

## Buffalo Urban Development Corporation

275 Oak Street, Suite 150  
Buffalo, New York 14203

phone: 716-856-6525

fax: 716-856-6754

web: [buffalourbandevelopment.com](http://buffalourbandevelopment.com)



# BUFFALO URBAN DEVELOPMENT CORPORATION

## 2009 ANNUAL REPORT

(For purposes of Section 2800(2) of the Public Authorities Law)

### Officers & Board of Directors

- Hon. Byron W. Brown, Chairman of the Board • Dennis Penman, Vice Chairman • Peter M. Cammarata, President • David A. Stebbins, Vice President
- Andrew Schoeppich, Treasurer • Kevin J. Zanner, Secretary • Catherine M. Braniecki • Thomas P. Dee • Dennis W. Elsenbeck • Hon. David A. Franczyk
- Thomas Kucharski • Woodrow Maggard • Lawrence Meckler • William Murray • Benjamin N. Obletz • Christina P. Orsi • Brian A. Reilly
- Andrew Rudnick • Sundra Ryce • Holly Sinnott • Craig Slater



*Buffalo Urban Development Corporation is an affiliated organization of the Erie County Industrial Development Agency*

## **1. Operations & Accomplishments**

### ***Operations***

The Corporation is managed by an eighteen (18) member Board of Directors. Eleven (11) members serve as “ex-officio” members, related to public or quasi-public offices or positions that they hold. Their term on the Board parallels the time they hold that office or position. Seven (7) members serve as “citizen” members, appointed by the Board of Directors for three (3) year terms on a staggered basis. Regular Board meetings are commonly held on a monthly basis. The “Annual Meeting” of the Board is held in June and preceded by an annual meeting of the Corporation’s Membership.

Three Committees (Audit and Finance, Governance, and Real Estate) have been established by the Board to assist the staff with conducting the day-to-day business of the Corporation. Board members are encouraged to participate in at least one Committee.

At its Annual Meeting, the Board elects Officers of the Corporation to serve one year terms. The officer positions currently include President, Vice-President, Treasurer and Secretary; and may include Assistant Treasurers and Assistant Secretaries.

The mission of the Corporation is to create a dynamic and responsive project development process and team, capable of meeting the special needs and challenges associated with urban and high impact project development in Erie County. Funding for the operation of the Corporation was initially provided by the City of Buffalo; however, the City has not allocated funding for operations to the Corporation for several years, and future allocations are not expected. The City of Buffalo has been instrumental in the receipt of grant funding for acquisitions and construction projects consistent with the Corporation’s mission. Income for operations is generated primarily through land sales and loan repayments.

### ***Accomplishments***

The Buffalo Urban Development Corporation accomplishments for 2009 are presented in bulleted format, in four significant categories (General Corporate, Buffalo Lakeside Commerce Park, RiverBend Commerce Park, and Miscellaneous Projects and Initiatives):

#### **General Corporate:**

- maintained full compliance with Public Authorities Accountability Act
- expanded the scope of activities of all Board Committees
- earned “Clean” audit and management report for Fiscal Year 2008
- prepared comprehensive Orientation Manuals for new Board Members

- participated in RFQ solicitation and evaluation process for insurance brokerage services
- worked with Audit & Finance Committee to prepare comprehensive budget
- revised Procurement Policy to include M/WBE contracting opportunities

