

Buffalo Urban Development Corporation

2016 Budget

Approved by Board of Directors October 27, 2015



Buffalo Urban Development Corp.

2016 Budget

Attached for your review and comments is the proposed budget for Buffalo Urban Development Corp (“BUDC”) for the fiscal year ending December 31, 2016.

A. Overview:

In 2016, BUDC will continue to gear up its efforts on developing the “Northland Corridor” project on Buffalo’s East Side. This development project began in late 2014 with the acquisition of the 11-acre former Houdaille Industries / Vibrattech facility at 537 East Delavan Avenue. In 2015, an additional 40 acres of property were acquired that included four additional buildings. In 2016, BUDC will work with Empire State Development (“ESD”), the City of Buffalo (“COB”) and other economic development agencies to remediate and renovate 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 development center at 683 Northland Avenue.

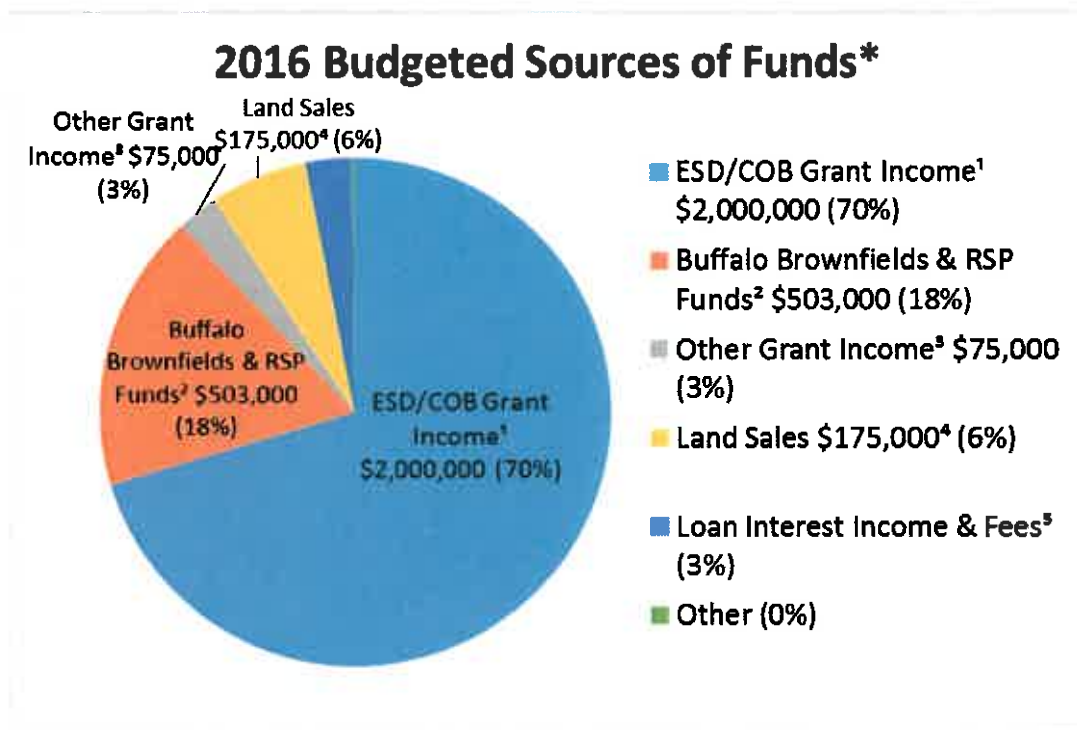
In 2016, BUDC will continue with the implementation of the Buffalo Building Reuse Project (“BBRP”). BUDC is in the process of funding loans through the BBRP Loan Program. With assistance from the Buffalo Niagara Partnership and the New York State Business Development Council, BUDC has successfully leveraged additional private bank funding to add to the BBRP Revolving Loan pool. This will allow BUDC to fund more adaptive reuse projects that add to downtown’s residential base. BUDC will use its recently released Infrastructure & Public Realm Master Plan as a guide for strategic infrastructure investments for a more cohesive and vibrant downtown. Current infrastructure projects include Court Street, Genesee Gateway and the Chippewa Entertainment District. BUDC is also working to leverage additional funding to continue the infrastructure priorities identified in the master plan. The Queen City Pop Up Program was created to encourage small business retail along Main Street. This on-going 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. BUDC’s Downtown Development Guide is a new marketing initiative that highlights development projects, demographics, statistics and development tools. It will be distributed locally, nationally and internationally as part of a comprehensive strategy to foster relationships with national developers and investors to further downtown Buffalo’s development and growth.

