

PUBLIC HEARING SCRIPT

**Barcalo Buffalo LLC and/or
Individual(s) or Affiliate(s),
Subsidiary(ies), or Entity(ies) formed or
to be formed on its behalf Project**

Public Hearing to be held on January 23, 2020 at 10:00 a.m.,
at the Erie County Industrial Development Agency's offices
located at 95 Perry Street, Suite 403, Buffalo, New York 14203

ATTENDANCE:

Martha Heidinger
Evelyn Goslinski
Kirsten Klettke
Karl Frizlen
Garret Wyckoff
Jacqueline Skinner
Patrick Gormley

☒ 1. WELCOME: Call to Order and Identity of Hearing Officer.

Hearing Officer: Welcome. This public hearing is now open; it is 10:00 a.m. My name is Grant Lesswing. I am the Business Development Officer of the Erie County Industrial Development Agency, and I have been designated by the Agency to be the hearing officer to conduct this public hearing. This public hearing is being live-streamed and made accessible on the Agency's website at www.ecidany.com.

☒ 2. PURPOSE: Purpose of the Hearing.

Hearing Officer: We are here to hold the public hearing on the Barcalo Buffalo LLC and/or Individual(s) or Affiliate(s), Subsidiary(ies), or Entity(ies) formed or to be formed on its behalf project. The transcript of this hearing will be reviewed and considered by the Agency in determination of this project. Notice of this hearing appeared in The Buffalo News on Monday, January 13, 2020.

☒ 3. PROJECT SUMMARY: Description of Project and Contemplated Agency Benefits.

Hearing Officer: The proposed adaptive reuse project (the "Project") at the historic former Barcalo Manufacturing Plant in Buffalo's Old First Ward consisting of:
(i) five (5) parcels of land located at 175, 177, 225 and 245 Louisiana

Street and 96 Kentucky Street in the City of Buffalo, Erie County, New York (the “Land”) together with an existing 175,000+/- SF multi-tenant building (the “Existing Improvements”); (ii) the renovation, upgrading and equipping of the Existing Improvements thereon to house 118 apartments consisting of fifty-five (55) 1-bedroom units, fifty-six (56) 2-bedroom units, and seven (7) 3-bedroom units; 30,000+/- of office, retail, restaurant, lounge/reception/tenant areas, artist studios, light manufacturing space, and 46+/- indoor parking spaces for tenants; and the redevelopment and construction of 92 additional parking spaces and a bio retention area (the “Improvements”), and (iii) the acquisition and installation by the Company of certain items of machinery, equipment and other tangible personal property (the “Equipment”, and collectively with the Land, the Existing Improvements and the Improvements, the “Facility”).

The proposed financial assistance contemplated by the Agency includes New York State and local sales and use tax exemption benefits and mortgage recording tax exemption benefits (in compliance with Agency's uniform tax exemption policy).

4. FORMAT OF HEARING: Review rules and manner in which the hearing will proceed.

Hearing Officer: All those in attendance are required to register by signing the sign-in sheet at the front of the room; you will not be permitted to speak unless you have registered. Everyone who has registered will be given an opportunity to make statements and/or comments on the Project.

If you have a written statement or comment to submit for the record, you may leave it on the Agency’s website or deliver it to the Agency at 95 Perry Street, Suite 403, Buffalo, New York 14203. The comment period closes on February 25, 2020. There are no limitations on written statements or comments.

5. PUBLIC COMMENT: Hearing Officer gives the Public an opportunity to speak.

Hearing Officer: If anyone is interested in making a statement or comment, please raise your hand, state your name and address; if you are representing a company, please identify the company. I request that speakers keep statements and/or comments to 5 minutes, and if possible, 3 minutes.

The Hearing Officer calls on those who raise their hand.

Karl Frizlen – I am the architect & developer and I am also representing the investors. I recognize some of you from the meetings we have had, the community meetings. We have had 4 community meetings over the past 1.5 years. We were very clear that we wanted to have a transparent process and I think we have succeeded in doing that. I would be willing to answer any of your questions. I think you are mostly familiar with the project. It has developed into a

\$35M project now. It's a large project as you all know here in the neighborhood and you living across and within a few hundred feet.

