May 2017

Erie County Industrial Development Agency – Adaptive Reuse Program 2008 – 2016

REDEVELOPMENT RESOURCES

Table of Contents

ACKNOWLEDGEMENTS

This comprehensive study is the result of a wide-ranging, inclusive effort. The Erie County Industrial Development Agency and Redevelopment Resources would like to thank the following organizations, agencies and individuals for their time, insights and information:

Adaptive Reuse Policy Steering Committee

- John Cappellino – Executive Vice President, ECIDA
- Tom Dearing - Deputy Commissioner at Erie County Dept. of Environment and Planning (Ret.)
- Rebecca Gandour – Director of Development, City of Buffalo
- Brendan Mehaffy – Executive Director, Office of Strategic Planning, City of Buffalo
- Brandye Merriweather – Vice President, Buffalo Urban Development Corporation
- David Mingoia – Executive Director, Amherst IDA
- Beth O'Keefe – Business Development Officer, ECIDA
- Laura Smith – Vice President of Economic Development, Buffalo Niagara Partnership
- Ken Swanekamp – Director of Business Assistance, Erie County Dept. of Planning

Buffalo Urban Development Corporation

- Peter Cammarata – President
- Brandye Merriweather – Vice President
- David Stebbins – Executive Vice President

Buffalo Urban Renewal Agency

- Bill Parke - Community Planner

City of Buffalo

- Tuona M. Batchelor - Economic Development Coordinator, Mayor's Office of Strategic Planning
- Judith A McCabe - Assessor, Department of Assessment and Taxation
- Martin F. Kennedy – Commissioner, Department of Assessment and Taxation
- Maria Garaozzo-Payne – Principal Assessor, Department of Assessment and Taxation

ECIDA Board of Directors

ECIDA Staff

- Karen Fiala – Manager, Tax Incentives
- Carrie Hocieniec – Administrative Assistant
- Robbie-Ann Mcpherson – Manager, Marketing and Communications
- Steve Weathers – President & CEO

Town Industrial Development Agencies

- Mike Bartlett – Hamburg IDA Executive Director
- Carl Calabrese - Masiello Martucci Calabrese & Associates
- Gary Eppolito – Concord IDA - Chair
- Clayton Ertel – Clarence IDA Board Member
- Olivia Hill – Hamburg IDA Executive Assistant
- Chris Kempton – Clarence IDA - Chair
- Paul Leone – IDA Consultant
- David Mingoia – Amherst IDA Executive Director
- Nathan Neill - Neill and Strong
- Mary Powell – Clarence IDA Board Member

One on One Interviews

- Samuel Savarino – President & CEO, Savarino Companies
- Luke Cusack – Asset Manager, Savarino Companies
- Jake Schneider – Schneider Development Services
- Matt Hartrich – Schneider Development Services
- Tom Fox – Ellicott Development
- Rocco Termini – Signature Development
- Amy Judd – Alexander Apartments
- Shana Stegner – CBRE
- James Militello – J.R. Militello Realty
- David Chiazza – Iskalo Development
- Richard Schechter – Pyramid Brokerage Company
- Jason Yots – Preservation Studios

Report prepared for:

ECIDA
THE ECONOMIC DEVELOPMENT CORPORATION FOR ERIE COUNTY

716-856-6525 www.ecidany.com

EXECUTIVE SUMMARY

The Adaptive Reuse Policy was adopted by the Erie County Industrial Development Agency (ECIDA) in 2008 and has been in use for the past eight and a half years. The policy has proven very effective in "inducing" redevelopment of over 50 projects in and around the City of Buffalo.

The policy was designed to meet a variety of objectives including but not limited to elimination of blight; encouragement of infill development; transition of functionally obsolete buildings into new, contributing uses; and support the Framework for Regional Growth.

Direct, indirect and induced impacts of the program have brought to light a host of other benefits, documented in this report. Through significant investment of private funds leveraged, (over $632,000,000) by few public incentives, these redeveloped properties have generated an increase in property tax base of more than 229% of the pre-development base.

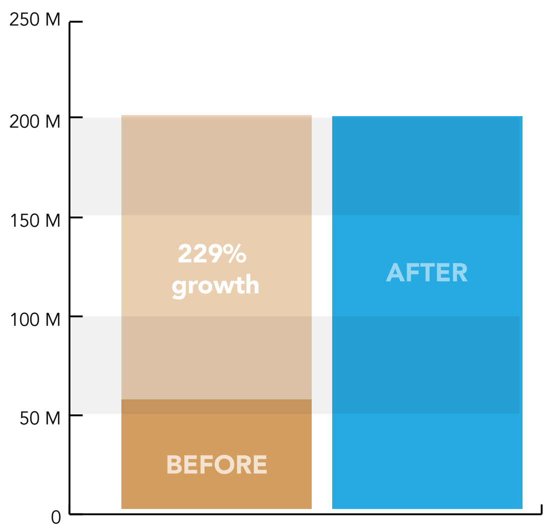
Blight has been eliminated to the tune of over 4 million square feet of formerly vacant property. New multi-family residential units created total 1141, and 338 new hotel rooms have been added to the City's inventory because of incentives leveraged by this program.

The incentives provided by the ECIDA are relatively small in comparison to the private sector investment made by owners of these properties. On average, sales tax and mortgage recording tax savings granted through the Adaptive Reuse Program made up only 4% of overall project totals, making this program one of the most effective and efficient Adaptive Reuse programs in the country.

Estimated Community Benefit, which is a collection of measurements including the incomes and taxes from indirect and induced jobs and spending exceeds $740,500,000. The dollars invested by developers in these 53 projects turn over in the community to create additional jobs, leveraging expenditures with rippling positive effects, which would not be realized had the projects not been undertaken. The cost of not redeveloping property is exponentially negative, whereas the benefits of these properties being adaptively reused, is exponentially positive.

Significant impact through increases in assessed value of property and job creation have been realized as a result of the ECIDA Adaptive Reuse Program.

