

Buffalo Urban Development Corporation

95 Perry Street • Suite 404
Buffalo, New York 14203

phone: 716-856-6525

fax: 716-856-6754

web: buffalourbandevelopment.com



Downtown Committee Meeting

Tuesday, January 12, 2016

12:00 Noon

Mayor's Office of Strategic Planning

901 City Hall, Buffalo, NY

Agenda

1. Approval of Meeting Minutes from December 8, 2015 *(Action)(Encl.)*
2. BBRP Loan Program – Phoenix Brewery Loan *(Action)(Encl.)*
3. BBRP Loan Program - Amended Loan Committee Structure *(Action)(Encl.)*
4. BBRP Loan Program – Program Updates *(Information)*
5. Downtown Infrastructure – Project Updates *(Information)*
6. Queen City Pop Up *(Information)*
7. Downtown Development Guide *(Information)*
8. Buffalo Place Updates *(Information)*
9. Buffalo Niagara Medical Campus Updates *(Information)*
10. Buffalo Green Code & Brownfield Opportunity Areas *(Information)*
11. Adjournment *(Action)*

**Minutes of the Meeting
of the
Downtown Committee
of
Buffalo Urban Development Corporation**

**Mayor's Office of Strategic Planning
901 City Hall
Buffalo, New York
December 8, 2015
12:00 p.m.**

Committee Members Present:

James W. Comerford
Dottie Gallagher-Cohen
Brendan R. Mehaffy (Committee Chair)
Steven J. Stepniak

Committee Members Absent:

Thomas Dearing
Benjamin N. Obletz
Rev. Darius G. Pridgen

Officers Present:

Peter M. Cammarata, President
David A. Stebbins, Executive Vice President
Brandy Merriweather, Vice President
Kevin J. Zanner, Secretary

Guests Present: Daniel Leonard, Buffalo Niagara Partnership; Michael Schmand, Buffalo Place, Inc.; and Gary Witulski, City of Buffalo Office of Strategic Planning.

Roll Call: The Secretary called the roll at 12:10 p.m. A quorum of the Committee was not present. The Committee Chair requested that Ms. Merriweather present an update regarding the BBRP loan fund capital campaign. Mr. Stepniak joined the meeting during the update, at which time a quorum of the Committee was present. Ms. Gallagher-Cohen left the meeting following the presentation of item 6.0.

- 1.0 Approval of Minutes of the November 10, 2015 Meeting** –The minutes of the November 10, 2015 meeting of the Downtown Committee were presented. Ms. Gallagher-Cohen made a motion to approve the meeting minutes. The motion was seconded by Mr. Comerford and unanimously carried.

- 2.0 BBRP Loan Program – Funds Custodian & Administration Agreement** – Ms. Merriweather presented her December 8, 2015 memorandum to the Committee regarding the BBRP loan program and the Funds Custodian and Administration Agreement (the "Funds Custodian Agreement"). Ms. Merriweather outlined the framework of the BBRP Loan Program and the Funds Custodian Agreement, the principal terms of which are set forth in the December 8th memorandum. She noted that the most significant change from when this matter was first presented to the Board in February is that the participating lenders will receive quarterly interest payments for monies lent into the Fund at an interest rate of LIBOR plus 1%. Mr. Zanner then reviewed specific details relating to the legal structure of the fund. A discussion of the item followed. Mr. Stebbins noted that the interest rate that will be charged on project loans is higher than the rate that will be paid to the participating lenders. Ms. Gallagher-Cohen commended Patrick MacKrell, President of the New York Business Development Corporation (NYBDC) for his work in bringing the participating lenders on board to participate in the fund.

At the conclusion of the discussion, Ms. Gallagher-Cohen made a motion to recommend that the Board of Directors approve the Funds Custodian and Administration Agreement consistent with the terms presented in the December 8, 2015 memorandum to the Downtown Committee and authorize the President or Executive Vice President to execute and deliver the Funds Custodian and Administration Agreement and such other documents or agreements as may be necessary or appropriate to implement the Loan Program. The motion was seconded by Mr. Comerford and unanimously carried.

