

**MINUTES OF A MEETING OF THE  
POLICY COMMITTEE OF THE  
ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY**

- MEETING:** February 2, 2017, at Erie County Industrial Development Agency, 95 Perry Street, 5<sup>th</sup> Floor Conference Room, Buffalo, New York
- PRESENT:** Rev. Mark E. Blue, Hon. Johanna Coleman, Colleen DiPirro, Brenda W. McDuffie, Laura Smith, David J. State, Paul V. Vukelic and Maria Whyte
- ABSENT:** Hon. Byron W. Brown, Richard Lipsitz, Jr., John J. Mudie, Hon. Glenn R. Nellis, and Hon. Geoff Szymanski
- OTHERS PRESENT:** John Cappellino, Executive Vice President; Karen M. Fiala, Assistant Treasurer; Robert G. Murray, Secretary
- GUESTS:** Andrew Federick, Erie County Senior Economic Development Specialist; Eric Recoon and John Kicinski, on behalf of Benderson Development; Christopher Less, Joseph Hecht and Mark Romanowski, on behalf of Pierce Arrow, LLC; Alfonse Muto, on behalf of Pine Pharmaceuticals, LLC

In the absence of the presence of the Chair, Ms. McDuffie called the meeting to order at 8:35 a.m.

**MINUTES**

The minutes of the January 5, 2017 Policy Committee meeting were presented. Upon motion made by Ms. DiPirro, and seconded by Rev. Blue, the aforementioned Policy Committee meeting minutes were unanimously approved.

**PROJECT MATRIX**

Mr. Cappellino reviewed the Agency's project matrix. Ms. McDuffie directed that the report be received and filed.

**PROJECT PRESENTATIONS**

570 Associates VI, LLC, Union & French Roads, Cheektowaga, New York. Mr. Cappellino reviewed this proposed sales tax exemption and real property tax abatement benefits project noting that the project involves the demolition of 88,000 sq. ft. of an existing 178,000 sq. ft. retail facility and the renovation of the remaining 90,000 sq. ft. of the facility not otherwise being demolished. When complete, the entire complex will consist of 355,000 sq. ft. spread

amongst four buildings which will be used as a warehouse and distribution complex and because no tenants have yet to be identified, the building will be considered a “spec” project. Mr. Cappellino noted that the site has been vacant for over a decade and recently rezoned for warehouse/light manufacturing uses.

Mr. Cappellino stated that in exchange for providing the sales tax exemption and real property tax abatement benefits, the approval of this project will be conditioned upon adherence to certain material terms and conditions with respect to potential modification, recapture and/or termination of financial assistance as follows:

**Draft Recapture Material Terms**

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount. Total Project Amount = \$20,745,000 85% = \$16,633,250
Employment	Coincides with 7-Year PILOT	Maintain Base = Create 85% of Projected Projected = 124 85% = 105
Local Labor	Construction Period	Adherence to policy including quarterly reporting
Pay Equity	Coincides with 7-Year PILOT	Adherence to policy
Unpaid Tax	Coincides with 7-Year PILOT	Adherence to policy
Recapture Period	Coincides with 7-Year PILOT	Recapture of state and local sales taxes and real property taxes

Mr. Reoon and Mr. Kicinski provided a presentation of the project to Policy Committee members.

Ms. Whyte thanked the company for their presentation and acknowledged the financial risk associated with a speculative project being built without any commitment of tenants. Ms. Whyte then questioned as to how job estimates were calculated. Mr. Reoon stated that based on the end use, jobs were estimated on a per square foot basis relative to other spec warehouse distribution facility projects.

Ms. McDuffie commented that the project is consistent with the regional economic development plan calling for an increase in warehouse and logistic based projects. Ms. McDuffie then asked if the jobs will be new jobs or jobs transferred from other facilities. Mr. Reoon responded that the company anticipates these will be new jobs not otherwise transferred from other facilities.

Mr. State asked the company how it is proceeding with the two other spec warehouse distribution facilities that received Agency financial assistance in the prior year. Mr. Reoon

stated that the Buell Road facility will be completed by mid-2017 and the company is currently negotiating a lease with a single end user. With respect to the Broadway facility, Phase I of that project is 100% leased and half of Phase II is completed but no tenants have been identified yet.

Ms. DiPirro moved and Mr. Blue seconded to approve of the project. Ms. McDuffie called for the vote and the project was unanimously approved.

Pierce Arrow, LLC, 1685-1721 Elmwood Avenue, Buffalo, New York. Mr. Cappellino stated that his wife is an employee of the architectural firm retained by the company and as such Mr. Cappellino noted he will recuse himself from the day-to-day issues and discussions of this project. Ms. Fiala then presented this proposed sales tax and mortgage recording tax exemption benefits project associated with the renovation of the historic Pierce Arrow Administration Building and garages where the contemplated automobiles were stored and tested prior to shipping. Ms. Fiala explained that the development plan includes a small addition and the renovation of the office facility into 105 loft style apartments with both indoor and outdoor parking. Approximately 10,000 sq. ft. of commercial space will be provided on the second floor and a very small retail component will be provided to support tenants including a laundry facility.

