

BUFFALO URBAN DEVELOPMENT CORPORATION

BUFFALO BROWNFIELD RESTORATION CORP.

BBRC LAND COMPANY I LLC

RIVERBEND LLC

BUFFALO LAKESIDE COMMERCE PARK I LLC

NORDEL I LLC

NORDEL II LLC

683 WTC, LLC

683 NORTHLAND LLC

KING CROW, LLC

714 NORTHLAND LLC

2019 ANNUAL REPORT

(For purposes of Section 2800(2) of the Public Authorities Law)

Purpose of the Annual Report:

As a local development corporation established by the City of Buffalo, the Buffalo Urban Development Corporation (BUDC) is required to comply with New York State's Public Authorities Law. Under this Law, BUDC is required to submit a comprehensive annual report that includes information on:

1. Operations and accomplishments
2. Financial Reports
3. Mission Statement & Performance Measurements
4. Bonds and notes outstanding
5. Compensation (for those earning \$100,000 +)
6. Projects undertaken during the year
7. Property Report
8. Code of Ethics
9. An assessment of internal control structure and effectiveness
10. Legislation that forms the statutory basis of the authority
11. Board structure
12. By-Laws
13. Listing of material changes in operations and programs
14. Four-year Financial Plan
15. Board Performance Evaluations
16. Assets/Services brought or sold without competitive bidding
17. Description of material pending litigation

In compliance with the Public Authorities Law, the following required information is presented for the fiscal year ended December 31, 2019.

1. Operations & Accomplishments:

A report on the 2019 operations and accomplishments of the BUDC and its affiliates is posted on BUDC's website at <http://www.buffalourbandevelopment.com/budc-corporate-reports>.

2. Financial Reports:

i) Audited Financial Statements:

The audited financial statements for the BUDC will be posted on its website at <http://www.buffalourbandevelopment.com/budc-corporate-reports>. The financial statement certification is included on page 8.

The financial statements are audited on an annual basis, by BUDC's external auditors Freed Maxick CPAs, P.C. In their opinion, the financial statements present fairly, in all material respects, the financial position of BUDC as of December 31, 2019 and the changes in net assets and its cash flows for the years then ended in conformity with accounting principals generally accepted in the United States of America.

ii) Grants & Subsidy Programs:

BUDC and its affiliates are recipients of certain Federal, State, and Local grant programs that are utilized for land development projects. Details of the various grants are outlined in BUDC's audited financial statements.

iii) Operating & Financial Risks:

The following outline some of the operating and financial risks that impact BUDC:

- Liquidity – A significant portion of BUDC's assets consist of land and buildings held for sale or lease which are not readily convertible to cash. Since BUDC relies upon land sales to fund operations, a reduction in the amount of cash derived from land sales could cause BUDC difficulty in funding operations.
- Recovery of Land held for sale – BUDC has capitalized a large proportion of its development costs as "Land and Improvements held for sale". If BUDC has difficulty selling the underlying parcels due to local economic conditions, it may not be able to recover the amount recorded on the financial statements.
- Environmental – Since BUDC and its affiliates may assume title to properties with environmental contamination, it is exposed to the related potential clean-up costs, litigation and other liabilities.
- Regulatory – BUDC is subject to various regulations including those imposed by the NYS Authority Budget Office. These regulations may increase the cost of compliance or impact the financial position of the Corporation. In 2017, BUDC also closed on tax credit financing for the Western New York Workforce Training Center involving New Markets and Historic Tax Credits. Changes to regulations governing these and Brownfield Tax Credits could impact the overall funding of the project.
- Funding – As a not-for-profit local development corporation, BUDC has limited sources of operating funds and relies heavily on grant funding from New York State for certain projects. BUDC management is always cognizant of the fact that a change in the legislative climate of the State could have a significant effect on future grant opportunities.

BUDC mitigates a portion of the above risks by prudent financial management, external legal guidance and comprehensive insurance coverage.

iv) Current bond ratings:

BUDC does not issue bonds on its own behalf and therefore is not rated by municipal bond rating agencies.

v) Long-term liabilities including leases and employee benefit plans:

BUDC has long-term liabilities related loans and notes payable as described in Section 4.

3. Mission Statement & Performance Measurements:

BUDC's Mission Statement & Performance Measurements Report for 2019 is included in Attachment 1. This document was reviewed and approved by the Board at the March 31, 2020 Board meeting.