### **Buffalo Lakeside Commerce Park (BLCP)**

- completed Phase III construction of the road and infrastructure, opening up access to Tiff St., at a cost of approximately \$3.2 million, with funding from the Dormitory Authority of the State of New York
- managed the design and construction of landscaping enhancements at the gateway entrances
- secured a Project Management Agreement with the City for the \$8.4M “Parcel 3” Open Space Project (Ship Canal Commons)
- bid and awarded the construction contract for Parcel 3 project.
- obtained additional funding from NYSDOS for Parcel 3 project and secured Niagara Greenway Commission consistency approval for future funding
- arranged and completed transfer of Beneficial Use Determination material from Erie County Water Authority for Parcel 3 project
- secured \$2.4M in ESD “Blueprint” funding for Phase IV of the road and infrastructure
- solicited and contracted for design services for Phase IV
- coordinated with National Grid for the relocation and demolition of \$1.2M worth of electrical infrastructure that had previously inhibited proper development of BLCP and the Outer Harbor.
- updated the BLCP marketing brochure in conjunction with Buffalo Niagara Enterprise
- managed the maturity of Buffalo Brownfield Redevelopment Fund, including the new payments by Sonwil Distribution
- worked with the New York State Department of Environmental Conservation (NYSDEC) to arrive at a Record of Decision (ROD) for Parcel 4
- completed the design of upgrades to the Commerce Dr. Pump Station (Sanitary Sewer)
- worked with numerous prospects for potential land purchases
- partnered with NYSDEC on the development of a new pre-approval policy for their Brownfield Cleanup Program

### **RiverBend Commerce Park**

- participated in the City’s South Buffalo Brownfield Opportunity Area (BOA) planning process as largest land owner within the boundaries
- secured grant funds through the City/NYSDOS for BOA implementation for Master Plan

- worked with consultant to manage all operations, monitoring and maintenance (O,M & M) at the site
- negotiated an insurance settlement with Modern Recycling regarding the fire loss at the former Feine Steel building

### **Miscellaneous Projects and Initiatives**

- secured grant extension from ESDC for Buffalo Harbor WiFi installation and helped manage installation contract
- arranged for and participated in ten (10) business visits by Mayor Brown
- advanced negotiations for acquisition of additional brownfield properties including Buffalo Forge, 612 Fourth Street and former Hydroponics property
- provided assistance to multiple companies and strategic projects including Larkin District, Genesee Gateway, Kamman Building, Innovative Chemicals and Rodgard
- provided assistance to the City of Buffalo on three major economic development issues, the Statler Towers, Broadway Market and the Delavan Ave. American Axle facility
- assisted ECIDA staff with pursuit of several ECIDA strategic objectives including Regional Economic Development Strategy/CEDS, ECIDA internships, adaptive re-use policies and general business development
- assisted ECIDA staff in organizing the Shovel Ready element of ECIDA's "Speed to Market" initiative.
- partnered with National Grid to provide economic development grants to significant projects within the City of Buffalo, including at least six (6) new projects in 2009
- worked with ECIDA and Greg Stevens in developing the Buffalo Niagara Green Energy Corridor
- conducted waterfront project and economic development tours for local civic organizations

### **2. Financial Reports:**

The Corporation's financial statements (which include a Balance Sheet and a Statement of Activities as of and for the fiscal years ended December 31, 2009 and 2008) are included as Attachment A.

The financial statements are audited on an annual basis, by BUDC's external auditors Toski, Schaefer & Co., P.C. In their opinion, dated March 19, 2010, the financial statements present fairly, in all material respects, the financial position of Buffalo Urban Development Corporation as of December 31, 2009, and the changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **3. Mission Statement:**

The mission of the Corporation is to create a dynamic and responsive project development process and team, capable of meeting the special needs and challenges associated with urban and high impact project development in Erie County.

### **4. Schedule of Bonds and Notes Outstanding:**

In 2006, the Corporation issued \$675,000 in promissory notes in connection with the expansion of its Buffalo Lakeside Commerce Park remediation and redevelopment. During 2007, \$150,000 of these notes were repaid while in 2008 an additional \$267,619 of these notes were repaid, leaving a balance of \$257,381 outstanding at December 31, 2009.

### **5. Compensation Schedule:**

This section is not applicable, as the Corporation did not have any employees during 2009. Instead, the Corporation uses employees of the Erie County Industrial Development Agency (ECIDA) to provide management and administrative services on a fee basis. The ECIDA issues its own Annual Report for Public Authorities Law purposes (posted on its website at [www.ecidany.com/about\\_corporate\\_reports.asp](http://www.ecidany.com/about_corporate_reports.asp)) and files a compensation schedule within the PARIS reporting system.

None of the directors or officers of Buffalo Urban Development Corporation receive any compensation for their services as directors or officers.

### **6. Projects Undertaken by the Corporation during fiscal year 2009:**

See above Operations and Accomplishments Section for a listing of various initiatives accomplished in 2009. Buffalo Urban Development Corporation does not provide project financing; therefore no such project details are included in this section.

