

Buffalo Urban Development Corporation

2018 Budget

Approved by the Board of Directors October 31, 2017



Buffalo Urban Development Corporation

2018 Budget

A. Overview:

Throughout 2017, Buffalo Urban Development Corporation (“BUDC”) has made significant progress in advancing the Northland Corridor Redevelopment Project on Buffalo’s East Side. This development project began in late 2014 with the acquisition of the 11-acre former Houdaille Industries / Vibratex facility at 537 East Delavan Avenue. A major portion of this building was demolished in 2017, and a NYSDEC superfund clean-up of the site will commence in 2018. In 2015, an additional 40 acres of property were acquired that included four additional buildings. In 2016, Gilbane Building Company was selected as the construction management team for the project and contractors have been procured to initiate remediation and renovation of these properties in order to transform them from underutilized eyesores to productive commercial facilities, including a 100,000 square foot, \$44 million advanced manufacturing and clean energy Workforce Training Center (“WTC”) at 683 Northland Avenue. A team was also engaged to perform work related to the historical preservation, new market and brownfield tax credits that will be obtained throughout this project. To complement the WTC, the City of Buffalo has commenced a road and right-of-way reconstruction project for Northland Avenue.

In 2018, BUDC will continue with the implementation of the Buffalo Building Reuse Project (“BBRP”). BUDC is in the process of funding loans through the BBRP Loan Program. In 2016, with assistance from the Buffalo Niagara Partnership and the New York State Business Development Council, BUDC successfully leveraged additional private bank funding to add to the BBRP Revolving Loan pool, allowing BUDC to fund additional adaptive reuse projects that add to downtown’s residential base. BUDC also utilized the previously released Infrastructure & Public Realm Master Plan as a guide for strategic infrastructure investments for a more cohesive and vibrant downtown. The guidance of the Master Plan was critical in BUDC’s preparation of several successful grant applications for infrastructure improvements including Franklin Street as well as the planning, design and redevelopment of a series of parks along Erie Street in downtown Buffalo, which will begin in Fall 2017. BUDC has also been successful in leveraging funding for improvements to downtown underpasses. This effort will improve connections between the waterfront and the central business district, enhance the pedestrian realm and incorporate lighting and other artistic elements that will ease barrier effects and add to downtown’s vibrancy. The Queen City Pop Up Program was created in 2014 to encourage small business retail along Main Street. This ongoing program acts as a spring board for small business retailers by allowing them to set up shop on downtown Main Street on a temporary basis, rent free. The project looks to encourage participants to open permanent retail locations after completing the program. To date, the program has assisted 27 small business retailers, resulting in 7 retailers opening permanent stores along downtown Main Street and 4 retailers permanently locating in other commercial corridors in the City of Buffalo. BUDC’s 2016 Downtown Development Guide was released to highlight development projects, demographics, statistics and development tools as part of a comprehensive strategy to foster relationships with national developers and investors to further downtown Buffalo’s development and growth. The Downtown Development Guide has been an important and useful tool that has generated additional interest in downtown investment opportunities. BUDC plans to continue this initiative with a future update of the Downtown Development Guide. BUDC is also working with the Buffalo Niagara Partnership on a Downtown Housing Demand Study that will assess recent trends, market drivers, demographics, absorption rates for various housing types and price points as well other relevant information.

