

**MINUTES OF A MEETING OF THE
POLICY COMMITTEE OF THE
ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

- MEETING:** December 9, 2014, at Erie County Industrial Development Agency, 95 Perry Street, 5th Floor Conference Room, Buffalo, New York
- PRESENT:** James J. Allen, Hon. Mary F. Holtz, Richard Lipsitz, Jr., Brenda W. McDuffie, Frank Mesiah, Hon. Glenn Nellis, Hon. Edward A. Rath, III, Laura Smith and Richard M. Tobe
- ABSENT:** Hon. Byron W. Brown, Hon. Mary Cooke, Michael Hoffert and Chris T. Johnston
- OTHERS PRESENT:** Steven Weathers, Chief Executive Officer; John Cappellino, Executive Vice President; Andrew Schoeppich, Chief Financial Officer; Karen M. Fiala, Assistant Treasurer; Theresa Carpenter, Assistant Treasurer; and Robert G. Murray, Secretary
- GUESTS:** Rebecca Gandour, Director of Development, City of Buffalo Office of Strategic Planning; and David Chiazza, Iskalo Development Corp.

There being a quorum present at 8:35 a.m., the meeting of the Policy Committee was called to order by Policy Committee Chair Tobe.

MINUTES

The minutes of the November 6, 2014 Policy Committee meeting and the November 17, 2014 Special Meeting of the Policy Committee were presented, and Mr. Tobe requested a motion to approve both sets of minutes in one action. Upon motion made by Mr. Lipsitz, and seconded by Ms. McDuffie, the aforementioned Policy Committee meeting minutes were unanimously approved.

PROJECT PRESENTATIONS

Iskalo 1391 Hertel LLC, 1391-1395 Hertel Avenue, Buffalo, New York. Mr. Cappellino reviewed this proposed sales tax and mortgage recording tax exemption benefits project in connection with the adaptive reuse of the former Saint Margaret's Elementary School. The project involves the redevelopment of the building into a mixed use facility including approximately 23 one and two bedroom apartments along with approximately 2,000 sq. ft. of commercial space.

Mr. Cappellino noted that the building, until a few years ago, housed an elementary school however enrollment had declined to less than 100 students and the school closed during the 2011/12 school year. Apartments will range in size from 770 to 1,300 sq. ft. and rent will range between \$1,100-\$1,950 per month.

Mr. Cappellino confirmed that the project is located within a highly distressed area as defined under New York General Municipal Law. The Erie County Department of Environment and Planning prepared and the Agency adopted a county map that contained the census tracts that meet the poverty and unemployment definition to be highly distressed and also includes the census tracks that are considered highly distressed because they are adjacent to such census tracks. The Hertel

Avenue area is adjacent to a highly distressed census track and therefore is also meets the state definition of being highly distressed. The project construction costs related to retail activities is below the 1/3 statutory retail threshold and as such, is not a retail project as defined in the General Municipal Law. In addition, the company will be seeking the City of Buffalo Section 485-a Real Property Tax Exemption and is therefore not seeking to obtain a real property tax exemption benefit from the Agency.

Mr. Cappellino explained that in exchange for providing sales and mortgage recording tax exemption benefits, the approval of this project will be conditioned upon adherence to certain material terms and conditions with respect to potential recapture of financial assistance, and then reviewed the materials factors for recapture as follows:

Draft Recapture 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 = \$5,411,625 85% of Total Project Amount = \$4,599,881
Employment	See recapture period	Projected jobs = 4 85% = 3
Local Labor	Construction Period	Adherence to policy including quarterly reporting
Recapture Period	2 years after project completion	Recapture of sales taxes and mortgage taxes

Mr. Cappellino emphasized that the recapture period for the project benefits will continue for two years after the project completion date.

Mr. Mesiah queried as to whether sufficient on-site parking existed. Mr. David Chiazza, a representative on behalf of the project, responded that the project also involves construction of sufficient on-site parking to satisfy City of Buffalo parking requirements.

