

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Application of Rochester Gas and Electric Corporation
for a Certificate of Environmental Compatibility and
Public Need for the Construction of the “Rochester Area
Reliability Project,” Approximately 23.6 Miles of
115 Kilovolt Transmission Lines and 1.9 Miles of
345 Kilovolt Line in the City of Rochester and the
Towns of Chili, Gates and Henrietta in Monroe County.

Case No. 11-T-0534

Administrative Law Judge:
Hon. Eleanor Stein

Prepared Rebuttal Testimony of:

Fred J. Rainaldi
Member and Chief Executive Officer
Rainaldi Companies
205 St. Paul Street
Suite 200
Rochester, New York 14604

Submitted on behalf of 4545 East River Road, LLC

/s/ Alan J. Knauf, Esq.
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STATE OF NEW YORK)
COUNTY OF MONROE) s.s.:

1 FRED J. RAINALDI, being duly sworn, deposes and states as follows:

2 Q: Please state your name, employer, position, and business address.

3 A: My name is Fred J. Rainaldi. I am the Chief Executive Officer of Rainaldi Brothers, Inc.,
4 Graceland Enterprises, Inc., Whitney Baird Associates, LLC, Riverwood Tech Campus,
5 LLC and related entities (together the “Rainaldi Companies”). The Rainaldi Companies
6 are Rochester, New York-based real estate development companies with principal offices
7 located at 205 St. Paul Boulevard, Suite 200, Rochester, New York 14604.

8 Q: What is the purpose of your testimony?

9 A: To describe the current status and development plans for the parcels of land located at
10 4545 East River Road in the Town of Henrietta, County of Monroe, State of New York,
11 more specifically identified as Tax Parcel Nos. 173.03-2-1.12 and 174.03-2-1.11 (the
12 “Property”), and the impact on the Property and redevelopment plans if either Alternative
13 9 or Alternative 20 is selected as the location for Substation 255 as part of the Rochester
14 Area Reliability Project (“RARP”).

15 **Education and Real Estate Development Experience**

16 Q: Please summarize your educational background and general work history.

17 A: I am a real estate developer, and have a background in real estate development and
18 management.

19 Q: Please describe some of the development projects that the Rainaldi Companies have
20 undertaken.

21 A: The projects we take on at the Rainaldi Companies are successful because we focus on
22 integrating the character of historic and/or architecturally significant buildings and

1 surrounding areas into modern uses. Rainaldi Companies redeveloped the World War II
2 era, formerly vacant Culver Road Armory, located in the heart of Rochester, into a
3 100,000-square foot office and retail complex. The first phase of this \$15 million project
4 began in 2009 and was completed in 2012. Phase I of the project integrated the historic
5 Armory Building with contemporary architectural finishes to provide premium space to
6 three professional office tenants, including engineering and legal services providers, the
7 unique TRATA restaurant, three retail tenants, and art exhibition space. *See* Culver Road
8 Armory |145, <http://culverroadarmory.com/>. Phase II of the Culver Armory
9 development, which is nearing completion, will fully redevelop this 12+/- acre site by
10 converting another original building on the property into 42,000 square feet of additional
11 office and retail space, and construct a five-story, ten unit residential complex. This
12 second building is currently home of the retailer, Fleet Feet, as well as Consilium1, a
13 technical services and consulting firm. In addition, it will soon be occupied by Arhaus,
14 an upscale furniture retailer. *See* Photos of this project attached as Exhibit A.

15 Rainaldi Companies integrated 390,000 square feet of start-of-the-art office facilities,
16 including the Constellation Brands worldwide headquarters, 100,000 square feet of retail
17 space, as well as 72 residential townhomes (to be constructed), into a wooded 120+/-acre
18 campus in an historic district in Victor, New York, including the repurposing of two 19th
19 century cobblestone building. *See* High Point, <http://www.highpointbusinesspark.com/>.
20 This project began in 2006 and is in its third phase. *See* Photos of this project attached as
21 Exhibit B.