Finally, in 2016, BUDC will continue to operate and market the Buffalo Lakeside Commerce Park (“BLCP”). The 2016 budget assumes that 5 acres of BLCP property will be sold for gross proceeds of \$200,000.

Buffalo Urban Development Corp. 2016 Budget

B. Sources of BUDC Funds:

The following chart summarizes the significant sources of the \$2.9 million in funds that have been budgeted for BUDC projects in 2016:



* The above chart is based on cash inflows & excludes pass-through grants for non-BUDC projects.

The key sources of BUDC funds are as follows:

- (1) **ESD/City of Buffalo (“COB”) Grant Income** – In 2016, BUDC is expected to receive \$1.5 million in grant funds from ESD to assist with the remediation, renovation and operation of various properties associated with the Northland Corridor project described previously. In addition, BUDC, through the City of Buffalo, is expected to receive the remaining \$500,000 of its \$3 million grant from Empire State Development (“ESD”) in City-by-City funds for the BBRP Downtown Loan Fund. The BBRP Downtown Loan Fund provides needed financing to developers to fund the extraordinary costs associated with the adaptive re-use of vacant and underutilized structures within downtown Buffalo.
- (2) **Buffalo Brownfields Redevelopment & RSP Funds-net (“Brownfields Fund”)** – The Brownfields Fund was established in 2005 to pay for certain costs in connection with the development of subsequent phases of the Buffalo Lakeside Commerce Park (“BLCP”) and, after completion of the Park, similar brownfield projects located in Buffalo. In 2016, the Brownfields Fund is expected to receive \$482,000 in net PILOT receipts from Cobey Inc., Certainteed Corp. and Sonwil Distribution. As a result of the completion of BLCP, BUDC utilizes this fund for operating costs at BLCP and development of the Northland Corridor.

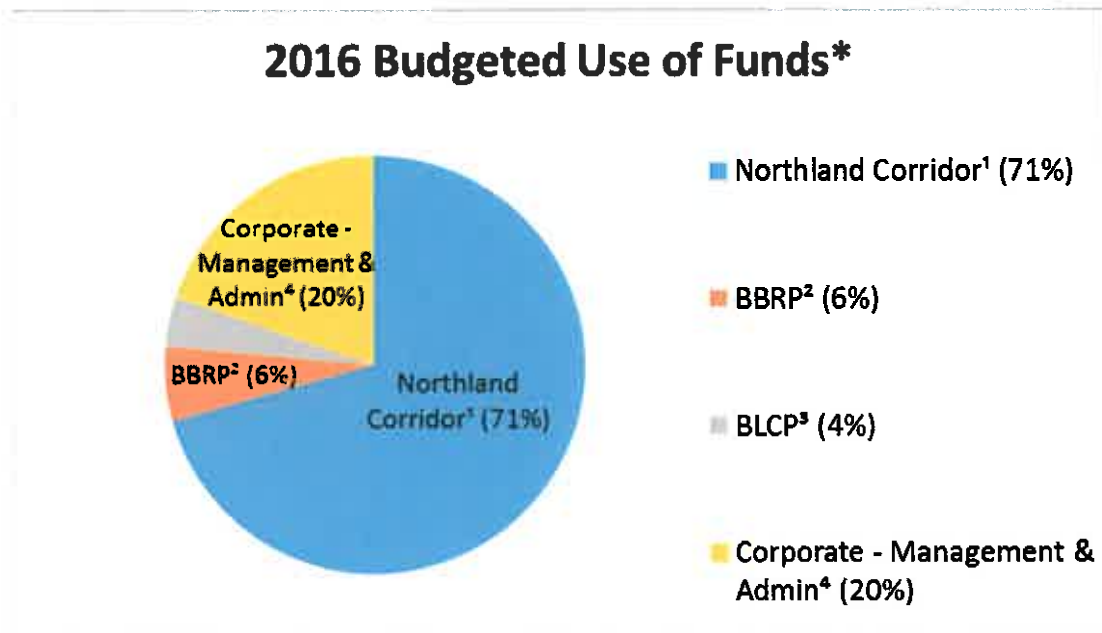
Buffalo Urban Development Corp. 2016 Budget

