

Buffalo Urban Development Corporation

Proposed 2012 Budget & 2013-2015 Forecast

Presented to the Board of Directors 10/25/11



Buffalo Urban Development Corp. Proposed 2012 Budget

Attached for your review and comments is the proposed budget for Buffalo Urban Development Corp (“BUDC”) for the fiscal year ending December 31, 2012.

A. Overview:

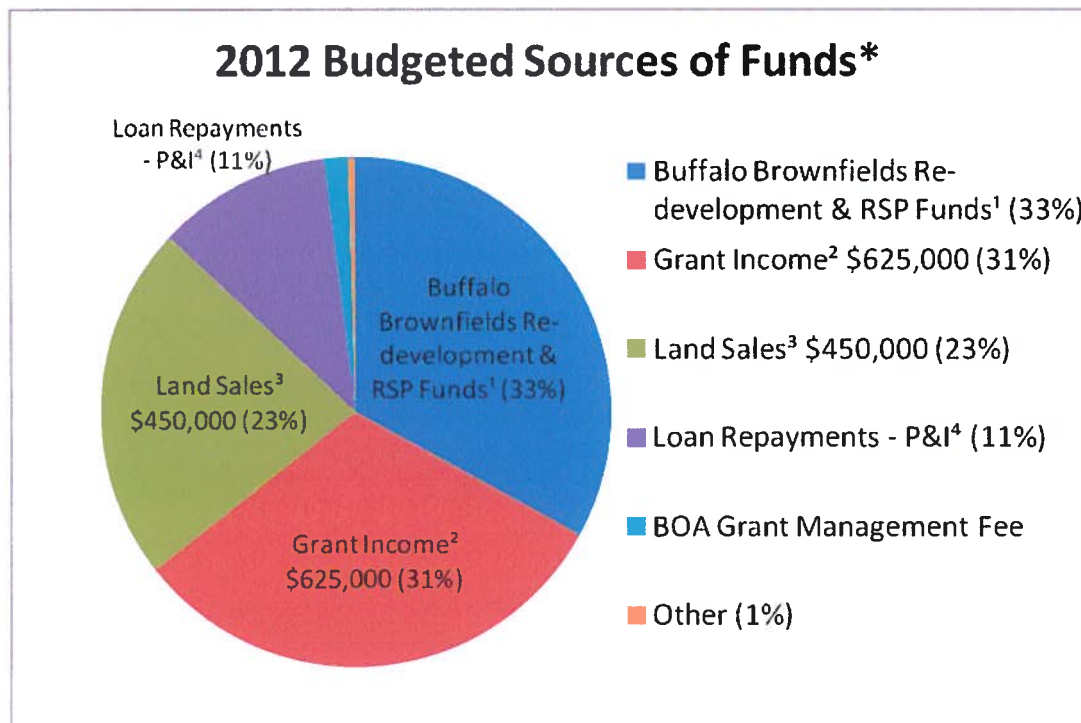
In 2012, Buffalo Urban Development Corporation will change its focus from the recently completed infrastructure improvements at Buffalo Lakeside Commerce Park (“BLCP”) to its nearby 185-acre Riverbend Project (“Riverbend”). As part of this shift, BUDC will begin to implement the nationally recognized Sasaki Associates development plan by preparing a detailed design for Republic Park and a Generic Environmental Impact Statement (“GEIS”) for Riverbend.

In 2012, BUDC anticipates the sale of 10 acres of property at BLCP for gross proceeds of \$500,000. Also, in 2012, the BLCP Property Owner’s Association will assume responsibility for maintenance costs of the brand new 22-acre recreational park (“Ship Canal Commons”) surrounding the Union Ship Canal in BLCP. However, as the largest property owner at BLCP, BUDC will continue to incur the majority of the ongoing operating costs for the public spaces maintained by the Property Owner’s Association as well as its own property maintenance costs.

Finally, BUDC will assist City of Buffalo development projects by acting as a pass-through entity for National Grid economic development grants. This will be the final year that such pass-through grants are received as a result of a new National Grid policy.

