

Buffalo Urban Development Corporation

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Buffalo Urban Development Corporation Audit & Finance Committee Meeting Monday - September 21st, 2020 - Noon

Via Video Conference Call & Live Stream Audio

Agenda

1. Approval of Minutes from the July 13, 2020 Meeting *(Action) (Enclosure)*
2. Cash Flow Analysis Process Update *(Discussion) (Under Separate Cover)*
3. 2021 BUDC Draft Budget & Three Year Forecast *(Information) (Enclosure)*
4. 2021 683 Northland Master Tenant Budget *(Information) (Enclosure)*
5. BBRF Update and Draw (UBIT Payment Schedule) *(Recommend) (Enclosure)*
6. Historic Tax Credit Certification Update *(Information)*
7. Amended and Restated Northland Leasing Policy *(Information) (Enclosure)*
8. Funding Updates (Northland) *(Information)*
9. Funding Updates (Waterfront) *(Information)*
10. Adjournment *(Action)*

**Minutes of the Meeting
of the
Audit & Finance Committee
of
Buffalo Urban Development Corporation**

Via Video Conference Call & Live Stream Audio

**July 13, 2020
12:00 p.m.**

Call to Order:

Committee Members Present:

James Comerford
Janique S. Curry
David J. Nasca
Dennis M. Penman (Committee Chair)

Committee Members Absent:

Trina Burruss

Officers Present:

Peter M. Cammarata, President
Rebecca Gandour, Vice President, Finance & Development
Mollie M. Profic, Treasurer
Kevin J. Zanner, Secretary
Atiqa Abidi, Assistant Treasurer

Roll Call; Order of Business – The Secretary called the roll of the members of the Audit & Finance Committee at 12:05 p.m. and a quorum of the Committee was determined to be present. Ms. Curry joined the meeting during the presentation of agenda item 2.0

The meeting was held via video/telephone conference in accordance with the provisions of Executive Order 202.1, issued by Governor Andrew Cuomo on March 12, 2020. The meeting was also live-streamed to the general public and recorded. A transcript of the meeting will be made available at a later date.

- 1.0 Approval of Minutes of the June 10, 2020 Meeting** – The minutes of the June 10, 2020 meeting of the Audit & Finance Committee were presented. Mr. Nasca made a motion to approve the meeting minutes. The motion was seconded by Mr. Comerford and unanimously carried.
- 2.0 Buffalo Urban Development Corporation – Draft 2019 990/990-T** – Ms. Profic reviewed with the Committee the draft IRS Form 990/990T prepared by Freed Maxick, copies of which were circulated to the Committee in advance of the meeting. BUDC has obtained a filing extension until November but was required to make estimated tax payments. Ms. Profic reviewed the tax payments as outlined in a separate handout. These payments are attributable to the tax credits structure that was established for the 683 Northland project. The tax bill is approximately \$57,000. Ms. Profic noted that the Buffalo Brownfields Redevelopment Fund would be used to reimburse this expense. She also indicated that she would report at the July Board meeting that a copy of the draft Form 900/990T will be made available for Board member review and comment.

- 3.0 Cash Flow Analysis Process / Timeline** – Ms. Profic reported that BUDC has engaged Freed Maxick at a cost not to exceed \$7500.00 to prepare the analysis requested by the Committee of the tax credits projections and cash flows for the 683 Northland project. Ms. Cammarata commented that the analysis will be utilized by BUDC to help develop the 2021 budget.
- 4.0 Historic Tax Credit Certification Update** – Ms. Profic informed the Committee that Freed Maxick is working on the Phase 2 cost certification that is needed in order to receive the fourth installment of historic tax credits equity. A draft report is expected by the end of July.
- 5.0 Draft Amended and Restated Leasing Policy for Northland Corridor Properties** – Mr. Cammarata and Mr. Zanner presented the proposed amendment to the BUDC Leasing Policy for Northland Corridor Properties. Mr. Cammarata noted that several tenants have made requests to modify lease terms due to the COVID-19 pandemic. Mr. Zanner reviewed the proposed amendment, which would specifically authorize the President to modify existing lease terms except in those instances where the modification would result in a rent reduction of more than a to-be-determined percentage of the overall rent or would result in an adjustment to the duration of the lease. Those modifications would be subject to approval of the Real Estate Committee. Mr. Penman suggested that the policy be amended so that the President is the sole officer authorized to take action under the policy, and that references in the policy to the Vice President or Executive Vice President having concurrent authority should be deleted. Mr. Cammarata noted that the proposed amendment will be reviewed with the Governance Committee and the Real Estate Committee before it is presented to the Board of Directors for approval.
- 6.0 Adjournment** – There being no further business to come before the Committee, upon motion made by Ms. Curry, seconded by Mr. Comerford and unanimously carried, the July 13, 2020 meeting of the Audit & Finance Committee was adjourned at 12:30 p.m.

