

Buffalo Urban Development Corporation

2021 Budget

Approved by the Board of Directors October 27, 2020



Buffalo Urban Development Corporation

2021 Budget

A. Overview:

Throughout 2020, Buffalo Urban Development Corporation (“BUDC”) has continued to make significant progress in advancing all projects related to the transformational Northland Corridor Redevelopment on Buffalo’s East Side.

This development project began in late 2014, with the acquisition of the eleven (11) acre former Houdaille Industries/Vibratex facility at 537 East Delavan Avenue. A major portion of this building was demolished in 2017, and a NYSDEC superfund investigation of the site continued in 2020. In 2018, BUDC began developing a portion of the site by reconstructing a 15,000 square foot building. In December 2019, this building became the interim home of the Albright Knox Art Gallery, as the gallery renovates their historic Elmwood Avenue complex. The BUDC project was funded in part with Restore NY IV funding. In addition, the 537 East Delavan property continues to be enhanced by another project that began in 2019 and continued through 2020. A 40,000 square foot building in the northeast corner of the property is being rehabilitated to potentially house a neighborhood food and wellness facility. The early phases of this project were started in 2019, and the rehabilitation is anticipated to be completed in 2022. This project is funded in part with Restore NY V funding.

In 2015, an additional twenty-four (24) acres of property were acquired by BUDC in the Northland Corridor that included four (4) derelict manufacturing buildings. In 2016, Watts Architecture & Engineering was selected as the lead design firm for future projects in the corridor. After a thorough building analysis process, it was decided that 683 Northland (“Northland Central”) would become the focus building on the campus for initial renovation. Buffalo Billion I funds were obtained from New York State to move the first phase of rehabilitation forward, and Gilbane Building Company was selected as the construction management team for the project. Contractors were then procured to initiate remediation and renovation in order to transform a portion of Northland Central into the \$44 million advanced manufacturing and clean energy related Northland Workforce Training Center (“NWTC”), Northland Central’s first anchor tenant. A team was also engaged to perform work related to the historic preservation, new market and brownfield tax credits that would be obtained for the Northland Central project, with BUDC taking the developer role. The NWTC opened in September 2018 and Phase 1 work was completed in January 2019.

In 2018, BUDC secured Buffalo Billion II funds to begin Phase 2 rehabilitation of Northland Central for a second anchor tenant, Buffalo Manufacturing Works (“BMW”). The majority of the BMW build-out took place in 2019, for an October grand opening. BMW occupies approximately 50,000 square feet of the building. Phase 2 included the preparation of approximately 50,000 additional square feet for other potential tenants. In 2020, additional leases were signed with Rodriguez Construction, SparkCharge, and Retech Systems; which brings the occupancy at Northland Central to 95%.

As an amenity for the Northland Central building, BUDC created a food service space that serves the NWTC, BMW, and the surrounding East Side community. A lease was signed in 2019 with a local food purveyor, Manna @ Northland to operate a restaurant and catering kitchen. Manna has weathered the difficult conditions brought on by COVID-19 and continues to be an integral part of the Northland Campus.

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In 2020, to complement the Northland Corridor redevelopment, the City of Buffalo completed a road and right-of-way reconstruction project for Northland Avenue which includes on-street parking, LED lighting, pedestrian amenities, and a small “pocket park” on a parcel owned by BUDC.

In 2012, BUDC began the Buffalo Building Reuse Project (BBRP) for Downtown Buffalo. Following the positive strides made through BBRP, with the adaptive reuse of historic buildings, development of residential housing units and significant investment in streetscape and infrastructure; our recently introduced Buffalo’s Race for Place initiative looks to take downtown to the next level, by closing the gaps within our public realm and by creating a vibrant sense of place. Through continued improvement and maintenance of public infrastructure with a focus on place-making, innovation, and integration of “smart city” technology, Race For Place looks to boost Buffalo as an attractive home for businesses, entrepreneurs, new talent and residents alike.

BUDC is in the process of funding loans through the BBRP Loan Program. In 2016, with assistance from the Buffalo Niagara Partnership and the New York State Business Development Council, BUDC successfully leveraged additional private bank funding to add to the BBRP Revolving Loan pool, allowing BUDC to fund additional adaptive reuse projects that add to downtown’s residential base. BUDC also utilized 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 the Entertainment District project; which includes Chippewa, Franklin and Court Streets, which will hopefully begin construction in Spring 2021 after a COVID-19 delay.