### **7. Listing of certain Property of the Corporation:**

Attachment B provides information regarding the Corporation's real property holdings.

### **8. Code of Ethics:**

The Corporation's Code of Ethics is included as Attachment C.

### **9. Assessment of the Effectiveness of Internal Control Structure and Procedures:**

Buffalo Urban Development Corporation shares many of the same financial internal controls as the Erie County Industrial Development Agency ("ECIDA"). These internal controls have been documented in detail and the ECIDA's external auditors have

expressed an audit opinion dated March 19, 2010 on the effectiveness of ECIDA's internal controls for financial reporting purposes.

## Attachment A

### Certification Pursuant to Section 2800(3) of the Public Authorities Law

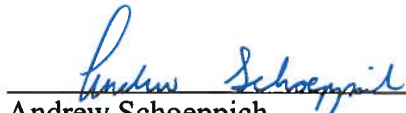
Pursuant to Section 2800 (3) of the Public Authorities Law, each of the undersigned officers of Buffalo Urban Development Corporation, does hereby certify with respect to the attached annual financial report of the Corporation (the "Annual Financial Report") that based on the officer's knowledge:

1. the information provided in the Annual Financial Report is accurate, correct and does not contain any untrue statement of material fact;
2. does not omit any material fact which, if omitted, would cause the financial statements contained in the Annual Financial Report to be misleading in light of the circumstances under which such statements are made; and
3. fairly presents in all material respects the financial condition and results of operations of the Corporation as of, and for, the periods presented in such financial statements.



Peter Cammarata  
President

5/14/10  
Date



Andrew Schoepich  
Chief Financial Officer

5/14/10  
Date

BUFFALO URBAN  
DEVELOPMENT CORPORATION

Financial Statements and  
Supplemental Information

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)

BUFFALO URBAN  
DEVELOPMENT CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Revenue, Expenses and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10
Schedule of Receipts and Disbursements of Riverbend LLC	11
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Including Compliance with Investment Guidelines, Based on an Audit of Financial Statements Performed In Accordance with <u>Government Auditing Standards</u>	12 - 13

\* \* \* \* \*

TOSKI, SCHAEFER & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
555 INTERNATIONAL DRIVE  
WILLIAMSVILLE, NEW YORK 14221  
TELEPHONE (716) 634-0700  
FAX (716) 634-0764

INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Buffalo Urban Development Corporation:

We have audited the accompanying statements of financial position of the Buffalo Urban Development Corporation (BUDC) as of December 31, 2009 and 2008, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of BUDC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Buffalo Urban Development Corporation as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2010 on our consideration of Buffalo Urban Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Toski, Scheepers & Co. P.C.*

Williamsville, New York  
March 19, 2010

BUFFALO URBAN  
DEVELOPMENT CORPORATION  
Statements of Financial Position  
December 31, 2009 and 2008

	<u>Assets</u>	<u>2009</u>	<u>2008</u>
Current assets:			
Cash		\$ 662,704	404,907
Restricted cash for Brownfields Fund		1,452,315	499,321
Total cash		<u>2,115,019</u>	<u>904,228</u>
Receivables:			
Current installments of mortgages and notes receivable		193,839	177,776
Grants		525,886	952,820
Interest		986	1,224
Other		2,034	10,934
Total receivables		<u>722,745</u>	<u>1,142,754</u>
Prepaid expenses		87,906	122,258
Total current assets		<u>2,925,670</u>	<u>2,169,240</u>
Land and improvements held for sale		8,705,530	8,696,271
Mortgages and notes receivable, excluding current installments		519,275	722,717
Total assets		<u>\$ 12,150,475</u>	<u>11,588,228</u>
	<u>Liabilities and Net Assets</u>		
Current liabilities:			
Accounts payable and accrued expenses		249,697	26,087
Security deposits		-	16,542
Due to related parties		61,058	149,798
Deferred grant income		-	692,811
Total current liabilities		<u>310,755</u>	<u>885,238</u>
Note payable		257,381	257,381
Total liabilities		<u>568,136</u>	<u>1,142,619</u>
Net assets:			
Unrestricted net assets		10,130,024	9,946,288
Temporarily restricted net assets (Brownfields Fund)		1,452,315	499,321
Total net assets		<u>11,582,339</u>	<u>10,445,609</u>
Total liabilities and net assets		<u>\$ 12,150,475</u>	<u>11,588,228</u>

See accompanying notes to financial statements.

