workforce development providers, industrial and commercial space operators, business organizations, and employers to collaboratively plan and develop innovative mixed-use models that co-locate housing

and job-generating spaces in former industrial areas. Serving as the main point of contact, the Network Convener will: curate and share best practices; connect stakeholders with tailored mixed-use projects by hosting regular meetings to foster knowledge exchange; showcase successful developments; and promote cross-sector collaboration citywide. By coordinating these stakeholders, the Network Convener will help guarantee that job-supporting spaces are not only constructed, but actively occupied by businesses and organizations offering quality employment aligned with community needs.

## II. Eligible Applicants

Eligibility is **strictly limited** to project sponsors/projects already identified in The Breakthrough Initiative Proposal. Eligible applicants include but are not limited to for-profit businesses, not-for-profit corporations[1], private and not-for-profit developers, local development corporations, public benefit corporations (including industrial development agencies), economic development organizations, incubators, and municipalities.

ESD requires that the applicant shall contribute a minimum of ten percent (10%) of the total project cost in the form of equity contributed after the Applicant's acceptance of ESD's incentive proposal. Equity is defined as cash injected into the project by the Applicant or by investors or equity generated through low income housing tax credits and should be auditable through the Applicant's financial statements or accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project or grants from a government source.

The applicant must either have ownership and/or control of the project site or provide written consent from the ownership entity.

Applicants must complete and submit a Consolidated Funding Application for review by ESD and the NYCREDC, if necessary. All applicants are strongly encouraged to reach out to ESD's New York City Regional Office (see contact information below) prior to submitting an application.

Projects that are not identified in the Breakthrough Initiative Proposal are not eligible to apply for this Program. ESD is committed to supporting the goals of the Proposal more broadly, however, and funding may be available for other projects that are aligned with

[1] If awarded funding, prior to ESD Directors' approval and execution of a contract with ESD, a not-for- profit corporation must be registered and up-to-date with filings with the New York State Office of the Attorney General's Charities Bureau and the New York State Office of the State Comptroller's VendRep System and must be prequalified in the New York Statewide Financial System (SFS).

the goals of the Proposal through programs included in the REDC initiative. Interested applicants are encouraged to reach out to the NYC Regional Office at nys-nyc@esd.ny.gov to discuss their project and potential program opportunities.

## III. Eligible Projects and Uses of Funds

Program funding must be used for the industrial or commercial portion of the project that is part of a mixed-use residential development or working capital for the Network Convener.

Eligible uses include:

- Acquisition of land, buildings, machinery and/or equipment;
- New construction, renovation or leasehold improvements;
- Acquisition of furniture and fixtures
- Working capital for non-profit workforce development providers that provide training in the following sectors:.
    - advanced manufacturing
    - green energy
    - maritime logistic
    - fashion
    - furniture
    - food product
    - other artisan or high-value goods
- Training program expenses, which include, but are not limited to:
    - Curricula development;
    - Instruction and instructional materials; and
    - Technology specifically required for training.
- Working capital for the Network Convener, including
    - Staff salaries
    - Fringe benefits
    - Tech and data systems
    - Training and professional development
    - Technical Assistance Consultants
    - General administration and office space
- Soft costs of up to twenty-five percent (25%) of total eligible project costs; and
- Other costs / expenditures deemed eligible by ESD.

## IV. Ineligible Projects and/or Costs

The following types of expenses are not eligible for reimbursement by grant funds and should not be included in the project budget:

- Developer fees;
- Residential development only projects;
- Medical / hospital development projects;
- Retail development projects;
- Home based service provider projects;
- In-kind costs;
- Marketing or advertising media costs;
- Costs associated with completing an application;
- Costs incurred prior to the submission and award of a grant, actual or anticipated; and
- Other costs / expenditures deemed ineligible by ESD.

