

Buffalo Urban Development Corporation

2019 Budget

Approved by the Board of Directors October 30, 2018



Buffalo Urban Development Corporation

2019 Budget

A. Overview:

Throughout 2018, Buffalo Urban Development Corporation (“BUDC”) has made significant progress in advancing both phases of 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 / Vibratech 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 2019, after further environmental analysis. In 2015, an additional 24 acres of property were acquired that included four additional buildings. In 2016, Watts Architecture & Engineering was selected as the lead design firm and Gilbane Building Company was selected as the construction management team for the project. Contractors were then procured to initiate remediation and renovation of these properties in order to transform them from underutilized eyesores to productive commercial facilities, including an 80,000 square foot, \$44 million advanced manufacturing and clean energy related Northland Workforce Training Center (“NWTC”) at 683 Northland Avenue. A team was also engaged to perform work related to the historic preservation, new market and brownfield tax credits that will be obtained throughout this project. To complement the NWTC, the City of Buffalo has commenced a road and right-of-way reconstruction project for Northland Avenue with a grant from New York State via BUDC.

In 2019, BUDC will continue with the implementation of the Buffalo Building Reuse Project (“BBRP”). BUDC will also continue to fund loans through the BBRP Loan Program, launched in 2016, to provide funding to adaptive reuse projects that add to downtown’s residential base. BUDC continues to utilize 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 began 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, spurring additional investment. 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 33 small business retailers, with several retailers opening permanent stores along downtown Main Street and in other commercial corridors within the City of Buffalo. Other retailers now have their products sold in major retail stores such as Wegmans, Whole Foods and other local shops. 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. BUDC also partnered with the Buffalo Niagara Partnership on a 2018 Downtown Residential Demand Study which provides updated market data on downtown’s housing market as well as recommendations and opportunities to drive further demand to create a sustainable downtown neighborhood. In 2019, BUDC will release a Downtown Resource Guide that contains information on new development tools and updated strategy for downtown’s revitalization.

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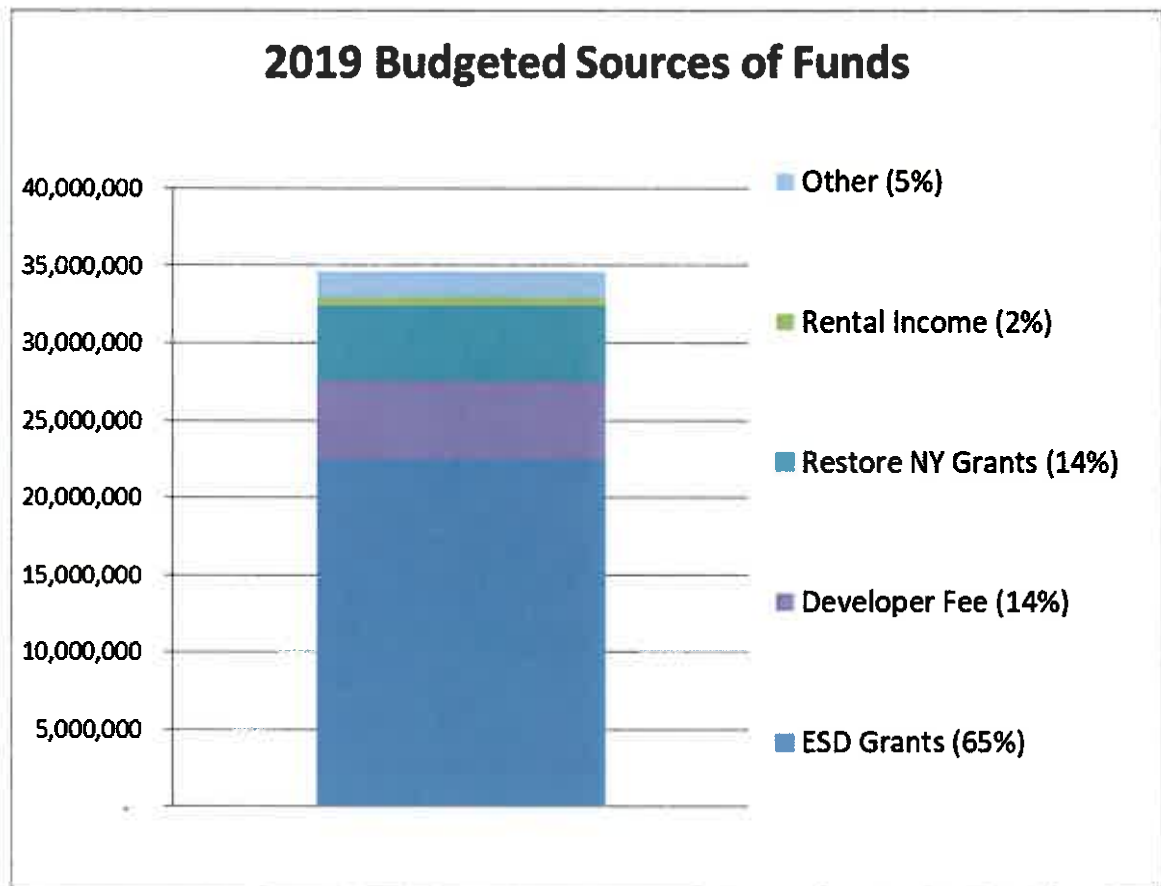
A. Overview (Continued):