BUFFALO URBAN  
DEVELOPMENT CORPORATION  
Statements of Revenue, Expenses and Changes in Net Assets  
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenue:		
Grant income	\$ 1,191,901	7,723,838
Buffalo Brownfields Redevelopment Fund revenue	844,334	456,524
Rental income	56,048	119,834
Interest income on mortgages and notes receivable	32,746	28,007
Regionally Significant Fund revenue	26,091	-
Other income	<u>24,959</u>	<u>8,293</u>
Total operating revenue	<u>2,176,079</u>	<u>8,336,496</u>
Operating expenses and losses:		
Development projects	798,866	299,553
Management fee - ECIDA	258,826	292,688
General and administrative	73,568	59,768
Loss on sale of land	<u>-</u>	<u>713,186</u>
Total operating expenses and losses	<u>1,131,260</u>	<u>1,365,195</u>
Increase in net assets from operating activities	1,044,819	6,971,301
Non-operating activities - interest income	<u>402</u>	<u>7,140</u>
Increase in net assets before extraordinary item	1,045,221	6,978,441
Extraordinary gain - fire insurance recovery	<u>91,509</u>	<u>-</u>
Increase in net assets	1,136,730	6,978,441
Net assets at beginning of year	<u>10,445,609</u>	<u>3,467,168</u>
Net assets at end of year	<u>\$ 11,582,339</u>	<u>10,445,609</u>

See accompanying notes to financial statements.

BUFFALO URBAN  
DEVELOPMENT CORPORATION  
Statements of Cash Flows  
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,136,730	6,978,441
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Extraordinary gain on fire insurance recovery	(91,509)	-
Loss on sale of assets	-	713,186
Changes in:		
Receivables	(102,795)	(59,485)
Prepaid expenses	34,352	20,089
Accounts payable and accrued expenses	69,666	(80,546)
Security deposits	(16,542)	16,542
Due to related parties	<u>(88,740)</u>	<u>(101,312)</u>
Net cash provided by operating activities	<u>941,162</u>	<u>7,486,915</u>
Cash flows from investing activities:		
Proceeds from sale of land	-	627,561
Purchase of land and improvements held for sale	(9,259)	(8,513,761)
Collections of mortgages and notes receivable	<u>187,379</u>	<u>422,787</u>
Net cash provided by (used in) investing activities	<u>178,120</u>	<u>(7,463,413)</u>
Cash flows from financing activities:		
Repayment of notes payable	-	(267,619)
Net proceeds from fire insurance recovery	<u>91,509</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>91,509</u>	<u>(267,619)</u>
Net increase (decrease) in cash	1,210,791	(244,117)
Cash at beginning of year	<u>904,228</u>	<u>1,148,345</u>
Cash at end of year	<u>\$ 2,115,019</u>	<u>904,228</u>
Supplemental information on non-cash investing activities - property sold in exchange for notes receivable	<u>\$ -</u>	<u>598,125</u>

See accompanying notes to financial statements.

BUFFALO URBAN  
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2009 and 2008

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Buffalo Urban Development Corporation (BUDC), formerly Development Downtown, Inc., was incorporated in 1978 by the City of Buffalo, New York (the City) to facilitate partnership with the private sector in the development of the City, primarily through the administration of Federal Urban Development Action (UDAG) grants.

Funding was initially received from the City; however, the City has not allocated direct funding to the Corporation for several years, and future allocations are not expected. Cash flows are primarily from land sales, grant funding, and loan repayments.

In 2005, an agreement between BUDC, Erie County Industrial Development Agency (ECIDA), the City, and Erie County (the County) established the Buffalo Brownfields Redevelopment Fund (the Brownfields Fund). This fund dedicates certain related payments received in lieu of real estate tax (PILOT) payments for future eligible project costs. The fund is administered by ECIDA and is available to reimburse BUDC for eligible project costs incurred.

