

Minutes of the Real Estate Committee Meeting
Buffalo Urban Development Corporation
95 Perry Street
Buffalo, New York 14203
December 12, 2017
12:00 p.m.

Call to Order

Committee Members Present:

Janique S. Curry
Thomas A. Kucharski
Brendan R. Mehaffy
Dennis M. Penman
Craig A. Slater (Chair)
Maria R. Whyte

Committee Members Absent:

Kimberley A. Minkel

Officers Present:

Peter M. Cammarata, President
David A. Stebbins, Executive Vice President
Brandye Merriweather, Vice President
Mollie M. Profic, Treasurer
Kevin J. Zanner, Secretary

Others Present: Dawn Boudreau, ECIDA; Thomas Mancuso, Mancuso Business Development Group; and Robert Sanders, Watts Architecture & Engineering.

Roll Call – The Secretary called the roll at 12:15 p.m. and a quorum was determined to be present. Ms. Whyte and Mr. Penman joined the meeting during the presentation of item 2(b).

1.0 Presentation of Meeting Minutes – The minutes of the November 21, 2017 meeting of the Real Estate Committee were presented. Mr. Kucharski made a motion to approve the meeting minutes. The motion was seconded by Mr. Mehaffy and unanimously carried.

2.0 Northland Beltline Project

- (a) **683 Northland – Construction Bridge Loan** – Mr. Stebbins circulated copies of the updated KeyBank bridge loan financing term sheet for the 683 Northland project. He explained that an increase in the amount of financing is required due to the acceleration of Phase II of the project. Mr. Stebbins reviewed the term sheet, which provides for an increase in the loan amount from twenty million dollars to thirty million dollars and an increase in the term of the loan from thirty months to forty-two months. The financing has been restructured as two facilities in the amount of twenty million dollars and ten million dollars, respectively. Mr. Stebbins reviewed the revised lending terms and conditions applicable to the two facilities. Except for an increase in the upfront fee, terms for the first facility are nearly identical to the terms initially proposed by KeyBank. A higher rate of interest will apply to the second facility. Mr. Stebbins also noted that KeyBank is requiring a first lien mortgage instead of a negative pledge. The Committee discussed the proposed financing. In response to a question from Mr. Slater, Mr. Stebbins indicated that the loan would be repaid through a combination of tax credit equity and grant funding. Following the discussion, Ms. Curry made a motion to recommend that the

Board of Directors approve the KeyBank financing as set forth in the December 7, 2017 term sheet. The motion was seconded by Mr. Kucharski and unanimously carried.

- (b) **683 Northland – Phase II Design Development Proposal** - Mr. Stebbins presented proposed Service Order No. 21 dated December 11, 2017 from Watts Architecture & Engineering to provide design development and historic preservation services for Phase II of the 683 Northland project. The total cost of the work is \$534,030.00, consisting of \$477,130.00 for design development work and \$56,900.00 for historic preservation services. Watts' design development proposal is based on an estimated Phase II construction cost of twenty-eight million dollars. Mr. Stebbins noted that design fees for similar projects range from seven to ten percent of the total project cost, and that based on a 7.5% cost, the total design cost for the Phase II project would be approximately 2.1 million dollars. Design development services are typically 20% to 25% of the total design cost, so Watts' proposed fee of \$477,130.00 is within that range of cost. Mr. Stebbins noted that BUDC has not yet received third party peer review of the proposal from Gilbane or Empire State Development. Mr. Stebbins then introduced Robert Sanders from Watts to answer questions regarding the proposal. Mr. Sanders indicated that the design work will include complete design of the space to be occupied by Buffalo Manufacturing Works and white-boxing of the remainder of the building. Mr. Cammarata noted that Mr. Mancuso has been involved in discussions regarding the white-box portion of the building, as his company will manage the leasing of the space. In response to a question from Ms. Whyte, Mr. Sanders indicated that integrated project delivery (IPD) will not be utilized for this project, but that Watts will consult with Gilbane and its subcontractors with respect to the project design. At the conclusion of the discussion, Mr. Penman made a motion to recommend that the Board of Directors approve the proposed Service Order, subject to receipt of peer review from Gilbane and ESD and Watts' agreement to reduce the \$477,130.00 fee in the event that the total cost of the project is less than 28 million dollars. The motion was seconded by Mr. Mehaffy and unanimously carried.
- (c) **683 Northland – Phase II Project Labor Agreement & General Update** - Mr. Cammarata reported that discussion with the construction trades will commence soon regarding a project labor agreement (PLA) for Phase II of the 683 Northland project. Anna Falicov, City of Buffalo Assistant Corporation Counsel, will again assist with the negotiation of the PLA. Mr. Cammarata noted that Building America, one of the two New Markets tax credits investors, is requiring a PLA for Phase II of the 683 Northland project.
- (d) **683 Northland – Economic Development Group Lease Terms** – Mr. Stebbins circulated a two-page summary of the terms of the Workforce Training Center sublease with The Economic Development Group, Inc. (EDG). Mr. Stebbins noted that the BUDC Board of Directors previously authorized the sublease with EDG, and that the summary was being circulated to the Committee for information purposes and discussion. He explained that the lease is structured as a fifteen year triple-net lease, with EDG responsible for its pro-rata share of costs and expenses to be paid as additional rent. Pre-paid rent representing the cost of the improvements will be paid under the lease in lieu of base rent. Mr. Stebbins explained that EDG was selected by Empire State Development to operate the Workforce Training Center, and that EDG's supporting organizations include Catholic Charities and the Urban League. He also noted that EDG recently hired Stephen Tucker, who has a strong background in workforce development, to serve as the organization's President and CEO. In response to a question regarding rental revenue projections, Mr. Stebbins indicated that RubinBrown prepared projections for lease revenues and expenses as part of the tax credits model.
- (e) **683 Northland – Buffalo Manufacturing Works LOI Terms** – Mr. Stebbins circulated the proposed non-binding letter of intent to lease approximately 50,000 square feet of