BUDC will continue to operate and market the Buffalo Lakeside Commerce Park (“BLCP”) in 2019. The 2019 budget assumes that 5 acres of BLCP property will be sold for gross proceeds of \$150,000.

Property acquired at 308 Crowley Street in 2018 will be investigated for future development.

B. Sources of BUDC Funds:

The following chart summarizes the significant sources of the \$34.6 million in funds that have been budgeted for BUDC projects in 2019:



The key sources of BUDC funds are as follows:

- (1) Empire State Development Grant Income** – In 2019, BUDC expects to recognize grant revenue of \$22,500,000 from two previous capital grants from Empire State Development (“ESD”) for Phase 2 of 683 Northland Avenue and capital equipment purchases for the NWTC, respectively.
- (2) Developer Fee** – In 2019, BUDC expects to recognize a Developer Fee of \$5,000,000 as part of the 683 Northland Avenue project tax credit model. These funds are brought into the project as equity by an outside investor and will be reinvested into the project.

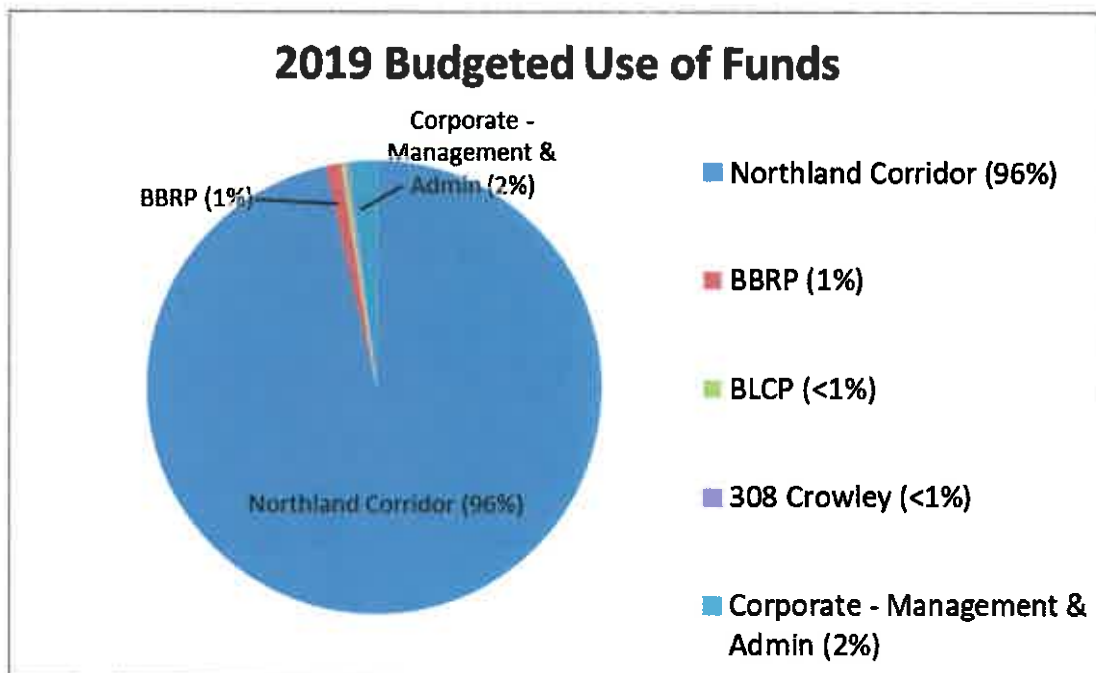
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B. Sources of BUDC Funds (Continued):