- 3.0 **BBRP Loan Program – Amended Underwriting Services Agreement** – Ms. Merriweather presented her December 8, 2015 memorandum to the Downtown Committee regarding the Amended and Restated Underwriting Services Agreement between NYBDC and BUDC. Ms. Merriweather reviewed with the Committee the substantive amendments to the Underwriting Services Agreement. Excelsior Growth Fund (EGF) will provide loan processing services as the fund administrator. Ms. Gallagher-Cohen made a motion to recommend that the Board of Directors approve the Amended and Restated Underwriting Services Agreement. The motion was seconded by Mr. Comerford and unanimously carried.
- 4.0 **BBRP Loan Program – Third Party Agreement** – Mr. Zanner noted that this agreement documents the monetary commitment of the participating lenders to the Loan Fund, and is in the form of a loan agreement between NYBDC and the participating lenders. BUDC may be added as a party to this agreement solely for the purpose of subordinating claims against NYBDC in favor of the participating lenders.
- 5.0 **Downtown Infrastructure Updates** – There was no update for this item.
- 6.0 **Downtown Development Guide** – Ms. Merriweather reported on positive response and feedback to the local release of the downtown development guide. Local print and television media provided coverage. The guide will be released nationally next week.
- 7.0 **Queen City Pop Up** – Ms. Merriweather updated the Committee regarding the Queen City Pop Up Retail program. The “Small Business Saturday” event on November 28th was a success and helped drive additional business to Main Street retailers, including Queen City Pop Up program participants. She noted that the program runs through December 24th.
- 8.0 **Buffalo Place Updates** – There was no update for this item.
- 9.0 **Buffalo Green Code & Brownfield Opportunity Areas** – There was no update for this item.

Adjournment – There being no further business to come before the Downtown Committee, the December 8, 2015 meeting of the BUDC Downtown Committee concluded at 1:40 p.m.

Respectfully submitted,


Kevin J. Zanner, Secretary

Buffalo Urban Development Corporation

95 Perry Street • Suite 404
Buffalo, New York 14203

phone: 716-856-6525

fax: 716-856-6754

web: buffalourbandevelopment.com



Item 2

MEMORANDUM

TO: BUDC Downtown Committee

FROM: Brandye Merriweather, Vice President

SUBJECT: Phoenix Brewery Apartments Project Loan Report (Phoenix Brewery Apartments, LLC)

DATE: January 12, 2016

On May 12, 2015, the Downtown Committee recommended The Phoenix Brewery Apartments project for a \$750,000 loan from the BUDC's Buffalo Building Reuse Program. The proposed BUDC loan has been reviewed and underwritten by New York Business Development Council on behalf of the BUDC. A copy of NYBDC's Consideration Memorandum is enclosed.

Among other conditions, the BUDC financing will include both Workforce and M/WBE goals of 25% for the project.

ACTION

Therefore, we are requesting the Downtown Committee to consider approval of a recommendation to the Board to approve the loan for this project financing.

Consideration Memo

To: BUDC Loan Committee

From: Michael A Taylor

Date: 12-4-2015

Re: Phoenix Brewery

Loan Amount \$750,000
 Referral Source Stan Janicki, Five Star Bank
 Term 3 Years Interest Only
 Rate P + 2.0%

BUDC is being asked to consider financing to be used to renovate the building located at 835 Washington Street in Buffalo, NY (also known as The Phoenix Brewery Building). The upper floors have been vacant for some time with the owners looking to convert the top floors into residential loft style apartments with the first floor and basement area to retain the existing hair salon and the remaining space to be converted into parking. The principal purchased the property for \$1,785,000 via cash. The permanent financing is set in place in order to reimburse the cash equity which the owner will then use to invest in additional renovation projects in the future.

Five Star Bank has provided an appraisal completed February 2015 providing for an Upon Completion value of \$6,070,000. The bank has approved and closed on a \$4,500,000 construction loan which will convert to a permanent mortgage upon completion of the renovations. The term and amortization mirror the terms of the bank's loan. This results in a LTV of 86.5% for the BUDC loan.

Details of the project are noted below.

