

Elm /Michigan Holdings, LLC \$8,133,102 INDUCEMENT RESOLUTION

HIGHLIGHTS

- **Eligibility:** NAICS Section - 53 Real Estate
- **Adaptive Reuse**

COMPANY INCENTIVES

- Sales tax savings of approximately \$214,000
- 1% of the final mortgage amount. At present the mortgage is estimated to be \$4,500,000 which would equal to savings of \$45,000
- It is expected that the developer will utilize the City's 485(a) exemption program.



Project Title: Elm/Michigan Holdings, LLC

Project Address: 141 Elm Street
Buffalo, New York 14203
(Buffalo City School District)

NAICS: 531110

Agency Request

An exemption from sales tax and mortgage tax in connection with the adaptive reuse of 141 Elm Street. Sales tax abatement on materials and equipment incorporated into the project will be limited to the building core and shell and the residential component of the project. Tenant buildout of the commercial space for C&S Engineers and the vacant space will not receive a sales tax abatement.

Building Acquisition	\$ 706,522
Renovations	4,885,230
Soft Costs	567,525
Other	1,973,825
Total Project Cost	\$8,133,102

Company Description

Elm Michigan Holdings, LLC was formed by several members of the TM Montante family for the purpose of undertaking the project. TM Montante ("TMM") is a LEED certified, full service developer of commercial real estate and solar energy projects. TMM specializes in multiple project types such as mixed use development with commercial and residential components, innovation office/industrial projects, and solar services from residential to full scale commercial grade installations. The company also provides a wide range of additional services including property management, construction management, architectural design as well as solar financing and consulting.

The most recent project undertaken by the company and which was approved by this board was the construction of an 88,000 sq. ft. facility in the town of Tonawanda for lease to Fedex Trade Networks.

Project Description

The proposed project consists of the renovation and adaptive reuse of the former EM Hager & Sons Planing Mill building located on Elm Street in the City of Buffalo. The facility is 44,000 sq. ft. and was constructed between 1878 and the 1920's. The building has been listed on the National & State Register of Historic Places. The property will be redeveloped and undergo a comprehensive exterior restoration and complete interior reconstruction to accommodate approximately 22 one and two bedroom loft style residential units (\$900 - \$1,900 a month) as well as commercial space on the ground floor.

The building has been vacant for 10+ years and has suffered through neglect. There is an excessive amount of structural damage which increases the project cost and project complexity. TMM is pursuing historic tax credits for this project. Accordingly, the rehabilitation of the building must conform to preservation standards set forth by the State Historic Preservation Office and the National Parks Service. In addition to the structural damage, the original use of the building as a planing mill created several different floor elevations which have to be adjusted, adding significant costs to the overall project.

Elm/Michigan Holdings, LLC

The project will pursue LEED Gold certification and will incorporate a ground mount solar array within the parking area, creating covered parking for the residents while providing an amount of energy for the building. TMM is designing a new solar array for the facility that will incorporate cutting edge solar technology to provide the project with a source of renewable energy. The design and system installed will be monitored for its efficiency and output, with the intent to reuse and develop the design for future use/installations.

Once redeveloped, C&S Engineers, Inc. ("C&S") will occupy approximately 6,500 sq. ft. C&S provides engineering, design and environmental consulting services. They are currently located in the City of Buffalo at 90 Broadway where they occupy 4,150 sq. ft. and will be vacating their present facility after their lease expires. C&S currently has 19 people working in their facility and anticipates increasing that amount to 20.

In 2011 the IDA Board voted unanimously to support the redevelopment of this site by a different developer. That project approval has since expired.

Project Benefits

Renovation and adaptive reuse of a long vacant facility in the area of the City that is near the Central Business District and the Buffalo Niagara Medical Campus.

The project is estimated to generate approximately \$300,000 of revenue to the local taxing jurisdictions over 485-a abatement period including \$156,000 to the County of Erie and \$140,000 to the City of Buffalo.

The county will receive full tax payments.

Project Incentives

- Sales tax savings of approximately \$214,000
- 1% of the final mortgage amount. At present the mortgage is estimated to be \$4,500,000 which would equal to savings of \$45,000
- It is expected that the developer will utilize the City's 485(a) exemption program.

Employment

Tenant	Current Jobs	Projected Year 2
C&S	19	20

New Tax Revenue

Current Yearly Taxes	Estimated New Assessed Value	New Yearly County Tax Revenue/over 485-a Abatement Period	New City Revenue Over 12-Year 485-a Abatement Period
\$12,800	\$2,440,000	\$13,000/\$156,000	\$140,000
Combined Tax Rate: \$34.44			

Draft Material Terms

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount. Total project Amount = \$8,133,102 85% = \$6,913,136
Employment	See recapture period	The tenant (C&S) must maintain 100% of base employees (19) and create 85% of projected of 1 = (1) for total employment of 20
Local Labor	Construction period	Adherence to policy including quarterly reporting
Recapture Period	The later of two years following either the construction completion date, or the termination of the Agent or Financial Assistance Agreement	Recapture of state & local sales tax and mortgage recording tax

Recapture applies to:

- State and Local Sales Taxes
- Mortgage Recording Tax

Recapture

Pursuant to Section 875 of New York General Municipal Law, the agency may recover or recapture from the company any state sales and use tax exemption benefits taken by the company that are in violation of the GML.

In addition it is the recommendation of the ECIDA's Policy Committee to recapture the local share of sales tax and mortgage recording taxes.

At completion of project company must certify i) total investment amount equal to or greater than 85% of amount proposed ii) confirm that the tenant has maintained 100% of base employment and created 85% of its projected employment and iii) confirm adherence to ECIDA local labor hiring policy.

Retail Determination

TENANT	SQ. FT.	COST	% OF PROJECT COST
C&S	6,500 sq. ft.	\$961,270	12%
Vacant Space	4,300 sq. ft.	\$640,847	8%
Sub Total Retail Space	10,800 sq. ft.	\$1,602,118	20%
Residential	33,200 sq. ft.	\$6,530,984	80%
TOTAL	44,000 sq. ft.	\$8,133,102	100%

Project History

01/08/2014	Public Hearing conducted. See attached
02/26/2014	Resolution presented to Board of Directors authorizing adoption of a Negative Declaration in accordance with SEQRA.
02/26/2014	Lease/Leaseback Inducement Resolution presented to Board.