Respectfully submitted,



Kevin J. Zanner
Secretary

Buffalo Urban Development Corporation
Proposed 2021 Budget - Project Detail

	BLCP*	BBRP**	Downtown Waterfront	Northland Corridor	308 Crowley	Corporate Operations	Total
REVENUE							
Grant Revenue							
Restore NY 5	\$ -	\$ -	\$ -	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Ralph C. Wilson, Jr. Foundation	-	-	4,776,667	-	-	-	4,776,667
National Grid	-	250,000	-	425,000	-	-	675,000
ESD - Solar Microgrid	-	-	-	2,000,000	-	-	2,000,000
ECIDA	-	100,000	-	-	-	-	100,000
Gross Proceeds from Land Sales	682,500	-	-	-	50,000	-	732,500
Less: Cost of Land Sales + closing costs	(765,386)	-	-	-	(25,000)	-	(790,386)
Buffalo Brownfield Fund Revenue (net)	-	-	-	-	-	83,000	83,000
Rental Income	-	-	-	2,023,692	-	-	2,023,692
BLCP Property Maintenance	5,200	-	-	-	-	-	5,200
Interest Income & Fees - Loans	-	-	-	96,664	-	-	96,664
Investment Interest Income/Miscellaneous	-	-	-	-	-	1,000	1,000
Total	(77,686)	350,000	4,776,667	6,045,356	25,000	84,000	11,203,337
OPERATING EXPENSES							
Property Operations & Maintenance	66,611	-	-	92,548	5,000	-	164,159
Legal	10,000	5,000	(10,000)	45,000	5,000	50,000	105,000
Insurance	18,000	-	-	105,000	22,000	42,000	187,000
Marketing	1,000	14,000	-	-	-	20,000	35,000
Utilities	2,398	-	-	20,000	-	-	22,398
Misc.	2,500	-	-	-	1,000	7,500	11,000
Consultants	-	-	4,400,000	25,000	25,000	2,500	4,452,500
General Development Expenses	-	250,000	216,667	15,000	-	-	481,667
Personnel Costs	-	124,415	130,000	-	-	280,806	535,221
Interest	-	-	-	718,675	-	10,000	728,675
Operating Expenses	-	-	-	10,000	1,000	-	11,000
Rent	-	-	-	-	-	25,000	25,000
ECIDA Management Fee	-	-	7,500	5,000	-	90,500	103,000
Audit & Tax	-	-	5,000	45,000	-	51,550	101,550
General & Administrative	-	5,000	27,500	1,061,313	-	20,000	1,113,813
Depreciation	-	-	-	4,600,000	-	-	4,600,000
Amortization	-	-	-	43,676	-	-	43,676
Total	100,509	398,415	4,776,667	6,786,212	59,000	599,856	12,720,658
Net Income / (Loss)	(178,195)	(48,415)	-	(740,856)	(34,000)	(515,856)	(1,517,321)
CAPITAL BUDGET							
Capital expenditures/equipment	-	-	-	(3,925,000)	-	-	(3,925,000)
Prepaid rent - Master Lease Agreement	-	-	-	1,500,092	-	-	1,500,092
Capital contributions (BTCs)	-	-	-	12,051,364	-	-	12,051,364
Repayment of debt	-	-	-	(13,551,456)	-	-	(13,551,456)
Total	-	-	-	(3,925,000)	-	-	(3,925,000)
CASH FLOW ADJUSTMENTS							
Cost of Land Sales	721,386	-	-	-	25,000	-	746,386
Prepaid Rental Income	-	-	-	(1,393,058)	-	-	(1,393,058)
Deferred lease liability	-	-	-	511,932	-	-	511,932
Line of credit usage	-	-	-	510,000	-	-	510,000
Use of reserves	-	-	-	97,182	-	-	97,182
Depreciation	-	-	-	4,600,000	-	-	4,600,000
Amortization	-	-	-	43,676	-	-	43,676
Net Cash Increase/(Decrease)	\$ 543,191	\$ (48,415)	\$ -	\$ (296,124)	\$ (9,000)	\$ (515,856)	\$ (326,203)