BUFFALO URBAN DEVELOPMENT CORPORATION

DATE	1/4/16	LENDER	Michael Taylor	ANALYST	Chris Levy
				EXPOSURE:	\$750,000

RESOLVED that at the Loan Committee Meeting held ____ that this loan was approved subject to the following:

BORROWER INFORMATION

BORROWER:	The Phoenix Brewery Apartments, LLC	ESTAB	3/12/2014	TYPE	LLC
ADDRESS	835 Washington Street	STATE	NY	ZIP	14203
CITY	Buffalo	COUNTY	Erie	TEL	716-220-8468
TYPE OF BUSINESS	Lessors of Nonresidential Buildings (except Miniwarehouses)	SBA NAICS #	531120	RISK RATING	3
NAICS PERF	11.01% / 0.92%	FRANCHISE PERF	N/A	OC ANNUAL REV	N/A

The sources and uses of funds is as follows:

POLICY EXCEPTION – NONE

Uses of Funds:

Existing Building	\$1,785,000
Renovations	3,926,300
Construction Contingency	200,000
Total	\$5,911,300

Sources of Funds:

Five Star Bank	\$4,500,000
BUDC	750,000
Equity	661,300
Total	\$5,911,300

EQUITY SOURCE	Personal Cash			MINORITY CODE	(7) Caucasian
JOBS EXISTING	3	JOBS CREATED	0	JOBS RETAINED	0
<u>LOAN INFORMATION</u>					
LOAN AMOUNT	\$750,000		PURPOSE	Renovate Existing Building	
BUDC PORTION	\$750,000		LEAD LENDER	BUDC	
PARTICIPANT PORTION	N/A		PARTICIPANT	N/A	
TERM/AMORT. (YRS)	3 Years Interest Only		GOVT GUAR/TYPE/%	N/A	
REF. BY			REF. FEE	N/A	COUNSEL Diane Church
INITIAL DATE OF CONTACT			DATE OF SITE VISIT		
<u>INTEREST RATE & REPAYMENT TERMS</u>					
FUNDING SOURCE	BUDC		Interest Rate	Prime + 2.00%	
LOAN TYPE	BUDC		Fixed	X	
R/COF/SPR	5.50%		Variable	Interval	N/A
PAYMENT TERMS	P&I		P+I	INT. ONLY	3 Years
EST. MONTH. PMT	\$3,437.50		PKG. FEE	0.00	Comm. Fee \$7,500
<u>COLLATERAL</u>					
COMMERCIAL RE	2 nd mortgage, inclusive of an assignment of rents and leases, on the commercial property located at 835 Washington Street, Buffalo, NY subject to a 1 st mortgage held by Five Star Bank in the amount of \$4,500,000.				
APPRAISAL REQ.	\$6,070,000	LTV	80%	ENVIRONMENTAL	Phase I
BUSINESS ASSETS	N/A				
OTHER	N/A				
GUARANTORS	Nicholas Sinatra Sinatra and Company Real Estate, LLC				
LIFE INSURANCE	Assignment of life insurance on the life of Nicholas Sinatra in the amount of \$750,000.				
Recommended by: _____					