We are excited to get going on this project. This building is empty, it had been occupied only to about 15-20% when we got involved about 2.5 years ago well about 2 years ago and now in the meantime it is empty, and everybody has moved out. It will be a mixed-use project as you know with 118 apartments as Grant said and about 35,000 sq. ft. of commercial space. We have some tenants for it already like my operation, my office, my architect and development office are going down there and it will take a good portion of it, otherwise it will be mostly tenants. Supporting businesses like a cafeteria, workout area, a workout center. We are also going to put a laundromat in there that is accessible to the public because this was one of the comments in the first meeting because we were putting it out what would you like to see and then we got some comments back from you. A laundromat, a commercially run laundromat mat is going to be incorporated into the building.

The most concerns that we have had in the past was of course is parking. We have 2 lots as Grant has said to the North & South of the property and we accommodate approximately 100 parking spaces on the surface parking lots and about 45 parking spaces indoors of the facility and that's all accessible from Kentucky. Kentucky is going to get a total retrofit of street improvements. We are engaging with the city in that process. There will be curbs, sidewalks and trees and there is nothing like that there now as you know on the building side. There will be only 2 curb cuts, one is going to go into the parking garage and the other is going out of the parking garage, kind of a loop. So, I think that's probably it. I'm open to questions or comments. Garret is there anything else?

Garret Wyckoff – I am with Urban Vantage. I am a consultant working with Karl and the development group on this project. I think you covered pretty much everything we wanted to add. We are excited about this project. I think there is a lot of potential down there.

Grant Lesswing – State your name

Martha Heidinger – I have two questions. One of my questions is in the news article you stated a brewery. That was never mentioned in any of the meetings. A brewery is going to bring a huge increase to the already parking problem. That was my one question and my next question is what would your projected revenues be without the tax breaks?

Karl Frizlen – Let me comment. Garret can you address the second question?

Garret Wyckoff – Yes

Karl Frizlen – Let me comment to the brewery. It has been coined as the brewery district. We have absolutely no potential tenant and no we haven't put out the word.

Martha Heidinger – But it's in the paper

Karl Frizlen – So that's the word

Martha Heidinger – Right

Karl Frizlen – We are still trying to catch feelers on that. So, nothing has been decided. I will keep the community updated if anything will happen. I am planning to have on a continual basis these community meetings and I am going to arrange that with the ward.

Martha Heidinger - The only problem the last community meeting you shut us off before the time was up. Your advocate or whatever he was. We were supposed to be there until 7:00 p.m. and he shut the meeting down at 6:30 p.m. when we started asking questions and didn't have the answers for.

Karl Frizlen – This was a meeting as I recall we had in December

Martha Heidinger – I've been to all of them

Karl Frizlen – Ok. I think the last meeting was in December or late November

Martha Heidinger – There was one in December when it snowed.

Karl Frizlen – Ok yeah

Martha Heidinger – And it was supposed to be from 6:00 p.m. – 7:00 p.m. and he shut the meeting down at 6:30 p.m. because we were asking questions.

Karl Frizlen – I think there was another event after that happened and you needed the room or something, I don't know exactly but it wasn't because of us that it was shut down, it was basically the need for the space any how I want to keep you updated on any commercial leasing that we are planning to have.

Martha Heidinger - Because we really don't need another brewery down there. No, we do not.

Evelyn Goslinski - I second that

Karl Frizlen – Ok. I will make a note of that

Garret Wyckoff – I was wondering if you could clarify. Well can you specifically give me the context.

Martha Heidinger – I just want to know what the difference would be if you got the tax breaks. Like what's your projected revenue as opposed to not getting the tax breaks.

Garret Wyckoff – The value of the potential tax breaks I think are in the application itself like the estimated mortgage tax exemption. The benefit is about \$146,250. So, it's less of a question of revenue changing versus helping to cover some of the costs that would make the project balance out in terms of funding. The actual value of these exemptions is in the application.

Evelyn Goslinski - Can I interject while we are on this subject?

