

Application Title

Compass East Tax Incentive Application

Section I: Applicant Background Information

Applicant Information - Company Receiving Benefit

Total Project Cost 21086889
Applicant Name 425 Michigan Avenue, LLC
Applicant Address 560 Delaware Avenue, Suite 300, Buffalo, New York 14202
Phone 716-829-1900
Fax 716-885-1319
E-mail dshainbrown@mcguiredevelopment.com
Website
Fed ID#

Individual Completing Application

Name Danielle E. Shainbrown, Esq.
Title Vice President
Address 560 Delaware Avenue, Suite 300, Buffalo, New York 14202
Phone 716-829-1544
Fax 716-885-1319
E-Mail dshainbrown@mcguiredevelopment.com

Company Contact (if different from individual completing application)

Name Same
Title
Address
Phone
Fax
E-Mail

Company Counsel

Name of Attorney Same
Firm Name
Address
Phone
Fax

E-Mail

Identify the assistance being requested of the Agency

Exemption from Sales Tax	Yes
Tax Exempt Financing	No
Exemption from Mortgage Tax	No
Exemption from Real Property Tax	No
Assignment/Assumption of existing PILOT benefits	No

Business Organization

Type of Business	Limited Liability Company
Year Established	2012
State of Organization	New York

List all stockholders, members, or partners with % of ownership greater than 20%

Please include name and % of ownership.

Buffalo Revitalization Group, LLC - 100%.

Business Description

Describe in detail company background, products, customers, goods and services

Applicant is a single-purpose, real estate owning entity formed to own and operate the former Sheehan Memorial Hospital, located at 425 Michigan Avenue, Buffalo, New York 14203. Applicant was formed on December 4, 2012 and since inception has focused on maintaining and securing the building, as well as working with neighborhood and local elected leadership to develop an adaptive reuse plan for the property that provides the highest and best use of this asset for the benefit of the City of Buffalo and its East Side.

Estimated % of sales within Erie County	100
Estimated % of sales outside Erie County but within New York State	0
Estimated % of sales outside New York State	0
Estimated % of sales outside the U.S.	0

What percentage of your total annual supplies, raw materials and vendor services are purchased from firms in Erie County? (You may be asked to provide supporting documentation of the estimated percentage of local purchases)

100%

Section II: Project Description & Details

Location of proposed project facility

Address	425 Michigan Avenue
City	Buffalo
State	New York
Zip Code	14203
SBL Number	111.14-1-2
Town/City/Village	Buffalo
School District	Buffalo
Present Project Site Owner	Applicant

Please provide a brief narrative of the project

Applicant, initially through an affiliated entity, took title to the property on December 5, 2012 following an auction held by the United States Bankruptcy Court on behalf of the former Sheehan Hospital. Applicant was the sole bidder at the auction, and immediately took steps to secure and operate the building so it would remain a viable asset and be returned to the Erie County tax rolls for the first time in over 35 years. Since that time, Applicant has been working with local elected officials, community leaders, and not-for-profit organizations to develop an adaptive reuse plan to convert this 136,000 SF former hospital building into a community center for workforce training and placement services for Buffalo's East Side neighborhood under the STEM model (Science, Technology, Engineering, and Mathematics). These services are to be provided for and on behalf of hiring tenants such as our proposed 47,000 SF anchor tenant, Time Warner Cable Northeast LLC, seeking to add up to 150 new back-office jobs to the Western New York marketplace, The McGuire Group, Inc. and its certified nursing assistant training program ("TMG") which hires and trains approximately 150 new CNAs for its 5 Western New York long-term care facilities, University Pediatric Dentistry, P.C. ("UPD") and its training programs for dental assistants, hygienists, and dentists graduating from the University at Buffalo School of Dental Medicine, as well as prospective training and education programs offered through Trocaire College. Applicant is collaborating with workforce training and placement agencies, the Buffalo Arts and Technology Center, and other community-based entities and organizations fulfilling the above-listed objectives.

Site Characteristics

Is the proposed Project located on a site where the known or potential presence of contaminants is complicating the development/use of the property?

Yes

If yes, please explain

The existing Phase I Environmental Assessment indicates the presence of underground storage tanks and/or historically questionable use of the site (i.e., print and machine shops operating there prior to the construction of the current building). Applicant will comply with all DEC requirements in remediating these conditions on the site.

Has a Phase I Environmental Assessment been prepared, or will one be prepared with respect to the proposed Project Site? (If yes, please provide copy)

Yes

If yes, please provide a copy.