- (3) **Restore NY Grants** – In 2019 BUDC expects to recognize \$4,898,500 in grant revenue from Restore NY for the Northland Corridor Project.
- (4) **Rental Income** – In 2019 BUDC expects to realize rental income of approximately \$566,000 for leased space in the Northland Corridor from the NWTC and various other tenants.
- (5) **Other Income** – Other income totaling approximately \$1,640,000 reflects the following:
- \$500,000 in estimated carryover from a previous NYPA grant.
 - \$419,000 net revenue to the Buffalo Brownfields Redevelopment Fund.
 - \$405,000 combined from three National Grid grants for certain projects.
 - \$169,232 in grants from NYSERDA and LISC.
 - \$100,000 grant from the Erie County Industrial Development Agency.
 - \$49,000 net loan fee and interest revenue from the BBRP Downtown Loan Fund.
 - 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 \$18,000.
 - \$10,400 collected from property owners for public infrastructure maintenance at BLCP.
 - \$5,000 of investment interest income.

C. Uses of BUDC Funds:

BUDC expects to spend nearly \$34.3 million in 2019 as outlined in the following chart:



Buffalo Urban Development Corporation

2019 Budget

C. Uses of BUDC Funds (Continued):

The key uses of BUDC funds are as follows:

- (1) Northland Corridor** – As part of the continuing Northland Corridor project, BUDC anticipates spending \$33 million on capital and development costs, in addition to operating costs at Northland Corridor properties. The majority of 2019 spending will be to complete Phase 2 of 683 Northland Avenue.

- (2) BBRP** – The Buffalo Building Reuse Project anticipates spending just under \$400,000 in 2019. \$142,000 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 2019, BUDC has budgeted \$65,000 for operations and maintenance costs of Ship Canal Commons. Other ongoing costs, including legal, insurance, marketing and other administrative costs are estimated at an additional \$29,000.

- (4) 308 Crowley** – In 2018 BUDC acquired the property at this address. 2019 costs are largely speculative at this point. \$74,000 is budgeted for the property, and includes consulting for potential environmental issues, insurance and general development.

- (5) Corporate – Management & Administrative** – In 2019, BUDC expects to spend \$658,000 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 \$433,000. In addition, \$60,000 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 \$165,500 and include legal, insurance, marketing, rent and other general and administrative costs.