Riverbend LLC (Riverbend), a wholly owned subsidiary of BUDC, was created in 2008 to purchase approximately 185 acres of land along South Park Avenue in Buffalo, New York. Riverbend is also responsible for the administration of site improvements, marketing, leasing and eventual sale of the property.

(b) Basis of Presentation

BUDC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. BUDC had only unrestricted and temporarily restricted net assets in 2009 and 2008.

(c) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUFFALO URBAN  
DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Mortgages and Notes Receivable and Allowance for Doubtful Loans

Mortgages and notes receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Interest on mortgages and notes receivable is accrued and included in the outstanding principal balance when management considers collection of such interest to be probable, based upon economic condition of the borrower. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on an evaluation of past loan experience, current economic conditions and known risks in the loan portfolio.

(e) Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. Accordingly, all references to currently existing GAAP have been removed and have been replaced with plain English explanations of the BUDC's accounting policies. The adoption of the Codification did not have a material impact on the BUDC's financial position or results of operations.

(f) Subsequent Events

BUDC has evaluated events after December 31, 2009, and through March 19, 2010, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

(g) Income Taxes

BUDC is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code; therefore, no provision for taxes is reflected in these financial statements.

(h) Reclassifications

Reclassifications have been made to certain 2008 amounts in order to conform them to 2009 presentation.

(2) Cash

Cash balances as of December 31, 2009 and 2008 were either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized.

BUFFALO URBAN  
DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(3) Mortgages and Notes Receivable

Mortgages and notes receivable consist of various loans made to assist the private sector in City development or to facilitate land sales. Loan terms vary with interest rates ranging from 0% to 4%, and generally specify periodic or lump sum principal repayments.

Excluded from mortgages and notes receivable is a note in the amount of \$536,000 in connection with certain development property. The note is offset by a \$536,000 payable to the City for demolition costs of the original building located on the property. Terms of the note require that if the façade of the original building is used in future development of the property, the note will be forgiven. If the façade is not used, the note is due in full and the proceeds will be used to reimburse the City for the original cost of the demolition. BUDC is otherwise not responsible for the repayment of this loan.

In January 2008, an agreement was reached between BUDC, Buffalo Economic Renaissance Corporation (BERC) and West Genesee Hotel Associates (WGHA) in settlement of WGHA's outstanding \$8,000,000 note receivable. The settlement consisted of a \$305,891 payment and a \$229,418 note receivable to BUDC in full consideration for the outstanding \$8,000,000 note receivable. The \$229,418 note receivable has not been recorded in the financial statements because it is conditioned upon the debtor receiving subsequent additional financing, which management believes is unlikely.

At December 31, 2009 and 2008, notes receivable consisted of the following:

	<u>2009</u>	<u>2008</u>
Amounts due in one year	\$ 193,839	177,776
Amounts due after one year	<u>519,275</u>	<u>722,717</u>
Total mortgages and notes receivable	\$ <u>713,114</u>	<u>900,493</u>

(4) Grants Receivable

In 2006, BUDC was approved to receive a grant amounting to \$5 million from New York State, administered by the Dormitory Authority of the State of New York (DASNY), for the development of Buffalo Lakeside Commerce Park (BLCP). Grants receivable at December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
DASNY	\$ 505,886	902,820
Other	<u>20,000</u>	<u>50,000</u>
Total grants receivable	\$ <u>525,886</u>	<u>952,820</u>

BUFFALO URBAN  
DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(5) Land and Improvements

(a) Buffalo Lakeside Commerce Park

In 2002, BUDC agreed to undertake a multi-phase brownfield reclamation and redevelopment project at the former Hanna Furnace site and land surrounding the Union Ship Canal, on behalf of the City. This is now known as the Buffalo Lakeside Commerce Park. BUDC accepted 104 acres of tax-foreclosed property from the City, demolished derelict structures, and constructed approximately 5,000 linear feet of roads and infrastructure. Funding for this work was provided by the State of New York, the City and the County.