4. Schedule of Bonds and Notes Outstanding:

In 2006, BUDC issued \$675,000 in promissory notes in connection with the expansion of its Buffalo Lakeside Commerce Park remediation and redevelopment. During 2007, \$150,000 of these notes were repaid while in 2008 an additional \$267,619 of these notes were repaid, leaving a balance of \$257,381 outstanding at December 31, 2019. In 2017, 683 Northland LLC borrowed amounts totaling \$13,730,000 related to the Northland Workforce Training Center project as part of a transaction to syndicate certain tax credits. 683 Northland LLC also entered into two agreements for bridge financing in 2017 totaling \$30,000,000, all of which was outstanding at December 31, 2019. See Attachment 2 for detail of BUDC's loans and notes payable.

5. Compensation Schedule:

See Attachment 3 for a list of BUDC employees who had a salary exceeding \$100,000 during 2019. Attachment 3A is a summary of benefits provided to those staff per the New York State Public Authorities Reporting Information System (PARIS). Biographies for these individuals are posted on BUDC's website at <http://www.buffalourbandevelopment.com/budc-contact-us>. Salaries and benefit information for other BUDC staff are also reported under the PARIS system.

None of the directors of the Buffalo Urban Development Corporation or its affiliates receive any compensation for their services as directors. None of the officers of the Buffalo Urban Development Corporation or its affiliates receive any compensation for their services as officers beyond their compensation as employees.

6. Projects Undertaken by the Corporation during fiscal year 2019:

See above Operations and Accomplishments report posted at <http://www.buffalourbandevelopment.com/budc-corporate-reports> for a listing of various initiatives accomplished in 2019. Buffalo Urban Development Corporation does not provide project financing, therefore, no such project details are included in this section.

7. Listing of certain Property of the Corporation:

Attachment 4 provides information regarding the real property holdings of BUDC and its affiliates.

8. Code of Ethics:

The Corporation's Code of Ethics is posted on BUDC's website at <http://www.buffalourbandevelopment.com/budc-corporate-policies>.

9. Assessment of the Effectiveness of Internal Control Structure and Procedures:

Management's Assessment of the Effectiveness of Internal Controls of BUDC is posted on BUDC's website at <https://www.buffalourbandevelopment.com/budc-corporate-reports>.

BUDC's external auditors have conducted tests of the effectiveness of its internal controls over financial reporting and their report is included in the audited financial statements posted on BUDC's website at <https://www.buffalourbandevelopment.com/budc-corporate-reports>.

10. Legislation that forms the Statutory Basis of the Authority:

BUDC

BUDC is a local development corporation which was formed and empowered to conduct certain projects pursuant to Not-For-Profit Corporation Law § 1411. Distinguished from IDAs (which exist as public benefit corporations), LDCs are established as charitable corporations that are empowered to construct, acquire, rehabilitate and improve for use by others, industrial or manufacturing plants in the territory in which its operations are principally to be conducted ("Benefited Territory") and to make loans. LDCs can provide financial assistance for the construction, acquisition, rehabilitation, improvement, and maintenance of facilities for others in its Benefited Territory. Specific LDC powers include the ability to: (i) disseminate information and furnish advice, technical assistance and liaison services to Federal, State and local authorities; (ii) to acquire by purchase, lease, gift, bequest, devise or otherwise, real or personal property; and (iii) to borrow money and to issue negotiable bonds, notes and other obligations. LDCs are empowered to sell, lease, mortgage or otherwise dispose of or encumber facilities or any real or personal property or any interest therein.

A copy of this specific legislation can be found at the following address:

[http://public.leginfo.state.ny.us/LAWSSEAF.cgi?QUERYTYPE=LAWS+&QUERYDATA=\\$NPC1411\\$\\$@TXNPC01411+&LIST=LAW+&BROWSER=EXPLORER+&TOKEN=35134270+&TARGET=VIEW](http://public.leginfo.state.ny.us/LAWSSEAF.cgi?QUERYTYPE=LAWS+&QUERYDATA=$NPC1411$$@TXNPC01411+&LIST=LAW+&BROWSER=EXPLORER+&TOKEN=35134270+&TARGET=VIEW)

Buffalo Brownfields Restoration Corporation (BBRC)

BBRC is a corporation as defined in subparagraph (a)(5) of Section 102 of the Not-for-Profit Corporation Law of the State of New York and is a Type B corporation as defined in Section 201 of the Not-for-Profit Corporation Law. A copy of this legislation can be found at the following address:

<http://public.leginfo.state.ny.us/LAWSSEAF.cgi?QUERYTYPE=LAWS+&QUERYDATA=@LLNPC+&LIST=LAW+&BROWSER=EXPLORER+&TOKEN=35134270+&TARGET=VIEW>.