ASSESSED VALUE OF PROPERTY



Total incremental assessed value on completed projects equals $139.2 million. This will generate an annual increase in property tax revenue (when incentives terminate) of $4.7 million in property tax revenue annually; $898,000 to the County and $3.8 million to the City.

JOB CREATION

	Direct	Indirect	Induced	Temporary Construction
Jobs	900	600	365	4500
Total Income	$30 M	$32 M	$21 M	$237 M
Average Salary	$33,333	$53,333	$57,534	$52,667

PROGRAM AND PROJECT BACKGROUND

The Erie County Industrial Development Agency (ECIDA) serves as the economic development corporation for Erie County, NY. In 2008, when local real estate data pointed to a relatively flat market for real estate and an abundance of existing, functionally obsolete and blighted properties, the Policy Committee of the ECIDA approved a program to support Adaptive Reuse of aging and non-contributing structures throughout the county. A copy of the Adaptive Reuse Strategy which has been in place since 2008, can be found in the Appendix. Designed to encourage redevelopment of existing properties, the program works to minimize the negative effects of deteriorating buildings contributing to slum and blight, public safety concerns, environmental contamination, and declining property values.

Adaptive reuse projects come with their own set of unique challenges, often adding significantly to the cost of redevelopment. New construction on greenfield or otherwise clean sites do not experience the complications of failing structures, environmental contamination (mold, asbestos, lead, etc.), aging structures with failing utilities or mechanical systems, outdated designs not supportive of accessibility, non-compliance with building codes, and any number of other issues which may come up in advance or during reconstruction.

In the late 20th century adaptive reuse was primarily driven by economics. Goals have shifted into a balance between historic and economic reasons for adaptive reuse. Recent examples of adaptive reuse projects have generated some of the most innovative and intelligent work in the architectural field. It is not just a sentimental or historic approach but a desire to create "new form out of old fabric." As lofty as these aims appear to be, every adaptive reuse developer is acutely aware of the fact that the economics of the deal must also make sense.

There is a clear difference among developers who seek and invest in new construction projects, adaptive reuse projects and projects with other unique outcomes, such as affordable housing. Each type of developer understands the special circumstances and nuances to make these projects successful for themselves as well as the communities and clients the projects serve. Adaptive reuse takes a special and patient kind of investor developer. The existing circumstances are very different and challenges can pop up at any time so resources must be available to mitigate and overcome those challenges. Understanding the market for what makes each type of project work is also unique to each type of developer.

Developers who embrace adaptive reuse projects understand how to deal with lead, asbestos, failing, antiquated, or obsolete systems such as plumbing, electrical, heating/ventilation, and obsolete uses. Some projects hosted former manufacturing facilities which were repurposed for residential and other commercial uses. Developers who undertake these projects have a vision and passion for this type of redevelopment, as well as significant amount of creativity.

In 2008 when the ECIDA's Adaptive Reuse Program began, Buffalo and the surrounding market was well-stocked with project opportunities. The policy encourages and incentivizes redevelopment of structures older than 20 years and are vacant or underutilized for a minimum of 3 years. Properties able to make use of the program must be underperforming from a rental income standpoint and able to show they would not be redeveloped without the assistance from the ECIDA or another public entity.

Previous studies undertaken to review the demand and opportunity for adaptive reuse, particularly related to housing in downtown Buffalo encourage and support the Adaptive Reuse Program. The Buffalo R/UDAT of 2001 was a fast-paced, intensive work session undertaken by the Urban Planning and Design Committee of the American Institute of Architects to address concerns and develop recommendations in the community. A point raised on page 6 of this study sums up our early thoughts related to facilitating downtown housing development through ECIDA's Adaptive Reuse Policy: "The real question is, is it riskier to make this investment, or to make no such investment, and continue to go on without a strategy to reverse the decline of downtown Buffalo?"

The report predicts that it could cost $50,000 or more per unit in public financial support to fill the gap between what it will cost to develop the housing and the sale price or rent level that housing will command in today's marketplace. The study also states that "Public resources should be deployed to support public purposes in a way that recognize existing market forces. Potential public investments should not distort markets or contribute to existing market imbalances." [1]

PROJECT DESCRIPTIONS

The Adaptive Reuse Policy and program benefits have been utilized on fifty-three (53) projects successfully since the inception of the program in 2008. Data has been tracked by the ECIDA since the inception of the program, however, software and tracking systems have changed throughout the study period and the same data points are not be available across all projects.

Projects by Year		
Year	Number *	Dollar Value of Projects Approved
2008	1	$11,000,000
2009	9	$46,292,823
2010	12	$132,347,595
2011	9	$37,139,000
2012	5	$75,007,902
2013	6	$131,299,671
2014	9	$92,553,563
2015	6	$42,289,302
2016	1	$90,490,542

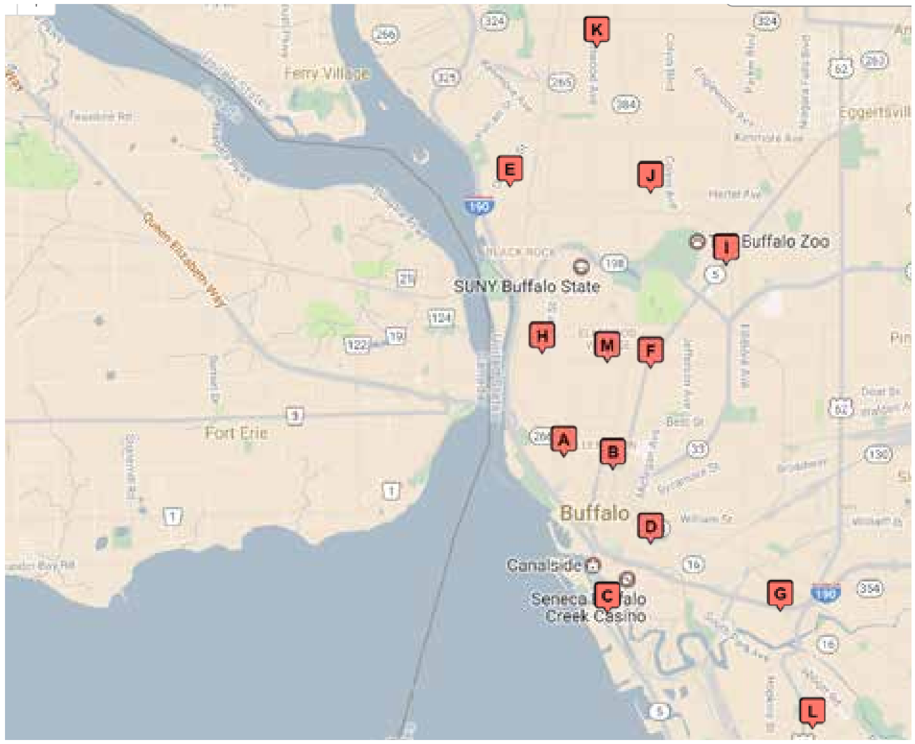
There are 34 projects which included multi-family residential development, creating approximately 1141 new apartment/loft units. There are approximately 1,563,160 sq. ft. of new leasable commercial/office space as a result of these 53 projects.