B. Sources of BUDC Funds:

The following chart summarizes the significant sources for the \$2.0 million in funds that have been budgeted for BUDC projects in 2012:



* The above chart is based on cash inflows & excludes pass-through grants for non-BUDC projects.

Buffalo Urban Development Corp.

Proposed 2012 Budget

B. Sources of BUDC Funds (Continued):

The key sources of BUDC funds are as follows:

- (1) **Grant Income** – Grant income primarily reflects the following grants:
 - \$400,000 from NYS Office of Parks and Recreation and \$100,000 from the Buffalo Sewer Authority for design costs for the Riverbend Republic Park.
 - \$75,000 from NYS Department of State and \$50,000 or 20% of a \$250,000 National Grid grant for an Environmental Impact Statement for Riverbend.

- (2) **Buffalo Brownfields Redevelopment & RSP Funds-net** (“Brownfields Fund”) – The Brownfields Fund was established in 2005 to pay for certain costs in connection with the development of subsequent phases of the Buffalo Lakeside Commerce Park (“BLCP”) and, after completion of the Park, similar projects located in Buffalo. In 2012, the Brownfields Fund is expected to receive \$636,000 in net PILOT receipts from Cobey, Certainteed and Sonwil. This represents a decrease of \$10,000 or 2% from the 2011 projection due to scheduled decreases in the Fund’s share of PILOT receipts from Cobey and Sonwil. As a result of the completion of BLCP, BUDC will utilize this fund for operating costs at BLCP and other similar BUDC projects, including Riverbend and other redevelopment projects within the City of Buffalo.

- (3) **Land Sales** – In 2012, BUDC is expected to sell 10-acres of property at BLCP for a gross cost of \$500,000 or \$450,000 net of appraisal, broker, legal and other closing costs.

- (4) **Loan Repayments – P&I** – BUDC has two long-standing loans receivable plus a note received from the 2008 sale of the Sonwil property. These loans are budgeted to generate principal and interest repayments totaling \$220,000 in 2012.

Pass-Through Funds

Note: Grants passed through BUDC for non-BUDC projects are not reflected in the Sources/Uses of Funds pie charts.

Pass-Through Funds - South Buffalo BOA

In 2012, BUDC will receive approximately \$822,932 from NYS Department of State for the South Buffalo Brownfield Opportunity Area (BOA), an area with approximately 1,800 acres of strategically located, but largely underutilized land in South Buffalo. The South Buffalo BOA grant funds will be utilized to implement key components of the South Buffalo BOA Master plan.