Have any other studies, or assessments been undertaken with respect to the proposed Project Site that indicate the known or suspected presence of contamination that would complicate the site's development?

Yes

If yes, please provide copies of the study.

Will project include leasing any equipment?

No

If yes, please describe equipment and lease terms

If you are purchasing new machinery and equipment, does it provide demonstrable energy efficiency benefits?

No

If yes, please attach additional documentation describing the efficiencies achieved.

Does or will company perform substantial research and development activities on new products/services at the project location?

No

If yes, please explain

What percentage of annual operating expenses are attributed to the above referenced research and development activities?

N/A

Explain why IDA participation is necessary for this project to proceed. Focus on competitiveness issues, project shortfalls, etc.

Participation by the Erie County Industrial Development Agency is critical to the viability of this Project. Applicant was the only willing participant in the Bankruptcy Court's auction of this significant property and thus the only entity willing to put forth the time, effort, and most significantly, monetary investment to seek and achieve a successful reuse for the site. This Project is a regional economic priority for its reuse of a blighted and deteriorating downtown eyesore that has been mismanaged and inappropriately utilized to the detriment of its surrounding community for more than a decade. But for Applicant's purchase of the property, this building would have become a mothballed eyesore, remaining off of Erie County's tax rolls, and it would continue to be a 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 this property is situated. Applicant seeks assistance in the form of a sales tax abatement from the ECIDA in investing significant dollars to redevelop this asset into a center of excellence for career path development that draws the successes from these surrounding areas of growth into Buffalo's East Side neighborhood. To date, this neighborhood and its residents have been overlooked and underserved by the successes going on elsewhere in the City. Through driving jobs, training, and attention to this property, Applicant believes that a renaissance for Buffalo's East Side is not only imminent, but achievable. Unfortunately, the expenses associated with bringing this outdated and mismanaged structure up to standard and to code for the intended mixed-use occupancy, in order to attract those tenants necessary to accomplish Applicant's vision, renders the property financially not viable. Applicant seeks IDA benefits to facilitate rehabilitation of the exterior facade, replacement of windows and HVAC systems which are failing and/or inefficient and/or improper for the intended uses, as well as renovation of the electrical systems throughout the facility. Applicant seeks to bring the property up to par for immediate occupancy, so that it may quickly become a successful, tax contributing property in Buffalo and Erie County.

Project Information**Estimated costs in connection with project****Land and/or Building Acquisition** \$ 2125000

8.64 acres 136000.00 square feet

New Building Construction \$ 0

0.00 square feet

New Building addition(s) \$ 0

0.00 square feet

Renovation \$ 9194000

0.00 square feet

Manufacturing Equipment \$ 0**Non-Manufacturing Equipment: (furniture, fixtures, etc.)** \$ 200000**Soft Costs: (professional services, etc.)** \$ 1867889

Other Cost	\$ 7700000	
Explain Other Costs	Tenant Improvement Expenses	
Total Cost	21086889	
Project Refinancing (est. amount)	10939681	

Select Project Type (check all that apply)

No Industrial	Yes Multi-Tenant	Yes Mixed Use
Yes Acquisition of Existing Facility	Yes Commercial	No Facility for the Aging
Yes Housing	Yes Back Office	No Civic Facility (not for profit)
No Equipment Purchase	Yes Retail	No Other

SIC Code 6512, 6519

NAICS Code 531120

For proposed facility please include # of sq ft for each of the uses outlined below

Manufacturing/Processing	0.00 square feet
Warehouse	0.00 square feet
Research & Development	0.00 square feet
Commercial	44916.00 square feet
Retail	4588.00 square feet
Office	81696.00 square feet
Other	6000.00 square feet
Specify Other	Housing

Utilities and services presently serving site. Provide name of utility provider

Gas	National Fuel Gas	
Electric	National Grid	Size Two 23,000 volt primary fed substations
Water	Buffalo Water	Size 6 inch service
Sewer	Buffalo Sewer	Size 4 inch service

Other (Specify)

If you are undertaking new construction or renovations, are you seeking LEED certification from the US Green Building Council?

No

If you answered yes to question above, what level of LEED certification do you anticipate receiving? (Check applicable box)

<BLANK>

What is your project timetable (Provide dates)**Start date : acquisition of equipment**

2013-06-15

End date : Estimated completion of project

2014-12-30

Project occupancy : estimated starting date of operations

2013-11-01

Have site plans been submitted to the appropriate planning department for approval?

No

Have any expenditures already been made by the company?