Grant Lesswing – State your name

Evelyn Goslinski – I live at 163 Kentucky. I am here but I have neighbors and relatives that also live on the street that can't make it because they are at the hospital for treatments or what have you. Concerning that \$146,000 now is that per year, every time taxes are due or is it over x amount of years?

Garret Wyckoff – This is a mortgage recording tax exemption which is a one-time fee when the mortgage is registered. The property taxes are being pursued as a 485(a) exemption which is not part of the ECIDA process.

Evelyn Goslinski – So, Why? What makes it so special that they get exempted because it's a projected project? I don't understand. When we all buy homes, we don't get tax exemptions from our property or mortgage tax. I just don't understand.

Karl Frizlen – First of all why are we here. There is an exemption for two items. One is the mortgage tax exemption. Basically, we are talking out over \$20M loan and a certain percentage of that you have to pay mortgage tax.

Evelyn Goslinski – Right

Karl Frizlen – I believe it applies only for commercial properties. I don't think it applies to residential properties.

Grant Lesswing – Right

Karl Frizlen – That is because it is a commercial mortgage tax exemption. The second part here with the ECIDA which why we are here is the sales tax exemption. The construction costs is about \$25M +/- on this project.

Evelyn Goslinski – Right

Karl Frizlen – It's the largest project of the \$35M, \$25M is the construction costs. So, the ECIDA has this program that the sales tax can be exempted. Sales tax is like we all pay an 8-3/4% of sales tax. We are exempt from that well at least that's what the application for it is and the reason why we are doing it. It's a retrofit project and costs are exuberantly high. It's much higher than a new construction project and we do new construction projects too, so we have a direct comparison and they are just higher because we also follow the States Historic Preservation Guidelines. That adds substantial amount of dollars to the project. Just to give you an example we have to replace over 600 windows on this building. There are going to be energy efficient windows and they have to be approved by the State Historic Preservation & National Park Services, two different agencies. The costs of these windows are extremely high. It's similar to what you are looking at here. These are similar windows that we are going to have in

this project so, that's why we are asking the ECIDA for some relief on the costs for this project. We also have to follow guidelines; they have certain guidelines on how much revenue you have to achieve in order to get x amount of loan. But, to answer your question in short, there's about \$850,000 in sales tax exemption and about \$146,000 in mortgage tax exemption which is about \$1M in exemptions that's what we are asking the ECIDA today to grant us that

Evelyn Goslinski - Ok, that's fine. Now again I will also state for myself but on behalf of my aunts, cousins and my other neighbors that cannot make it we are all opposed because one the traffic, the parking, the distillery, "come on now" there is enough in the city already as it is. Parking is going to be the number one thing. Then you got the sewage & plumbing. But, the traffic on Kentucky Street. Four of the houses that are on Kentucky right across from the building they are handicap people. There is already an issue with parking, and it stinks for them because of the alternate parking, then you are going to bring in more traffic and the laundromat is going to be across the street from two other homes

Karl Frizlen – No we located that on the other side

Evelyn Goslinski – Oh its back on Louisiana now?

Karl Frizlen – Yes, its back on Louisiana

Evelyn Goslinski -Well that makes a lot of sense but regardless you are going to have how many showers and the meetings at the center you said 114 apartments. It's right here in the paper 118. It was already occupied with commercial people and according to what I read in the newspaper there is going to be 30 jobs available in there am I right or wrong? Between the restaurant or whatever, that's your projection. But from Johnson Fastener, the potato chip company and the other companies there were in there you have already displaced upwards of 30 people and businesses and existing money already. Was there not a way you could work with them where they could have stayed? They are already gone like you said, its empty in here. In here it also states that if you don't get the funding or what have you that you are going to increase the projected rental amounts already even before its occupied. It's right here and looking for so much that is housing.

Karl Frizlen – Or the other option is the project cannot be executed

Evelyn Goslinski – If I read this correctly, you're at \$11M deficit as it is so, is that why you are looking at more investors and grants? From what I understood from reading this.

Garret Wyckoff – I'm not sure exactly where you are grabbing the \$11M deficit from, can you show me where that is?

Evelyn Goslinski – I'm looking, I'm looking.

Karl Frizlen – No project cannot live with an \$11M deficit.