I. PROJECT DESCRIPTION:

- The Phoenix Brewery Apartments, LLC was formed in 2014 to hold title to property located at 835 Washington St in Buffalo, NY. Phoenix is primarily owned by Sinatra and Company Real Estate LLC (52%). Sinatra & Company Real Estate, LLC is equally owned by Sinatra & Company Housing Group, LLC and KLP Enterprises LLC. Sinatra & Company Housing Group, LLC is owned by Nicholas Sinatra (44%), KLP Enterprises LLC (50%), and Mark Campanella (6%). KLP Enterprises LLC is held various trusts within the Pritzker-Vlock family. Mr. Sinatra is the primary owner of The Phoenix Brewery Apartments, LLC and will provide his personal guarantee. The remaining shares are split 24% by Matt Connors via his 100% ownership in MDC Retail and 24% by Daniele Lewis via 100% ownership in Maggie Bear Buffalo. It is noted that while the two minority owners do have more than 20% ownership in the borrowing entity, the first mortgage lender (Five Star) did not require their guaranties. As such, they will not be required for the BUDC loan. The personal guaranty of Mr. Sinatra is required for both the Five Star first mortgage and the BUDC second mortgage.
- In 2009, Nicolas Sinatra founded a real estate investment company focusing on the Western New York market called Sinatra and Co., LLC. The business invests in distressed multi-family and retail real estate. Since inception it has acquired over 600 apartment units and over 650,000 sf of commercial space.
- The subject property located at 835 Washington St, Buffalo, NY was acquired by the borrower on 4/24/14 for \$1,785.0 and was paid with cash.
- At time of purchase the property consisted of 0.36 acres of land improved by a 41,545 sf multi-use property with two retail units on the first floor and the upper three floors empty shell space. The project calls for a renovation of the existing property to retain one 480 sf commercial space (currently leased as a hair salon) and complete renovation of the remaining space into 31 residential apartments. In addition the partial basement and a section of the first floor will be converted into 24 indoor parking spaces with mechanical areas, bike storage and small tenant storage areas. The first floor will contain a front vestibule, interior common hallway, eleven apartment units, a common area fitness center for tenants, and the existing 480 sf hair salon. The second floor will contain eleven apartment units while the third floor will contain nine apartment units.
- The building is currently being renovated via the use of a \$4,500.0 Five Star mortgage and owners' equity. The BUDC loan is to be used to fund the amount of the project not covered by the Five Star bank loan. The Five Star mortgage provides for a construction loan with a rate of Prime + 0.5% and a permanent loan with a five year term and a twenty year amortization. The rate is to be fixed at the FHLB rate plus 290 bps (estimated presently to be 5.0%).
- **The proposed BUDC loan will be three years of interest only payments with a balloon payment due at maturity. The loan will reimburse the principal for funds already injected into the project for the building acquisition.**

Loan Disbursement

- The borrower purchased the property for \$1,785.0 which is being considered as the equity requirement for the property. The BUDC loan will be used to refund \$750.0 of this amount which will allow the borrower to fund additional projects.

II. HISTORY & BACKGROUND:

- The company will manage the commercial and residential property located at 835 Washington Street, Buffalo, NY. The property will consist of two commercial spaces and 31 residential apartments.
- The tenants will be responsible for heat, electric, cable, and internet access. All units will feature luxury finishes catering to professionals who work in the nearby Buffalo Medical Campus and other downtown students, residents, and employees. The facility will also contain 25 indoor parking spaces and there are ample surface spaces. Amenities include stainless steel refrigerators, oven, and microwave. Washers and dryers will be provided on each floor.

RESOLUTION OF THE DOWNTOWN COMMITTEE AS THE INTERIM LOAN COMMITTEE OF BUFFALO URBAN DEVELOPMENT CORPORATION (“BUDC”) RECOMMENDING APPROVAL BY THE BOARD OF DIRECTORS OF A LOAN IN AN AMOUNT NOT TO EXCEED \$750,000 THROUGH THE BUFFALO BUILDING REUSE LOAN PROGRAM TO THE PHOENIX BREWERY APARTMENTS, LLC TO REIMBURSE THE PHOENIX BREWERY APARTMENTS, LLC FOR A PORTION OF COSTS INCURRED IN CONNECTION WITH THE ACQUISITION OF THE FORMER PHOENIX BREWERY FACILITY LOCATED AT 835 WASHINGTON STREET, BUFFALO, NEW YORK WHICH IS TO BE RENOVATED AND CONVERTED INTO MARKET-RATE APARTMENTS OR TO FUND OTHER PROJECT-RELATED COSTS

WHEREAS, BUDC is the beneficiary under a Grant Disbursement Agreement between New York State Urban Development Corporation d/b/a Empire State Development, as grantor, and the City of Buffalo, as grantee, for the City of Buffalo - Building Reuse Upstate City-by-City Capital Project, Project Number X956 (the “Grant Agreement”) the proceeds of which are being used to fund the BUDC’s Buffalo Building Reuse Loan Program (the “Loan Program”); and