Some of the properties were abandoned warehouses, factories office buildings and car dealerships. They have been transformed from functionally obsolete, blighted properties to dynamic, vibrant live/work/play, tax generating spaces across the City of Buffalo.

The projects have occurred in the City of Buffalo almost exclusively. Most of the projects can be found in Downtown Buffalo as a result of the building stock and proximity to complementary uses, transportation and services. Each building has a story, a past, a history of use and disuse, disrepair, and neglect.

* 58 total projects have been induced by the ECIDA. Five project applications expired prior to closing, and two projects are awaiting closing.

ECIDA - Projects, Assessment & Inventory Per Zip



A
14201
Number of Projects : 4
PreProject Assessment: $193,600
Assessment December 2016: $5,375,000
Sq. ft. of Commercial Space : 25,600
Residential Units : 82

B
14202
Number of Projects : 9
PreProject Assessment: $6,360,000
Assessment December 2016: $154,801,000
Sq. ft. of Commercial Space : 243,000
Residential Units : 112

C
14203
Number of Projects : 16
PreProject Assessment: $17,282,500
Assessment December 2016: $87,444,700
Sq. ft. of Commercial Space : 1,058,700
Residential Units : 469

D
14204
Number of Projects : 2
PreProject Assessment: $400,000
Assessment December 2016: $8,682,200
Sq. ft. of Commercial Space : 426,000
Residential Units : 26

E
14207
Number of Projects : 3
PreProject Assessment: $860,200
Assessment December 2016: $10,700,000
Sq. ft. of Commercial Space : 130,000
Residential Units : 107

F
14209
Number of Projects : 3
PreProject Assessment: $545,900
Assessment December 2016: $4,000,900
Sq. ft. of Commercial Space : 55,000
Residential Units : 57

G
14210
Number of Projects : 5
PreProject Assessment: $572,200
Assessment December 2016: $1,874,000
Sq. ft. of Commercial Space : 117,000
Residential Units : 4

H
14213
Number of Projects : 3
PreProject Assessment: $31,261,000
Assessment December 2016: $56,730,000
Sq. ft. of Commercial Space : 187,000
Residential Units : 34

I
14214
Number of Projects : 1
PreProject Assessment: $384,000
Assessment December 2016: $6,800,000
Sq. ft. of Commercial Space : 0
Residential Units : 87

J
14216
Number of Projects : 4
PreProject Assessment: $989,200
Assessment December 2016: $2,208,000
Sq. ft. of Commercial Space : 14,000
Residential Units : 70

K
14217
Number of Projects : 1
PreProject Assessment: $1,405,520
Assessment December 2016: $1,975,500
Sq. ft. of Commercial Space : 3,840
Residential Units : 0

L
14220
Number of Projects : 1
PreProject Assessment: $300,000
Assessment December 2016: $300,000
Sq. ft. of Commercial Space : 0
Residential Units : 32

M
14222
Number of Projects : 3
PreProject Assessment: $490,800
Assessment December 2016: $1,435,800
Sq. ft. of Commercial Space : 30,000
Residential Units : 61

Twenty nine (29) different development entities have completed fifty-three (53) projects. Some have only completed one project while others have utilized the Adaptive Reuse Program on up to seven projects. Nineteen (19) different developers have completed one project each, while thirty-four (34) projects were completed by developers who have utilized the Adaptive Reuse program more than once.

Ellicott Development and Signature Development have each utilized ECIDA's programs and other incentives on seven (7) projects.

7

Ellicott Development
Signature Development

3

Creative Structures Services
Karl Frizlen, Frizlen Group
Kissling Interests, Kissling Development
Schneider Design Architects, PC

2

Iskalo
Paul Kolkmeyer
Sinatra & Company
The Krog Corporation

1

Alliance Advisory Group
Anthony Baynes, Kent Frey
Avalon Development
Benderson Development
Ciminelli Real Estate
Mark Croce
FJF Development
Hamister Group
Kamman Group
Anthony LoRusso
The Martin Group
McGuire Development
TM Montante
Natale Building Corp
Richardson Center Corporation
Ricotta & Visco
Savarino Properties
Select One
Howard Zemsky

Developers engaged in adaptive reuse are different from developers interested in pursuing other types of development. There is an understanding and acceptance of the effort, time and resources needed to transition blighted buildings to new uses. These developers learn quickly to expect the unexpected when taking on redevelopment of vacant, underutilized buildings that may have had a completely different purpose in its former life. Environmental remediation, failing infrastructure, challenged physical structure and non-working systems are just some of the challenges encountered on adaptive reuse projects which are not included in greenfield, or even gray-field development.

Because these developers are well-aware of what it takes to make adaptive reuse projects successful, they are familiar with the incentives available and understand the way tax credits work, whether they are utilizing the sales tax and mortgage recording tax abatement in conjunction with the 485-a program and state and federal historic tax credits or some other combination of assistance.