Ms. Fiala stated that in exchange for providing the sales tax exemption and mortgage recording tax exemption benefits, the approval of this project will be conditioned upon adherence to certain material terms and conditions with respect to potential modification, recapture and/or termination of financial assistance as follows:

**Draft Recapture Material Terms**

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount. Total Project Amount = \$28,825,000 85% = \$24,501,250
Employment	Coincides with recapture period	Create 85% of Projected Projected = 2 85% = 2
Local Labor	Construction Period	Adherence to policy including quarterly reporting
Pay Equity	Same as recapture period	Adherence to policy
Unpaid Tax	Same as recapture period	Adherence to policy
Recapture Period	2 years after project completion	State and local sales taxes and mortgage tax

Mr. Less and Mr. Romanowski then spoke on behalf of the company and the project. Mr. Romanowski stated that significant challenges are involved with rehabilitating the facility which has been largely vacant and under-utilized over the prior 10 years including contamination and asbestos issues and significant costs to undertake the historic rehabilitation of the facility.

Mr. Hecht then spoke on behalf of the company stating that he had owned the building from 2005-2016 but over that period, continually lost commercial tenants and was unable to earn rental revenues to allow him to continue using the facility as a commercial building. Because of the loss of commercial tenants and inability to maintain significant commercial tenant rental rates, he was forced to identify a reuse of the facility for residential purposes and by using historic tax credits and Brownfield Clean-up Program Tax Credits, investors are now able to take significant risk to rehabilitate and revitalize the building into residential units.

Ms. Smith commented on the difficulties and significant risk of reusing this historic structure. Ms. Smith also noted that the building is located in a highly distressed census tract and that by bringing a new high-end market rate facility online within this neighborhood that has a significant number of low-income residential units, there will be a very positive impact to the community in this general area of the city.

Ms. Whyte thanked the company for its presentation and asked if the company considered allowing for affordable housing options. Mr. Hecht responded that the company retained low-income housing tax credit experts and spent significant time and money analyzing whether affordable housing tax credits could generate a return. However, all models suggested that there would be a loss because of the significant historic restoration costs.

There being no further discussion, Ms. McDuffie asked for a motion to send this project for approval to the Agency Board of Directors. Ms. Whyte moved and Ms. Smith seconded to approve of the project. Ms. McDuffie called for the vote and the project was unanimously approved.

Pine Pharmaceuticals, LLC, 355 Riverwalk Parkway, Tonawanda, New York. Mr. Cappellino presented this proposed sales tax exemption, real property tax abatement and mortgage recording tax exemption benefits project involving the construction of a new 25,000 sq. ft. manufacturing facility to accommodate current and future growth of the company. Significant equipment purchases will also be made to equip the new clean rooms.

Mr. Cappellino stated that in exchange for providing the sales tax exemption benefit, the mortgage recording tax exemption benefit and the real property tax abatement benefit, the approval of this project will be conditioned upon adherence to certain material terms and conditions with respect to potential modification, recapture and/or termination of financial assistance as follows:

### Draft Recapture Material Terms

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount. Total Project Amount = \$5,600,000 85% = \$4,760,000
Employment	Coincides with 10-Year PILOT	Maintain Base = 15 Create 85% of Projected Projected = 12 85% = 10 Recapture Employment = 25
Local Labor	Construction Period	Adherence to policy including quarterly reporting
Pay Equity	Coincides with 10-Year PILOT	Adherence to policy
Unpaid Tax	Coincides with 10-Year PILOT	Adherence to policy
Recapture Period	10-Year PILOT term	Real Property Taxes State and Local Sales Taxes Mortgage Recording Taxes

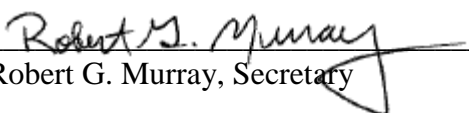
Mr. Muto then spoke on behalf of the company and provided additional background with respect to the proposed project.

Ms. Whyte moved and Ms. Smith seconded to approve of the project. Ms. McDuffie called for the vote and the Committee members unanimously resolved to approve of the project and send this project to Agency Board members for final approval.

Ms. Smith then queried as to why the Niagara Blower matter was not being discussed at today's Policy Committee meeting. Ms. McDuffie responded that the Agency has received correspondence from Niagara Blower asking the Agency to approve of the sales tax recapture option #3 and at this point in time Ms. McDuffie stated that she anticipates that the matter will be sent back to the ECIDA Board to accept the request by Niagara Blower to recapture sales tax as described in option #3. Ms. McDuffie also stated that she will ask Policy Committee members to consider recapture issues that arise as a result of global impacts on a company and this will be discussed at future Policy Committee meetings.

There being no further business to discuss, Ms. McDuffie adjourned the meeting at 9:35 a.m.

Dated: February 2, 2017

  
 Robert G. Murray, Secretary