WHEREAS, the BUDC Board of Directors previously adopted its Buffalo Building Reuse Loan Program Policy Guidelines and Operating Plan (the “Program Guidelines”) and by resolution dated June 25, 2013, designated the Downtown Committee of BUDC to act as the interim loan committee (the “Loan Committee”) to make recommendations to the BUDC Board of Directors regarding loans presented to the Committee, with final approval of all loans reserved to the BUDC Board; and

WHEREAS, The Phoenix Brewery Apartments, LLC (the "Company") has submitted an application to BUDC for a loan from the Loan Program in an amount up to \$750,000 to be used to reimburse the Company for a portion of the costs associated with the acquisition of the former Phoenix Brewery facility located at 835 Washington Street, Buffalo, New York (the “Premises”) which is to be renovated and converted to approximately 31 market-rate apartments, with first-floor commercial space and tenant amenities (the “Project”), or to fund other Project-related costs; and

WHEREAS, the requested loan complies with the Grant Agreement and the Program Guidelines; and

WHEREAS, BUDC has contracted with New York Business Development Corporation (“NYBDC”) to underwrite loans in connection with the Loan Program and NYBDC has submitted a loan report to the Loan Committee with respect to the Company’s application (the “Loan Report”) and additional documentation relating to the Project; and

WHEREAS, the Company is constructing the Project with financing in the amount of \$4,500,000.00 provided by Five Star Bank, as described in the Loan Report; and

WHEREAS, the Loan Committee has reviewed the foregoing documentation and an

NYBDC representative has presented the proposed Loan to the Loan Committee.

NOW, THEREFORE, THE LOAN COMMITTEE OF THE BUFFALO URBAN DEVELOPMENT CORPORATION HEREBY RESOLVES AS FOLLOWS:

Section 1. Subject to the conditions contained in this resolution, a loan in an amount not to exceed \$750,000.00 (the "Loan") to the Company for the purpose of reimbursing the Company for a portion of costs incurred in connection with the acquisition of the Premises, funding construction of the Project or to fund other Project-related costs, all as more particularly described in the Company's application and in the Loan Report, is hereby recommended for approval by the BUDC Board of Directors.

Section 2. The Loan Committee recommends that the Loan be made on the terms outlined in the Loan Report and be subject to the requirements of the Grant Agreement and the Program Guidelines and that the Loan documents include workforce and M/WBE goals of 25% for the Project.

Section 3. The Loan Committee recommends that the Loan be secured by a second mortgage lien and assignment of rents and leases on the Premises (subject only to a first mortgage and assignment of rents and leases held by Five Star Bank) and a lien on and security interest in all of the accounts, inventory, furniture, fixtures and equipment and other personal property assets of the Company, subject only to a prior lien, if any, held by Five Star Bank.

Section 4. The Loan Committee recommends that the Loan be guaranteed by the personal guaranty of Nicholas A. Sinatra and the guaranty of Sinatra and Company Real Estate, LLC and that the Loan be secured by a collateral assignment of a life insurance policy on the life of Nicholas A. Sinatra in an unencumbered face amount not less than \$750,000.00.

Section 5. This Resolution shall take effect immediately. A copy of this resolution shall be provided to the BUDC Board of Directors as part of its consideration of the proposed Loan.

Adopted: January 12, 2016

Buffalo Urban Development Corporation

95 Perry Street • Suite 404
Buffalo, New York 14203

phone: 716-856-6525
fax: 716-856-6754
web: buffalourbandevelopment.com



Item 3

MEMORANDUM

TO: BUDC Downtown Committee

FROM: Brandye Merriweather, Vice President

SUBJECT: BBRP Loan Program – Amended Loan Committee Structure

DATE: January 12, 2016

On May 26, 2015, the BUDC Board of Directors approved a resolution to create a new BUDC Loan Committee to review and approve loan applications for real estate developers seeking funding as part of the Buffalo Building Reuse Project. (A copy of the Board Resolution is attached for reference.) The formation of the new Loan Committee was a condition of funding from the private banks for BUDC's expanded loan program. The previously approved Loan Committee consisted of:

- Three (3) members from financial institutions participating in the Buffalo Building Reuse Loan Program (BBRLP);
- One (1) BUDC Board member;
- Three (3) members from development-related professions appointed by the Downtown Committee Chairman.