**Buffalo Urban Development Corporation
2019 Budget**

REVENUE	Budget 2019	Projected 2018	YTD	
			Sept. 2018	Actual 2017
Grant Revenue				
ESD - BMW/Equipment	\$ 22,500,000	\$ 8,500,000	\$ 6,633,032	\$ -
Restore NY	4,898,500	732,514	497,446	267,486
National Grid - Urban Corridor Program	250,000	250,000	-	-
National Grid - Brownfield	150,000	-	-	-
NYPA (carryover)	500,000	6,271,608	2,128,095	8,228,392
City of Buffalo - CDBG	-	279,074	279,074	2,920,926
National Grid - Building WNY	5,000	5,000	-	-
ECIDA	100,000	100,000	75,000	100,000
ESD - Northland/WTC Phase 1	-	6,090,628	4,302,189	4,154,173
Other	169,232	148,007	49,507	1,000,000
Gross Proceeds from Land Sales	180,000	-	-	-
Less: Cost of Land Sales	(197,830)	-	-	-
Buffalo Brownfield Fund Revenue (net)	419,000	449,000	266,241	482,530
Regionally Significant Project Fund (net)	-	18,000	9,409	18,764
Developer Fee	5,000,000	-	-	-
Rental Income	566,387	13,200	9,900	9,650
BLCP Property Owners' Association	10,400	10,400	5,200	10,400
Interest Income & Fees - Loans	49,000	41,250	30,938	124,928
Investment Interest Income/Miscellaneous	5,000	10,896	8,172	14,299
Other Income	-	-	-	-
Total	34,604,689	22,919,577	14,294,203	17,331,547
OPERATING EXPENSES				
Property Operations & Maintenance	(116,175)	(577,121)	(433,017)	(189,934)
Legal	(110,000)	(84,176)	(94,611)	(90,680)
Insurance	(137,057)	(138,108)	(103,581)	(112,664)
Marketing	(41,000)	(44,164)	(34,768)	(31,463)
Utilities	(9,036)	(5,866)	(45,992)	132
Misc.	(10,000)	(3,606)	(2,704)	(3,162)
Consultants	(45,000)	(43,593)	(32,695)	(67,838)
General Development Expenses	(285,000)	(3,004,881)	(2,253,660)	(1,172,110)
Personnel Costs	(540,751)	(439,841)	(329,881)	(430,339)
Interest	(365,006)	(294)	(294)	(20,934)
Rent	(30,238)	(18,710)	(13,808)	(18,428)
ECIDA Management Fee	(60,000)	(50,000)	(37,500)	(52,541)
Audit	(24,300)	(15,500)	(15,500)	(10,900)
Operating Expenses	(15,989)	-	-	-
Grant Expense	-	(2,049,294)	(2,049,294)	-
General & Administrative	(146,788)	(50,843)	(42,508)	(41,494)
Depreciation	(4,931,533)	(1,200)	(900)	(5,275)
Total	(6,867,873)	(6,527,196)	(5,490,713)	(2,247,629)
Net Income / (Loss)	\$ 27,736,816	\$ 16,392,382	\$ 8,803,489	\$ 15,083,917
CAPITAL/LOAN FUND BUDGET				
Property Acquisition	(32,398,500)	-	-	(1,062,121)
CASH FLOW ADJUSTMENTS				
Cost of Land Sales	170,330	-	-	-
Interest held by NYBDC/Loan Admin Fees	(5,938)	-	-	-
Prepaid rental income	(35,000)	-	-	-
Usage of reserves	95,909	65,300	54,000	-
Construction loan interest (prefunded)	273,169	250,000	162,000	-
Depreciation	4,931,533	1,200	900	5,275
Net Cash Increase/(Decrease)	\$ 768,319	\$ 16,708,882	\$ 9,020,389	\$ 14,027,071