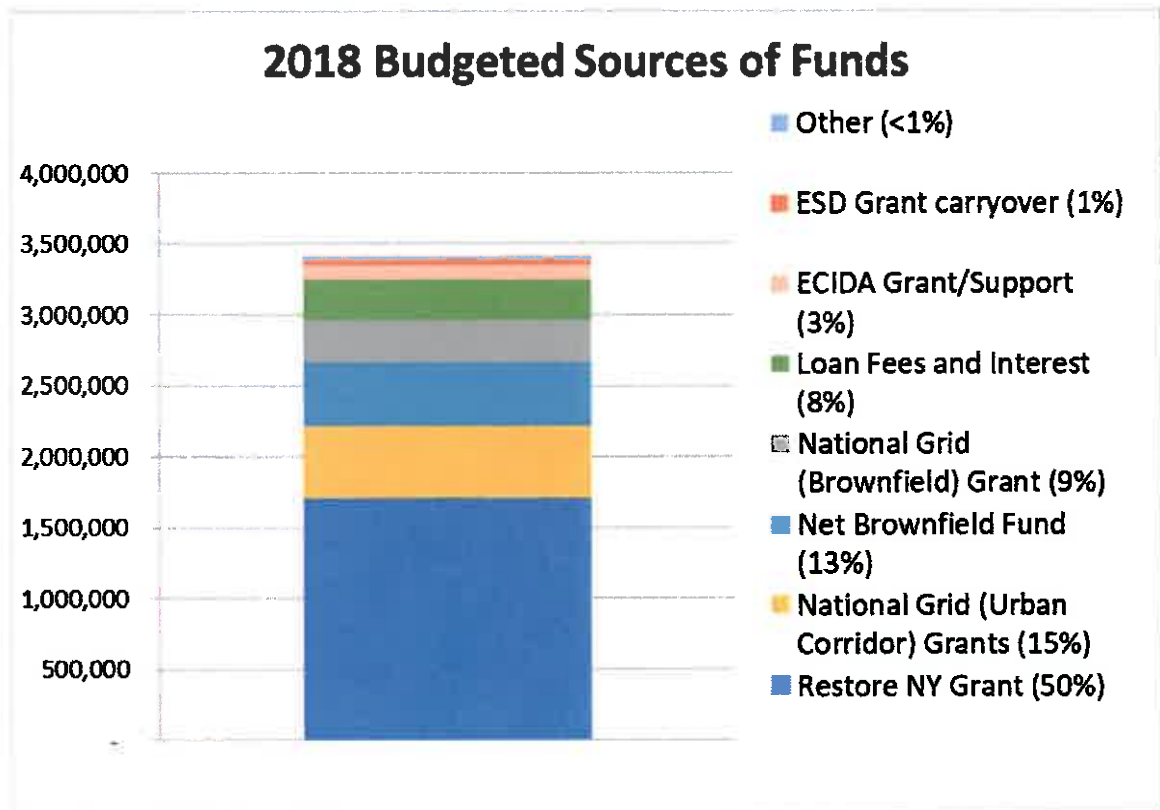
Buffalo Urban Development Corporation 2018 Budget

A. Overview (Continued):

Finally, in 2018, BUDC will continue to operate and market the Buffalo Lakeside Commerce Park (“BLCP”). The 2018 budget assumes that 5 acres of BLCP property will be sold for gross proceeds of \$150,000.

B. Sources of BUDC Funds:

The following chart summarizes the significant sources of the \$3.4 million in funds that have been budgeted for BUDC projects in 2018:



The key sources of BUDC funds are as follows:

- (1) Restore New York Grant Income** – In 2018, BUDC is expected to net \$1.7M in grant funds from Restore NY for Northland Corridor Project.
- (2) National Grid Grant Income** – In 2018, BUDC is expected to receive multiple grants from National Grid. These are expected to consist of \$500,000 of Urban Corridor grants, a \$300,000 Brownfield grant and a \$5,000 strategic marketing grant. These monies will be used for the Northland Corridor Redevelopment Project and BBRP initiatives.