B. Sources of BUDC Funds (Continued):

- (3) **Other Grant Income** – Other Grant income of \$75,000 reflects a grant from the Erie County Industrial Development Agency to partially fund the Vice President-Downtown position plus related legal and administrative costs to implement the BBRP.
- (4) **Land Sales** – In 2016, BUDC anticipates the sale of approximately 5 acres of property at Buffalo Lakeside Commerce Park (“BLCP”) for gross proceeds of \$200,000, or \$175,000 net of appraisal, broker, legal and other closing costs.
- (5) **Loan Interest Income & Fees** – In 2016, BUDC is expected to have a joint BUDC/private sector loan fund with an average of \$2 million in Downtown loans outstanding. The net loan fee and interest revenue attributable to BUDC’s portion of the loan fund is \$78,750. In addition BUDC is expected to receive a further \$5,360 from a legacy loan receivable.

C. Uses of BUDC Funds:

In 2016, BUDC is expected to spend approximately \$2.5 million as outlined in the following chart:



* The above chart is based on cash outflows & excludes pass-through grants for non-BUDC projects.

Buffalo Urban Development Corp. 2016 Budget

C. Uses of BUDC Funds (cont'd):

The key uses of BUDC funds are as follows:

- (1) Northland Corridor** – As part of the Northland Corridor project, BUDC anticipates spending \$1 million on consulting, remediation and renovation costs for the various properties, \$500,000 for further property acquisitions and \$199,000 in operating costs including: utilities, maintenance, security, legal, insurance, and taxes.
- (2) BBRP** – The Buffalo Building Reuse Project anticipates spending \$145,626 to fund the BUDC Vice President-Downtown position plus related legal, marketing and administrative costs to implement the BBRP.
- (3) BLCP**– In 2016, BUDC will spend \$46,000 for operation and maintenance costs of Ship Canal Commons, less an anticipated contribution of \$15,000 from the Property Owners' Association. BUDC will also fund \$13,000 for direct property operating and maintenance costs related to its remaining properties at BLCP, including public right-of-ways. Finally ongoing costs, including legal, insurance, marketing and other administrative costs will total an additional \$52,000.
- (4) Corporate – Management & Administrative** – In 2016, BUDC is budgeted to spend \$498,000 on management and administrative costs. This includes salary and benefit costs for Peter Cammarata (President) and David Stebbins (Executive Vice-President) of \$311,000. In addition, \$42,000 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. The remainder of the management & administrative costs include: legal (\$35,000), interns (\$25,000), rent (\$19,197), insurance (\$18,500), audit (\$13,000), marketing (\$10,000) and other administrative costs (\$26,000).

