

HARBORcenter Development, LLC

\$172,200,000

INDUCEMENT RESOLUTION

HIGHLIGHTS

- Eligibility: NAICS Section - **53 Real Estate**
- **Tourist Destination**
- **Deviation for retail use**

COMPANY INCENTIVES

- Approximately \$1.2M in mortgage recording tax savings.
- Approximately \$7,500,000 in sales tax savings
- Approximately \$28,000,000 in real property tax abatement. The company is eligible for a ten year PILOT



Project Title: HARBORcenter Development, LLC

Project Address: 75 Main Street
Buffalo, New York 14203
(Buffalo City School District)

SIC/NAICS: 6513/5311110

Agency Request

Real property, sales tax and mortgage tax savings in connection with the construction and equipping of a 650,000 mixed use, regional , tourism destination with hotel and retail.

| | |
|------------------------|-------------------|
| Land Acquisition | \$ 2,200,000 |
| New Construction | \$149,200,000 |
| Equipment | \$ 10,800,000 |
| Soft Costs | \$ 10,000,000 |
| Total Project Cost | \$172,200,000 |

Company Description

HARBORcenter Development, LLC is a Delaware limited liability corporation qualified to do business in New York State. The sole member of the LC is a Second Half, LLC, a Delaware limited liability company, 100% of the membership interests of which are owned by Terry and Kim Pegula.

Project Description

The project involves the design, development and construction of a fully integrated 650,000 sq. ft. development made up of the following:

| | |
|---------------------------|-----------------|
| 2-story hockey arena | 115,000 sq. ft. |
| Full service hotel | 144,000 sq. ft. |
| Five level parking garage | 371,000 sq. ft. |
| Retail and Restaurant | 20,000 sq. ft. |

In 2012 the City of Buffalo sent a request for proposal for the redevelopment of the Webster Block and the HARBORcenter were eventually named as the preferred developer. The property, which has been accepted into the Brownfield Cleanup Program, is within an area of dense commercial and industrial development. The site's previous uses included oil storage, oil refining, machine shop and brass foundry. The BCP encourages the voluntary cleanup of contaminated properties so they can be reused and redeveloped.

HARBORcenter Development, LLC

Overview of the Webster Block Project:

Hockey Complex

The hockey complex (115,000 sq. ft.) as currently envisioned will be built on the 6th and 7th floors of the new building and will consist of two NHL sized ice sheets, 2000 +/- spectator seats, eight locker rooms, administrative and maintenance areas, concession, restrooms and a large concourse.

Parking Area

A five level parking structure will service not only the building but will supplement parking shortages in surrounding area.

Retail and Restaurant

The project will feature retail and restaurant space on the first level with a Main Street entrance.

Hotel

A 200-room, full service, hotel affiliated with the Marriott brand is expected to be operational in April, 2015. It is anticipated that the hotel would be connected via skywalk with the First Niagara Center.

Project Benefits

Tourist Destination

The new hockey facility in addition to the existing First Niagara Center, will make downtown Buffalo market an attractive destination for regional and national hockey tournaments. The City of Buffalo and the Buffalo Sabres organization have already demonstrated to various associations their ability to host and operate successful tournaments such as the 2011 NCAA Frozen Four Tournament and the 2011 IIHF World Juniors Tournament.

The addition of the HARBORcenter will further expand the region's ability to attract and host tournaments ranging from the youth level to collegiate and semi-pro levels. Buffalo's proximity to Canada will also help to attract tournaments on a national and international basis.

As stated by Mr. Pegula in a Business First Article... "This project will further enhance the current development at Canalside and in the process create a destination attraction to draw hundreds of thousands of people to Buffalo's waterfront on a yearly basis. Canalside has seen a rebirth in the past few years and we expect our project to act as a catalyst for future development on the waterfront"

HAROBcenter has provided a analysis of the economic impact of the project (see attached)

As concerns the hotel component, in general, the study indicates the hotel will primarily be serving the market created by the HARBORcenter hockey and entertainment venue.

The developer and the City have discussed allowing a certain amount of ice time at the project to be made available for public skating and community oriented events and the development of skating or hockey programs for the underserved.

Impact on Taxes

| Current Assessment per County records | Current County Taxes | Est. County taxes over abatement period | Current City Taxes | Est. City taxes after over abatement period* |
|---------------------------------------|----------------------|---|--------------------|--|
| \$1,542,000 | \$0 | \$1,193,000 | \$0 | \$6,340,000 |
| Combined Tax Rate: \$34.414 | \$5.447/1000 | | \$28.967/1000 | |

- Assessed value is determined by taken 70% of project construction budget
- Estimated \$5.5M in bed tax revenue over 10 years

HARBORcenter Development, LLC

Employment

The new facility will employ approximately 205 full-time and 160 part-time individuals as broken out below:

| | FULL-TIME | PART-TIME |
|-------------------|-----------|-----------|
| Hotel | 132 | 60 |
| Restaurant | 35 | 35 |
| Rinks | 8 | 20 |
| Parking | 5 | 15 |
| Retail | 25 | 30 |
| TOTALS | 205 | 160 |

Project Incentives

- Approximately \$1.2M in mortgage recording tax savings.
- Approximately \$7,500,000 in sales tax savings
- Approximately \$28,000,000 in real property tax abatement. The company is eligible for a ten year PILOT

Project History

- 2001 BURA transfers property to City of Buffalo.
- 4/2/2012 City issues RFP for Webster Block Development.
- 2012 Buffalo Sabres group chosen as preferred developer.
- 11/15/2012 ESD adopts a Negative Declaration in accordance with SEQRA.
- 2/15/2013 Public hearing conducted. Transcript on file at ECIDA
- 2/19/2013 Lease/Leaseback Inducement Resolution presented to Board of Directors.