Buffalo Urban Development Corporation

2018 Budget

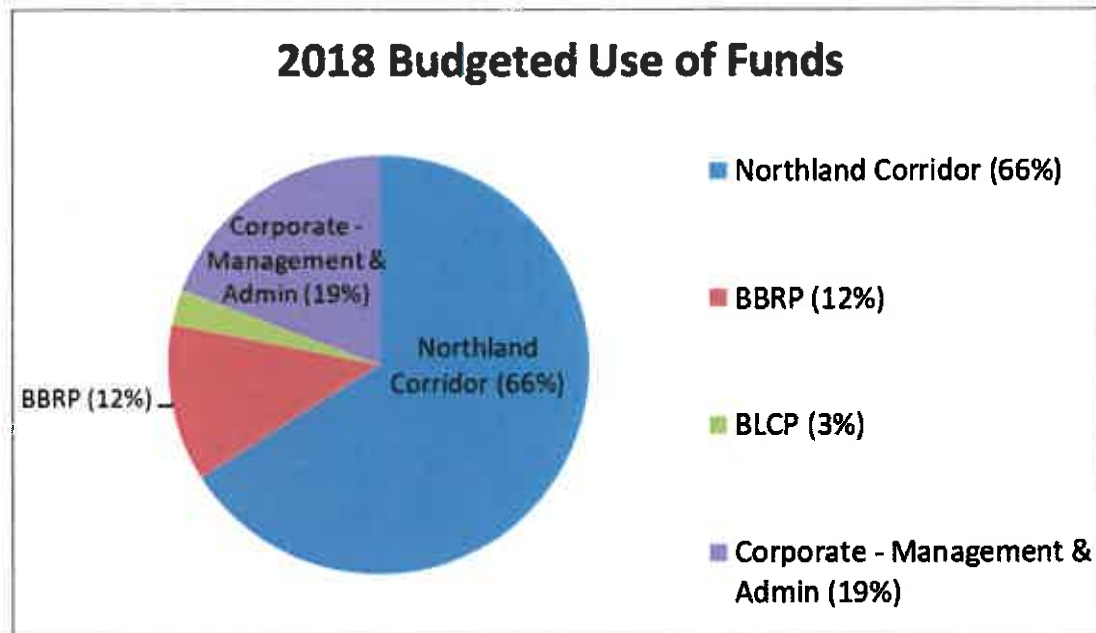
B. Sources of BUDC Funds (Continued):

- (3) Buffalo Brownfields Redevelopment Fund (net)** (“Brownfields Fund”) – The Brownfields Fund was established in 2005 to pay for certain costs in connection with the development of subsequent phases of BLCP and, after completion of the Park, similar brownfield projects located in Buffalo. In 2017, the Brownfields Fund is expected to receive approximately \$449,000 in net PILOT receipts from Cobey Inc., Certainteed Corp. and Sonwil Distribution. As a result of the completion of BLCP, BUDC currently utilizes this fund for operating costs at BLCP and development of the Northland Corridor.
- (4) Loan Fees & Interest Income** – In 2018, the BBRP Downtown Loan Fund is expected to have approximately \$3 million in loans outstanding. The net loan fee and interest revenue attributable to these loans is approximately \$121,000 (loans bear interest at 5.5% and most are interest only throughout 2018), plus the Corporation is anticipating collection 1% commitment fees on 2 new loans which will result in an additional \$15,000 of revenue. In addition, BUDC expects to recognize \$150,000 of interest revenue from 683 Northland LLC in connection with the Workforce Training Center tax credits. This revenue will be for book purposes only, as the interest owed to BUDC is expected to be converted to prepaid rent for the Workforce Training Center.
- (5) Other Income** – Other income totaling approximately \$160,000 reflects the following:
- a. \$100,000 grant from the Erie County Industrial Development Agency.
 - b. \$50,000 in estimated carryover from previous Empire State Development grants.
 - c. \$20,000 of rental income (two tenants confirmed as of 9/15/2017, accounting for approximately \$10,000 of income).
 - d. \$18,000 of net receipts in the Regionally Significant Project Fund (“RSP Fund”).
 - e. BUDC anticipates the sale of approximately 5 acres of property at BLCP, accounting for gross proceeds of \$150,000 less all costs, netting to a loss of approximately \$43,000.
 - f. \$10,400 collected from property owners for public infrastructure maintenance at BLCP.
 - g. \$5,000 of investment interest income.

Buffalo Urban Development Corporation 2018 Budget

C. Uses of BUDC Funds:

BUDC expects to spend nearly \$3.3 million in 2018 as outlined in the following chart:



The key uses of BUDC funds are as follows:

- (1) **Northland Corridor** – As part of the continuing Northland Corridor project, BUDC anticipates spending \$1.9 million on consulting and general development costs for the various properties and \$270,000 in operating costs including: management of the property, utilities, maintenance, security, legal, insurance, marketing and taxes.
- (2) **BBRP** – The Buffalo Building Reuse Project anticipates spending \$400,000 in 2018. \$145,000 is anticipated to be spent for personnel, marketing, administrative and legal costs; \$5,000 is expected to be spent on the downtown pop-up project and \$250,000 for urban corridor development.
- (3) **BLCP** – In 2018, BUDC has budgeted \$59,000 for operations and maintenance costs of Ship Canal Commons. Other ongoing costs, including legal, insurance, marketing and other administrative costs will total an additional \$30,500.
- (4) **Corporate – Management & Administrative** – In 2018, BUDC is expects to spend \$631,000 on management and administrative costs. This includes salary and benefit costs for Peter Cammarata (President), David Stebbins (Executive Vice President) and a new Project Manager position, totaling \$421,000. In addition, \$48,000 in other administrative, financial and property management services provided by ECIDA staff are budgeted to be reimbursed based on the number of hours ECIDA employees devote to these activities. Other management and administrative costs total \$162,000 and include legal, insurance, marketing, rent and other general and administrative costs.