Subsequently, BUDC purchased an additional 130 acres of land to add to the BLCP and constructed an additional 2,000 linear feet of road and infrastructure, with additional funding from the State of New York. The land was purchased for \$965,000 in cash (including grant funds of \$890,000) and promissory notes of \$675,000.

In 2008, BUDC sold approximately 52 acres of BLCP for \$1,173,050 and an additional six acres for \$79,445 for a net loss on the sales of \$713,186. At December 31, 2009 and 2008, land held for sale at BLCP amounted to \$3,996,668.

(b) Riverbend, LLC

In 2008, Riverbend acquired approximately 185 acres of land from Steelfields Ltd for \$4,638,250. The City provided this funding through BEREC with the agreement that BUDC will pay for all costs incurred to plan, improve, market, sell and lease the property. In the event that income exceeds total costs, BUDC will equally split the net profit with BEREC. In addition, BEREC agreed to equally split the net profit of two properties they own at 1176 and 1140 South Park Avenue in the City with BUDC. Riverbend has not generated a net profit since acquisition and, therefore, no amounts are due to BEREC at December 31, 2009. At December 31, 2009 and 2008 the carrying value of this land amounted to \$4,708,862 and \$4,699,603, respectively.

(6) Note Payable

BUDC has a non-interest bearing note payable which is to be repaid as certain property at BLCP is sold. The note payable amounted to \$257,381 at December 31, 2009 and 2008.

(7) Extraordinary Item

In August 2009, a fire completely destroyed the Feine building, which is owned by Riverbend. BUDC received insurance proceeds, net of legal fees, of \$91,509 during the year ended December 31, 2009.

BUFFALO URBAN  
DEVELOPMENT CORPORATION  
Notes to Financial Statements, Continued

(8) Related Party Transactions

Effective June 2003, BUDC entered into an agreement with ECIDA, to provide certain personnel to perform administrative and managerial functions on behalf of BUDC. Total expenses incurred were \$258,826 and \$292,688 for the years ended December 31, 2009 and 2008, respectively. Amounts owed to ECIDA under this agreement totaled \$61,058 and \$109,770 at December 31, 2009 and 2008, respectively.

Buffalo Brownfield Restoration Corporation (BBRC), related to BUDC through common management and board members, was created in 2005. BUDC was holding the funds of BBRC until such time as BBRC had substantial operations. During 2009, BBRC began substantial operations and all funds held on behalf of BBRC were deposited into a BBRC bank account. At December 31, 2008, amounts owed to BBRC were \$40,028.

(9) Contingencies

(a) Legal Proceedings

BUDC is involved in various legal proceedings, which in the opinion of management, will not have a material adverse effect upon its financial position.

(b) Promissory Note

In connection with the purchase of property related to BLCP, BUDC issued a promissory note in an amount equal to the greater of \$525,000 or a percentage of the resale price of the developed property. BUDC had previously recorded a liability of \$525,000 since any contingent additional liabilities are uncertain and cannot be determined at this time. In 2008, \$267,619 of this note was repaid as property was sold (note 6).

(c) Environmental Remediation

BUDC has remediation responsibility under two Voluntary Clean-Up Agreements with New York State for approximately 42 acres of the BLCP. BUDC also maintains insurance to mitigate the exposure of additional costs related to potential remediation which cannot be determined at this time for this portion. Management estimates that the maximum amount of uninsured exposure to BUDC will not be material to the financial statements.

BUFFALO URBAN  
DEVELOPMENT CORPORATION  
Schedule of Receipts and Disbursements of Riverbend LLC  
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Receipts - rental income	\$ <u>56,048</u>	<u>119,834</u>
Disbursements:		
Monitoring and maintenance	98,853	59,249
Insurance	16,378	8,698
Utilities	15,689	4,253
Taxes and sewer assessments	4,309	32,682
Professional fees	<u>702</u>	<u>32,730</u>
Total disbursements	<u>135,931</u>	<u>137,612</u>
Net proceeds from fire insurance recovery	<u>91,509</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	\$ <u>11,626</u>	<u>(17,778)</u>