## V. Project Selection Criteria

Projects will be evaluated based on the following criteria:

- Amount of leveraged funding;
- Demonstrated local government and/or community support;
- The residential mixed-use developments have either already secured major regulatory approvals or are on track to have done so by end of 2026.
- The projects can feasibly break ground within 3 years of the project award and be operational within 5 years of project award.
- The project must include at least 5,000 square feet to support job-supporting activities, including: Industrial or commercial space for small businesses, offered at below-market rents. Business incubation or technical assistance programs with shared work areas or meeting rooms. Workforce development programs focused on industrial or emerging sectors.
- The residential component of the mixed-use developments must have clear financing plans, drawing on typical sources of finance for affordable, supportive, and/or mixed-income housing.
- The residential component must include affordable and/or mixed-income housing, either within the same building as the project, or as part of the same development site (in, for example, a campus-scale development)

- The programmatic components, including business incubation, technical assistance programs and workforce development programs, must have clear staffing, operations and funding plans.
- All projects must commence within 36 months of the award, and priority will be given to projects ready to commence within 12 months of the award;
- Project alignment with the regional goals as outlined in the NYCREDC's strategic plans and The Breakthrough Initiative Proposal;
- Project alignment with the New York State Smart Growth Program Principles;
- Each project must support the creation of at least 100 affordable housing units, with priority given to projects demonstrating the greatest impact to the area and those that create 150 or more affordable housing units; and
- The degree to which the project supports the creation of new housing in areas with a demonstrated workforce and/or affordable housing need. Where applicable, applicants should provide evidence of how the proposed project will support new housing to address job growth projections or workforce shortages that impact business expansion or attraction efforts.

## VI. Grant Amounts

The amount of a capital grant award from ESD is based on several factors including, but not limited to:

- The number of affordable and/or supportive housing units that will be created within an associated mixed-use development or neighborhood;
- The cost of the project relative to the total cost of the associated mixed-use development or neighborhood where the affordable and/or supportive housing will be developed.

For-profit applicants are eligible for up to 40% of the eligible total project cost. Not-for-profit applicants are eligible for up to 60% of the eligible total project cost. Municipal projects are eligible for up to 80% of the eligible total project costs. While residential costs are not eligible for funding, ESD may consider the overall mixed-use residential development project and economic development impacts in determining the grant amount.

Applicants should apply for the necessary amount of funding needed to incentivize the project to occur and request the amount of funding needed to complete their project versus the maximum amount the project may be eligible for. The minimum award made

to projects will be no less than $100,000. The likelihood of receiving an award improves as the percentage of ESD assistance is reduced and private investment or other sources are better leveraged. A strong emphasis will be placed on project readiness along with the applicant having the capacity to complete the project if awarded. Exceptions to funding limits may be considered at the sole discretion of ESD based on project merits that demonstrate extraordinary regional or statewide impact.

## VII. Documentation Requirements

All applications must be complete, true, and accurate. Incomplete applications will not be considered. However, ESD, at its sole discretion, reserves the right to accept amendments and additions to applications.
At a minimum, the following documents must be included with the application:

- Project proposal;
- Project budget and description of all associated funding sources including the commitment status of each source (eg. anticipated, secured);
- Supporting documents to verify committed funding sources;
- Letter of matching fund commitments(s);
- Letter of intent from the developer of the residential mixed-use development; and
- Financial statements of the applicant's operations from the most recent three years.

## VIII. Scoring of Project Review / Evaluation / Funds Disbursement

ESD will review all eligible applications and will provide any award notifications. Project expenses that are incurred prior to the date of an ESD award will not be eligible for reimbursement and could result in the project being deemed ineligible.

Pursuant to New York State Executive Law Articles 15-A and Article 3 of New York State Veterans' Services Law, ESD recognizes its obligation under the law to promote opportunities for maximum feasible participation of certified minority and women-owned business enterprises (MWBEs) and service-disabled veteran-owned businesses (SDVOBs) in the performance of ESD projects. The Recipient shall be required to use Good Faith Efforts (pursuant to 5 NYCRR §142.8 and 9 NYCRR § 252.2(m) to achieve MWBE and SDVOB Participation. In addition, ESD's MWBE and SDVOB Participation/Equal Employment Opportunity Policy will apply to this program. Specific goals related to the total value of ESD's funding will be established on a grant-by grant basis.

ESD has an agency-wide goal of 30% for MWBE participation, 15% for New York State-certified Minority-owned Business Enterprise ("MBE") participation and 15% for New York State-certified Women-owned Business Enterprise ("WBE") participation (based on the current availability of MBEs and WBEs). ESD has an agency-wide goal of 6% for SDVOB participation, based on the current availability of qualified SDVOBs.