The Queen City Pop Up Program was created in 2014 to encourage small business retail along Main Street. This ongoing program acts as a springboard for small business retailers by allowing them to set up shop on downtown Main Street on a temporary basis, rent free. Queen City Pop Up also provides comprehensive onsite training for participating retailers. The project looks to encourage participants to open permanent retail locations after completing the program. To date, the program has assisted approximately fifty (50) small business retailers, resulting in seven (7) retailers opening permanent stores along downtown Main Street and five (5) retailers permanently locating in other commercial corridors in the City of Buffalo. Although the Queen City Pop Up Program was paused in 2020 due to the COVID-19 pandemic, BUDC is hopeful that the program can be reinvigorated in 2021.

As a natural extension of BUDC’s role in supporting the development and growth of downtown Buffalo, BUDC has assisted the Department of Public Works and the Mayor’s Office of Strategic Planning with downtown waterfront planning and development activities. BUDC is providing planning and coordination support for the redevelopment of LaSalle Park into The Ralph C. Wilson, Jr. Centennial Park. BUDC also assists with the administration of funding from the Ralph C. Wilson Foundation, as well as coordination of the recent public and private development projects underway along the downtown waterfront extending from Michigan Avenue and connecting through to Porter Avenue.

BUDC will continue to operate and market the Buffalo Lakeside Commerce Park (“BLCP”) in 2021. The 2021 budget assumes that 21 acres of BLCP property will be sold for gross proceeds of \$682,500.

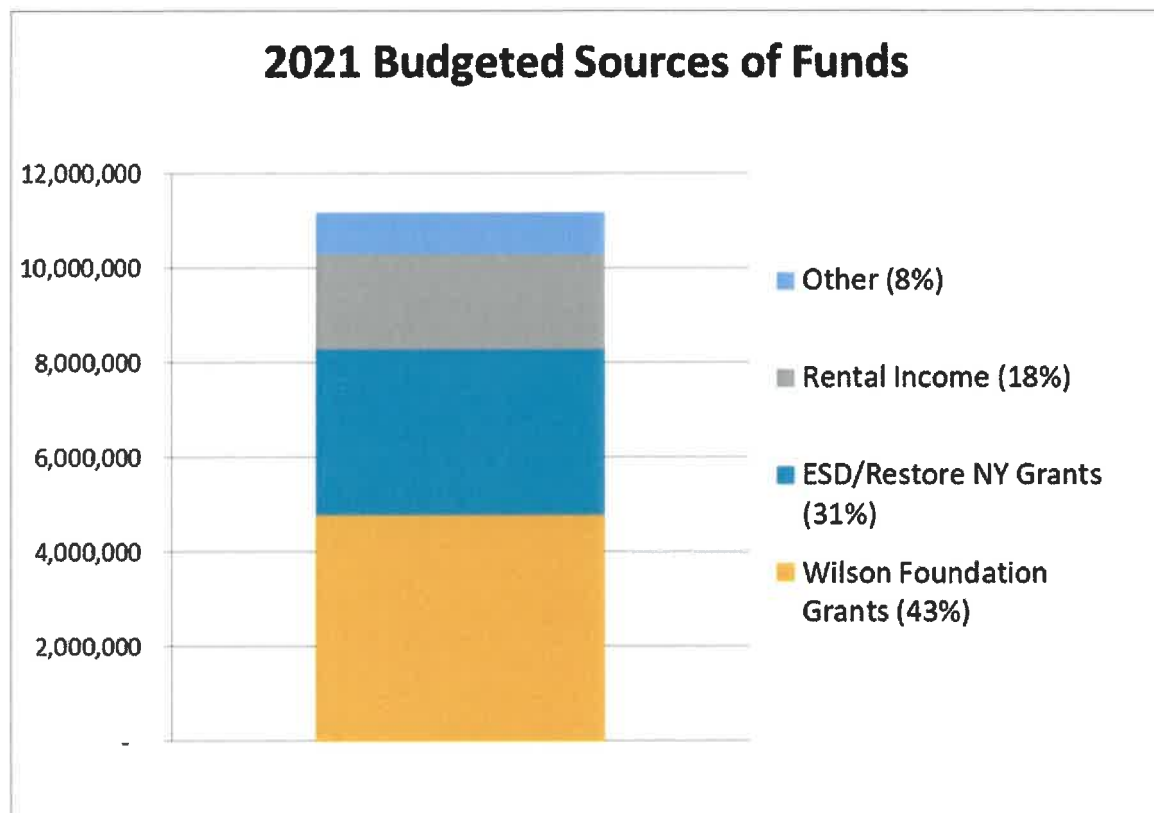
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Property acquired by BUDC at 308 Crowley Street in 2018 has been a part of pre-demolition site work and an environmental investigation funded by the City of Buffalo. The City will also develop bid documents for a select demolition at the site, that is intended to be completed in 2021.