Yes

If yes, indicate particulars (ECIDA benefits do not apply to expenses incurred prior to Board approval)

Yes, Applicant purchased the property and its contents at auction for \$2,000,000.00 in December 2012, and since that time has expended several thousand dollars to secure the building, and maintain existing operations including mechanical systems, electric service delivery, interior cleaning, and exterior maintenance.

Is project necessary to expand project employment?

Yes

Is project necessary to retain existing employment?

No

Employment Plan (project location)

	Current Jobs	If project is to retain jobs, number of jobs to be retained	Total # of jobs 2 years after project completion
Full time	0	0	0
Part time	0	0	0
Current Full Time Jobs in other Erie county locations			
0			
Current Part Time Jobs in other Erie county locations			
0			

Payroll Information

Annual payroll

0

Estimated average annual salary of jobs to be retained

0

Average estimated annual salary of jobs to be created

30000

Estimated salary range of jobs to be created

From 20000 **To** 50000

Is the project reasonably necessary to prevent the project occupant from moving out of New York State?

No

If yes, please explain and identify out-of-state locations investigated

See Cover Letter for job details associated with tenant prospects.

Were you offered financial assistance to locate outside of New York State?

No

If yes, from whom and what type of assistance was offered

What competitive factors led you to inquire about sites outside of New York State?

Have you contacted or been contacted by other economic or governmental agencies regarding this project?

No

If yes, please indicate the Agency and nature of inquiry below

Section III: Adaptive Reuse Projects

Are you applying for a tax incentive under the Adaptive Reuse Program?

Yes

What is the age of the structure (in years)?

38.00

If yes, number of years vacant?

10

Has the structure been vacant or underutilized for a minimum of 3 years? (Underutilized is defined as a minimum of 50% of the rentable square footage of the structure being utilized for a use for which the structure was not designed or intended)

Yes

Is the structure currently generating insignificant income? (Insignificant income is defined as income that is 50% or less than the market rate income average for that property class)

Yes

Does the site have historical significance?

No

Briefly summarize the financial obstacles to development that this project faces without ECIDA or other public assistance. Please provide the ECIDA with documentation to support the financial obstacles to development (cash flow projections documenting costs, expenses and revenues indicating below average return on investment rates compared to regional industrial averages)

Applicant took possession of the property in December 2012. For more than a decade prior, this building was inappropriately and inefficiently utilized, based upon its location and the availability of amenities to the surrounding neighborhood. Built as a hospital in the 1970s, the property was decommissioned as a hospital by the Berger Commission and thereafter was converted to use as a detoxification and drug rehabilitation facility, with one floor rented to Schofield Residences for operation of an adult day care facility, and an attempted primary care clinic and dental clinic. Besides the dental and primary care clinics, which were built out in 2009-2010 using NYS HEAL grant monies, the building has not been properly maintained, updated, or operated in more than a decade. The roofing systems, aside from the section of roof located directly over the dental clinic, has deteriorated to the point of requiring full replacement. Likewise, the building's envelope, including its façade and windows, are failing and causing the building to be severely energy inefficient. Applicant seeks an adaptive reuse of the property to meet the community's highest and best use, which is a center for workforce development. Applicant expects that these necessary initial infrastructure improvements will total approximately \$10,000,000, which renders the Project fiscally infeasible to stand on its own. Cash flow projections and infrastructure improvement estimates are attached for the Board's review.

Briefly summarize the demonstrated support that you intend to receive from local government entities. Please provide the ECIDA with documentation of this support in the form of signed letters from these entities

Applicant's representatives have spent a significant amount of time meeting with community members to determine the most appropriate and highest/best use for this Project. Specifically, Applicant has received input and support from the City of Buffalo, by way of Mayor Byron Brown and City Councilman Darius Pridgen; the New York State legislative contingency, including Assemblywoman Crystal Peoples-Stokes and Senator Timothy Kennedy; and our federal legislative contingency, including Senators Charles Schumer and Kirsten Gillibrand and Representative Brian Higgins.

Please indicate other factors that you would like the ECIDA to consider such as: structure or site presents significant public safety hazard and or environmental remediation costs, site or structure is located in a distressed census tract, structure presents significant costs associated with building code compliance, site or structure is presently delinquent in property tax payments

This 136,000 SF building is a dilapidated eyesore for the East Side neighborhood in which it is located and, while at times there were occupants of the building over the past decade, the property has been misused resulting in vagrancy, and/or constructively vacant for a significant period of time. The building's infrastructure has become dilapidated, requiring significant investment to bring it up to not only code compliance but present day operational standards. Likewise, the attached Phase I Environmental Assessment indicates the presence of underground storage tanks, as well as questionable historical uses of the property prior to the hospital's construction, which likely will require remediation by Applicant. This property has not been on the tax rolls for the City of Buffalo or Erie County for over 35 years, but Applicant's plans include returning it to taxable purposes which will not only benefit the surrounding neighborhood, but create a positive revenue stream for the County. Finally, this property is located in a distressed census tract, and more significantly, an area of Buffalo that largely has been overlooked by recent real estate investments and developments to the detriment of its citizens.