**TOSKI, SCHAEFER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DRIVE

WILLIAMSVILLE, NEW YORK 14221

TELEPHONE (716) 634-0700

FAX (716) 634-0764

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS, INCLUDING COMPLIANCE  
WITH INVESTMENT GUIDELINES, BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Buffalo Urban Development Corporation:

We have audited the basic financial statements of Buffalo Urban Development Corporation (BUDC) as of and for the year ended December 31, 2009 and have issued our report thereon dated March 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the BUDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BUDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BUDC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of BUDC's financial statements will not be prevented, detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management in a letter dated March 19, 2010.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BUDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including compliance with Investment Guidelines for Public Authorities and BUDC's Investment Policy, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors and management of BUDC and is not intended to be and should not be used by anyone other than these specified parties.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
March 19, 2010

**Buffalo Urban Development Corporation**  
Property Report  
Year Ended: December 31, 2009

Table 1. The following is a listing of all real property owned by BUDC at December 31, 2009.

BUDC Facility	Address and Location of Property	Full Description of Property	Estimated FMV of Property
Buffalo Lakeside Commerce Park 77.41 Acres	80 Ship Canal Parkway, Buffalo, New York	2.01 acres of vacant land being marketed	\$ 110,550
	134 Ship Canal Parkway, Buffalo, New York	2.22 acres of vacant land being marketed	\$ 122,100
	158 Ship Canal Parkway, Buffalo, New York	2.22 acres of vacant land being marketed	\$ 122,100
	193 Ship Canal Parkway, Buffalo, New York	9.65 acres of vacant land being marketed	\$ 434,250
	200 Ship Canal Parkway, Buffalo, New York	5.67 acres of vacant land being marketed	\$ 230,000
	255 Ship Canal Parkway, Buffalo, New York	20.36 acres of vacant land being marketed	\$ 916,200
	275 Ship Canal Parkway, Buffalo, New York	Combined into 255 Ship Canal Parkway	N/A
	1650 Fuhrmann Blvd., Buffalo, New York	16.13 acres of vacant land being marketed	\$ 645,200
	99 Tift Street, Buffalo, New York	19.15 acres of vacant land being marketed	\$ 766,000
	RiverBend Commerce Park 184.80 Acres	1322 South Park Ave., Buffalo, New York	.06 acre of vacant land
1339 South Park Ave., Buffalo, New York		80.28 acres of vacant land	\$ 2,809,800
1341 South Park Ave., Buffalo, New York		7.97 acres of vacant land	\$ 278,950
312 Abby St., Buffalo, New York		3.25 acres of vacant land	\$ 113,750
364 Baraga St., Buffalo, New York		4.21 acres of vacant land	\$ 147,350
321 Baraga St., Buffalo, New York		1.96 acres of vacant land	\$ 68,600
310 Abby St., Buffalo, New York		44.95 acres of vacant land	\$ 1,573,250
308 Abby St., Buffalo, New York		40.76 acres of vacant land	\$ 1,426,600
2 Buffalo RR South, Buffalo, New York		.01 acre of vacant land	\$ 350
14 Buffalo River, Buffalo, New York		.01 acre of vacant land	\$ 350
0 Tift, Buffalo, New York		1.34 acres of vacant land	\$ 46,900
791 Washington St., Buffalo, New York		2.17 acres with vacant building, being held on behalf of a developer pursuant to a contract.	\$ -

Table 2. The following is a listing of personal property (with a fair market value ("FMV") in excess of \$5,000) and all real property that was disposed of during 2009.

Address and Location of Property	Full Description of Property	Estimated FMV of Property	Name & Address of Purchaser	Date of Sale	Price Received by BUDC
None					

Table 3. The following is a listing of all real property that was acquired during 2009.

Address and Location of Property	Full Description of Property	Estimated FMV of Property	Name & Address of Seller	Date of Purchase	Price Paid by BUDC
1714 Fuhrmann Blvd., Buffalo, New York	19.47 acres of vacant land that was transferred back to BUDC after the completion of NYSDEC ERP environmental investigation. Remediation to follow.	\$ -	Erie County IDA, 275 Oak Street, Buffalo, NY 14203	12/1/09	\$ -

**BUFFALO URBAN DEVELOPMENT CORPORATION**

**CODE OF ETHICS**

---

---

This Code of Ethics is adopted in accordance with Section 2824 of the Public Authorities Law and applies to all directors, officers and employees of the Buffalo Urban Development Corporation, its affiliated entities, and any other affiliated entities that may hereafter be established by BUDC (hereinafter collectively referred to as "BUDC").