Following continued negotiations with the five (5) participating banks, they have requested a modification to the previously approved Loan Committee structure. The primary reason for the requested modification is to have representation from all five participating banks on the Loan Committee.

The proposed new BUDC Loan Committee would be comprised of eight (8) members drawn from the following:

- Five (5) members from financial institutions participating in the BBRLP;
- One (1) representative of the Mayor's Office of Strategic Planning;
- One (1) BUDC Board member;
- One (1) member from a development-related profession appointed by the BUDC Downtown Committee Chairman.

Consistent with the May 26, 2015 resolution, the Downtown Committee has served as BUDC's ad hoc loan committee, making loan recommendations to the BUDC Board. The Downtown Committee will continue to serve in that capacity until the BUDC Loan Committee members are appointed.

Once the new BUDC Loan Committee members are appointed, the Downtown Committee will be relieved of its current loan review duties, but will continue to make recommendations on a project's alignment with BBRP goals and policy. All new loans reviewed by the new BUDC Loan Committee will remain subject to the final approval of the BUDC Board of Directors.

ACTION

We are requesting that the Downtown Committee make a recommendation to the BUDC Board of Directors to approve the amended BUDC Loan Committee structure to be comprised of five (5) members from the participating financial institutions of the BBRLP; one (1) representative of the Mayor's Office of Strategic Planning; one (1) BUDC Board member; and one (1) member from a development-related profession appointed by the BUDC Downtown Committee Chairman. We are also requesting that the Downtown Committee recommend that the amended BUDC Loan Committee structure be reflected in the BBRLP Loan Policy & Procedures and other documents related to the BBRLP.

**RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
BUFFALO URBAN DEVELOPMENT CORPORATION
REGARDING THE FORMATION OF
A LOAN COMMITTEE**

WHEREAS, the Board of Directors previously authorized BUDC to commit the \$3M City-by-City loan fund as public sector matching funds for the creation of an institutional loan fund for the Buffalo Building Reuse Project (“BBRP”); and

WHEREAS, the institutional loan fund will leverage private bank funding to provide additional support for the extraordinary costs associated with the adaptive reuse of vacant and underutilized structures in downtown Buffalo; and

WHEREAS, the Downtown Committee presently serves as the interim loan committee of BUDC; and

WHEREAS, at the May 11, 2015 meeting of the Downtown Committee, the Downtown Committee reviewed a proposal to form a new BUDC loan committee for the institutional loan fund and issued a recommendation that the Board of Directors form a new loan committee, and to include among its membership representatives from the private lender institutional participants in the loan fund; and

WHEREAS, the Board of Directors desires to form a loan committee in accordance with the recommendation of the Downtown Committee.

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of Buffalo Urban Development Corporation as follows:

Section 1. The Board of Directors hereby forms a “committee of the corporation” known as the BUDC Loan Committee. The BUDC Loan Committee shall have the authority to review and approve loan applications and to present recommendations to the Board of Directors regarding loan approvals and loan modifications. The Loan Committee may also provide informal input to BUDC staff regarding loan work-out strategies and other loan program matters, and shall also have such other authority, duties and powers as may be expressly delegated to the Loan Committee by resolution of the Board.

Section 2. The BUDC Loan Committee shall be comprised of seven members: one BUDC Board member appointed by the BUDC Board; three representatives from financial institutions that are participating in the institutional loan fund program, as recommended by the applicable financial institution and confirmed by the BUDC Board; and three persons from development-related professions appointed by the Chair of the Downtown Committee. All members of the BUDC Loan Committee shall serve at the pleasure of the Board.

Section 3. The Downtown Committee shall continue as the interim loan committee of BUDC until such time as the Board of Directors has appointed members to the BUDC Loan Committee. Once the members of the BUDC Loan Committee are appointed, the Downtown Committee shall no longer serve as the interim loan committee, but shall continue its role of making recommendations to the BUDC Board of Directors regarding project alignment with BBRP goals and policy.

Section 4. This Resolution shall take effect immediately.

Dated: May 26, 2015