Buffalo Urban Development Corporation
2019 Budget - Project Detail

	BLCP*	BBRP**	Northland Corridor	308 Crowley	Corporate Operations	Total
REVENUE						
Grant Revenue						
ESD - Buffalo Manufacturing Works/Equip.	\$ -	\$ -	\$ 22,500,000	\$ -	\$ -	\$ 22,500,000
Restore NY	-	-	4,898,500	-	-	4,898,500
National Grid - Urban Corridor Program	-	250,000	-	-	-	250,000
National Grid - Brownfield	-	-	150,000	-	-	150,000
NYPA (carryover)	-	-	500,000	-	-	500,000
National Grid - Building WNY	-	5,000	-	-	-	5,000
ECIDA	-	100,000	-	-	-	100,000
Other	-	-	169,232	-	-	169,232
Gross Proceeds from Land Sales	150,000	-	-	30,000	-	180,000
Less: Cost of Land Sales + closing costs	(192,830)	-	-	(5,000)	-	(197,830)
Buffalo Brownfield Fund Revenue (net)	-	-	-	-	419,000	419,000
Developer Fee	-	-	5,000,000	-	-	5,000,000
Rental Income	-	-	566,387	-	-	566,387
BLCP Property Maintenance	10,400	-	-	-	-	10,400
Interest income & Fees - Loans	-	49,000	-	-	-	49,000
Investment Interest Income/Miscellaneous	-	-	-	-	5,000	5,000
Other Income	-	-	-	-	-	-
Total	(32,430)	404,000	33,784,119	25,000	424,000	34,604,689
OPERATING EXPENSES						
Property Operations & Maintenance	(65,000)	-	(46,175)	(5,000)	-	(116,175)
Legal	(5,000)	(5,000)	(40,000)	(5,000)	(55,000)	(110,000)
Insurance	(18,000)	-	(76,057)	(22,000)	(21,000)	(137,057)
Marketing	(1,000)	(15,000)	-	-	(25,000)	(41,000)
Utilities	(2,769)	-	(5,268)	(1,000)	-	(9,036)
Misc.	(2,500)	(4,000)	-	(1,000)	(2,500)	(10,000)
Consultants	-	-	(20,000)	(25,000)	-	(45,000)
General Development Expenses	-	(250,000)	(25,000)	(10,000)	-	(285,000)
Personnel Costs	-	(108,110)	-	-	(432,641)	(540,751)
Interest	-	-	(365,006)	-	-	(365,006)
Operating Expenses	-	-	(10,989)	(5,000)	-	(15,989)
Rent	-	-	(5,238)	-	(25,000)	(30,238)
ECIDA Management Fee	-	-	-	-	(60,000)	(60,000)
Audit & Tax	-	-	(15,300)	-	(9,000)	(24,300)
General & Administrative	-	(15,000)	(103,788)	-	(28,000)	(146,788)
Depreciation/Amortization	-	-	(4,931,533)	-	-	(4,931,533)
Total	(94,269)	(397,110)	(5,644,353)	(74,000)	(658,141)	(6,867,873)
Net Income / (Loss)	(126,699)	6,890	28,139,766	(49,000)	(234,141)	27,736,816
CAPITAL BUDGET						
Property Acquisition/Equipment	-	-	(32,398,500)	-	-	(32,398,500)
Total	-	-	(32,398,500)	-	-	(32,398,500)
CASH FLOW ADJUSTMENTS						
Cost of Land Sales	170,330	-	-	-	-	170,330
Interest held by NYBDC/Loan Admin Fees	-	(5,938)	-	-	-	(5,938)
Prepaid Rental Income	-	-	(35,000)	-	-	(35,000)
Usage of reserves	-	-	95,909	-	-	95,909
Construction loan interest	-	-	273,169	-	-	273,169
Depreciation	-	-	4,931,533	-	-	4,931,533
Net Cash Increase/(Decrease)	\$ 43,631	\$ 952	\$ 1,006,877	\$ (49,000)	\$ (234,141)	\$ 768,319

* Buffalo Lakeside Commerce Park

** Buffalo Building Reuse Project

Buffalo Urban Development Corporation 2019 Budget - Northland Corridor Project Breakout

683 Northland Master Tenant, LLC ²	1% of 683 Northland Master Tenant, LLC
\$	\$
716,400	7,164
<u>716,400</u>	<u>7,164</u>

BUDC	683 WTC, LLC	683 Northland LLC	Eliminations ¹	Northland Corridor Total
\$ 22,500,000	\$ -	\$ -	\$ -	\$ 22,500,000
4,898,500	-	-	-	4,898,500
150,000	-	-	-	150,000
500,000	-	-	-	500,000
169,232	-	-	-	169,232
5,000,000	-	-	-	5,000,000
32,000	504,747	523,772	(494,132)	566,387
<u>33,249,732</u>	<u>504,747</u>	<u>523,772</u>	<u>(494,132)</u>	<u>33,784,119</u>

REVENUE

Grant Revenue	
ESD - Buffalo Manufacturing Works	
Restore NY	
National Grid - Brownfield	
NYPA (carryover)	
Other	
Developer Fee	
Rental Income	
Total	