* Buffalo Lakeside Commerce Park

** Buffalo Building Reuse Project

Buffalo Urban Development Corporation
Proposed 2021 Budget - Northland Corridor Project Breakout

	BUDC	683 WTC, LLC	683 Northland LLC	Eliminations ¹	Northland Corridor Total
REVENUE					
Grant Revenue					
Restore NY 5	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
National Grid	425,000	-	-	-	425,000
ESD - Solar Microgrid	2,000,000	-	-	-	2,000,000
Loan interest	446,664	-	-	(350,000)	96,664
Rental Income	143,950	-	1,879,742	-	2,023,692
Total	4,515,614	-	1,879,742	(350,000)	6,045,356
OPERATING EXPENSES					
Property Operations & Maintenance	92,548	-	-	-	92,548
Legal	40,000	-	5,000	-	45,000
Insurance	105,000	-	-	-	105,000
Utilities	20,000	-	-	-	20,000
Operating expenses	-	-	10,000	-	10,000
Administrative	912,768	-	77,290	-	990,058
Consultants	20,000	-	5,000	-	25,000
General Development Expenses	15,000	-	-	-	15,000
Interest	15,000	350,000	703,675	(350,000)	718,675
Asset Management Fee	-	-	55,000	-	55,000
Audit & Tax	-	5,000	40,000	-	45,000
Loan servicing fees	-	-	21,255	-	21,255
Depreciation	100,000	-	4,500,000	-	4,600,000
Amortization	-	-	43,676	-	43,676
Total	1,320,316	355,000	5,460,896	(350,000)	6,786,212
Net Income/(Loss)	3,195,299	(355,000)	(3,581,154)	-	(740,856)
CAPITAL BUDGET					
Capital expenditures/equipment	(3,925,000)	-	-	-	(3,925,000)
Prepaid rent - Master Lease Agreement	-	-	1,500,092	-	1,500,092
Capital contributions (BTCs)	-	-	12,051,364	-	12,051,364
Repayment of debt	-	-	(13,551,456)	-	(13,551,456)
	(3,925,000)	-	-	-	(3,925,000)
CASH FLOW ADJUSTMENTS					
Prepaid rent	-	-	(1,393,058)	-	(1,393,058)
Deferred lease liability	511,932	-	-	-	511,932
Line of credit usage	-	-	510,000	-	510,000
Deferred interest payments	(350,000)	350,000	-	-	-
Use of/(additions to) reserves	-	-	97,182	-	97,182
Depreciation/amortization	100,000	-	4,543,676	-	4,643,676
Net Cash (Increase)/Decrease	\$ (467,770)	\$ (5,000)	\$ 176,646	\$ -	\$ (296,124)

¹ Eliminations consist of interest revenue/expense between BUDC and 683 WTC, LLC.

Buffalo Urban Development Corporation
Proposed 2021 Budget

REVENUE	Budget 2021	Projected 2020	YTD	
			July 2020	Actual 2019
Grant Revenue				
Empire State Development	\$ 2,000,000	\$ 1,173,925	\$ 1,021,311	\$ 15,046,849
Restore NY	1,500,000	1,685,443	1,265,430	1,758,395
Ralph C. Wilson, Jr. Foundation	4,776,667	6,235,604	1,621,269	1,907,200
National Grid (various)	675,000	250,000	-	550,000
NYPA (carryover)	-	1,200,236	1,200,236	1,310,783
ECIDA	100,000	100,000	58,333	100,000
Other	-	53,459	27,157	126,408
Gross Proceeds from Land Sales	732,500	31,609	31,609	-
Less: Cost of Land Sales	(790,386)	(24,232)	(24,232)	-
Buffalo Brownfield Fund Revenue (net)	83,000	121,642	96,511	298,920
Developer Fee	-	-	-	11,886,746
Rental Income	2,023,692	140,965	1,188,192	2,946,446
BLCP Property Owners' Association	5,200	5,200	-	5,200
Interest income & Fees - Loans	96,664	133,535	93,258	149,707
Investment Interest Income/Miscellaneous	1,000	1,597	1,110	19,278
Other Income	-	1,000	1,000	4,229
Total	11,203,337	11,109,983	6,581,184	36,110,161
OPERATING EXPENSES				
Property Operations & Maintenance	164,159	190,012	128,321	180,968
Legal	105,000	133,938	86,066	192,276
Insurance	187,000	254,459	148,539	351,803
Marketing	35,000	51,976	26,896	42,989
Utilities	22,398	38,492	22,454	2,560
Misc.	11,000	8,624	5,033	32,447
Consultants	4,452,500	5,476,672	1,639,705	2,325,883
General Development Expenses	481,667	342,878	1,600,012	1,482,781
Personnel Costs	535,221	531,509	334,500	481,747
Interest	728,675	996,137	568,955	1,172,004
Rent	25,000	25,000	14,583	23,226
ECIDA Management Fee	103,000	95,000	55,417	78,855
Audit & Tax	101,550	107,843	102,522	65,533
Operating Expenses	11,000	1,000	639	-
Grant Expense	912,768	1,686,090	970,665	1,569,848
General & Administrative	201,045	111,595	74,133	62,096
Depreciation	4,600,000	4,021,659	2,345,968	3,224,019
Amortization	43,676	74,872	43,676	74,872
Total	12,720,658	14,147,755	8,168,084	11,363,905
Net Income / (Loss)	\$ (1,517,321)	\$ (3,037,772)	\$ (1,586,900)	\$ 24,746,256
CAPITAL/LOAN FUND BUDGET				
Capital expenditures/equipment	(3,925,000)	(2,000,000)	(1,600,000)	(45,915,225)
Proceeds from loans/line of credit	510,000	1,485,773	1,135,773	5,065,740
Prepaid rent - Master Lease Agreement	1,500,092	8,695,312	-	4,121,175
Capital contributions	12,051,364	2,746,198	446,198	500,000
Repayment of debt	(13,551,456)	(11,789,022)	-	-
	(3,415,000)	(861,739)	(18,029)	(36,228,310)
CASH FLOW ADJUSTMENTS				
Cost of Land Sales	746,386	24,232	24,232	-
Prepaid rental income	(1,393,058)	(1,844,742)	(1,076,100)	(1,844,742)
Deferred lease liability	511,932	511,932	298,627	511,932
Use of reserves	97,182	96,286	73,786	85,909
Construction loan interest (prefunded)	-	361,690	361,690	1,243,950
Depreciation/amortization	4,643,676	4,096,532	2,389,644	3,298,891
Net Cash Increase/(Decrease)	\$ (326,203)	\$ (653,582)	\$ 466,950	\$ (8,186,114)

Buffalo Urban Development Corporation

Proposed 2021 Budget and 3 Year Forecast

REVENUE	Budget 2020	Projected 2021	Projected 2022	Projected 2023
Grant Revenue	\$ 9,051,667	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Gross Proceeds from Land Sales	732,500	560,000	-	-
Less: Cost of Land Sales	(790,386)	(400,000)	-	-
Buffalo Brownfield Fund Revenue (net)	83,000	33,000	-	-
Rental Income	2,023,692	2,250,000	2,250,000	2,250,000
BLCF Property Owners' Association	5,200	10,400	10,400	10,400
Interest Income & Fees - Loans	96,664	96,000	96,000	96,000
Investment Interest Income	1,000	1,000	1,000	1,000
Other Income	-	1,000	1,000	1,000
Total	11,203,337	4,551,400	4,358,400	4,358,400
OPERATING EXPENSES				
Property Operations & Maintenance	164,159	164,000	161,000	159,000
Legal	105,000	(110,000)	(110,000)	(110,000)
Insurance	187,000	(150,000)	(150,000)	(150,000)
Marketing	35,000	(45,000)	(48,000)	(50,000)
Utilities	22,398	(15,000)	(15,000)	(15,000)
Misc.	11,000	(10,000)	(10,000)	(10,000)
Consultants	4,452,500	(100,000)	(100,000)	(100,000)
General Development Expenses	481,667	(500,000)	(500,000)	(500,000)
Personnel Costs	535,221	454,938	473,135	492,061
Interest	728,675	(625,000)	(625,000)	(625,000)
Operating Expenses	11,000	(46,000)	(48,000)	(50,000)
Rent	25,000	(47,000)	(48,000)	(49,000)
ECIDA Management Fee	103,000	(100,000)	(100,000)	(100,000)
Audit	101,550	117,800	117,800	117,800
General & Administrative	1,113,813	(200,000)	(200,000)	(200,000)
Depreciation	4,600,000	4,600,000	4,600,000	4,600,000
Amortization	43,676	43,676	(43,676)	-
Total	12,720,658	3,432,414	3,354,259	3,409,861
Net Income / (Loss)	\$ (1,517,321)	\$ 7,983,814	\$ 7,712,659	\$ 7,768,261

683 Northland Master Tenant, LLC
2021 Proposed Budget

683 Northland Master Tenant, LLC
2021 Budget Proposed Budget

	<u>2021 Budget</u>	<u>2020 Projected</u>	<u>2019 Actual</u>
Revenues:			
Rental revenue	\$ 1,418,000	\$ 1,039,082	\$ 754,631
Additional rental revenue	523,000	400,447	167,996
Interest and other revenue	500	744	4,565
Total	<u>1,941,500</u>	<u>1,440,273</u>	<u>927,192</u>
Expenses:			
Rent expense	1,879,742	1,879,742	1,879,742
Payroll	148,800	144,734	129,470
Utilities	23,000	31,234	111,798
Insurance	123,000	90,574	120,670
Professional fees	52,000	264,774	46,936
Property management fee	71,000	49,656	41,493
Real estate taxes	50,000	19,132	22,473
Repairs and maintenance	110,000	143,912	18,400
Asset management fee	10,000	10,000	10,000
Depreciation	2,000	1,870	1,870
Miscellaneous	5,000	2,342	8,851
Total	<u>2,474,542</u>	<u>2,637,969</u>	<u>2,391,703</u>
Net Income / (Loss)	<u><u>(533,042)</u></u>	<u><u>(1,197,697)</u></u>	<u><u>(1,464,511)</u></u>
Members' Equity			
Members' equity - beginning of period	14,992,145	7,494,530	4,533,262
Members' capital contributions	1,642,011	8,800,338	4,536,758
Distributions	(289,000)	(105,026)	(110,979)
Members' equity - end of period	<u><u>15,812,114</u></u>	<u><u>14,992,145</u></u>	<u><u>7,494,530</u></u>
Cash Flow Adjustments			
Net Income / (Loss)	(533,042)	(1,197,697)	(1,464,511)
Members' capital contributions	1,642,011	8,800,338	4,536,758
Distributions	(289,000)	(105,026)	(110,979)
Prepaid rent - rent expense	1,393,058	1,445,129	1,844,742
Prepaid rent - Master Lease Agreement	(1,500,092)	(8,695,312)	(4,121,175)
Deferred lease liability	(553,074)	(553,074)	(223,931)
Usage of/(additions to) reserves	(39,440)	(38,000)	(435,000)
Depreciation	2,000	1,870	1,870
Net Cash Increase/(Decrease)	<u><u>\$ 122,421</u></u>	<u><u>\$ (341,772)</u></u>	<u><u>\$ 27,774</u></u>

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

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Item 5

MEMORANDUM

TO: Audit & Finance Committee
FROM: Mollie Profic, Treasurer
SUBJECT: Reimbursement of Expenses from Brownfield Fund
DATE: September 21, 2020

The Buffalo Brownfields Redevelopment Fund (“BBRF” or the “Fund”) allows certain third party expenses incurred by BUDC in connection with the development of Buffalo Lakeside Commerce Park (“BLCP”) to be reimbursed. Under the Fund Administration Agreement, these out-of-pocket third party costs “include, but are not limited to, land acquisition, site investigations, site planning, remediation, road and utility construction and related legal costs.”

On September 26, 2012, the BUDC Board designated the BLCP project as complete, which allowed for the expansion of the use of BBRF funds to “other comparable projects” in the City of Buffalo. Riverbend, Northland 308 Crowley Street were designated “comparable” projects by the BUDC Board beginning October 1, 2012 and January 1, 2015 and June 26, 2018 respectively.

Since 2011, reimbursements have been approved for costs incurred related to BLCP, Riverbend, Northland and 308 Crowley. Most recently, the annual reimbursement of BLCP, Riverbend, Northland and 308 Crowley costs of \$787,930 for 2019 were approved by the Board on March 31, 2020.

Since 2018, BUDC has incurred unrelated business income tax (UBIT) due to interest income from a loan to 683 WTC, LLC as part of the 683 Northland project tax credit financing. The amount of UBIT due to Federal and New York State taxing authorities from the 2019 tax returns totaled \$57,796. Estimated tax payments totaling \$40,640 must be made deposited during 2020 toward the 2020 UBIT liability. To date, \$30,480 of estimated tax payments have been made.

In consideration of BUDC’s cash flow interruptions during the COVID-19 pandemic, I am requesting authorization to reimburse \$98,436 to BUDC from the BBRF immediately. After this reimbursement, the BBRF is anticipated to have a balance of \$1.3 million.

Action:

Requesting that the Committee recommend the reimbursement to BUDC of \$98,436 in unrelated business income taxes related to Northland from the BBRF as described above.

BUFFALO URBAN DEVELOPMENT CORPORATION
AMENDED AND RESTATED LEASING POLICY
FOR NORTHLAND CORRIDOR PROPERTIES

A. Purpose.

This leasing policy (the "Leasing Policy") sets forth the requirements and procedures for the leasing of buildings located in the Northland Corridor Project area that are owned by Buffalo Urban Development Corporation or any of its subsidiary or affiliated companies (hereinafter "BUDC").

B. Leasing Requirements.

1. Written Appraisal.

BUDC shall engage a licensed appraiser to prepare a written fair market rent study ("FMR Study") for the buildings located at 631, 683 and 741 Northland Avenue and 537 East Delavan Avenue and 714 Northland Avenue (the "Northland Properties") prior to entering into any lease arrangement. The FMR Study shall be updated from time to time to account for changing market conditions as determined by BUDC.

2. Marketing.

BUDC, through its property manager/rental agent, shall publicly advertise and market the Northland Properties to prospective tenants at rental rates that are consistent with their appraised fair market rent value as set forth in the FMR Study (the "Appraised Rent Value").

3. Tenant Use.

BUDC shall not lease any of the Northland Properties for a use that is inconsistent with the overall redevelopment plan of the Northland Corridor or not reflective of the surrounding community, or for any purpose that is inconsistent with BUDC's corporate purpose, mission or the law under which BUDC is incorporated.

4. Negotiation of Lease Transactions.

All leases of Northland Properties shall be made through negotiation, upon terms and conditions acceptable to BUDC and authorized in compliance with the terms of this Leasing Policy. Without limiting the generality of the preceding sentence, the specific lease terms to be negotiated will be reflective of the particular location (i.e., building, building space or property) to be leased, and may include provisions for tenant improvements, triple net lease obligations and such other commercial lease terms and conditions as BUDC deems appropriate.

