

Harbor District Associates, LLC \$22,050,000 INDUCEMENT RESOLUTION

HIGHLIGHTS

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

COMPANY INCENTIVES

- Approximately \$900,000 in sales tax savings
- It is anticipated that the company will apply for a real estate tax exemption utilizing the City's 485-a program.
- Phillips Lytle build out (furniture, fixtures & equipment) will not receive benefits as part of the project.



Project Title: Harbor District Associates, LLC
Project Address: Main & Scott Streets
Buffalo, New York 14203
(Buffalo City School District)
SIC/NAICS: 6513/531110

Agency Request

Sales tax exemptions in connection with the reconstruction of the former Donovan State Office Building.

Land/Building Acquisition:	\$ 1,850,000
Building Re-construction	17,200,000
Equipment	1,800,000
Soft Costs	<u>1,200,000</u>
Total Project Cost	\$22,050,000

Company Description

Benderson Development Company owns and manages retail, office, hotel residential and land holdings. Benderson staffs its own construction division complete with engineers, architects, draftsmen, project managers and supervisors which ensure each project is done effectively, on time and on budget.

Project Description

The developer will undertake a LEED certified conversion of the 165,000 sq. ft. complex into a mixed-use building consisting of 85,000 sq. ft. of class A office use together with a proposed 96-room Courtyard by Marriott Hotel. Which will occupy approximately 75,000 sq. ft. A small amount of space will be dedicated to some type of retail space. The development represents a highly productive adaptive reuse of a functionally obsolete building and is consistent with the Erie Canal Harbor Development Corporation defined objectives for the Canalside project. If approved, the Donovan Building will be the only adaptively re-used structure within the Canalside District. With a projected 400,000 visitors to Canalside each year, the company anticipates 85% of the hotel users to come from outside the area.

The development will be privately funded and will serve as a catalyst for additional investment in the district and will fuel further economic growth in downtown buffalo.

Canalside will be a unique environment which will foster a mixed use urban rebirth and is poised to change the entire dynamic of downtown Buffalo. Canalside is intended to draw tourists from outside to the area.

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Obstacles to Development

The existing building is approximately 50 years old and has been vacant for the past 8 years. Some of the obstacles to development include environmental remediation costs, code compliance issues, adherence to architectural guidelines established for the Canalside district, on-site planning constraints, utility relocations, etc. A new 2-level parking ramp will need to be incorporated into the site. Complete de-skinning of the exterior facade as called for by Erie Canal Development Corporation currently underway, is required prior to reconstruction into a LEED certified building.

Affect On Real Estate Taxes

The facility currently is owned by the Erie Canal Harbor Development Corporation and prior to that owned by New York State and has never produced tax revenue for either the County or the City.

While it is difficult to determine what assessed value will be placed on the property once constructed, we will assume a value of \$10 million for illustrative purposes. It is anticipated that the company will apply for a real estate tax exemption utilizing the City's 485-a program.

Current Assessed Value	Current City and County Taxes	Est. Assessed Value of Land & Improvements	Estimated New County Revenue over 12 years (\$5.486/1000)	Estimated New City Revenue over 12 years (28.95/1000)
\$3,245,000	\$0	\$13,245,000	\$872,000	\$1,706,000

As shown in the table above, once construction is complete and assuming \$10,000,000 of new value both the County and City will receive over \$2.5 Million in revenue over a 12 year period.

Phillips Lytle Tenancy

Phillips Lytle is Buffalo's second oldest law firm and has been a tenant in the HSBC Tower for many years. They have made the decision to leave the existing location at the expiration of their lease in December 2013. Phillips Lytle went to the market with an RFP approximately 2 years ago in search of a new long-term home which would be better suited to their needs. Several prospective landlords bid for the right to claim Phillips Lytle as a tenant. Both suburban and City options were seriously considered. The Donovan site was selected in large part due to the opportunity to locate within a LEED certified, adaptively reused building in the heart of the Canalside District. The relocation from HSBC is instrumental in causing Phillips Lytle to maintain their offices and workforce in the downtown area enhancing the viability of the City's downtown corridor and the rebirth taking place in the Canalside District. Phillips Lytle build out (furniture, fixtures & equipment) will not receive benefits as part of the project.

The law firm currently employs 250 people and will occupy 85,000 sq. ft. in the complex.

Project Benefits

New job growth will occur with the opening of the Courtyard by Marriott

Project Incentives

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Employment

Courtyard Marriott - Jobs at application - 0 Jobs at year 2 - 50

Currently Phillips Lytle employs approximately 250 people

Project History

3/26/2010	Erie Canal Harbor Development Corporation issues SEQRA findings, ECIDA ratifies ECHDC's SEQRA Findings
7/31/2012	Public Hearing held. Transcript attached.
8/20/2012	Lease/Leaseback Inducement Resolution presented to Board of Directors.