OPERATING EXPENSES

Property Operations & Maintenance	(45,000)	(1,175)	-	(46,175)
Legal	(40,000)	-	-	(40,000)
Insurance	(74,000)	(2,057)	-	(76,057)
Rent expense	-	(5,238)	-	(5,238)
Utilities	(5,000)	(268)	-	(5,268)
Operating expenses	-	(10,489)	9,500	(10,989)
Administrative	-	(87,779)	87,676	(92,393)
Consultants	(20,000)	-	-	(20,000)
General Development Expenses	(25,000)	-	-	(25,000)
Personnel Costs	-	-	-	-
Interest	-	(346,756)	346,756	(365,006)
Real Estate Taxes	-	(686)	-	(686)
Asset Management Fee	-	(100)	-	(100)
Audit & Tax	(5,000)	(9,785)	9,785	(5,000)
Loan servicing fee	-	(10,079)	10,079	-
Depreciation/amortization	(1,000)	(4,684,006)	4,684,006	(4,931,533)
Total	(215,000)	(5,158,416)	5,147,801	(5,644,353)
Net Income / (Loss)	33,034,732	(4,653,669)	4,653,669	28,139,766

CAPITAL BUDGET

Property Acquisition/Equipment	(32,398,500)	-	-	(32,398,500)
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CASH FLOW ADJUSTMENTS

Prepaid rent	-	(35,000)	-	(35,000)
Deferred lease liability	-	-	-	-
Construction loan interest	-	273,169	-	273,169
Usage of/(additions to) reserves	-	95,909	-	95,909
Depreciation/amortization	1,000	-	4,930,533	4,931,533
Net Cash Increase/(Decrease)	\$ 637,232	\$ -	\$ 369,645	\$ 1,006,877

¹ Eliminations consist of 683 WTC, LLC's 95% share 683 Northland LLC's profit/loss.

² 683 Northland Master Tenant, LLC's 1% owner and Managing Member is 683 WTC, LLC. An investor-owned fund owns 99% of the entity.

Buffalo Urban Development Corporation 2019 Budget and 3 Year Forecast

REVENUE	Budget 2019	Projected 2020	Projected 2021	Projected 2022
Grant Revenue	\$ 28,572,732	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Gross Proceeds from Land Sales	180,000	180,000	180,000	180,000
Less: Cost of Land Sales	(197,830)	(197,830)	(197,830)	(197,830)
Buffalo Brownfield Fund Revenue (net)	419,000	241,000	-	-
Developer Fees	5,000,000	-	-	-
Rental Income	566,387	2,000,000	2,000,000	2,000,000
BLCF Property Owners' Association	10,400	10,400	10,400	10,400
Interest Income & Fees - Loans	49,000	40,000	40,000	40,000
Investment Interest Income	5,000	5,000	5,000	5,000
Other Income	-	3,000	3,000	3,000
Total	34,604,689	4,281,570	4,040,570	4,040,570
OPERATING EXPENSES				
Property Operations & Maintenance	(116,175)	(115,000)	(118,000)	(120,000)
Legal	(110,000)	(110,000)	(110,000)	(110,000)
Insurance	(137,057)	(500,000)	(500,000)	(500,000)
Marketing	(41,000)	(45,000)	(48,000)	(50,000)
Utilities	(9,036)	(9,000)	(10,000)	(11,000)
Misc.	(10,000)	(15,000)	(15,000)	(15,000)
Consultants	(45,000)	(100,000)	(100,000)	(100,000)
General Development Expenses	(285,000)	(5,000)	(10,000)	(15,000)
Personnel Costs	(540,751)	(562,381)	(584,876)	(608,271)
Interest	(365,006)	(625,000)	(625,000)	(625,000)
Operating Expenses	(15,989)	(46,000)	(48,000)	(50,000)
Rent	(30,238)	(47,000)	(48,000)	(49,000)
ECIDA Management Fee	(60,000)	(50,000)	(52,000)	(54,000)
Audit	(24,300)	(9,000)	(9,250)	(9,550)
General & Administrative	(146,788)	(42,000)	(44,000)	(46,000)
Depreciation	(4,931,533)	(1,000)	(1,000)	(1,000)
Total	(6,867,873)	(2,281,381)	(2,323,126)	(2,363,821)
Net Income / (Loss)	\$ 27,736,816	\$ 2,000,189	\$ 1,717,444	\$ 1,676,749