Evelyn Goslinski – Well I should say not a deficit but your short that much money right now and if that's what's going to be the delay or the increase in things even before it's began.

Karl Frizlen – No, the project is all funded so, there is no deficit. You can't start a project with a deficit in it.

Evelyn Goslinski – Oh, ok its right here. The total cost your projecting \$34,727,449. The equity is at \$4M, the bank is going to finance \$19.5M. \$19.5M and \$4,168,571 comes out to about \$23-\$24M so, therefore will say \$23M because \$23M and \$34M that leaves them an \$11M shortage, right? I mean I don't have any figures, but I can do math.

Karl Frizlen – Allow me to answer your question. It's \$11M in Historic Tax Credits. We have New York State Historic

Evelyn Goslinski – Oh that's not in here

Karl Frizlen – Yes there is \$11M in there you can read the entire application it's in there

Evelyn Goslinski – I'm not seeing it. Oh, wait right here but there is no amount in that box. Oh, excuse me its hidden way at the top where the paper folds but that is from public sources, that's listed under public sources not the state and federal grant credit.

Garret Wyckoff – That's because it's not a grant. It's a tax credit

Karl Frizlen – The public sources are tax credits. \$11m and its on page 11.

Evelyn Goslinski – But it says historic though

Garret Wyckoff – It's a historic tax credit yes

Evelyn Goslinski – Public sources and historic federal grants, its two separate columns man look. What does historic mean because they are spring, I mean the Frizlen Group I mean are trying to restore the building to its original

Karl Frizlen – Historic Preservation

Evelyn Goslinski – Ok to how it was way back when Springs Tool, Barcalo and all of them owned it. Ok right gentlemen?

Karl Frizlen – So, there's a state and federal program available where private investors invest into this property and they get a tax write-off because they invest into a historic property.

Evelyn Goslinski – Ok

Karl Frizlen – In return you have to retrofit and renovate the building according to their standards, very strict

Garret Wyckoff – Very much so strict

Karl Frizlen – I am going to come back to the parking because that was the biggest issue at all the community meetings and Kentucky Street too. We are and I said this from day one we are working with you on the street improvements as much as we can. It's going to be a residential street once we are through. Right now it's not a residential street, it's a commercial street on one side and residential on the other side and there's a conflict, I get that because of the carport box guy who is pulling his big semi's in there backwards and barely can make the turn into the loading dock. So, what we are proposing is to have a clear line on the east side of the property, the Barcalo building. There will be granite curving there that the city is going to put the granite curving in there which is all not existing there for the entire block. It's about 500–600 feet and the sidewalk are going to be lined with trees. So, it's going to be a pedestrian friendly area. We also do all the parking inside the building and on our parking lots and I have stated that in these public meetings all the time. We are not relying on curb parking on Kentucky, I have said this in all the meetings but anyways I am here again, this is a 1.5-year construction project that is going to start hopefully in March the latest April. I will be willing to work with you guys and the neighbors on a continuing basis. I am happy to take your input. I have done this in the past. This is our 10th project in the city. We have 10 projects not of that magnitude and Grant knows that and we have done this for the last 15 years. You can check on our website at buffalolofts.com All the properties are listed there, pricing, floor plans and everything. We have been doing this for the last 15 years and basically what initiated us from coming from an architect firm to suddenly doing development is basically that Buffalo is on the upswing and I'm certainly glad. We are not there yet, but we are well underway to make this a better place and that's our overall philosophy and that how we got to this project. We don't want to be a detriment to the community. We want to support the community. We want to support your property values; they will be going up.

Martha Heidinger - They already are and so are our taxes thank you

Karl Frizlen – But they will continue. We will continue working on it then they will flatten out, but they will continue. That's what happened with projects we did on the west side where literally property values doubled right across the street from us. I would like also you to see the benefits that you are getting from a project of that magnitude

Martha Heidinger - My taxes doubled so I don't see a benefit from it doubling again. Thank you.

Grant Lesswing – You want to make a comment?

Patrick Gormley – Yes sir

Evelyn Goslinski - Yes Patrick

Grant Lesswing – State your name

Patrick Gormley - I am director of the Old First Ward Community Association. Karl actually this can be for either of you. So, just to reiterate it's about \$850,000 in sales tax exemptions and you have done other projects. Have you received sales tax exemptions before?