22 The Rainaldi Companies have also developed and managed properties for the University
23 of Rochester Medical Center and the Rochester General Hospital, and have developed

1 and managed other office and retail properties primarily throughout Monroe and Ontario
2 Counties.

3 **Current Status of the Property**

4 Q: What is the current ownership status of the Property?

5 A: The Property is currently owned by 4545 East River Road, LLC, but is under a contract
6 (the “Contract”) for sale to one of the Rainaldi Companies, to wit: Riverwood Tech
7 Campus, LLC. The Contract was to close in April 2014 when we learned that the
8 Property was under consideration as a site for Substation 255 and the associated
9 transmission lines. Because of the uncertainty regarding the fate of the Property, the
10 parties to the Contract agreed to extend the time to close until September 2014 and make
11 the closing contingent solely upon a determination that the Property would not be a site
12 for Substation 255 or its association transmission lines.

13 Q: What makes the Property attractive for redevelopment by the Rainaldi Companies?

14 A: The Property includes the buildings and grounds associated with the former Kodak
15 Riverwood Campus, which was formerly a training and office campus for the Eastman
16 Kodak Company, which was built around 1971, and included four office buildings
17 totaling about 360,000 square feet of office space on 150 acres. It is my understanding
18 from speaking to our architectural design firm, PMB Studios of NYC, that these
19 buildings were inspired by two pioneers in modern architecture, Swiss-French architect
20 Le Corbusier, and German-American architect Meis van der Rohe, and were designed by
21 the Chicago architectural firm of Skidmore, Owings & Merrill LLP (“SOM”), one of the
22 largest and most influential architectural, engineering and urban planning firms in the
23 world. The buildings have a stunning design, especially due to their clean lines and

1 integration into the surrounding landscape, making them attractive for premium
2 professional office space on the national market. *See* Photograph of Property, attached as
3 Exhibit C. The buildings are structurally in excellent condition, but need modern
4 amenities, and the campus includes substantial parking and river frontage, and is
5 strategically located within minutes of the Rochester Institute of Technology, University
6 of Rochester, the Rochester International Airport, the New York State Thruway, and
7 downtown Rochester.

8 **Development Plans for the Property**

9 Q: What is the Rainaldi Companies' plan for the Property if the Commission decides not to
10 locate Substation 255 and its associated transmission lines on the Property?

11 A: Our plan is to invest approximately \$19 to \$20 million in the Property to transform it into
12 a state-of-the-art professional office campus. The scope of work associated with this
13 investment includes replacing the existing glass facade, electrical system, HVAC,
14 telecommunications, fire protection, and personnel facilities, expanding the parking
15 facilities to include underground parking, and renovating the space to accommodate the
16 prospective tenants. *See* Renderings of Upgraded Property, attached as Exhibit D. The
17 project estimate includes about \$1.5 million just for remediation of the asbestos present in
18 the buildings, which I understand is not included in the cost estimate prepared on behalf
19 of RG&E to demolish the Property to accommodate Alternative 9.

20 Q: Who are the prospective tenants?

21 A: I am not at liberty to identify the specific tenants we are in discussions with regarding the
22 renovated facility because of confidentiality concerns. However, I can say that the
23 Property is being considered for the headquarters for a major international computer

1 engineering firm that could bring between 500 and 1,500 jobs into the Rochester area.
2 My understanding is that our proposed campus at the Property is one of four finalists for
3 the firm and their preference is to locate in New York State because of the quality of the
4 proposed campus and proximity to the Rochester Institute of Technology and University
5 of Rochester. In addition to this prospective tenant, we have been in discussions with a
6 national firm that would locate a call center at the Property. All told, I would estimate
7 that our project would potentially create at least 1,000 jobs, not including the construction
8 and engineering jobs associated with our \$19 to \$20 million investment in improvements
9 to the Property.