IMPACTS

The impact of the Adaptive Reuse projects on the local, regional, and state economies is greater than the total of the developers' direct spending on payroll, goods and services, and construction. This multiplier is a result of money spent again by the recipient employees and local businesses. Employees and contractors use their salaries and wages to purchase goods and services from other businesses. Businesses and service providers make purchases and hire employees, who also spend salaries and wages throughout the local, regional, and state economies. A chain reaction of indirect and induced spending continues, with subsequent rounds of additional spending gradually diminished through savings, taxes, and expenditures made outside the state.

The chain of effects which ripples through the economy can be defined like this:

Direct Impact – directly affected by the adaptive reuse activity/development; spending which completes the residential, office and commercial space (supplies, materials, equipment subcontractors, etc.).

Indirect Impact – calculated secondary turn-over of dollars generated by business resulting from expenditures by recipients of direct impact dollars

Induced – modeled impacts created by household spending of those directly housed in the development, and those employed because of the development.

Indirect impacts measure the extent of the ripple effect that results from interaction with other businesses, while induced impacts demonstrate spending by the office and commercial space workforce, residential tenants and owners as well as the wages they earn.

Small Incentives, Big Impact

The incentives provided by the ECIDA through the Adaptive Reuse program are relatively small compared to the overall project size and in relation to other potential incentives available. Programs such as historic tax credits, and 485-a program provide incentives to a larger degree proportionately, than the abatement of sales tax and mortgage recording tax, but the very specific incentives of ECIDA sales tax and mortgage recording tax abatement have leveraged significant returns in comparison to the size of the incentive.

Given the abatement of taxes, there is no direct cash outlay, which is more common in communities where tax incremental financing is one of the only available incentives.

The abatement of sales tax during the project and one-time mortgage recording tax are significant to the developer and one could argue, proportionally not significant to the taxing jurisdictions foregoing the taxes. If the incentives were not offered and the adaptive reuse not undertaken, the properties would not be generating any sales taxes, property taxes or mortgage recording tax. The relatively small incentive leverages exponentially positive results for not only the City, but the County and State, surrounding neighbors, businesses and overall economy.

Incentive by definition is something that has a tendency to incite to determination or action. Peer communities which provide incentives for adaptive reuse projects, such as Pittsburgh, start at a level of 10% of project costs, or $2 million on a $20 million project. While Pittsburgh is encouraging larger projects, they are also investing more public dollars to achieve similar results. Through its redevelopment efforts, the City of Cleveland offers much larger incentives in total by targeting entire areas of the community, blocks or districts at a time. On a project by project basis, public contributions in Cleveland appear to be much larger in proportion, than those of the ECIDA. Milwaukee's contribution to redevelopment/adaptive reuse is characterized through land acquisition, bond issuance, tax incremental finance, planning and occasionally demolition and site clearance. Participation costs in projects such as Milwaukee undertakes can range from 10%-25% of total project costs or more. Incentives in other states and cities range in type and by the choice of the community according to statutes under which incentives are allowed. Some states allow a variety of tax abatements, however, (for example) Wisconsin will not allow any form of property tax abatement. In the case of Milwaukee, incentives offered by the City are largely tax increment financing.

Where the ECIDA uses small incentives to achieve big impact, peer communities are using much larger incentives to achieve similar big impacts.

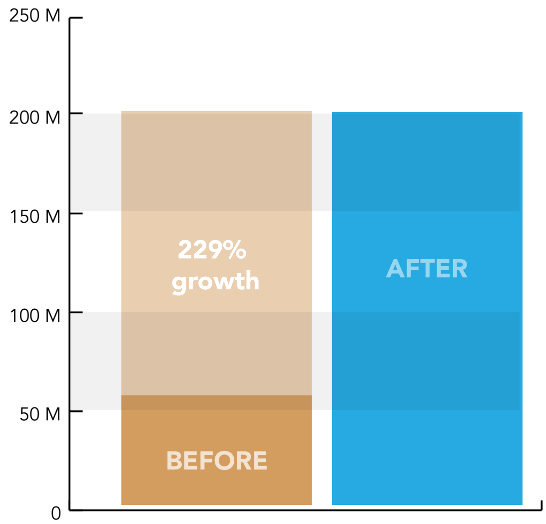
Economic Impacts

Property Tax

The property tax for each project was recorded prior to the property being rehabilitated. To be eligible for the program, a property needed to be at least 20 years old and vacant or underutilized for a minimum of three (3) years. Properties also qualified if they were not generating significant rental income (50% or less than the market rate income average for that property class).

The total property tax assessed value of 53 Adaptive Reuse projects **before** redevelopment was $60.8 million. For completed projects (all but four projects have been completed and reassessed) property tax assessed value **after** redevelopment totals over $200 million. This is an increase in assessed value of 229%.

ASSESSED VALUE OF PROPERTY



Total incremental assessed value on completed projects equals $139.2 million. This will generate an annual increase in property tax revenue (when incentives terminate) of $4.7 million in property tax revenue annually; $898,000 to the County and $3.8 million to the City.

The ECIDA offers certain projects an additional incentive in the form of a PILOT (payment in lieu of taxes) in which the owner pays property taxes on the incremental value of the property in a graduated fashion over seven years, slowly increasing to the full value. Thirteen Adaptive Reuse projects have been awarded a PILOT. These project in total had an assessed value of $38.6 million prior to their adaptive reuse. Following improvements the total assessed value of the 13 projects is nearly $68.3 million.

Jobs

Although the Adaptive Reuse Program does not prioritize job creation, a significant number of direct, indirect and induced jobs were created. An even more impressive number of temporary construction jobs were facilitated because of the redevelopment of the subject properties.

Direct jobs created totaled 900, generating nearly $30 million in direct income (average annual income $33,333).
Indirect jobs created totaled 600 generating $34 million in indirect income (average annual income $56,700).
Induced jobs created totaled 365 generating $21 million in induced income (average income $57,500).
Temporary Construction jobs created totaled 4,500, generating $237 million in total income (average income $52,667).