Budget Report for Buffalo Urban Development Corporation

Fiscal Year Ending: 12/31/2019

Run Date: 10/30/2018
 Status: UNSUBMITTED
 Certified Date: N/A

Budget & Financial Plan

Budgeted Revenues, Expenditures, And Changes In Current Net Assets.

	Last Year (Actual) 2017	Current Year (Estimated) 2018	Next Year (Adopted) 2019	Proposed 2020	Proposed 2021	Proposed 2022
Revenue & Financial Sources						
Operating Revenues						
Charges For Services	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rentals & Financing Income	\$135,435.00	\$54,450.00	\$615,387.00	\$2,040,000.00	\$2,040,000.00	\$2,040,000.00
Other Operating Revenues	\$65,156.00	\$10,400.00	\$10,400.00	\$13,400.00	\$13,400.00	\$13,400.00
Non-Operating Revenues						
Investment Earnings	\$14,470.00	\$10,896.00	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00
State Subsidies / Grants	\$5,421,659.00	\$21,742,757.00	\$27,398,500.00	\$0.00	\$0.00	\$0.00
Federal Subsidies / Grants	\$2,920,926.00	\$279,074.00	\$0.00	\$0.00	\$0.00	\$0.00
Municipal Subsidies / Grants	\$501,294.00	\$467,000.00	\$419,000.00	\$241,000.00	\$0.00	\$0.00
Public Authority Subsidies	\$8,303,393.00	\$355,000.00	\$600,000.00	\$0.00	\$0.00	\$0.00
Other Non-Operating Revenues	\$980,052.00	\$0.00	\$5,556,402.00	\$1,982,170.00	\$1,982,170.00	\$1,982,170.00
Proceeds From The Issuance Of Debt	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Revenues & Financing Sources	\$18,342,385.00	\$22,919,577.00	\$34,004,689.00	\$4,281,570.00	\$4,040,570.00	\$4,040,570.00
Expenditures						
Operating Expenditures						
Salaries And Wages	\$346,753.00	\$339,858.00	\$413,662.00	\$430,209.00	\$447,417.00	\$465,314.00
Other Employee Benefits	\$97,654.00	\$94,652.00	\$127,089.00	\$132,172.00	\$137,459.00	\$142,957.00
Professional Services Contracts	\$125,076.00	\$143,268.00	\$179,300.00	\$219,000.00	\$219,250.00	\$219,550.00
Supplies And Materials	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Operating Expenditures	\$1,696,609.00	\$3,900,123.00	\$5,782,816.00	\$875,000.00	\$894,000.00	\$911,000.00
Non-Operating Expenditures						
Payment Of Principal On Bonds And Financing Arrangements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Interest And Other Financing Charges	\$0.00	\$0.00	\$365,006.00	\$625,000.00	\$625,000.00	\$625,000.00
Subsidies To Other Public Authorities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Capital Asset Outlay	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Grants And Donations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Non-Operating Expenditures	\$0.00	\$2,049,294.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Expenditures	\$2,266,092.00	\$6,527,195.00	\$6,867,873.00	\$2,281,381.00	\$2,323,126.00	\$2,363,821.00
Capital Contributions	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Excess (Deficiency) Of Revenues And Capital Contributions Over Expenditures	\$16,076,293.00	\$16,392,382.00	\$27,736,816.00	\$2,000,189.00	\$1,717,444.00	\$1,676,749.00

Budget Report for Buffalo Urban Development Corporation

Fiscal Year Ending: 12/31/2019

Run Date: 10/30/2018
Status: UNSUBMITTED
Certified Date: N/A

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