

**425 Michigan Avenue, LLC/Compass East**  
**\$21,086,889**  
**INDUCEMENT RESOLUTION**

**HIGHLIGHTS**

- Eligibility: NAICS Section - **53**

**COMPANY INCENTIVES**

- Approximately \$756,612 in sales tax savings
- Real property tax savings will be utilized through the City's 485-a exemption program



Project Title: 425 Michigan Street, LLC/Compass East  
 Project Address: 425 Michigan Avenue  
 Buffalo, New York  
 (Buffalo City School District)  
 NAICS: 5311110

**Agency Request**

A sales tax exemption in connection with the redevelopment of the former Sheehan Hospital

Building Acquisition	\$ 2,125,000
Renovation	16,894,000
Equipment	200,000
Soft Costs	1,867,889
<b>Total Project Cost</b>	<b>\$21,086,889</b>

**Company Description**

425 Michigan, LLC is a single-purpose, real estate holding company formed for the purpose of owning and operating the property formerly known as Sheehan Memorial Hospital, located at 425 Michigan Avenue. The LLC was formed in late 2012 and since focused on maintaining and securing the property, as well as working with neighborhood and local elected leaders to develop a plan for reuse that provides the highest and best use of the asset for the benefit of the City of Buffalo and its East Side neighborhood.

**Project Description**

The applicant was the sole bidder at an auction held by the US Bankruptcy Court on behalf of the former Sheehan Hospital. The facility is a 137,000 sq. ft. hospital building located on 8.4 acres of land along Michigan Avenue and at the foot of Buffalo's East Side neighborhood. The proposed project is designed to transform the property into a community hub focusing on job training, workforce development and employment services under the STEM model (Science, Technology, Engineering and Mathematics). The project includes a back office servicing tenant (Time Warner Cable) and residential units.

Since taking title to the property in November, 2012 McGuire has invested considerable funds in securing the facility and righting its failing mechanical systems.

The project is intended to improve on the quality of life in the Buffalo East Side neighborhood by converting an otherwise outdated building into an innovative community based center focused on job development and accessibility to higher education for area residents.

As a hospital, this facility has been off the tax rolls since it was built in the 70's. Had the applicant not purchased it from Bankruptcy Court, it would have become a mostly empty eyesore and a significant detriment to the growth that is taking place on the Buffalo Niagara Medical Campus, Larkinville, Canalside, Buffalo's City Center and the Michigan Street African American Heritage Corridor, on which the property is situated.

By driving jobs, training and attention to the property, the company believes that a renaissance for this neighborhood is imminent.

IDA benefits will in part facilitate the rehabilitation of the exterior façade, replacement of windows and HVAC systems which are failing or inefficient, as well as renovation of the electrical systems throughout the facility.

**Proposed Tenants:**

Time Warner Cable: Although no lease is signed yet, Time Warner has announced plans to occupy 47,000 sq. ft. and locate a new call center at Compass East. The call center could create as many as 150 new jobs and overall would employ 250-300 workers, including approximately 100 jobs they plan to move from elsewhere in the country.

University Pediatric Dentistry, P.C.: The company will continue to lease approximately 4,588 sq. ft. of space in the facility. They are a provider of oral surgery and pediatric dentistry services. This tenancy, accounting for roughly 4% of the total building, is the only anticipated retail user for the space. The dentistry space has already been built out in 2010 utilizing NYS HEAL Grant dollars as well as funding from the Oishei Foundation. Therefore no project funds will be utilized for constructing this retail space. UPD fits well within the project’s overall goal of serving as a center for workforce development and training. Through its UB Associates, Inc. affiliation, UPD already is a training facility for dental hygiene and dental assisting training programs to serve as a training facility.

TMG: The company will lease approximately 10,000 sq. ft. The McGuire Group, Inc. CNA training facility will be relocating from within the City of Buffalo - currently housed at 560 Delaware Avenue in a building jointly owned by McGuire and Ellicott Development. This entity will be vacating space to make room for expanded operations of its neighboring tenant - McGuire Development Company. TMG provides training for Certified Nursing Assistants.

**Tenants**

Tenant	Sq. ft.	% of Total Sq. Ft.	Spec-Retail-% of Total Sq. Ft.
Time Warner Cable	47,000	34%	0%
TMG	10,000	7%	0%
University Pediatric	5,000	4%	4%
Residential	6,000	4%	0%
Sub Total	68,000	49%	4%
Vacant	69,000	51%	51%
Total Space	137,000	100.00%	55%

**GML Retail Calculation**

Use	Sq. ft.	Cost	% of Total Cost	Spec-Retail-% of Total Cost
Commercial - tenant specific	57,000	\$7,027,904	43.2%	0%
Residential	6,000	\$743,336	4.5%	0%
*Retail-University Pediatric	5,000	\$0	0%	0%
Commercial vacant	69,000	\$8,548,364	52.3%	52.3%
Total	132,000	\$16,894,000	100%	52.3%

\*Not included in total square feet. Space has previously been improved through the use of the NYS HEAL Grant dollars as well as funding from the Oishei Foundation

## RETAIL RESTRICTION/RETAIL IN A HIGHLY DISTRESSED AREA FINDING:

Based on the amount of vacant space the project may represent a retail project in a highly distressed area and according to state law, the ECIDA Board of Directors must make one of the following findings 1) A location or facility which is likely to attract a significant number of visitors from outside the economic development region or 2) the project is located in a highly distressed area.

Based on the census data the Policy Committee recommends this project be approved as a retail project in a highly distressed area.

### Tenant Employment

	At Occupancy Existing Jobs	Projected Over Next 5 Years
Time Warner Cable	170	322
TMG	2	2

### Project Incentives

- Approximately \$756,612 in sales tax savings
- Real property tax savings will be utilized through the City's 485-a exemption program

### Material Terms

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount Total Project Costs = \$21,086,889 85% = \$17,923,855
Employment	Construction Jobs	Total construction jobs = 150 85% of construction jobs = 127
Local Labor	Construction period	Adherence to policy including quarterly reporting
Recapture Period	Greater of 2 years or expiration of sales tax benefit	Recapture of state and local sales tax

Recapture applies to:

- State and local sales taxes

### Recapture

Pursuant to Section 875 of New York General Municipal Law, the agency may recover or recapture from the company any state sales and use tax exemption benefits taken by the company that are in violation of the GML.

In addition it is the recommendation of the ECIDA's Policy Committee to recapture the local share of sales tax.

At completion of project company must certify i) total investment amount equal to or greater than 85% of amount proposed ii) confirm that company has met 85% of its projected construction jobs iii) confirm adherence to ECIDA local labor hiring policy.

### Project History

- |           |   |
|-----------|---|
| 6/28/2013 | Public hearing conducted. Transcript attached.  |
| 7/09/2013 | Public hearing conducted. Transcript on file at ECIDA.  |
| 7/15/2013 | Resolution presented to Board of Directors authorizing adoption of a Negative Declaration in accordance with SEQRA.   |
| 7/15/2013 | Inducement Resolution presented to Board of Directors. Approval is contingent upon the Company executing a lease agreement between the Company and Time Warner Cable. |