	Direct	Indirect	Induced	Temporary Construction
Jobs	900	600	365	4500
Total Income	$30 M	$32 M	$21 M	$237 M
Average Salary	$33,333	$53,333	$57,534	$52,667

These numbers reflect projected direct jobs created a the time of application for ECIDA inducement. Many projects were estimated conservatively and have far exceeded proposed job creation projections.

Market Impact

Impacts and benefits from adaptive reuse projects which are subjects of this study extend far beyond increased property taxes and job creation. In an effort to quantify the estimated community benefit, the software used to track these benefits defines them as follows:

Payroll from direct, indirect and induced jobs, including temporary construction jobs and equipment supply jobs; the positive effect generated for restaurants, stores, entertainment, transportation and service providers such as accountants, doctors and attorneys; the sales, income and property taxes generated by the people filling the direct jobs.

Total estimated community benefit above and beyond those very direct results generated by the actual developments themselves for the 53 Adaptive Reuse projects completed since 2008 exceed **$740,500,000**.

This is a leveraging of $27 million in sales tax and mortgage recording tax abatement by **27 times**.

In addition, the real estate market saw significant impacts:

New Residential Units Developed................1141 units

New Hotel Rooms Developed......................338 new hotel rooms

New Commercial/Office Space....................1,563,000 sq. ft. commercial space

Private Sector Investment Leveraged

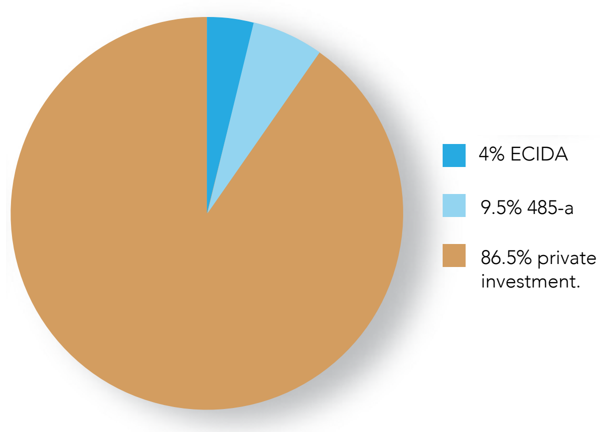
Incentives of the nature provided by ECIDA for the Adaptive Reuse Program are intended to act as a catalyst or supplement to support projects that would not happen otherwise. Incentives often receive negative press for enriching developers or lining the pockets of those who build or renovate the properties. In the case of the Adaptive Reuse Program administered by the ECIDA over the past eight years, incentives provided by the ECIDA induced over $659 million of redevelopment.

Investment by the private sector varied from project to project. The smallest private sector project investment totaled $400,000. The largest project attracted $90,000,000 in private sector investment.

The incentives authorized by the ECIDA over 53 projects totaled just under $27 million.

Private sector investment leveraged exceeded $638 million. ECIDA incentives averaged 4% of total project costs, which is nearly unheard of in redevelopment deals where public sector incentives are utilized. Many of the projects leveraged additional incentives provided by the City of Buffalo or State of NY Historic Tax Credits, even Federal Historic Tax Credits. However, with every developer Redevelopment Resources contacted regarding the sales tax and mortgage recording tax abatement incentives, every one stated unequivocally that the project would not have happened to the degree and within the timeframe it did, without the ECIDA incentives.

Incentives from the City's 485-a exemption equaled 9.5% of funds leveraged from the private sector. The investment made by the City of Buffalo in property tax abatement over 10 years facilitated the creation of over 1100 residential units and nearly $116 million in incremental increase in assessed value.



Even with total ECIDA and 485-a incentives on projects which received both, total public sector contributions only averaged 13.5% of total project costs.

Community Impact

When the Adaptive Reuse program was established in 2008, it recognized significant challenges that the presence of vacant, distressed and functionally obsolete structures pose, including public safety (from crime to building deterioration); environmental concerns, as well as "negative impacts on overall economic vitality" for neighborhoods that contain these structures. In addition to these concerns, it was considered prudent to enact the program in an effort to curb the "Significant costs to local governments for demolition or remediation of sites and buildings that end up in public ownership through abandonment or tax delinquency" and "Increased public infrastructure costs associated with new site and building development" (ECIDA Adaptive Reuse Policy, adopted 8 Dec 2008).

With these parameters in mind, an assessment of community impacts of the Adaptive Reuse program was conducted. This effort included a thorough review of studies, articles, and similar projects and plans conducted within the study period (2008-present); an analysis of data related to population shifts, demographic changes, income and crime data; as well as overview of studies and data related to public transportation, commuter flow, and livability in addition to an on-site tour of projects and sites. As the bulk of the Adaptive Reuse projects occurred within the Central Business District (roughly encompassing zip codes 14202, 14203, and 14204), community impact data collection was focused in these areas.

Ultimately, social and community goals of Adaptive Reuse for blighted and vacant buildings boil down to questions of safety, prosperity, and vibrancy.

Increased Safety

Studies such as one conducted by C. Branas, et. al. ("Vacant Property and Violence in Neighborhoods," 2012.) have correlated the presence of vacant buildings with the increased risk of assaultive crimes. The chart below illustrates the general 10-year trend of a reduction in overall crimes in the City of Buffalo, however, the crime statistics over the past five years – which most closely reflect the height of the implementation period of the Adaptive Reuse Program – shows significant decreases in average annual crime across all categories as compared to the most recent year (2015).