11. Description of the Authority and its Board Structure:

i) Names of Committees and Committee Members:

Buffalo Urban Development Corporation operates a Real Estate Committee, Audit & Finance Committee, Governance Committee, Downtown Committee, and Loan Committee. A description of the committees and a listing of committee members is posted on the BUDC website at <http://www.buffalourbandevelopment.com/budc-board-committees>.

ii) Lists of Board Meetings & Attendance:

A list of the 2019 Board meetings and Board attendance is outlined on Attachment 5.

iii) Description of major authority units, subsidiaries:

BUDC's Corporate Chart is included in Attachment 6.

iv) Number of Employees:

BUDC had four full-time employees in 2019. It also utilized employees of the Erie County Industrial Development Agency (ECIDA) to provide financial, administrative, and property management services on a fee basis.

v) Organizational Chart:

BUDC's organizational chart is posted on BUDC's website at:
<http://www.buffalourbandevelopment.com/budc-contact-us>.

12. Bylaws:

The Bylaws for BUDC are posted on its website at
http://www.buffalourbandevelopment.com/documents/budc_corporate_policies/BUDCBY-Laws_Feb_2012.pdf.

13. Listing of Material Changes in Operations and Programs:

There was one material change in BUDC operations and programs in 2019, as indicated in Section 1 (Operations & Accomplishments) in the section titled Waterfront / Ralph C. Wilson, Jr. Centennial Park Project. This project will be described in greater detail at the end of this section.

BUDC continued to make significant strides in the Northland Beltline Corridor redevelopment area. More specifically, the Phase II renovation of 683 Northland (Northland Central) was substantially completed in September 2019, allowing for the opening of Buffalo Manufacturing Works (BMW) as the second anchor tenant.

The Northland Central project is the complete rehabilitation of a vacant, 240,000 square foot industrial complex at 683 Northland Avenue in the City of Buffalo, which houses the Northland Workforce Training Center (NWTC), BMW, SparkCharge, and Manna Restaurant. The over \$100 million Project is a signature initiative of Governor Andrew Cuomo's "Buffalo Billion" Investment Plan, and is part of a larger regional plan to promote smart growth, workforce development, and economic development goals. Through the efforts of Mayor Byron W. Brown, this site was identified long ago as an area that could ignite significant development on Buffalo's east side.

The NWTC is an approximately 80,000 square foot facility that includes administrative space, classrooms, and industrial shops/labs designed to train and graduate new highly-skilled members of the local workforce to meet the requirements of the 21st century advanced manufacturing and electric utility industries. The NWTC was created through an adaptive reuse of a portion of the historic industrial structure at Northland Central (the former Niagara Machine & Tool Works) and was financed through a partnership between Empire State Development (ESD), the New York Power Authority (NYPA), and the City of Buffalo (City).

With technical support by the University at Buffalo's Regional Institute, ESD developed a business plan for the NWTC which was targeted to best provide workforce training opportunities to the traditionally most under-represented groups in the City's workforce. The instructional staff/curricula components of the NWTC are provided by two SUNY institutions (SUNY Erie and Alfred State College). ESD also selected Economic Development Group (EDG), (a not-for-profit consortium of Catholic Charities, Goodwill Industries, Buffalo Niagara Manufacturing Alliance, and the Buffalo Urban League) to operate the NWTC and to provide access for wrap-around services for the students.

The NWTC was the initial anchor for Northland Central and the Northland Beltline Corridor. As mentioned, the second major anchor at Northland Central is Buffalo Manufacturing Works (BMW), which relocated in 2019 from their previous location on Main Street to a state-of-the-art 55,000 square foot space within the building, adjacent to the NWTC. Buffalo Manufacturing Works provides technical assistance and access to specialty equipment to assist local manufacturers in their efforts to innovate. BMW was fully-operational in Northland Central by September of 2019.

BMW's move to Northland Central also involved a co-location with Insyte Consulting, which creates a holistic suite of service providers for the benefit of local manufacturers. BMW's already-established STEM education Additive Manufacturing Learning Lab was also relocated and expanded in its new home at Northland Central, with an on-going goal of training 200-300 students and teachers per year. These efforts will continue to complement efforts at the NWTC and other aligned efforts (e.g., Burgard High School's Advanced Manufacturing Program) on Buffalo's East Side to help create a pool of skilled talent to help drive the local manufacturing economy.