Buffalo Urban Development Corporation
2018 Budget

REVENUE	Budget 2018	YTD		
		Projected 2017	August 2017	Actual 2016
Grant Revenue				
Restore NY	\$ 1,710,000	\$ -	\$ -	\$ -
National Grid - Urban Corridor Program	500,000	250,000	-	-
National Grid - Brownfield	300,000	-	-	-
ESD (carryover)	50,000	11,181,735	1,037,235	1,370,189
NYPA	-	15,000,000	290,649	-
City of Buffalo - CDBG	-	3,200,000	2,411,872	-
National Grid - Strategic Marketing	5,000	5,000	-	-
ECIDA	100,000	75,000	72,220	76,555
Other	-	-	-	1,250,000
Gross Proceeds from Land Sales	150,000	-	-	-
Less: Cost of Land Sales	(192,830)	-	-	-
Buffalo Brownfield Fund Revenue (net)	449,000	479,000	288,165	482,379
Regionally Significant Project Fund (net)	18,000	18,000	5,677	21,647
Rental Income	20,000	9,775	5,375	500
BLCF Property Owners' Association	10,400	10,400	-	10,400
Interest Income & Fees - Loans	285,000	106,923	72,124	73,657
Investment Interest Income	5,000	15,299	10,199	5,685
Other Income	-	-	-	1,875
Total	3,409,570	30,351,132	4,193,517	3,292,886
OPERATING EXPENSES				
Property Operations & Maintenance	(104,000)	(201,029)	(134,019)	(369,361)
Legal	(122,000)	(153,067)	(102,045)	(71,435)
Insurance	(203,000)	(126,129)	(84,086)	(116,677)
Marketing	(67,500)	(29,359)	(19,573)	(33,412)
Utilities	(30,000)	(16,974)	(11,316)	(21,125)
Misc.	(10,000)	(2,154)	(1,436)	(3,595)
Consultants	(50,000)	(260,407)	(173,604)	(82,022)
General Development Expenses	(2,102,500)	(1,167,421)	(778,281)	(150,991)
Personnel Costs	(524,202)	(463,844)	(309,229)	(405,153)
Interns	-	(20,000)	(16,895)	(21,795)
Rent	(20,000)	(18,299)	(12,200)	(18,707)
ECIDA Management Fee	(48,000)	(55,000)	(28,000)	(40,257)
Audit	(14,000)	(10,900)	(10,900)	(13,650)
General & Administrative	(113,000)	(40,000)	(30,000)	(38,216)
Depreciation	(1,000)	(1,837)	(1,225)	(5,690)
Total	(3,409,202)	(2,566,422)	(1,712,810)	(1,392,085)
Net Income / (Loss)	\$ 368	\$ 27,784,710	\$ 2,480,707	\$ 1,900,801
CAPITAL/LOAN FUND BUDGET				
Property Acquisition	-	-	-	(1,062,121)
CASH FLOW ADJUSTMENTS				
Cost of Land Sales	170,330	-	-	-
Interest held by NYBDC/Loan Admin Fees	(36,875)	-	-	-
Interest on loan to 683 Northland LLC	(150,000)	-	-	-
Depreciation	1,000	1,837	1,225	5,690
Net Cash Increase/(Decrease)	\$ (15,177)	\$ 27,786,548	\$ 2,481,932	\$ 844,370