B. Sources of BUDC Funds:

The following chart summarizes the significant sources of the \$16.3 million in funds that have been budgeted for BUDC projects in 2020:

The key sources of BUDC funds are as follows:



- (1) Ralph C. Wilson, Jr. Foundation Grants** – In 2021 BUDC expects to recognize \$4,777,000 in grant revenue from the Wilson Foundation associated with four separate grant agreements. Each grant supports the redevelopment of LaSalle Park into the Ralph C. Wilson, Jr. Centennial Park along the city’s shoreline.
- (2) Empire State Development/Restore NY Grants** – In 2020 BUDC expects to recognize \$3,500,000 in grant revenue from Empire State Development & Restore NY grants for the Northland Corridor Project, specifically a solar microgrid project and core and shell renovations at 541 East Delavan Avenue.

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B. Sources of BUDC Funds (Continued):

(3) **Rental Income** – In 2020 BUDC expects to realize rental income of approximately \$2,003,000 for leased space in the Northland Corridor from tenants, the majority under the terms of a Master Lease Agreement between 683 Northland Master Tenant, LLC and 683 Northland LLC. It is of note that rent payments for leased space within the Northland Central complex are paid to 683 Northland Master Tenant, LLC, a separate entity for financial reporting purposes.

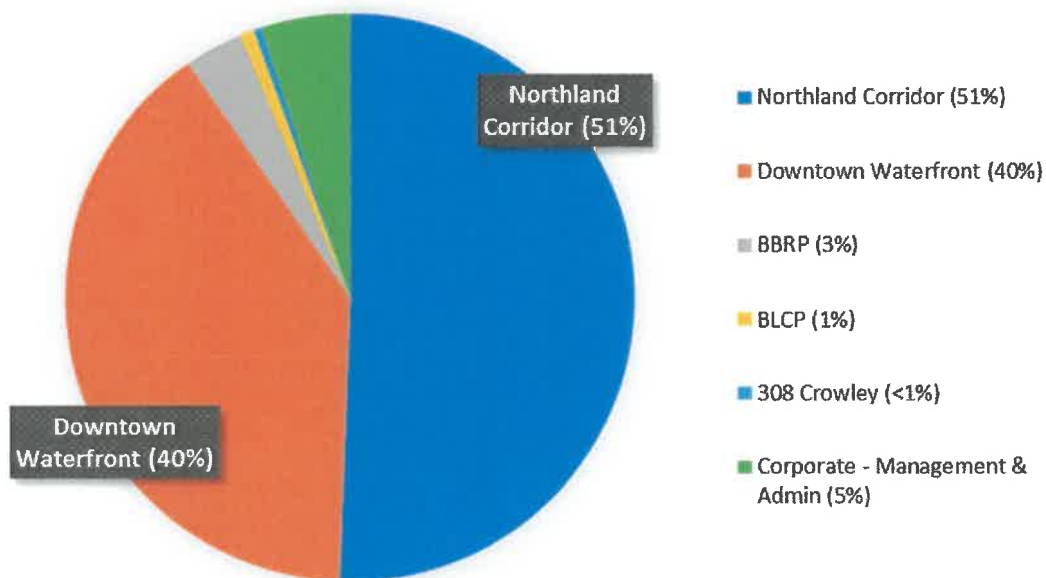
(4) **Other Income** – Other income totaling approximately \$903,000 reflects the following:

- a. \$675,000 from National Grid grants for certain projects.
- b. BUDC anticipates the sale of property at BLCP, accounting for gross proceeds of \$682,500 less related costs, netting to a loss of approximately \$83,000.
- c. \$83,000 net revenue to the Buffalo Brownfields Redevelopment Fund.
- d. \$97,000 net loan fee and interest revenue.
- e. \$100,000 grant from the Erie County Industrial Development Agency.
- f. \$5,200 collected from property owners for public infrastructure maintenance at BLCP.