Section IV: Retail Determination

Will project involve the sales of goods or services to customers who personally visit the facility?

Yes

If yes, complete the Retail Questionnaire Supplement below.

Will any portion of the project consist of facilities or property that is primarily used in making sales of goods or services to customers who personally visit the project site?

Yes

If the answer is yes, please continue.

What percentage of the cost of the project will be expended on such facilities or property primarily used in making sales of goods or services to customers who personally visit the project?

3.00
%

If the answer to this is **less than 33%** do not complete the remainder of the page and proceed to the next section (Section V: Inter-Municipal Move Determination).

Will the project be operated by a not-for-profit corporation?

No

Is the project likely to attract a significant number of visitors from outside the economic development region in which the project will be located?

No

If yes, please provide a market analysis or other documentation supporting your response.

Would the project occupant, but for the contemplated financial assistance from the industrial development agency, locate the related jobs outside the State of New York?

Yes

If yes, please provide documentation regarding investigation of sites outside New York State.

Is the predominant purpose of the project to make available goods or services which would not otherwise be reasonably accessible to the residents of the project municipality?

No

If yes, please provide a market analysis supporting your response.

Will the project preserve permanent, private sector jobs or increase the overall number of permanent private sector jobs in the State of New York?

Yes

Is the project located in a Neighborhood Redevelopment Area?

Yes

Section V: Inter-Municipal Move Determination

Does this project involve relocation or consolidation of a project occupant from another municipality or abandonment of an existing facility?

Within New York State No

Within Erie County No

If EITHER IS YES, please complete the following. If BOTH ARE NO, please 'save and continue' to the next section (Section VI: Facility Type - Single or Multi Tenant).

The Agency is required by state law to make a determination that Agency assistance is required to prevent the project occupant from relocating out of the state, or to preserve the project occupant's competitive position in its respective industry.

Will the project result in a relocation of an existing business operation from the City of Buffalo?

No

If yes, please explain the factors which require the project occupant to relocate (For example, present site is not large enough, or owner will not renew leases etc.)

What are some of the key requirements the project occupant is looking for in a new site? (For example, minimum sq. ft., 12 foot ceilings, truck loading docs etc...)

Applicant's proposed Project occupant requires significant onsite parking, but prefers an urban location to provide job opportunities to residents of the City of Buffalo. Moreover, the proposed Project occupant requires a minimum of 47,000 square feet of state-of-the-art commercial office space to house a brand new back office commercial service center to facilitate operations in the Northeast United States.

If the project occupant is currently located in Erie County and will be moving to a different municipality, has the project occupant attempted to find a suitable location within the municipality?

No

Is the project reasonably necessary to preserve the project occupant's competitive position in its industry?

No

If yes, please explain and provide supporting documentation

What factors have lead the project occupant to consider remaining or locating in Erie County?

The proposed Project occupant is attracted to Erie County by the readily available workforce, reasonable cost of living standards, and the efforts that Erie County has made to attract national business ventures to expand here.

What is going to happen to the current facility that project occupant is located in?

N/A.

Please provide a list of properties considered, and the reason they were not adequate. (Some examples include: site not large enough, layout was not appropriate, did not have adequate utility service, etc.) Please include full address for locations.

See attached description of the proposed Project occupant.

Section VI: Facility Type - Single or Multi Tenant

Is this a Single Use Facility or a Multi-Tenant Facility?

Multi-Tenant Facility

For Single Use Facility

Occupant Name

Address

Contact Person

Phone

Fax

E-Mail

Federal ID #

SIC/NAICS Code

Multi-Tenant Facility

Please explain what market conditions support the construction of this multi-tenant facility

This property is already constructed, at 136,000 usable square feet.

Have any tenant leases been entered into for this project?

Yes

If yes, please list below and provide square footage (and percent of total square footage) to be leased to tenant and NAICS Code for tenant and nature of business

Section VII: Environmental Questionnaire

General Background Information

Address of Premises

425 Michigan Avenue Buffalo, New York 14203

Name and Address of Owner of Premises

425 Michigan Avenue, LLC 560 Delaware Avenue, Suite 300 Buffalo, New York 14202

Describe the general features of the Premises (include terrain, location of wetlands, coastlines, rivers, streams, lakes, etc.)