space at 683 Northland to Buffalo Manufacturing Works (BMW). Similar to the EDG lease, the BMW lease is structured as a fifteen year triple-net lease, with BMW responsible for its pro-rata share of costs and expenses to be paid as additional rent. The lease will reflect a market-rate base rent of \$7.85/sf. The target date for completion of the improvements and BMW occupancy is June 1, 2019. Mr. Stebbins noted that the tenant will be responsible for complying with certain community benefits reporting requirements of the New Markets tax credits program. He also noted that BUDC will provide operational support in the form of a separate operating subsidy, which BMW will use to make base rent payments under the lease. This is needed for the tax credits transaction, and will cycle through to the property owner (683 Northland LLC) and ultimately, BUDC. The Committee discussed the proposed letter of intent. In response to a question from Ms. Curry, Mr. Stebbins indicated that BMW is expected to create ten new jobs. There being no further discussion, Mr. Penman made a motion to recommend that the Board of Directors approve the proposed letter of intent and operational support for BMW. The motion was seconded by Mr. Kucharski and unanimously carried.


- (f) **683 Northland – Food Service Request for Expressions of Interest** – Mr. Stebbins referred the Committee to the materials contained in the Committee meeting agenda packet relating to the solicitation of expressions of interest for a food service vendor at 683 Northland. Written expressions of interest are due on January 12, 2018. Mr. Stebbins thanked Ms. Curry for assisting with the solicitation.
- (g) **683 Northland – Tax Credit Transaction Update** – This item was covered as part of the discussion of agenda items 2(a), 2(d) and 2(e).
- (h) **683 Northland – Construction Update** - Presentation of this item was deferred.
- (i) **612 Northland – SHPO Related Architectural Proposal** – Mr. Stebbins circulated the November 24, 2017 proposal from Kathleen A. Kinan, R.A. to provide additional design services for the 612 Northland project at a cost of \$7700.00. This additional design work was not contemplated under the original scope of work and is necessary due to SHPO requirements that are now applicable to the project. The cost for the additional design work is eligible to be reimbursed with Restore NY grant funds. Ms. Whyte made a motion to recommend that the Board of Directors approve the additional design services at a cost not to exceed \$7,700.00. The motion was seconded by Ms. Curry and unanimously carried.
- (j) **612 Northland – Phase I Renovation Project Update** - Presentation of this item was deferred.
- (k) **Northland Beltline Funding Updates (ESD, NYPA, CDBG, Restore NY)** - Presentation of this item was deferred.
- (l) **NorDel II (BUDC)/City of Buffalo Potential Land Swap Update** - Presentation of this item was deferred.
- (m) **COB DPW Road & ROW Project Update** - Presentation of this item was deferred.

3.0 **Buffalo Lakeside Commerce Park**

- (a) **Parcel 4 Superfund Cleanup Update** - Presentation of this item was deferred.
- (b) **International Trade Gateway Organization Grand Application Update** – Presentation of this item was deferred.

- 4.0 Other C.O.B. Brownfield Opportunities** – Ms. Whyte made a motion for the Committee to enter into executive session to discuss the proposed acquisition of a brownfield property on the basis that discussion of the proposed acquisition in open session would substantially affect the value of the property. The motion was seconded by Mr. Mehaffy and unanimously carried. At the conclusion of the executive session discussion, Mr. Kucharski made a motion to exit executive session. The motion was seconded by Ms. Whyte and unanimously carried.
- 5.0 Adjournment** – Upon motion made by Mr. Mehaffy, seconded by Ms. Curry and unanimously carried, the December 12, 2017 meeting of the Real Estate Committee was adjourned at 1:35 p.m.

Respectfully submitted,



Kevin J. Zanner, Secretary