C. Uses of BUDC Funds:

BUDC expects to spend \$12.0 million in 2021 as outlined in the following chart:

2021 Budgeted Use of Funds



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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 \$6.1 million on capital and development costs, in addition to operating costs at Northland Corridor properties. The majority of 2021 spending will focus on core and shell renovations at 537 East Delavan Avenue and the solar microgrid.
- (2) **Downtown Waterfront** – BUDC anticipates spending \$4.8 million in 2021 to support the development of Ralph C. Wilson, Jr. Centennial Park. The majority of funds will be used in the planning stages to support design, project management and environmental due diligence for this transformational project.
- (3) **BBRP** – The Buffalo Building Reuse Project anticipates spending \$397,000 in 2021. \$143,000 is anticipated to be spent for personnel, marketing, administrative and legal costs; \$4,000 is expected to be spent on the downtown pop-up project and \$250,000 for urban corridor development.
- (4) **BLCP** – In 2021, BUDC has budgeted \$58,000 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 \$34,000.
- (5) **308 Crowley** –2021 costs for 308 Crowley include \$59,000 budgeted for the property, and includes consulting for potential environmental issues, insurance and general development.
- (6) **Corporate – Management & Administrative** – In 2021, BUDC expects to spend \$600,000 on management and administrative costs. This includes salary and benefit costs of BUDC staff, totaling \$281,000. In addition, \$90,000 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 \$229,000 and include legal, audit and tax, insurance, marketing, rent and other general and administrative costs.

**Buffalo Urban Development Corporation
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REVENUE	Budget 2021	Projected 2020	YTD	
			Aug 2020	Actual 2019
Grant Revenue				
Empire State Development	\$ 2,000,000	\$ 1,175,725	\$ 1,047,340	\$ 15,046,849
Restore NY	1,500,000	1,685,444	1,356,965	1,758,395
Ralph C. Wilson, Jr. Foundation	4,776,667	6,235,604	2,911,235	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	66,667	100,000
Other	-	49,250	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	146,773	121,642	298,920
Developer Fee	-	-	-	11,886,746
Rental Income	2,002,845	2,020,708	1,346,942	2,946,446
BLCP Property Owners' Association	5,200	5,200	-	5,200
Interest Income & Fees - Loans	96,664	133,535	101,313	149,707
Investment Interest Income/Miscellaneous	1,000	1,453	1,147	19,278
Other Income	-	1,000	1,000	4,229
Total	11,182,490	13,012,304	8,189,020	36,110,161
OPERATING EXPENSES				
Property Operations & Maintenance	158,705	194,759	140,599	180,968
Legal	125,000	135,964	100,479	192,276
Insurance	187,000	254,308	169,988	351,803
Marketing	35,000	43,739	26,986	42,989
Utilities	22,398	19,803	13,202	2,560
Misc.	11,000	9,888	6,566	32,447
Consultants	4,452,500	5,483,461	2,936,543	2,325,883
General Development Expenses	481,667	136,950	1,691,300	1,482,781
Personnel Costs	533,659	538,327	373,809	481,747
Interest	728,675	997,305	627,104	1,172,004
Rent	25,000	25,000	16,667	23,226
ECIDA Management Fee	103,000	95,000	63,333	78,855
Audit & Tax	101,550	111,264	105,943	65,533
Operating Expenses	11,000	1,000	639	-
Grant Expense	912,768	1,602,846	1,053,835	1,569,848
General & Administrative	181,045	109,364	75,519	62,096
Depreciation	4,600,000	4,021,665	2,681,110	3,224,019
Amortization	43,676	74,872	49,915	74,872
Total	12,713,643	13,855,513	10,133,536	11,363,905
Net Income / (Loss)	\$ (1,531,153)	\$ (843,209)	\$ (1,944,516)	\$ 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	4,096,537	2,731,025	3,298,891
Net Cash Increase/(Decrease)	\$ (340,035)	\$ 1,540,987	\$ 450,715	\$ (8,186,114)