City of Buffalo, NY	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016*	10-year average, 2006-2015	% Change 10 year average vs. 2016
Total Index Crimes	**19,620**	**19,176**	**18,414**	**18,342**	**17,555**	**16,834**	**15,732**	**15,562**	**14,061**	**13,460**	**17,469**	**-22.9%**
Violent Crimes	**3,490**	**3,713**	**3,923**	**3,599**	**3,250**	**3,380**	**3,251**	**3,114**	**2,886**	**2,858**	**3,456**	**-17.3%**
Murder	54	37	60	55	36	48	47	60	41	44	51	-14.1%
Rape*	164	173	143	157	121	138	150	114	172	154	N/A	N/A
Robbery	1,533	1,537	1,637	1,466	1,459	1,388	1,320	1,277	1,033	1,049	1,436	-26.9%
Aggravated Assault	1,739	1,966	2,083	1,921	1,634	1,806	1,734	1,663	1,640	1,611	1,819	-11.4%
Property Crimes	**16,130**	**15,463**	**14,491**	**14,743**	**14,305**	**13,454**	**12,481**	**12,448**	**11,175**	**10,602**	**14,013**	**-24.3%**
Burglary	4,389	4,107	3,957	4,296	4,473	3,976	3,458	3,118	2,777	2,632	3,900	-32.5%
Larceny	9,477	9,500	8,951	9,027	8,711	8,371	8,067	8,362	7,421	7,133	8,675	-17.8%
Motor Vehicle Theft	2,264	1,856	1,583	1,420	1,121	1,107	956	968	977	837	1,438	-41.8%

*The Federal Bureau of Investigation expanded the definition of the crime of Rape, made effective in March 2016. As a result, comparative data on long-term rape trends is no longer available prior to 2015, when reporting agencies implemented the change for reporting purposes.

Source: New York State Gun Involved Violence Elimination (GIVE) Initiative Crime, Arrest, and Firearm Activity Report, as issued 2/7/2017.

In addition to crime risk, improvements in the physical environment as a result of the projects engaged in the programs reduces physical dangers that result from deteriorating facades, leeching industrial and/or materials contaminants as well as the accumulation and subsequent leech or spread of biological contaminants such as bird dung. Adaptive reuse projects, while not directly improving outcomes for homeless populations, reduce the risk of injuries or death from the result of taking refuge in vacant or dilapidated buildings, such as carbon monoxide poisoning (from indoor fires), structural failure, and contaminate exposures. As stated in The Racial Equity Dividend: Buffalo's Great Opportunity (2016): "…demonstrable disparities in physical environments across communities are also harmful. People living in neighborhoods of color are much more likely to be exposed to environmental health hazards, such as airborne toxins and lead. A much higher premature death rate experienced by people of color underscores the dramatic impact that these factors can have" (Pg. 39 of the "Racial Equity Dividend").

Increased Prosperity

Realizing Savings

In addition to averting the costs of public ownership that would result from abandonment or tax delinquency (including demolition or remediation), the Adaptive Reuse program has enabled the reactivation of more than 4 million square feet within Buffalo's urban core. Building out an equivalent mix of uses in suburban or exurban areas would have significant social and economic costs. Sprawl at this scale would have contributed to ongoing social segmentation; a reduction of retail, grocery, and services locations and opportunities in the downtown core (due to an ongoing deterioration of quality and/or viable residential or commercial spaces). It would have resulted in increased costs to both public and private sectors due to inefficient use of investment dollars (a greater number of buildings across greater swaths of land) and infrastructure dollars (using limited funding to build-out new infrastructure networks rather than reinvesting these dollars into dated and aging existing networks).

As has been noted in previous studies that the City of Buffalo has borne the effects of "sprawl without growth" – the building out infrastructure to support new developments outside of the urban core (Partnership for the Public Good, Policy Brief 2012; Buffalo-Niagara Regional Report: The Dollars and Sense of Development Patterns, 2014; One Region Forward: A New Way to Plan for Buffalo Niagara, 2015). These developments are, invariably, less dense, and therefore less efficient on a per-acre or per-square foot basis in taxable value. Simultaneously, ongoing market movement outside the urban core eviscerates the taxable value in the downtown core, marginalizes populations of that area, and undermines the historic built environment that is so often considered part of a communities' identity.

Sprawl without growth results in higher tax burdens being levied on a shrinking population, resulting in higher tax per person, while undermining the social and economic diversification strong neighborhoods need to have a long-term positive impact for marginalized populations. In contrast, the Adaptive Reuse program, as part of the incentive landscape for these projects, appears to have an impact on improving the resident, income and occupation mix, while avoiding the inefficiencies that sprawl promotes. (The Buffalo-Niagara Regional Report, June 2014)

As noted in the recent One Region Forward Final Plan (2015), sprawl, measured by the development of 525 miles of new roads, is an annual maintenance burden of $26 million (page 57). At the same time, a study of infrastructure for New York State conducted by ASCE estimates that 93% of sewer & water was built pre-1941 (report card for New York's infastructure, 2015). Legacy assets require maintenance and replacement. By funneling infrastructure dollars to the outer reaches of the community, the needs and inherent efficiencies of providing maintenance dollars to the downtown core are not realized.

Incomes & Occupations

Moving beyond previously stated benefits of increased taxable values for project properties, data from the predominant program zip codes indicates both a shift in residents' occupations, as well as marked increases in incomes for residents within the study area.

While shifts are most readily observed when comparing income data from year 2000 Census Data with 2015 American Community Survey data, the increase following the height of program implementation (year 2011 vs. 2015) is striking, particularly considering the shifts occurred within the span of only four years. Within that short time, the percent of persons below poverty fell significantly – by double digits in zip code 14204. Median household incomes rose by nearly 102% in zip code 14202; 223% in zip code 14203; and 129% in zip code 14204.

Income ranges throughout the study period not only rose overall, but became more diverse. For example, in zip code 14203, individuals making less than $35,000 per year dropped across all data strata, while individuals making $35,000 per year or more rose across all data strata. This change not only indicates an increase in prosperity, but the increase in individuals making $35,000 or more per year – from 6.7% to 49.1% - has the potential to spur more positive economic outcomes, educational attainment, and a continued reduction in crime rates for children and families living in affected neighborhoods.

By and large, these neighborhoods remain places of concentrated and extreme concentrated poverty; a condition that disproportionately affects persons of color throughout the region. As explored by Chetty, Hendren & Katz (2015), and cited by authors of The Racial Equity Dividend: Buffalo's Great Opportunity (2016), "Research suggests that when families of similar socio-economic status live in an area of [increased prosperity], children are more likely to attend college and realize higher incomes as adults." Enabling a heterogeneous mix of socio-economic influence across neighborhoods improves long-term economic outcomes for communities.