10 Q: What is the status of this project?

11 A: We have completed the conceptual design and initial cost estimates, however, this
12 proceeding has caused the project to be put on hold. The existing zoning for the Property
13 is consistent with the intended use, so there are no substantial impediments to moving
14 forward with the project except for the uncertainty resulting from this proceeding, which
15 uncertainty greatly jeopardizes this project moving forward. We have been in
16 discussions with the prospective tenants described above, but because of the uncertainty
17 caused by this proceeding and the potential that the Property as it is today would be
18 essentially destroyed, all discussions are substantially on hold. Significant opportunities
19 and benefits to the community may be lost if this proceeding is not resolved prior to
20 August 2014, since if either of the prospective tenants choose the Property for their future
21 home, they will need to know almost immediately if this project is going forward or they
22 will in all likelihood move on to their next choice.

23 Q: How will this \$19 to \$20 million project be financed?

1 A: As a result of our track record of success, we foresee no issues securing financing once
2 this proceeding is resolved.

3 **The Impacts on the Property and Project Because of this Proceeding**
4 **and if Alternatives 9 or 20 are Selected**

5 Q: Have you reviewed the scope of proposed Alternatives 9 and 20 for the location of
6 Substation 255 and the associated transmission lines?

7 A: Yes.

8 Q: How would your plans for the Property be impacted if either Alternative 9 or Alternative
9 20 is selected?

10 A: There will be no project if Alternative 9 or Alternative 20 is selected.
11 Alternative 9 requires the destruction of the buildings on the Property, thus making the
12 project impossible.

13 While Alternative 20 does not appear to require the destruction of the buildings, the
14 proximity of Substation 255 to the buildings and entrance to the campus and the
15 proximity of the transmission lines to the buildings will make the campus aesthetically
16 unsuitable for high tech office space. Additionally, it is my concern that the nature of the
17 operations of a high voltage substation and its proximity to the buildings could make the
18 campus unsuitable for locating sensitive computer and telecommunications equipment
19 because of the potential for electrical interference. The project would therefore not be
20 feasible if Alternative 20 is selected because it would not support high tech office space.

21 Q: What will be the impact on the Rainaldi Companies and the community if
22 Alternative 9 or 20 is selected and there is no project?

1 A: The Property represents a unique opportunity not only for us, but for the community at
2 large. This opportunity, which includes a re-adaptive use of an iconic facility, as well as
3 a substantial influx of professional positions into the region, will be permanently lost if
4 Alternative 9 or 20 is selected. Additionally, we have already expended considerable
5 effort in developing plans for the Property, at a cost to the Rainaldi Companies to date of
6 \$150,000 - \$200,000 +/- (and an incalculable lost opportunity cost), that will have been
7 wasted.

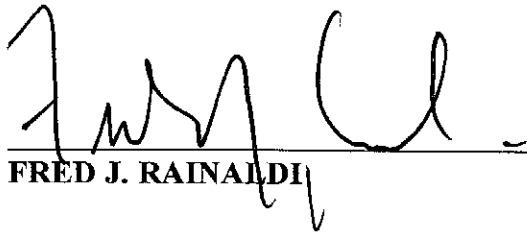
8 Q: What will be the impact on the project if a decision regarding Alternative 9 and 20 is
9 delayed past June 2014?

10 A: While I understand the Commission may need time to resolve a final location for
11 Substation 255, it is clear that it makes no sense to demolish the facilities present at the
12 Property, or render them useless, for the RARP. However, because of the uncertainty
13 surrounding the fate of the Property, we can make no commitments to our prospective
14 tenants to allow our project to proceed and a continued delay will likely cause these
15 tenants to go elsewhere thus requiring us to abandon our proposed development for the
16 Property. While I appreciate there are matters external to the Property to be considered in
17 siting Substation 255, uncertainty in this business is toxic and opportunity is fleeting, so I
18 strongly encourage the Commission to immediately exclude Alternatives 9 and 20 from
19 consideration so that we can move forward with our project.

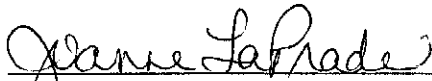
20 Q: Does this conclude your testimony?

21 A: Yes.

[Signature page follows]


FRED J. RAINALDI

Sworn to before me
this 9th day of May 2014


Notary Public

JOANNE LaPRADE
NOTARY PUBLIC, State of New York
No. 01LA4754339
Qualified in Livingston County
Commission Expires November 30, 2017