In addition to the NWTC and BMW, there was approximately 80,000 additional square feet of space available to advanced manufacturing and other companies wishing to locate to Northland Central. The majority of that available space featured high-bay (40') light-industrial space and below-market electrical rates. BUDC is pleased to report that as of December 2019 the majority of that space has been leased to two manufacturing companies, SparkCharge and Retech Systems. The proximity to the NWTC and BMW provides other companies leasing space in the complex with access to specialist manufacturing equipment, technical assistance and a trained workforce.

Northland Central is the anchor to the overall Northland Beltline Corridor redevelopment plan, which when fully built-out will include the re-use of an additional 300,000 square feet of industrial space, construction of street and right-of-way improvements along Northland Avenue, public open space and public art. These investments in existing assets/infrastructure will increase development density in the City's core, encourage walkability and multi-modal transportation, connect disadvantaged communities with employment clusters, and attract private investment to further foster a vibrant, sustainable community in line with the Region's established smart growth principles. The Northland Beltline Corridor is continuing to evolve as an innovation hub focused on workforce training, advanced manufacturing, and energy, with a focus on encouraging job training and employment for East Side residents.

The combined project at Northland Central will exceed \$100 million. In addition to the grant funding from ESD, NYPA and the City of Buffalo, additional financing is being provided by Citibank and Key Bank, through the use of Historic Preservation Tax Credits and New Market Tax Credits allocated through the National Trust Community Investment Corporation and Building America Community Development Entity. Key Bank is providing bridge financing.

In addition to the further development at Northland Central in 2019, BUDC had two other construction projects that proceeded in the corridor during the year. In two different cycles, BUDC was awarded Restore NY funding from ESD to enhance development in the Northland Beltline Corridor. These funds are being used to renovate 15,000 and 40,000 square foot buildings on the former Houde Manufacturing site. The 15,000 square foot building was completed in 2019, and is now the temporary home for Albright Knox Art Gallery, as they undertake a three year renovation of their main Gallery on Elmwood. The 40,000 square foot building is in the first phase of "core and shell" improvements to bring this long-abandoned structure back to life.

As mentioned earlier, as an extension of BUDC's role supporting downtown infrastructure and development activity, BUDC applied to the Ralph C. Wilson, Jr. Foundation for grant funds to assist the City of Buffalo to become more engaged in downtown waterfront planning and development activities. In 2019, the Foundation awarded BUDC a \$2.8 million dollar grant to enhance both BUDC's and the City's capacity to manage such development activities and to successfully implement the design and construction of Ralph C. Wilson, Jr. Centennial Park.

In May of 2019, the Foundation awarded BUDC with an additional \$3.9 million to cover costs associated with the schematic design, design development, site development, and due diligence work related to the Centennial Park project. The Board approved a contract with Michael Van Valkenburgh Associates (MVVA) to provide landscape design services for the park transformation. The Board approved a contract with Wendel Companies to provide due diligence services for the park project.

14. Four-Year Financial Plan:

A copy of the four-year financial plan is posted on BUDC's website at <http://www.buffalourbandevelopment.com/budc-corporate-reports>.

15. Board Performance Evaluations:

The BUDC Board of Directors conducted a Board Performance Evaluation for 2019 and forwarded the results to the Authority Budget Office. The results of the survey are not subject to disclosure under Article six of the Public Officers Law.

16. Assets/Services bought or sold without competitive bidding:

Attachment 7 is a Procurement Report that will be filed under the PARIS system. The report outlines the assets and services purchased through competitive and non-competitive bidding for those procurements in excess of \$5,000.

17. Description of material pending litigation:

The audited financial statements for BUDC outline any material pending litigation. The audited financial statements are posted on BUDC's website at <http://www.buffalourbandevelopment.com/budc-corporate-reports>.

Certification Pursuant to Section 2800(3) of the Public Authorities Law

Pursuant to Section 2800 (3) of the Public Authorities Law, each of the undersigned officers of Buffalo Urban Development Corporation, does hereby certify with respect to the annual financial report of the Corporation (the “Annual Financial Report”) posted on BUDC’s website at <http://www.buffalourbandevelopment.com/budc-corporate-reports> that based on the officer’s knowledge:

1. The information provided in the Annual Financial Report is accurate, correct and does not contain any untrue statement of material fact;
2. Does not omit any material fact which, if omitted, would cause the financial statements contained in the Annual Financial Report to be misleading in light of the circumstances under which such statements are made; and
3. Fairly presents in all material respects the financial condition and results of operations of the Corporation as of, and for, the periods presented in such financial statements.



Peter M. Cammarata
President

March 31, 2020

Date



Mollie Profic
CFO

March 31, 2020

Date