The landscape of prosperity has shifted in the Central Business District. With the increased investment in the built environment, long-term residents experience a higher quality of life due to increases in social activity, socio-economic diversity, and infrastructure investments within their neighborhood. Overall, incomes have increased, and job types have diversified. While major shifts in incomes within the CBD zip codes are likely mostly due to an influx of higher earner residents, it is highly unlikely that this is uniformly the case. Importantly, the increase in socio-economic diversity – that is, the inclusion of higher income earners living in the area – increases the likelihood that long-term residents will experience the positive effects on youth associated with this diversity, including higher educational attainment and higher incomes and earning power in adulthood (Chetty, Hendren & Katz, 2015).

INCOMES	14202			14203			14204		
	2000	2011	2015	2000	2011	2015	2000	2011	2015
Median Household Income	$24,000	$41,559	$42,336	$9,400	$14,279	$31,892	$15,901	$20,355	$26,269
Percent of Individuals below Poverty	21.1%	17.1%	15.6%	57.6%	47.1%	40.4%	36.7%	40.4%	29.9%
< $10,000	19.2%	8.4%	8.0%	52.8%	34.6%	25.4%	36.1%	30.4%	19.9%
$10,000 - $14,999	10%	8.3%	5.2%	17.3%	17.8%	11.7%	11.9%	11.7%	12.3%
$15,000 - $24,999	23.3%	13.1%	17.3%	14.5%	17.9%	6.5%	18.0%	15.2%	15.4%
$25,000 - $34,999	14.8%	15.0%	10.7%	8.6%	10.2%	7.4%	11.1%	8.8%	13.9%
$35,000 - $49,999	11.2%	15.0%	13.9%	2.8%	6.9%	11.9%	9.5%	12.2%	13.0%
$50,000 - $74,999	8.9%	10.3%	15.8%	0.9%	4.4%	16.1%	6.5%	10.5%	15.0%
$75,000 - $99,999	1.5%	9.9%	8.6%	1.6%	0.0%	12.7%	3.7%	5.2%	5.2%
$100,000 - $149,000	4.1%	10.8%	7.3%	1.4%	7.9%	6.2%	1.9%	5.0%	3.6%
$150,000 - $199,999	3.2%	3.5%	3.5%	0.0%	0.3%	1.3%	0.4%	0.5%	1.4%
$200,000 +	3.9%	7.0%	9.6%	0.0%	0.0%	0.9%	0.9%	0.4%	0.4%

Source: US Census Bureau- 2000 Census, and 2011-2015 American Community Survey

In addition to the shifts in income, it is also important to note the shifts in employment types. The data indicates a greater prevalence of Management & Professional occupations, coupled with a general decline in Service as well as Production, Transportation & Material Handling occupations. This change in occupation mix is reflective of larger macro-economic trends which include the overall reduction in manufacturing and production-related jobs since the mid to late 20th century. Relative to year 2000 data, however, the overall number of occupations within the study area have increased, and the changes in occupational mix indicate greater socio-economic diversity within these areas. Injecting such diversity into neighborhoods that have been historically areas of concentrated poverty has been cited as a means to improve community outcomes – from improving educational attainment for area youth, enhancing quality of life and vibrancy for area residents – and generally increased the taxable value in the area as well, resulting in an increased capacity to support area infrastructure, schools, and the development of community amenities (One Region Forward Equity and Opportunity Strategy Document, Fair Housing Equity Assessment: Expanding Opportunity in Buffalo Niagara, 2014).

OCCUPATIONS	14202			14203			14204		
	2000	2011	2015	2000	2011	2015	2000	2011	2015
Management & Professional	530	889	916	40	131	465	596	782	778
	43.70%	49.80%	59.70%	15.20%	34.60%	61.10%	19.90%	21.40%	24.90%
Service	165	391	280	82	111	49	750	1,162	964
	13.60%	21.90%	18.30%	31.20%	29.30%	6.40%	25.10%	31.80%	30.80%
Sales & Office	319	323	201	74	55	181	806	1,083	811
	26.30%	18.10%	13.10%	28.10%	14.50%	23.80%	26.90%	29.60%	25.90%
Farm, Forestry & Agriculture	0	0	0	0	0	0	11	0	0
	0%	0%	0%	0%	0%	0%	0.4%	0%	0%
Construction & Maintenance	83	60	54	11	5	28	77	122	118
	6.80%	3.40%	3.50%	4.20%	1.30%	3.70%	2.60%	3.30%	3.80%
Production, Transportation & Material Handling	117	122	83	56	77	38	751	508	456
	9.60%	6.80%	5.40%	24.30%	20.30%	5.00%	25.10%	13.90%	14.60%
TOTAL JOBS	1,214	1,785	1,534	263	379	761	2,991	3,657	3,127

Source: US Census Bureau- 2000 Census, and 2011-2015 American Community Survey

While total numbers of establishments (places to work) have decreased overall across all zip codes in the study area (5.1%, 3.4%, and 14.7%, respectively), modest to moderate growth has occurred in annual payrolls in the 14202 and 14203 zip codes. The 14204 zip code experienced a loss of 397 paid employees (14.7%). Despite this, the area did see an increase in annual payroll by a modest 0.7%. Combined with occupational and income data, these numbers illustrate a shifting landscape – overall greater jobs numbers and incomes within fewer overall establishments.

PAYROLL	14202		14203		14204	
	Total Paid Employees	Annual Payroll (000's)	Total Paid Employees	Annual Payroll (000's)	Total Paid Employees	Annual Payroll (000's)
2014	20,097	$1,001,304	16,057	$1,007,390	2,698	$111,135
2013	19,745	$977,977	17,172	$1,052,684	2,387	$80,897
2012	19,002	$921,791	17,140	$1,064,528	2,530	$85,661
2011	18,909	$966,062	18,925	$1,046,405	2,977	$105,140
2010	18,692	$821,257	17,109	$942,805	2,899	$108,528
2009	19,061	$831,068	17,794	$989,555	3,015	$113,822
2008	19,603	$850,778	18,063	$924,575	3,095	$111,944
% Change*	2.5%	17.7%	-11.1%	9.0%	-14.7%	0.7%

Source: US Census Bureau- Zip Code Business Statistics, 2008-2014 Business Patterns.
'Total Paid Employees': Number of Paid employees for pay period including March 12.
*Percent change derived by comparing 2008 data to 2014 data only.

