

## 5277 Group/Ellicott Development/Arctic Freezer Building \$14,675,000 INDUCEMENT RESOLUTION

### HIGHLIGHTS

- Eligibility: NAICS Section - **53 - Real Estate**

### COMPANY INCENTIVES

- Mortgage recording tax savings equal to 1% of the final mortgage amount estimated to be \$10,800,000. A savings of \$108,000.
- Sales tax savings in the estimated amount of \$526,000
- The City of Buffalo will provide a real estate tax exemption on the improved value through its 485-a exemption program.



Project Title: 5277 Group/Ellicott Development/Arctic Freezer Building  
 Project Address: 199 Scott Street  
 Buffalo, New York 14204  
 (Buffalo City School District)  
 SIC/NAICS: 6513/531110

### Agency Request

A sales tax and mortgage tax exemption in connection with the redevelopment of 199 Scott Street.

Acquisition	\$ 1,150,000
Building Renovations	\$12,025,000
Soft Costs	\$ 1,500,000
 Total Project Cost	 \$14,675,000

### Company Description

5277 Group, LLC is a corporation formed by Ellicott Development Company. Ellicott Development Company is a real estate development company and property management firm with over 30 years of experience. Ellicott Development controls a diverse portfolio of commercial and residential real estate including Class A office space, hotel construction and management, loft style apartments and more.

### Project Description

The project consists of the renovation and adaptive reuse of an 8-story, 126,000 sq. ft. building (including basement) commonly known as the Arctic Freezer Building into a mixed use commercial and residential development. The building, once complete, will include a restaurant, banquet and meeting facilities, professional office space and market rate apartments. This project may also include a crafts brewery on the lower level.

***The project components are as follows:***

Office Space	45,000 sq. ft. (Floors 6,7,8), 2 of 3 floors are close to signing leases, \$1,575,000 for all three floors, \$35/\$40 per sq. ft.
Housing	45,000 sq. ft. (Floors 3,4,5), 27-30 units, \$1,300-\$1,900 per unit, \$3,600,000 for buildout, \$80 per sq. ft.
Commercial	15,000 sq. ft. (2nd floor) - proposed banquet facility, \$330,000, \$25 per sq. ft.
Retail	8,000 sq. ft. (1st floor) restaurants, other retail, common space, \$320,000, \$40 per sq. ft.
Manufacturing	13,000 sq. ft. (basement level) brewery production, \$325,000, \$25 per sq. ft.
 Total	 126,000 sq. ft.

The retail component of the project (banquet facility and restaurants, including common) represents less than 1/3 of the total project cost. This calculation does not take into account the 45,000 sq. ft. of office space as tenants have not yet been identified.

## 5277 Group/Ellicott Development/Arctic Freezer Building

Prior to beginning renovations on the interior, the building will require new windows, roofs, structural repairs and mechanical equipment. Currently there are no window openings on the south, west and a portion of the north elevation. The facility currently lacks direct access to adequate utilities. Some asbestos work has already been done but additional abatement may be required. In addition a portion of the proposed parking area is located on a former railroad right-of-way, which may require environmental remediation.

### Project Benefits

The reuse of a structure which has sat vacant for 20 years and when completed will give a positive first impression as people enter the city.

Erie County will receive full property taxes on the increased value.

### Impact on Taxes

Current Yearly Taxes based on current assessment of \$75,000	New County Revenue over 12 years	New City Revenue over abatement period.	Full taxes to County and City in first year after abatement period expires
\$2,500	\$390,000	\$348,000	\$209,000
Combined Tax Rate: \$34.41			

**\* New assessment is determined by taking 50% of construction budget - or \$6,012,000.**

### Project Incentives

- Mortgage recording tax savings equal to 1% of the final mortgage amount estimated to be \$10,800,000. A savings of \$108,000.
- Sales tax savings in the estimated amount of \$526,000
- The City of Buffalo will provide a real estate tax exemption on the improved value through its 485-a exemption program.

### Employment

\*The developer will hire one person to maintain the property

\* The proposed tenant will retain 63 jobs and anticipates employment levels to reach 78 in the next two years.

### Material Terms

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount - \$12,473,750
Employment	Construction period	85% of projected construction jobs- 86
Local Labor	Construction period	Adherence to policy including quarterly reporting
Recapture Period	The greater of 2 years or termination of sales tax package	Repayment of state & local sales tax & mortgage tax

Recapture applies to:

- State and local sales taxes
- Mortgage recording taxes

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## 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 and mortgage tax.

At completion of project company must certify i) total investment amount equal to or greater than 85% of amount proposed ii) construction job creation within 15% of numbers proposed (102) iii) adherence of ECIDA local labor hiring and iv) a monitoring/recapture period the greater of two years or the date of termination of the sales tax exemption package.

## Project History

- 04/09/2013 City of Buffalo Planning adopts a Negative Declaration in accordance with SEQRA.
- 05/14/2013 Public hearing conducted. Transcript attached
- 05/20/2013 Inducement Resolution presented to Board of Directors.

## GML Retail Calculation

### 5277 Group - Project Cost Breakdown by Uses

	Sq. ft.	Cost	% of Total
Office Space	45,000	\$1,575,000	13.10%
Housing	45,000	\$3,600,000	29.94%
Commercial	15,000	\$330,000	2.74%
Retail	8,000	\$320,000	2.66%
Manufacturing	13,000	\$325,000	2.70%
Demo		\$325,000	2.70%
Base Bldg./site work/ overhead		\$5,550,000	46.15%
	\$126,000	\$12,025,000	100%

### Potential Retail Component:

	Sq. ft.	Cost	% of Total
Office Space	35,000	\$1,223,775	10.18%
Commercial	15,000	\$330,000	2.74%
Retail	8,000	\$320,000	2.66%
Total	58,000	\$1,873,775	15.58%

Less 10,000 sq. ft. for identified tenant

% of total project cost which may be devoted to retail

\* The above table depicts the projected uses and projects costs associates with each use.

In accordance with Section 862 of the New York General Municipal Law, staff has reviewed the project budget and has determined that no more than 1/3 of the total project costs are being expended on facilities or property of the project that are primarily used in making retail sales to customers who personally visit the facility.