**Buffalo Urban Development Corporation ("BUDC")
2016 Budget**

REVENUE	Budget 2016	Projected 2015	YTD Aug 2015	Actual 2014
Grant Revenue				
ESD/City of Buffalo	\$ 2,000,000	\$ 4,956,973	\$ 4,606,973	\$ 1,179,981
NYS Dept. of State	-	155,376	17,434	179,126
National Grid	250,000	259,675	-	74,858
ECIDA	75,000	121,846	82,311	99,703
Other	-	-	-	79,013
Gross Proceeds from Land Sales	200,000	-	-	5,300,000
Less: Cost of Land Sales	(195,330)	-	-	(5,479,693)
Buffalo Brownfield Fund Revenue (net)	482,000	498,000	286,625	498,270
Regionally Significant Project Fund (net)	21,000	21,000	6,813	21,236
Rental Income	-	-	-	-
Interest Income & Fees - Loans	84,110	16,994	11,634	34,627
Investment Interest Income	4,000	6,746	4,497	4,817
Other Income	-	1,476	1,476	13,083
Total	2,920,780	6,038,086	5,017,764	2,005,020
OPERATING EXPENSES				
Property Operations & Maintenance	(119,000)	(119,290)	(79,527)	(189,258)
Less: Property Owners' Association	15,000	-	-	-
Legal	(130,000)	(125,000)	(127,236)	(109,229)
Insurance	(127,500)	(100,000)	(67,668)	(50,090)
Marketing	(40,000)	(20,545)	(13,697)	(13,845)
Utilities	(75,000)	(40,000)	(1,987)	(8,186)
Misc.	(13,000)	(4,130)	(2,753)	(2,180)
Consultants	(500,000)	(345,007)	(230,005)	(358,516)
General Development Expenses	(755,000)	(253,254)	(2,169)	(70,223)
Personnel Costs	(401,359)	(391,164)	(260,776)	(369,737)
interns	(25,000)	(18,774)	(12,516)	(12,530)
Rent	(19,197)	(18,641)	(12,427)	(17,942)
ECiDA Management Fee	(42,000)	(40,000)	(40,000)	(35,856)
Audit	(13,000)	(12,000)	(11,900)	(11,650)
Repayment to City of Buffalo	-	-	-	(1,300,000)
Loan Loss Expense	-	-	-	(15,000)
General & Administrative	(30,000)	(25,238)	(16,825)	(33,284)
Depreciation	(118,500)	(118,500)	(8,000)	(808)
Total	(2,393,557)	(1,631,543)	(887,486)	(2,598,333)
Net Income / (Loss)	\$ 527,223	\$ 4,406,544	\$ 4,130,277	\$ (593,313)
CAPITAL/LOAN FUND BUDGET				
Property Acquisition	(500,000)	(4,377,548)	(4,377,548)	(350,194)
Leasehold improvements & equipment	-	(15,908)	(15,908)	-
CASH FLOW ADJUSTMENTS				
Cost of Land Sales	170,330	-	-	5,479,693
Depreciation	118,500	118,500	8,000	808
Principal Repayments - loans	-	750,000	750,000	-
Net Cash Increase/(Decrease)	\$ 316,053	\$ 881,588	\$ 494,821	\$ 4,536,995