Karl Frizlen – Yes

Patrick Gormley – Do you have approximate amounts?

Karl Frizlen – No not of that magnitude

Patrick Gormley – Ok

Karl Frizlen – It's a percentage based on percentage and this is just a natural project. We have done projects of \$10M-\$12M but not \$34M and we have received

Patrick Gormley – So these are exemptions that you have received for other projects.

Karl Frizlen – Yes. Not all of them but I would say about 50—60% of the projects where we were retrofitting existing buildings and fit the ECIDA's program, yes, we have done it.

Patrick Gormley – I am completely aware as a businessman that you should absolutely apply for every dollar that you may be eligible for. I think as private citizens we would do the same thing for anything that we were doing for our daily lives when doing our taxes. We are obviously going to look for every break that we can get when filing our personal taxes. That being said when a community has a very mix of individuals on a social economic scale when they hear a price tag like that they often want to know if that \$850,000 sales tax is not going back into the community does that adversely affect the quality of our infrastructure, our roads.

Evelyn Goslinski - Right

Patrick Gormley – Our ability to have trees on other streets that aren't Kentucky Street and so those are real concerns amongst our citizens. I guess can you speak to how that money, do you think that money will be generated from other avenues? Can you speak to that? How it might affect the neighborhood outside of the Kentucky Street area.

Garret Wyckoff – So that's sort of where our area of specialty is. The idea is by allowing these projects to pencil out in terms of the dollar values, any ground you lose in terms of sales tax exemptions and things like that gets made up in terms of property taxes in the long term. In terms of infrastructure improvements that part of the project sales tax is generated by tenants within the new project. I think it's along those line and so rather than viewing it as a zero sum if there is this money or it's not. It is sort of a balance of things. You got a larger thing over a longer period of time in exchange for an exemption in the short-term. That is sort of the reason these projects are defined that way.

Patrick Gormley – Ok. I mean that sounds great, that kind of abstract for us. I'm assuming you wouldn't be able to show how its laid out practically

Garret Wyckoff – Sure, if you want to shoot me an e-mail, I can probably pull up some statics to talk about, project awards.

Patrick Gormley – Yeah if you could say in this section of Buffalo or even the section of Cleveland or Baltimore whatever the area is. Maybe we can see a concrete example of how that plays out.

Garret Wyckoff – I don't know if I could give you one specifically to this part of Buffalo or that part of Buffalo. I can talk about projects more generally. Individual projects sometimes are like initial financials and are not necessarily readily available. They are not one of the ones we have done but in terms of the overall impact of these kinds of exemptions there is pretty good amount of data suggesting they generate value to the community in the long term

Patrick Gormley – Ok, thank you

6. ADJOURNMENT:

As there were no further statements and/or comments, the Hearing Officer closed the public hearing at 10:29 a.m.

**SIGN IN SHEET
PUBLIC HEARING**

February 23, 2020 at 10:00 a.m.
at the Erie County Industrial Development Agency's offices
located at 95 Perry Street, Suite 403, Buffalo, New York 14203
regarding:

**Barcalo Buffalo LLC and/or Individual(s) or Affiliate(s),
Subsidiary(ies), or Entity(ies) formed or to be formed on its behalf**

Project Location: 175, 177, 225 and 245 Louisiana Street and 96 Kentucky Street, Buffalo, New York

Name	Company and/or Address	X box to speak/ comment
Martha Heidinger	186 Mackinaw Street Buffalo, New York 14204	X
Evelyn Goslinski	163 Kentucky Street Buffalo, New York 14204	X
Kirsten Klettke	Old 1 st Ward Community Association 62 Republic Street Buffalo, New York 14204	
Karl Frizlen	The Frizlen Group 257 Lafayette Avenue, Suite #102 Buffalo, New York 14213	X
Garret Wyckoff	Urban Vantage 170 Ashland Avenue Buffalo, New York 14222	X
Jacqueline Skinner	O'Connell Avenue	
Patrick Gormley	Old 1 st Ward Community Association 62 Republic Street Buffalo, New York 14204	X