Mr. Tobe then asked Theresa Carpenter to review the Agency’s Return On Investment (“ROI”) analysis. Ms. Carpenter reviewed the ROI calculations and confirmed that the average annual rate of return with ECIDA assistance and all other assistance is approximately 2.9%, the average annual rate of return with all assistance excluding ECIDA financial assistance is 2.8% and the average annual rate of return without ECIDA or any other assistance is 1.8%.

Mr. Tobe asked Steve Weathers to provide the Agency’s staff recommendation. Mr. Weathers stated that the “pros” for the project include the fact that the building has been vacant since June of 2012 and underutilized prior to then, that the building was built in 1917, that the property is located in a highly distressed area, that the project will create 4 full-time positions and such job creation is subject to the Agency’s’ recapture policy, that the project will now pay real property taxes, and that the lead paint and asbestos within the building will be remediated. The “cons” are that this area of Hertel Avenue has traditionally been a stable neighborhood without many ECIDA-incentivized projects, that there is not an identified tenant for the commercial space and the 4 jobs should be considered speculative, and that the apartments have relatively high rental rates. Mr. Weathers also stated that the 2.9% ROI is not an unreasonable rate of return for this type of project.

Based on the foregoing, Mr. Weathers concluded that the Agency staff is recommending that this project be approved.

Mr. Tobe next introduced David Chiazza and asked Mr. Chiazza to brief the Committee on the proposed project. Mr. Chiazza then described the history of the site and the company's investigations into and contemplated development plans with respect to the building.

Mr. Tobe next introduced Rebecca Gandour, Director of Development for the City of Buffalo Office of Strategic Planning and asked her to provide the Committee with the City's review of the project. Ms. Gandour stated that the City supports the project because it is consistent with the Agency's adaptive reuse policy and because it brings additional residential and commercial operations into this particular part of Hertel Avenue which is in need of such infill development. Ms. Gandour stated that the City is negotiating for local hiring for all employees of the commercial tenants that will be located within the building.

Mr. Tobe expressed his support for the project confirming that it is a valuable community development activity. However, given that the ECIDA benefits are only equal to approximately \$143,000, Mr. Tobe asked Mr. Chiazza if the company would proceed with the project if the Agency did not provide financial assistance. Mr. Chiazza responded that the company has analyzed this project both with and without ECIDA assistance, and with and without other grants and financial assistance benefits from the City of Buffalo. He stated that the company ultimately concluded that without such assistance, lenders were either unwilling to provide enough financing and/or such additional financing would be provided at a high interest rate that did not justify the investment given the low rate of return. In conclusion, Mr. Chiazza confirmed that the company would most likely abandon this project if it did not receive both ECIDA financial assistance and the contemplated grant proceeds from the Build a Better Buffalo Fund.

Mr. Mesiah queried as to how the project has been received by the Hertel Avenue community and Hertel Avenue businesses. Mr. Chiazza commented that the company interviewed residents, community members and business owners who all concluded that this particular area along Hertel Avenue needed infill development to connect it to and make it part of adjacent developed areas along Hertel Avenue.

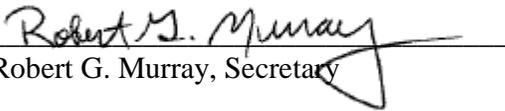
Mr. Rath expressed his support for the project, stated that the housing component will attract young professionals and bring new vitality to this area of the City and puts a property back on the tax rolls for the benefit of the City.

Ms. Smith then expressed her support for the project and commented that even if the IDA financial assistance is small, it still encourages investment notwithstanding its small size.

Mr. Tobe commented that he was concerned about whether the company would pass the "but for" test but will support this project because Mr. Chiazza has explained how tight this project is and how important ECIDA financial assistance and City of Buffalo grant proceeds are to insuring that this project can be completed.

Mr. Allen moved, and Mr. Rath seconded, to approve of the project. All committee members then voted in favor of the project.

Mr. Tobe noted that review of the project had gone longer than he anticipated and adjourned the meeting at 9:20 a.m.


Robert G. Murray, Secretary