This Property is composed of a flat, urban/city block.

Describe the Premises (including the age and date of construction of any improvements) and each of the operations or processes carried out on or intended to be carried on at the Premises

1978 steel structure with concrete decks (including the roof) - Hospital Building.

Describe all known former uses of the Premises

Sheehan Memorial Hospital, Sheehan Health Network (rehabilitation and detoxification services, as well as more recent primary care and dental services), Schofield Residences Adult Day Care program.

Does any person, firm or corporation other than the owner occupy the Premises or any part of it?

Yes

If yes, please identify them and describe their use of the property

Langston Hughes Institute occupies a portion of the first floor as interim administrative office space and storage gratis, but will be vacating their space in July 2013 as Applicant begins remediation and renovation efforts in earnest.

Have there been any spills, releases or unpermitted discharges of petroleum, hazardous substances, chemicals or hazardous wastes at or near the Premises?

No

If yes, describe and attach any incident reports and the results of any investigations

Has the Premises or any part of it ever been the subject of any enforcement action by any federal, state or local government entity, or does the preparer of this questionnaire have knowledge of: a) any current federal, state or local enforcement actions; b) any areas of non-compliance with any federal, state or local laws, ordinances, rules or regulations associated with operations over the past 12 months?

No

If yes, please state the results of the enforcement action (consent order, penalties, no action, etc.) and describe the circumstances

Has there been any filing of a notice of citizen suit, or a civil complaint or other administrative or criminal procedure involving the Premises?

No

If yes, describe in full detail

Solid And Hazardous Wastes And Hazardous Substances

Does any activity conducted or contemplated to be conducted at the premises generate, treat or dispose of any petroleum, petroleum-related products, solid and hazardous wastes or hazardous substances?

No

If yes, provide the Premises' applicable EPA (or State) identification number

Have any federal, state or local permits been issued to the Premises for the use, generation and/or storage of solid and hazardous wastes?

No

If yes, please provide copies of the permits.

Identify the transporter of any hazardous and/or solid wastes to or from the Premises

Identify the solid and hazardous waste disposal or treatment facilities which have received wastes from the Premises for the past two (2) years

Unkn.

Does or is it contemplated that there will occur at the Premises any accumulation or storage of any hazardous wastes on-site for disposal for longer than 90 days?

No

If yes, please identify the substance, the quantity and describe how it is stored

Discharge Into Waterbodies

Briefly describe any current or contemplated industrial process discharges (including the approximate volume, source, type and number of discharge points). Please provide copies of all permits for such discharges

None contemplated.

Identify all sources of discharges of water, including discharges of waste water, process water, contact or noncontact cooling water, and stormwater. Attach all permits relating to the same. Also identify any septic tanks on site

Sewer and storm water waste.

Is any waste discharged into or near surface water or groundwaters?

No

If yes, please describe in detail the discharge including not only the receiving water's classification, but a description of the type and quantity of the waste

Air Pollution

Are there or is it contemplated that there will be any air emission sources that emit contaminants from the Premises?

No

If yes, describe each such source, including whether it is a stationary combustion installation, process source, exhaust or ventilation system, incinerator or other source

Are any of the air emission sources permitted?

No

If yes, attach a copy of each permit.

Storage Tanks

List and describe all above and under ground storage tanks at the Premises used to store petroleum or gasoline products, or other chemicals or wastes, including the contents and capacity of each tank. Please also provide copies of any registrations/permits for the tanks

One empty fiberglass tank (15,000 gallon capacity)

Have there been any leaks, spills, releases or other discharges (including loss of inventory) associated with any of these tanks?

No

If yes, please provide all details regarding the event, including the response taken, all analytical results or reports developed through investigation (whether internal or external), and the agencies which were involved

Polychlorinated Biphenyls ("PCB" or "PCBs") And Asbestos

Provide any records in your possession or known to you to exist concerning any on-site PCBs or PCB equipment, whether used or stored, and whether produced as a byproduct of the manufacturing process or otherwise.

Have there been any PCB spills, discharges or other accidents at the Premises?

No

If yes, relate all the circumstances

Do the Premises have any asbestos containing materials?

Yes

If yes, please identify the materials

Yes. Applicant is in possession of an updated asbestos survey and has commenced soliciting bids from asbestos remediation vendors for the safe and compliant removal of such materials. A copy of the asbestos survey is available for this Board's review.