**Buffalo Urban Development Corporation
2018 Budget - Project Detail**

	BLCP*	BBRP**	Northland Corridor	Corporate Operations	Total
REVENUE					
Grant Revenue					
Restore NY			\$ 1,710,000		\$ 1,710,000
National Grid - Urban Corridor Program		250,000	250,000		500,000
National Grid - Brownfield			300,000		300,000
ESD (carryover)			50,000		50,000
National Grid - Strategic Marketing		5,000			5,000
ECIDA		100,000			100,000
Gross Proceeds from Land Sales	150,000				150,000
Less: Cost of Land Sales + closing costs	(192,830)				(192,830)
Buffalo Brownfield Fund Revenue (net)				449,000	449,000
Regionally Significant Project Fund (net)				18,000	18,000
Rental Income			20,000		20,000
BLCP Property Owners' Association	10,400				10,400
Interest Income & Fees - Loans		135,000	150,000		285,000
Investment Interest Income				5,000	5,000
Total	(32,430)	490,000	2,480,000	472,000	3,409,570
OPERATING EXPENSES					
Property Operations & Maintenance	(59,000)		(45,000)		(104,000)
Legal	(5,000)	(12,000)	(50,000)	(55,000)	(122,000)
Insurance	(18,000)		(160,000)	(25,000)	(203,000)
Marketing	(2,500)	(15,000)	(25,000)	(25,000)	(67,500)
Utilities			(30,000)		(30,000)
Misc.	(2,500)	(5,000)		(2,500)	(10,000)
Consultants			(50,000)		(50,000)
General Development Expenses	(2,500)	(250,000)	(1,850,000)		(2,102,500)
Personnel Costs		(103,285)		(420,917)	(524,202)
Interns					-
Rent				(20,000)	(20,000)
ECIDA Management Fee				(48,000)	(48,000)
Audit			(5,000)	(9,000)	(14,000)
General & Administrative		(15,000)	(73,000)	(25,000)	(113,000)
Depreciation				(1,000)	(1,000)
Total	(89,500)	(400,285)	(2,288,000)	(631,417)	(3,409,202)
Net Income / (Loss)	(121,930)	89,715	192,000	(159,417)	368
CAPITAL BUDGET					
Property Acquisition					-
Equipment					-
Total					-
CASH FLOW ADJUSTMENTS					
Cost of Land Sales	170,330				170,330
Interest held by NYBDC/Loan Admin Fees		(36,875)			(36,875)
Interest on loan to 683 Northland LLC			(150,000)		(150,000)
Depreciation				1,000	1,000
Net Cash Increase/(Decrease)	\$ 48,400	\$ 52,840	\$ 42,000	\$ (158,417)	\$ (15,177)

Composed of:

Net decrease in Buffalo Brownfields Fund	(5,500)
Net increase in RSP Fund	18,000
Net decrease in Operating account/Downtown Fund	(27,677)
	<u>\$ (15,177)</u>

* Buffalo Lakeside Commerce Park

** Buffalo Building Reuse Project

Buffalo Urban Development Corporation 2018 Budget and 3 Year Forecast

REVENUE	Budget 2018	Projected 2019	Projected 2020	Projected 2021
Grant Revenue	\$ 2,665,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Gross Proceeds from Land Sales	150,000	150,000	150,000	150,000
Less: Cost of Land Sales	(192,830)	(192,830)	(192,830)	(192,830)
Buffalo Brownfield Fund Revenue (net)	449,000	443,000	278,000	-
Regionally Significant Project Fund (net)	18,000	-	-	-
Rental Income	20,000	100,000	100,000	100,000
BLCF Property Owners' Association	10,400	10,400	10,400	10,400
Interest Income & Fees - Loans	285,000	100,000	100,000	100,000
Investment Interest Income	5,000	5,000	5,000	5,000
Other Income	-	-	-	-
Total	3,409,570	1,615,570	1,450,570	1,172,570
OPERATING EXPENSES				
Property Operations & Maintenance	(104,000)	(110,000)	(115,000)	(120,000)
Legal	(122,000)	(120,000)	(115,000)	(110,000)
Insurance	(203,000)	(100,000)	(100,000)	(100,000)
Marketing	(67,500)	(65,000)	(65,000)	(65,000)
Utilities	(30,000)	(35,000)	(40,000)	(45,000)
Misc.	(10,000)	(15,000)	(15,000)	(15,000)
Consultants	(50,000)	(200,000)	(200,000)	(200,000)
General Development Expenses	(2,102,500)	(5,000)	(10,000)	(15,000)
Personnel Costs	(524,202)	(545,170)	(566,977)	(589,656)
Interns	-	(10,000)	(10,000)	(10,000)
Rent	(20,000)	(20,500)	(21,000)	(21,500)
ECIDA Management Fee	(48,000)	(50,000)	(52,000)	(54,000)
Audit	(14,000)	(9,000)	(9,250)	(9,550)
General & Administrative	(113,000)	(42,000)	(44,000)	(46,000)
Depreciation	(1,000)	(1,000)	(1,000)	(1,000)
Total	(3,409,202)	(1,327,670)	(1,364,227)	(1,401,706)
Net Income / (Loss)	\$ 368	\$ 287,900	\$ 86,343	\$ (229,136)