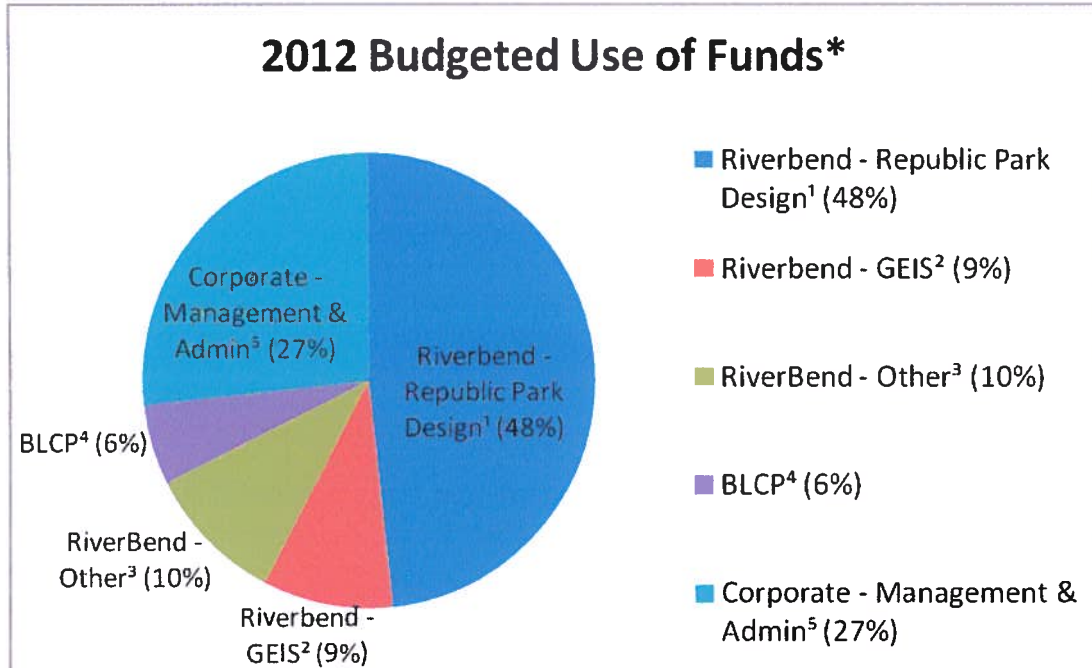
Pass-Through Funds – National Grid

BUDC has assisted National Grid as a pass-through for various economic development grants in the Buffalo region. In 2012, BUDC is expected to receive \$300,000 from National Grid for the Canalside waterfront project and \$50,000 for Ricotta & Visco’s 496 Main Street redevelopment project.

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C. Uses of BUDC Funds:

In 2012, BUDC is expected to spend approximately \$1.3 million as outlined in the following chart:



* The above chart is based on cash outflows & excludes pass-through grants for non-BUDC projects.

The key uses of BUDC funds are as follows:

- (1) **Riverbend – Republic Park Design** – BUDC is expected to spend \$650,000 to design Republic Park at Riverbend. The Republic Park is a new 1.4 acre urban park that will serve as the focal point for the first phase of the Riverbend redevelopment project as well as being a key component of the Riverbend green infrastructure and storm management system. BUDC will utilize \$400,000 in grant funds from NYS Office of Parks and Recreation, \$100,000 from the Buffalo Sewer Authority plus \$150,000 from the Buffalo Brownfields Redevelopment Fund.
- (2) **Riverbend – Generic Environmental Impact Statement (GEIS)** – BUDC is expected to spend \$125,000 to complete a Generic Environmental Impact Statement at Riverbend utilizing \$75,000 of NYS Department of State grant funds and \$50,000 remaining from a \$250,000 National Grid grant.
- (3) **Riverbend - Other** – BUDC is budgeted to spend \$100,000 for environmental operation, maintenance and monitoring services at Riverbend, as well as \$26,000 for other operating costs related to this property.
- (4) **BLCP**– In 2012 BUDC will spend \$32,000 for its portion of Ship Canal Commons operating and maintenance costs and \$68,000 for direct property operating and maintenance costs related to its remaining properties at BLCP.

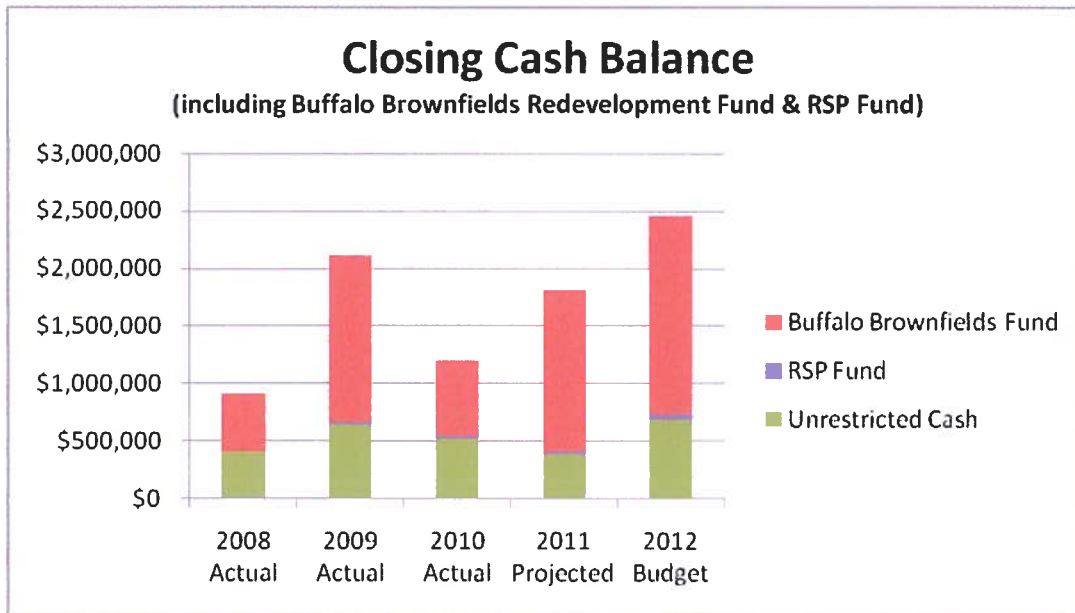
Buffalo Urban Development Corp. Proposed 2012 Budget

C. Uses of BUDC Funds (Continued):

(5) **Corporate – Management & Administrative** – In 2012, BUDC is budgeted to spend \$370,000 on management and administrative costs. In prior years, Peter Cammarata and David Stebbins were employed by the Erie County Industrial Development Agency (“ECIDA”) and BUDC reimbursed the ECIDA for 100% of their salary and benefit costs. In 2012, Peter and David will become employees of BUDC with direct personnel costs of \$264,000. In addition, \$40,000 in other administrative, financial and property management services provided by ECIDA staff are budgeted to be reimbursed based on the number of hours ECIDA employees devote to these activities. The remainder of the management & administrative costs include: insurance, legal, audit and other administrative costs.

D. Cash Position / Risk Factors Impacting the 2012 Budget:

The following chart summarizes the historical and budgeted closing cash balances of BUDC as of December 31st of each year:



Unrestricted Cash, which is currently the sole source of operating funds for BUDC, is budgeted to increase by \$302,000 in 2012 primarily due to the \$500,000 land sale, less a net 2012 operating cash utilization or “burn rate” of approximately \$200,000.

Buffalo Urban Development Corp. Proposed 2012 Budget

D. Cash Position / Risk Factors Impacting the 2012 Budget (Continued):

The 2012 Budget anticipates a land sale to generate gross proceeds of \$500,000. Without such a land sale, the financial position of BUDC would be significantly impaired.

The 2012 budget has been developed without the following potential sources of cash:

- 1) The dissolution of the Buffalo Economic Renaissance Corporation (“BERC”), will likely result in BUDC receiving certain real estate properties and/or other BERC assets and liabilities. It is anticipated that should such a transfer of assets occur, it could have a positive impact on BUDC’s cash and financial position in 2012 and beyond.
- 2) The Buffalo Building Reuse Project initiated by the Mayor of Buffalo and conducted by the Buffalo Niagara Partnership will most likely recommend that BUDC perform various economic development tasks to assist the growth of the central business district. A dedicated source of funding is necessary to allow BUDC to hire additional staff to manage the project and facilitate infrastructure improvements. The additional funding and related costs are not reflected in this 2012 budget.

The above cash budget assumes that a \$2.44 million bridge loan for the final phase of road construction at BLCP with Keybank is repaid with a \$2.44 million Empire State Development Corporation blueprint grant in February 2012. Since there is no net cash or income effect from this transaction, it is not reflected in the 2012 budget.

Buffalo Urban Development Corporation ("BUDC")
2012 Proposed Budget

REVENUE	Proposed Budget 2012	Projected 2011	YTD Sept 2011	Actual 2010
Grant Revenue				
NYS Office of Parks & Recreation	\$ 400,000	\$ -	\$ -	\$ -
Buffalo Sewer Authority	100,000	-	-	-
NYS Dept. of State	897,932	485,068	-	-
National Grid	400,000	475,000	475,000	105,000
Empire State Development Corporation	-	1,802,766	1,546,785	644,408
Other	-	-	-	15,000
BOA Grant Management Fee (NY DOS)	30,000	45,000	-	-
Gross Proceeds from Land Sales	500,000	-	-	-
Less: Cost of Land Sales	(566,299)	-	-	-
Buffalo Brownfield Fund Revenue (net)	636,000	646,293	373,869	714,321
Regionally Significant Project Fund (net)	20,000	23,370	7,870	23,191
Rental Income	-	5,000	5,000	25,000
Interest Income - Loans	10,976	18,886	11,220	26,331
Investment Interest Income	7,375	2,500	1,875	849
Other Income	1,000	600	350	715
Total	2,436,985	3,504,483	2,421,969	1,554,816
OPERATING EXPENSES				
Property Operations & Maintenance	(112,000)	(164,462)	(104,686)	(132,563)
BLCP - Property Owner's Association Fee	(32,000)	-	-	-
BLCP - Environmental Insurance	(19,276)	(19,276)	(14,457)	(19,276)
Legal	(25,000)	(20,957)	(13,972)	(43,017)
Insurance	(32,500)	(34,536)	(25,902)	(36,165)
Marketing	(11,000)	(2,000)	-	(5,973)
Misc.	(15,000)	-	-	(25,362)
Consultants	(827,932)	(87,982)	(87,982)	(243,605)
General Development Expenses	(5,000)	(2,395,364)	(1,995,364)	(774,261)
Interest Expense / Debt Issue Costs	(20,000)	(100,000)	(70,206)	-
Pass-through Grants	(350,000)	275,000	(275,000)	(100,000)
Personnel Costs	(264,000)	-	-	-
ECIDA Management Fee	(40,000)	(293,000)	(219,750)	(296,472)
Audit	(11,800)	(7,900)	(7,900)	(7,700)
Grant to BBRC	-	-	-	(26,000)
General & Administrative	(25,000)	(30,193)	(17,613)	(19,035)
Total	(1,790,508)	(2,880,671)	(2,832,832)	(1,729,429)
Net Income / (Loss)	\$ 646,476	\$ 623,812	\$ (410,862)	\$ (174,613)
CAPITAL BUDGET				
RiverBend - Republic Park Design	(650,000)	-	-	-
RiverBend - Environmental Impact Statement	(125,000)	-	-	-
Riverbend Capitalized Development Costs	-	(685,068)	(685,068)	(9,258)
CASH FLOW ADJUSTMENTS				
Cost of Land Sales	516,299	-	-	-
Principal Repayments - loans	209,394	251,843	203,775	187,379
Prepaid Insurance	46,943	19,276	14,457	19,276
Net Cash Increase/(Decrease)	\$ 644,112	\$ 209,863	\$ (877,698)	\$ 22,784

**Buffalo Urban Development Corporation
2012 Proposed Budget - Project Detail**

	South Buffalo		Downtown				Total
	RiverBend	Special Funds	BOA	BLCP	Canalside	Projects*	
REVENUE							
Grant Revenue							
NYS Office of Parks & Recreation	400,000						400,000
Buffalo Sewer Authority	100,000						100,000
NYS Dept. of State	75,000		822,932				897,932
National Grid	50,000				300,000	50,000	400,000
BOA Grant Management Fee (NY DOS)			30,000				30,000
Gross Proceeds from Land Sales				500,000			500,000
Less: Cost of Land Sales		(50,000)		(516,299)			(566,299)
Buffalo Brownfield Fund Revenue (net)		636,000					636,000
Regionally Significant Project Fund (net)		20,000					20,000
Interest Income - Loans				2,626			8,351
Investment Interest Income		6,750					625
Other Income							1,000
Total	625,000	612,750	852,932	(13,673)	300,000	50,000	9,976
Total							2,436,985
OPERATING EXPENSES							
Property Operations & Maintenance		(100,000)		(12,000)			(112,000)
BLCP - Property Owner's Association Fee				(32,000)			(32,000)
BLCP - Environmental Insurance				(19,276)			(19,276)
Legal				(10,000)		(15,000)	(25,000)
Insurance	(13,000)			(9,000)		(10,500)	(32,500)
Marketing	(3,000)			(3,000)		(5,000)	(11,000)
Misc.	(10,000)			(5,000)			(15,000)
Consultants			(822,932)	(5,000)			(827,932)
General Development Expenses				(5,000)			(5,000)
Interest Expense / Debt Issue Costs		(20,000)					(20,000)
Pass-through Grants					(300,000)	(50,000)	(350,000)
Personnel Costs						(264,000)	(264,000)
ECIDA Management Fee						(40,000)	(40,000)
Audit		(1,500)				(10,300)	(11,800)
General & Administrative						(25,000)	(25,000)
Total	(26,000)	(121,500)	(822,932)	(100,276)	(300,000)	(50,000)	(369,800)
Total							(1,790,508)
Net Income / (Loss)	599,000	491,250	30,000	(113,949)	-	-	(359,825)
							646,476
CAPITAL BUDGET							
RiverBend - Republic Park Design	(500,000)	(150,000)					(650,000)
RiverBend - Environmental Impact Statement	(125,000)						(125,000)
Total	(625,000)	(150,000)	-	-	-	-	(775,000)
CASH FLOW ADJUSTMENTS							
Cost of Land Sales				516,299			516,299
Principal Repayments - loans				126,345		83,049	209,394
Prepaid Insurance	13,000			23,443		10,500	46,943
Total	(13,000)	341,250	30,000	552,137	-	-	(266,275)
Total							644,112

Composed of:

Net Increase in Buffalo Brownfields Fund	321,250
Net Increase in RSP Fund	20,000
Net Increase in Operating account	302,862
	<u>644,112</u>

* Represents 496 Main Street - Ricotta & Visco

Buffalo Urban Development Corporation ("BUDC")

2012-2015 Proposed Operating Cash Budget

	Proposed Budget 2012	Projected 2013	Projected 2014	Projected 2015
Opening Operating Cash Balance	\$ 385,523	\$688,385	\$267,221	\$(223,872)
Operating Cash Inflow:				
Gross Proceeds from Land Sales	500,000	-	-	-
Loan Repayments	220,370	61,131	5,360	5,360
BOA Grant Management Fee (NY DOS)	30,000	-	-	-
Investment Interest Income	625	625	625	1,000
Other Income	1,000	1,000	1,000	1,000
Total	<u>751,995</u>	<u>62,756</u>	<u>6,985</u>	<u>7,360</u>
Operating Cash Outflow:				
Property Operations & Maintenance	(12,000)	(12,500)	(13,000)	(13,500)
BLCP - Property Owner's Association Fee	(32,000)	(29,000)	(30,000)	(31,000)
Legal	(25,000)	(26,000)	(27,000)	(28,000)
Insurance	(4,833)	(30,000)	(31,000)	(32,000)
Marketing	(11,000)	(11,500)	(12,000)	(12,500)
Misc.	(15,000)	(15,000)	(15,000)	(15,000)
Consultants	(5,000)	(5,000)	(5,000)	(5,000)
General Development Expenses	(5,000)	(5,000)	(5,000)	(5,000)
Personnel Costs	(264,000)	(271,920)	(280,078)	(288,480)
ECIDA Management Fee	(40,000)	(41,000)	(42,000)	(43,000)
Audit	(10,300)	(11,500)	(12,000)	(12,500)
General & Administrative	(25,000)	(25,500)	(26,000)	(26,500)
Total	<u>(449,133)</u>	<u>(483,920)</u>	<u>(498,078)</u>	<u>(512,480)</u>
Net Operating Cash Inflow/(Outflow)	<u>\$ 302,862</u>	<u>\$ (421,164)</u>	<u>\$ (491,093)</u>	<u>\$ (505,120)</u>
Closing Operating Cash Balance (Overdraft)	<u>\$ 688,385</u>	<u>\$ 267,221</u>	<u>\$ (223,872)</u>	<u>\$ (728,992)</u>