This Code of Ethics shall serve as a guide for official conduct and is intended to enhance the ethical and professional performance of BUDC's directors, officers and employees and to preserve public confidence in BUDC's mission.

**ARTICLE I**

**Standards of Conduct**

1. No director, officer or employee of BUDC should accept other employment which will impair his or her independence of judgment in the exercise of his or her official duties.

2. No director, officer or employee of BUDC should accept employment or engage in any business or professional activity which will require him or her to disclose confidential information which he or she has gained by reason of his or her official position or authority.

3. No director, officer or employee of BUDC should disclose confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests.

4. No director, officer or employee of BUDC should use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself or herself or for others.

5. No director, officer or employee of BUDC should engage in any transaction as representative or agent of BUDC with any business entity in which he or she has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his or her official duties.

6. No director, officer or employee of BUDC should by his or her conduct give reasonable basis for the impression that any person can improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank, position or influence of any party or person.

7. Each director, officer and employee of BUDC should abstain from making personal investments in enterprises which he or she has reason to believe may be directly involved in decisions to be made by him or her or which will otherwise create substantial conflict between his or her duty in the public interest and his or her private interest.

8. Each director, officer or employee of BUDC should endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.

## **ARTICLE II Conflicts of Interest**

The directors and officers of BUDC shall be governed by the conflict of interest provisions set forth in Section 715 of the New York Not-for-Profit Corporation Law, as the same may be amended from time to time. In the event that any director or officer has an interest in a contract or other transaction within the meaning of Section 715 of the Not-For-Profit Corporation Law, such officer or director shall disclose such interest and abstain from voting and discussion regarding the matter.

## **ARTICLE III Ethics Officer**

The Vice President of BUDC shall serve as the Ethics Officer. In the event of a vacancy, the BUDC Board Vice-Chair shall serve as the Ethics Officer until such time as the BUDC Board appoints a successor.

The Ethics Officer shall report to the Board. The Ethics Officer shall have the duties set forth below, and such other duties as may be prescribed by the Board:

1. Advise in confidence each director, officer or employee of BUDC who seeks guidance regarding ethical behavior.
2. Receive and investigate complaints about possible violations of this Code of Ethics.
3. Dismiss complaints found to be without substance.

4. Prepare investigative reports of his or her findings to be submitted for action by the Chair or the Board.

#### **ARTICLE IV Reporting Unethical Behavior**

Directors, officers and employees of BUDC should report violations of this Code of Ethics to the Ethics Officer. If the complaint involves the Ethics Officer, the complaint should be made to the BUDC Board Chair or Vice Chair. Reports will be kept confidential to the extent possible. The Ethics Officer shall promptly forward reports of violations of this Code of Ethics to BUDC's legal counsel, who shall assist the Ethics Officer in the prompt investigation of the claim.

In addition to any penalties contained in any applicable provision of law, any director, officer or employee of BUDC who knowingly and intentionally violates any of the provisions of this Code of Ethics may be removed from office or employment in the manner provided for by law. Nothing herein shall be construed to modify the employment-at-will status of BUDC's employees.

#### **ARTICLE V Retaliation Prohibited**

No individual, regardless of his or her position with the BUDC, will be subject to retaliation for reporting in good faith a violation (or violations) of this Code of Ethics or other acts of wrongdoing, misconduct, malfeasance, or inappropriate behavior. Claims of retaliation will be promptly investigated. Any director, officer or employee who retaliates against a person who has reported a violation shall be subject to disciplinary action by BUDC, which may include removal from office and/or termination of employment.

#### **ARTICLE VI Implementation; Annual Review**

This Code of Ethics shall be provided to all directors, officers and employees of BUDC upon commencement of employment or appointment and shall be reviewed annually by BUDC's Governance Committee.

Approved and adopted as of June 2, 2009.