**Buffalo Urban Development Corporation
2016 Budget - Project Detail**

	BLCP*	BBRP**	Northland Corridor^	Corporate Operations	Total
REVENUE					
Grant Revenue					
ESD/City of Buffalo		\$ 500,000	\$ 1,500,000		\$ 2,000,000
NYS Dept. of State					-
National Grid - Urban Corridor Program		250,000			250,000
ECIDA		75,000			75,000
Gross Proceeds from Land Sales	200,000				200,000
Less: Cost of Land Sales + closing costs	(195,330)				(195,330)
Buffalo Brownfield Fund Revenue (net)				482,000	482,000
Regionally Significant Project Fund (net)				21,000	21,000
Rental Income					-
Interest Income & Fees - Loans		78,750		5,360	84,110
Investment Interest Income				4,000	4,000
Other Income					-
Total	4,670	903,750	1,500,000	512,360	2,920,780
OPERATING EXPENSES					
Property Operations & Maintenance	(59,000)		(60,000)		(119,000)
Less: Property Owners' Association	15,000				15,000
Legal	(25,000)	(20,000)	(50,000)	(35,000)	(130,000)
Insurance	(14,000)		(95,000)	(18,500)	(127,500)
Marketing	(5,000)	(20,000)	(5,000)	(10,000)	(40,000)
Utilities			(75,000)		(75,000)
Misc.	(3,000)	(10,000)			(13,000)
Consultants			(500,000)		(500,000)
General Development Expenses	(5,000)	(250,000)	(500,000)		(755,000)
Personnel Costs		(90,626)		(310,734)	(401,359)
Interns				(25,000)	(25,000)
Rent				(19,197)	(19,197)
ECIDA Management Fee				(42,000)	(42,000)
Audit				(13,000)	(13,000)
General & Administrative		(5,000)		(25,000)	(30,000)
Depreciation			(117,500)	(1,000)	(118,500)
Total	(96,000)	(395,626)	(1,402,500)	(499,431)	(2,393,557)
Net Income / (Loss)	(91,330)	508,124	97,500	12,929	527,223
CAPITAL/LOAN FUND BUDGET					
Property Acquisition			(500,000)		(500,000)
Equipment					-
Total			(500,000)		(500,000)
CASH FLOW ADJUSTMENTS					
Cost of Land Sales	170,330				170,330
Depreciation			117,500	1,000	118,500
Net Cash Increase/(Decrease)	\$ 79,000	\$ 508,124	\$ (285,000)	\$ 13,929	\$ 316,053

Composed of:

Net Increase in Buffalo Brownfields Fund	101,000
Net Increase in RSP Fund	21,000
Net Increase in Operating account/Downtown Fund	194,053
	<u>\$ 316,053</u>

* Buffalo Lakeside Commerce Park

** Buffalo Building Reuse Project

^ Northland / Delavan redevelopment

Buffalo Urban Development Corporation ("BUDC") 2016-2019 Proposed Operating/Downtown Cash Budget

	Proposed Budget 2016	Projected 2017	Projected 2018	Projected 2019
Operating Cash Inflow:				
Net Proceeds from Land Sales	175,000	150,000	55,000	-
Grant Revenue - ESD	500,000	-	-	-
Grant Revenue - ECIDA	75,000	-	-	-
Interest Income & Fees - Loans	84,110	165,860	208,027	222,055
Investment Interest Income	4,000	4,000	-	-
Other Income	-	-	-	-
Total	838,110	319,860	263,027	222,055
Operating Cash Outflow:				
Legal	(55,000)	(60,000)	(65,000)	(75,000)
Insurance	(18,500)	(19,000)	(19,500)	(20,000)
Marketing	(30,000)	(31,000)	(32,000)	(33,000)
Misc.	(10,000)	(10,000)	(10,000)	(10,000)
Personnel Costs	(401,359)	(413,400)	(425,802)	(438,576)
Interns	(25,000)	(25,000)	(25,000)	(25,000)
Rent	(19,197)	(20,000)	(20,000)	(20,000)
ECIDA Management Fee & Rent	(42,000)	(44,000)	(46,000)	(48,000)
Audit	(13,000)	(14,000)	(15,000)	(16,000)
General & Administrative	(30,000)	(31,000)	(32,000)	(33,000)
Total	(644,057)	(667,400)	(690,302)	(718,576)
Net Operating Cash Inflow/(Outflow)	\$ 194,053	\$ (347,540)	\$ (427,276)	\$ (496,522)
Cash - Beginning of Year	\$ 3,000,000	\$ 3,194,053	\$ 2,846,513	\$ 2,419,237
Cash - End of Year	\$ 3,194,053	\$ 2,846,513	\$ 2,419,237	\$ 1,922,716