Budget Report for Buffalo Urban Development Corporation
Fiscal Year Ending 12/31/2018

<u>Budget & Financial Plan:</u>	<u>Budgeted Revenues, Expenditures, And Changes In Current Net Assets</u>												
	Last Year (Actual)	Current Year (Estimated)	Next Year (Adopted)	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed	Proposed
	2016	2017	2018	2018	2019	2020	2020	2021	2021	2021	2021	2021	2021
REVENUE & FINANCIAL SOURCES													
Operating Revenues													
Charges for services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rentals & Financing Income	\$74,157	\$116,698	\$305,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Other Operating Revenues	\$12,275	\$10,400	\$10,400	\$10,400	\$10,400	\$10,400	\$10,400	\$10,400	\$10,400	\$10,400	\$10,400	\$10,400	\$10,400
Nonoperating Revenues													
Investment earnings	\$5,685	\$15,299	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
State subsidies / grants	\$2,620,189	\$29,381,735	\$1,760,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Federal subsidies / grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Municipal subsidies / grants	\$504,026	\$497,000	\$467,000	\$443,000	\$443,000	\$278,000	\$278,000	\$278,000	\$278,000	\$278,000	\$278,000	\$278,000	\$278,000
Public authority subsidies	\$76,555	\$75,000	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Non-Operating Revenues	\$0	\$255,000	\$762,170	\$957,170	\$957,170	\$957,170	\$957,170	\$957,170	\$957,170	\$957,170	\$957,170	\$957,170	\$957,170
Proceeds from the issuance of debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenues & Financing Sources	\$3,292,887	\$30,351,132	\$3,409,570	\$1,615,570	\$1,615,570	\$1,450,570	\$1,450,570	\$1,450,570	\$1,450,570	\$1,450,570	\$1,450,570	\$1,450,570	\$1,172,570
EXPENDITURES													
Operating Expenditures													
Salaries and Wages	\$335,091	\$364,406	\$393,644	\$416,899	\$416,899	\$433,274	\$433,274	\$433,274	\$433,274	\$433,274	\$433,274	\$433,274	\$450,305
Other Employee Benefits	\$85,185	\$112,255	\$130,558	\$138,271	\$138,271	\$143,702	\$143,702	\$143,702	\$143,702	\$143,702	\$143,702	\$143,702	\$149,351
Professional Services Contracts	\$167,107	\$424,374	\$186,000	\$329,000	\$329,000	\$324,250	\$324,250	\$324,250	\$324,250	\$324,250	\$324,250	\$324,250	\$319,550
Supplies and Materials	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Operating Expenditures	\$804,702	\$1,665,387	\$2,699,000	\$443,500	\$443,500	\$463,000	\$463,000	\$463,000	\$463,000	\$463,000	\$463,000	\$463,000	\$482,500
Nonoperating Expenditures													
Payment of principal on bonds and financing arrangements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest and other financing charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subsidies to other public authorities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital asset outlay	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grants and Donations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Non-Operating Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$1,392,085	\$2,566,422	\$3,409,202	\$1,327,670	\$1,327,670	\$1,364,226	\$1,364,226	\$1,364,226	\$1,364,226	\$1,364,226	\$1,364,226	\$1,364,226	\$1,401,706
Capital Contributions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Excess (deficiency) of revenues and capital contributions over expenditures	\$1,900,802	\$27,784,710	\$368	\$287,900	\$287,900	\$86,344	\$86,344	\$86,344	\$86,344	\$86,344	\$86,344	\$86,344	(\$225,136)

The authority's budget, as presented to the Board of Directors, is posted on the following website: <http://www.buffalourbandevelopment.com/budc-corporate-reports>

Additional Comments: