

Buffalo Urban Development Corporation

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Audit & Finance Committee Meeting **Thursday, July 14, 2022 – 12:00 p.m.** **Via Video Conference Call & Live Stream Audio**

Agenda

1. Minutes of June 9, 2022 Meeting *(Approval) (Enclosure)*
2. BUDC Audit & Tax Services *(Recommendation) (Enclosure)*
3. Miscellaneous Funding Source Updates *(Information)*
4. BBRP/BUDC Loan Program Update *(Information)*
5. Executive Session
6. Adjournment *(Approval)*

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

Via Video Conference Call & Live Stream Audio

**June 9, 2022
12:00 p.m.**

Call to Order:

Committee Members Present:

Trina Burruss
Janique S. Curry
David J. Nasca
Dennis M. Penman (Committee Chair)

Committee Members Absent:

[None]

Officers Present:

Brandye Merriweather, President
Rebecca Gandour, Executive Vice President
Mollie M. Profic, Treasurer
Kevin J. Zanner, Secretary
Atiqa Abidi, Assistant Treasurer

Others Present: Alexis M. Florczak, Hurwitz Fine P.C.; Laurie Hendrix, ECIDA Administrative Coordinator; and Antonio Parker, BUDC Project Manager.

Roll Call – The meeting was called to order at 12:06 p.m. The Secretary called the roll of the Committee and a quorum was present. Ms. Curry joined the meeting during the presentation of agenda item 2.0.

The meeting was held via Zoom in accordance with the provisions of Article 7 of the Public Officers Law, as amended effective January 14, 2022, which authorizes public bodies to conduct meetings and take such action authorized by law without permitting in public in-person access to meetings and to authorize such meetings to be held remotely by conference call or similar service, provided that the public has the ability to view or listen to such proceeding and that such meetings are recorded and later transcribed.

- 1.0 Approval of Minutes of the February 10, 2022 Meeting** – The minutes of the February 10, 2022 meeting of the Audit & Finance Committee were presented. Ms. Burruss made a motion to approve the meeting minutes. The motion was seconded by Mr. Nasca and unanimously carried (3-0-0).
- 2.0 Draft 2021 BUDC 990/990T** – Ms. Profic presented an update regarding the draft 2021 IRS Form 990/990T prepared by Freed Maxick. An extension has been obtained for this filing. Ms. Profic screen-shared a chart showing the ownership structure of 683 Northland LLC and the interest payments being made by 683 WTC, LLC to BUDC, which result in taxable unrelated business income. The tax obligation is a consequence of the for-profit tax credits structure that was

established for the 683 Northland project. Total federal and state taxes owed are \$145,314. Ms. Profic indicated that a copy of the draft Form 990/990T will be circulated to the Board for review and comment. It is anticipated that BUDC will file final copies of the Form 990/990T in the upcoming weeks.

3.0 Miscellaneous Funding Source Updates – Ms. Merriweather presented the following funding updates:

American Rescue Plan Funds: Last month, BUDC's request for funding was presented to the Common Council Finance Committee. BUDC is waiting for additional information on the timing of BUDC's receipt of the first tranche of funds. Ms. Merriweather noted that the first tranche will include funding for Covid-19 related costs that have already been incurred by BUDC.

Grant Funding Updates: National Grid has awarded BUDC a \$250,000 grant for the Court Street Improvements project. BUDC will pass these funds through to the City, and the Department of Public Works will present to the Common Council the proposed pass-through agreement. BUDC is also working with ESD on the funding agreement for the CFA 2021 award for the Public Realm Study of the inner harbor and waterfront in the amount of \$75,000.

Ralph C. Wilson, Jr. Foundation Centennial Park Funding: An additional grant award from the Great Lakes Commission for approximately one million dollars will be presented to the Board in June. These funds will be used for construction. The Ralph C. Wilson, Jr. Foundation is taking a phased approach to construction and is coordinating funding.

4.0 BBRP/BUDC Loan Program Update – Ms. Merriweather reported that the development community focus group meeting was postponed and will be rescheduled.

5.0 Adjournment – There being no further business to come before the Committee, the June 9, 2022 meeting of the Audit & Finance Committee was adjourned at 12:24 p.m.

Respectfully submitted,

Kevin J. Zanner
Secretary

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Item 2

MEMORANDUM

TO: Audit & Finance Committee

FROM: Rebecca Gandour, Executive Vice President
Mollie Profic, Treasurer

SUBJECT: Audit & Tax Services

DATE: July 14, 2022

Historically BUDC has participated with ECIDA and its related entities in requests for proposals (RFP) for professional auditing services, most recently in 2017. At that time, the proposal included BUDC, Buffalo Brownfield Redevelopment Fund (BBRF), and Buffalo Brownfield Restoration Corporation (BBRC). The proposal covered a period of five years, meaning BUDC is due to perform an RFP for audit services in 2022. More extensive tax services would also need to be added to the proposal requirements.

Since the 2017 RFP, the number of entities within BUDC's purview has grown significantly, along with the complexity of the services required (corporate taxes, tax credit consulting, etc.) In addition, BUDC and BBRC now have expanded tax filings due to unrelated business income tax. Entities created or those that have become active since 2017 are:

- 683 Northland LLC – historic tax credits, corporate tax return
- 683 WTC, LLC – brownfield tax credits, corporate tax return
- 683 Northland Master Tenant, LLC – historic tax credit investor equity, corporate tax return
- BBRC Land Company I, LLC – brownfield tax credits, corporate tax return

Freed Maxick has been part of the 683 Northland tax credits team since 2017 and has also performed the required audits per the 2017 proposal. Significant work has been required each year due to historic and brownfield tax credits, and the number of tax returns filed. Many of these entities have ownership in others, and transactions between entities are both frequent and complicated. Freed is also part of the Board-approved consultant team for a future tax credits transaction involving 631 Northland.

BUDC's Procurement Policy contemplates situations whereby "one particular vendor has unique knowledge or expertise with respect to the required goods, services or project, rendering the use of competitive procedures impractical; and considering the benefits, the cost to BUDC is reasonable."

It is the opinion of BUDC staff that an RFP for audit and tax services would disrupt the transactions related to 683 Northland that are already in place (compliance period) and be extraordinarily burdensome from an administrative standpoint. Freed was integral in putting the existing corporate structure in place, so we believe them to have unique knowledge and expertise related to this project.

Freed Maxick has provided a cost proposal for 2022-2025 (length of the compliance period) summarized in the table below.

	2022	2023	2024	2025
BUDC (Audit + Tax)	\$16,500	\$17,325	\$18,200	\$19,100
683 WTC, LLC (Tax)	4,600	4,800	5,000	5,200
683 Northland LLC (Audit + Tax)	22,700	23,850	24,900	26,100
683 Northland Master Tenant, LLC	19,900	20,875	21,800	22,500
Buffalo Brownfield Restoration Corp. (Audit + Tax)	5,400	5,700	6,000	6,300
BBRC Land Company I, LLC (Tax)	2,800	2,900	3,000	3,100
Buffalo Brownfields Redevelopment Fund (Audit)	4,000	4,200	4,400	4,600
Total	\$75,900	\$79,650	\$83,300	\$86,900

ACTION:

We request that the Audit & Finance Committee recommend that the Board of Directors approve the retention of Freed Maxick to provide professional auditing and tax services to the Corporation and its affiliates for 2022-2025 audits.