An ESD award notification will outline the terms and conditions of the award and will include MWBE and SDVOB participation goals. The Office of Contractor and Supplier Diversity ("OCSD") will monitor MWBE and SDVOB utilization in connection with this project.

Following ESD board approval, the applicant will receive a Grant Disbursement Agreement outlining disbursement conditions.

## IX. Award Criteria Details

- If the implementation of a project fails to proceed as planned, and there is, in the exclusive judgment of ESD, doubt as to its viability, ESD reserves the right to cancel its funding commitment to such project. ESD reserves the right to require any additional information and/or documentation ESD deems necessary and terminates the project at any point if the applicant fails to provide such documentation in a timely manner.
- Expenses incurred prior to the award and announcement of a CFA grant are not eligible, and as such cannot be included in CFA project budgets.
- The essential terms for the assistance are included in the incentive proposal. Although funding is offered prior to project commencement as an inducement to undertake the project, funds are disbursed in arrears, as reimbursement for eligible project expenditures. No financial payment of the grant will be made upfront. The grantee should be prepared to subsidize the project for up to 12 months during the process for requesting and receiving payments.
- In accordance with State law, after approval by the ESD Directors, a public hearing will be required if the project involves the acquisition, construction, reconstruction, rehabilitation, alteration, or improvement of any property. ESD will schedule a public hearing in accordance with the New York State Urban Development Corporation Act ("UDC Act") and will take such further action as may be required by the UDC Act and other applicable law and regulations. The ESD Directors must reconsider the matter if any negative testimony is received at the public hearing. (Generally, this hearing occurs the month after the

Directors' initial approval). Approval by the Public Authorities Control Board ("PACB"), New York State Comptroller ("OSC") and the New York State Attorney General ("AG") may then be required. Following approval by the ESD Directors and PACB, OSC and AG approval, if required, the documents for processing the grant award will be prepared by ESD.

- All required public approvals must be in place prior to the start of construction and approval by the ESD Directors, including but not limited to completion of environmental review in accordance with the New York State Environmental Quality Review Act (SEQR) and consultation with the New York State Office of Parks, Recreation and Historic Preservation's State Historic Preservation Office (SHPO) in accordance with Section 14.09 of the New York State Historic Preservation Act, if applicable. Physical work on an ESD-funded project may not start prior to the completion of any necessary environmental review and SHPO consultation.
- The State Smart Growth Public Infrastructure Policy Act of 2010 requires that public infrastructure projects approved, undertaken, supported or financed by a State Infrastructure Agency, which includes ESD, to the extent practicable, are consistent with relevant Smart Growth Criteria specified in the law. Projects that involve ESD approval of funding for public infrastructure (e.g., publicly-supported roads, bridges, streetscapes, other transportation systems, drinking water, sewers, drainage systems, and utilities) will require the completion of a Smart Growth Impact Statement prior to approval of funding.
- All awards will be made on a reimbursement basis, so the grantee must complete at least a portion of their project and provide sufficient documentation prior to receiving any funding.
- A $250 Application Fee, payable when an award is documented in an incentive proposal, and a one percent (1%) non-reimbursable commitment fee based on the grant amount awarded, will be assessed to all awardees. In addition, the awardee will reimburse ESD for any direct expenses incurred in connection with their project, including costs related to holding a public hearing.
- Grant funds originally awarded to projects that have since been cancelled or terminated will be repurposed for economic development projects by ESD at its sole discretion.
- Applicants will be required to fill out a qualified investments table and should accurately input machinery and equipment costs that will be purchased outside of New York State versus machinery and equipment costs that will be purchased within New York State, as projects making purchases of machinery and

equipment within New York State will be looked upon more favorably. If awarded, applicants will be required to show proof that these purchases were made from companies within New York State. Failure to meet this requirement will subject a funding recipient to potential recapture of assistance or adjustment of an award.

- Grant funds may be subject to pro rata recapture if property is sold within 5 years of disbursement of funds.
- For projects with job creation and/or retention, job numbers will be verified using the employer's NY45 and NY-45 ATT and/or payroll reports prior to disbursement of funds and annually thereafter through the required reporting period. Grant funds will be subject to recapture for failure to achieve or maintain these employment commitments.

Contact Information: For more information, please contact ESD New York City Regional Office at:

nys-nyc@esd.ny.gov
(212) 803-3130
(212) 519-0231