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	-	-	-	2,002,845	-	-	2,002,845
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	6,024,509	25,000	84,000	11,182,490
OPERATING EXPENSES							
Property Operations & Maintenance	58,000	-	-	95,705	5,000	-	158,705
Legal	10,000	5,000	10,000	45,000	5,000	50,000	125,000
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	-	122,853	130,000	-	-	280,806	533,659
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	7,500	1,061,313	-	20,000	1,093,813
Depreciation	-	-	-	4,600,000	-	-	4,600,000
Amortization	-	-	-	43,676	-	-	43,676
Total	91,898	396,853	4,776,667	6,789,369	59,000	599,856	12,713,643
Net Income / (Loss)	(169,584)	(46,853)	-	(764,860)	(34,000)	(515,856)	(1,531,153)
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)	\$ 551,802	\$ (46,853)	\$ -	\$ (320,128)	\$ (9,000)	\$ (515,856)	\$ (340,035)

* 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	123,103	-	1,879,742	-	2,002,845
Total	4,494,767	-	1,879,742	(350,000)	6,024,509
OPERATING EXPENSES					
Property Operations & Maintenance	95,705	-	-	-	95,705
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	1,323,473	355,000	5,460,896	(350,000)	6,789,369
Net Income/(Loss)	3,171,294	(355,000)	(3,581,154)	-	(764,860)
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					
Payment of deferred developer fee	4,505,000	-	(4,505,000)	-	-
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	\$ 4,013,226	\$ (5,000)	\$ (4,328,354)	\$ -	\$ (320,128)

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

Buffalo Urban Development Corporation
2021 Budget and 3 Year Forecast

REVENUE	Budget 2021	Projected 2022	Projected 2023	Projected 2024
Grant Revenue	\$ 9,051,667	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Gross Proceeds from Land Sales	732,500	-	-	-
Less: Cost of Land Sales	(790,386)	-	-	-
Buffalo Brownfield Fund Revenue (net)	83,000	33,000	15,000	-
Rental Income	2,002,845	1,922,727	1,879,742	1,879,742
BLCF Property Owners' Association	5,200	10,200	10,200	10,200
Interest Income & Fees - Loans	96,664	96,664	96,664	96,664
Investment Interest Income	1,000	1,000	1,000	1,000
Other Income	-	1,000	1,000	1,000
Total	11,182,490	4,064,591	4,003,606	3,988,606
OPERATING EXPENSES				
Property Operations & Maintenance	158,705	163,770	168,683	168,683
Legal	125,000	100,000	100,000	100,000
Insurance	187,000	135,000	135,000	135,000
Marketing	35,000	35,000	35,000	35,000
Utilities	22,398	23,070	23,762	24,475
Misc.	11,000	10,000	10,000	10,000
Consultants	4,452,500	1,000,000	1,000,000	1,000,000
General Development Expenses	481,667	750,000	750,000	750,000
Personnel Costs	533,659	489,929	504,626	519,765
Interest	728,675	584,000	204,000	204,000
Rent	25,000	25,750	26,523	26,523
ECIDA Management Fee	103,000	100,000	100,000	100,000
Audit & Tax	101,550	105,612	109,836	114,230
Operating Expenses	11,000	11,000	11,330	11,670
Grant Expense	912,768	-	-	-
General & Administrative	181,045	949,792	962,176	974,938
Depreciation	4,600,000	4,600,000	4,600,000	4,600,000
Amortization	43,676	-	-	-
Total	12,713,643	9,082,922	8,740,936	8,774,283
Net Income / (Loss)	\$ (1,531,153)	\$ (5,018,331)	\$ (4,737,330)	\$ (4,785,677)
CAPITAL BUDGET				
Capital expenditures/equipment	(3,925,000)	-	-	-
Prepaid rent - Master Lease Agreement	1,500,092	-	-	-
Capital contributions (BTCs/HTCs)	12,051,364	9,452,803	500,000	-
Repayment of debt	(13,551,456)	(9,000,000)	-	-
Total	(3,925,000)	452,803	500,000	-
CASH FLOW ADJUSTMENTS				
Cost of Land Sales	746,386	-	-	-
Prepaid rental income	(1,393,058)	(1,395,256)	(1,387,319)	(1,351,696)
Deferred lease liability	511,932	511,932	511,932	511,932
Line of credit usage	510,000	-	-	-
Use of reserves	97,182	97,847	98,533	99,238
Depreciation/amortization	4,643,676	4,600,000	4,600,000	4,600,000
Net Cash Increase/(Decrease)	\$ (340,035)	\$ (751,005)	\$ (414,184)	\$ (926,203)