C. Procedure for Lease Approvals.

1. Short Term Leases.

The President of BUDC shall have the authority to negotiate and execute all leases that are for a term of one (1) to twelve (12) months with annual rent of no more than Fifteen Thousand Dollars (\$15,000), provided that the rent to be received under the lease is not less than the Appraised Rent Value of the property. The President shall report the terms of any lease entered into in accordance with this paragraph at the respective meetings of the Real Estate Committee and Board of Directors that immediately follow the date of execution of the lease.

2. Mid-Term/Mid-Size Leases.

The BUDC Real Estate Committee shall have the authority to authorize the negotiation and execution by the President of the following categories of leases:

(a) Leases that are for a term of one (1) to twelve (12) months with annual rent of more than Fifteen Thousand Dollars (\$15,000) but less than Twenty Five Thousand Dollars (\$25,000), provided that the rent to be received under the lease is not less than the Appraised Rent Value of the property; and

(b) Leases that are for a term of more than twelve (12) months up to thirty-six (36) months with annual rent of Twenty Five Thousand Dollars (\$25,000) or less, provided that the rent to be received under the lease is not less than the Appraised Rent Value of the property.

(c) All leases executed in accordance with paragraph 2(a) or 2(b) this section shall be reported at the next meeting of the BUDC Board of Directors that follows the date of execution of the lease.

3. Leases Requiring Board Approval.

The approval of the BUDC Board of Directors of a Northland Properties lease arrangement shall be required under the following circumstances:

(a) Any lease in which the rent to be received by BUDC is less than the Appraised Rent Value of the property.

(b) Any lease for a term that exceeds thirty-six (36) months.

(c) Any lease in which the annual rent is in excess of Twenty Five Thousand Dollars (\$25,000).

D. Other Requirements.

1. Leases for Less than Appraised Rent Value.

The procedures for Board review and approval that are set forth in Article III(B)(5) of the BUDC Property Disposition Guidelines shall apply to any proposed lease in which the rent to be received by BUDC is less than the Appraised Rent Value of the property. For purposes of determining whether the rent to be received by BUDC under a particular lease arrangement is less than the appraised fair market rent, any costs that the tenant will be responsible for under the terms of the lease, including base rent, items of additional rent (utilities, CAM charges, insurance, etc.) and any tenant improvements to be paid for or financed by the tenant may be factored into such determination at BUDC's discretion.

2. Written Statements.

Written statements shall be prepared and submitted as required under Article III(B)(4) of the BUDC Property Disposition Guidelines for any lease in which the annual base rent over the term of the lease exceeds Fifteen Thousand Dollars (\$15,000).

E. Lease Modifications.

The President of BUDC shall present each proposed modification of an existing lease to the Real Estate Committee for Committee review and comment. Following such review and consistent with such Committee input, the President shall have the authority to negotiate and execute the lease modification, provided however, that the affirmative vote of a majority of the BUDC Real Estate Committee shall be required for any proposed modification to (i) reduce the amount of rent payable by a tenant over the term of the lease by an amount up to \$25,000; or (ii) reduce or extend the term of any lease.

In addition, the approval of the BUDC Board of Directors shall be required for any lease modification that would result in (i) a reduction of \$25,000 or more in the amount of rent payable by a tenant over the term of the lease, or (ii) a reduction of twenty percent (20%) or more in the amount of rent payable by a tenant over the term of the lease. The President shall report on any modifications entered into in accordance with this paragraph at the respective meetings of the Real Estate Committee and Board of Directors that immediately follow the date of the modification.

F. Effective Date; Amendments.

This Amended and Restated Leasing Policy shall be effective as of the date that the Board of Directors approves the policy by affirmative vote of a majority of the Board, and may be amended upon the affirmative vote of a majority of the Board.

Adopted: December 15, 2015

Amended and Restated: August 25, 2020