Housing

Increased prosperity is realized not only through incomes and jobs – but also in the availability, affordability, and quality of housing options in an area. While Erie County has experienced a marked decrease in rental vacancy rates between the 2000 Census and 2015 data, only two of the three studied geographies have reflected this broader trend. While zip code 14202 has seen an increase in vacancy rates by 5.2%, zip code 14203 has seen a reduction by 4.6%, and vacancies in zip code 14204 have decreased by a whopping 19.2%. However, these numbers should not be taken out of the context of unit availability. 14202 has seen a unit increase of 10.5%; 14203 has increased by 69.5%, while 14204 has decreased by 18%.

HOUSING	Erie County		
	2000	2010	2015
Total Vacant Units	145,574	133,444	132,134
Total Vacancy Rate	15.7%	15.7%	16.3%
Rental Vacancy Rate	11.1%	10.1%	5.5%

Source: US Census Bureau- 2000, 2010 Census, and 2011-2015 American Community Survey

HOUSING	14202			14203			14204		
	2000	2011	2015	2000	2011	2015	2000	2011	2015
Total Units	1,899	2,247	2,098	597	774	1,012	6,366	5,770	5,170
Total Vacancy Rate	13.2%	15.8%	21.4%	23.6%	17.8%	10.3%	25.5%	16.5%	20.6%
Rental Vacancy Rate	9.5%	8.2%	14.7%	14.2%	3.5%	4.6%	29.3%	6.7%	10.1%

Source: US Census Bureau- 2000 Census, and 2011-2015 American Community Survey

In addition to market absorption, rental rates play a key role in the prosperity of the area – both in terms of home affordability for renters, and in the capacity for investors to realize a sufficient return on their risk for investment. However, measuring this factor is complicated by the changes and adjustments to data thresholds among collecting agencies. Individual categories are displayed below to provide some concept of the rental landscape; the prevalence of low cost units further challenges the analysis. For example, median gross rent has fallen in 14202 from 2011-2015, however, during that same time period 10.1% of unit rentals ranging from $2,000-$3,000 per month came onto the market – but this was offset by the increases in the market for units developed for rents less than $1,000 per month.

While there has been an increase in high-end apartments, they have not outstripped the availability of units on the lower end of the spectrum, resulting in an economically diverse mix of units that is credited for positive long-term economic and social outcomes for residents.

GROSS RENTAL RATES	14202		14203		14204	
	2011	2015	2011	2015	2011	2015
< $500	25.8%	44.0%	56.8%	40.6%	49.7%	49.2%
$500 - $749	26.9%	22.5%	24.6%	10.1%	32.9%	26.7%
$750 - $999	10.0%	10.9%	9.1%	17.0%	6.6%	12.2%
$1,000 - $1,249	9.4%	4.2%	2.2%	12.4%	4.1%	3.7%
$1,250 - 1,499	9.8%	6.3%	0.8%	8.5%	1.3%	2.3%
$1,500 - $1,999	1.5%	1.6%	2.1%	9.0%	0.5%	2.1%
$2,000+	3.6%	9.0%	4.5%	2.3%	0.0%	0.2%
Median Gross Rent	$576	$544	$446	$729	$474	$495

Source: American Community Survey, 2011 and 2015 Housing Estimates.

In any market engaged in revitalization, there is invariably a need for concern in regards to community or neighborhood gentrification. Generally, gentrification is seen through the lens of housing affordability – increases in the overall tax rate of the area and rents due to higher demand in an area which combine to make it unaffordable for long-term residents of low to moderate income. This initial look at the data does not indicate a major shift towards a gentrified marketplace as of yet, merely the diversification of units that have been made available to-date. However, the diversification has laid the groundwork for potential gentrification, and a deeper study into the housing dynamics of the area may reveal a level of gentrification that is not reflected here. Developing long-term resident programs and policies is often the role of cities, but can be administered in concert with other programmatic agents active in a geography. As incomes and housing units continue to diversify, establishing and rolling out programs aimed at mitigating the effects of gentrification continue to ensure that existing units available to long-term residents are indeed in safe, sanitary and decent condition.

Vibrancy

Vibrancy is a function of place, population, and the propensity for individuals to engage in "Living"- work, socializing, shopping, entertainment, and eating. "Place" is a combination of factors stemming from the built environment - engaging and culturally significant (often historic) structures, unique attributes of urban design, and interactivity of these elements. To the extent that Place and Living can intersect, driving increases in Population of an area, Vibrancy can be experienced within a geography.

The study geography is rife with unique, engaging and interesting Place elements – landmark structures; unique and striking urban planning and landscape; interesting and locally-significant (yet universally intriguing) public art – all converging to set a solid foundation on which to build. However, vacant and functionally obsolete structures undermine the ability of these compelling attributes to create vibrancy in a marketplace.

Buffalo has experienced significant population loss since the 2000 census, and the urban core was not an anomaly among affected zip codes. However, a study in Vibrancy is informed less by total population, and more by overall prosperity of that population – in this case, illustrated by employment and labor force participation. For example, in the 2000 Census, only 33.9% of labor-market eligible residents were engaged in work in zip codes 14202. While the overall employment rate was very low, this was, in fact, a function of high numbers of Discouraged Workers (individuals not engaged in the labor force, therefore not classified as Unemployed, and not included in the Labor force participation rate). Since that time, there has been an increase of 23% in active labor-market eligible workers – no small feat.

This impressive change indicates a perceived increase in job market opportunities, spurring labor-market eligible workers to enter the market – in most cases, engaging in employment; in others, remaining on the hunt for a job (as opposed to dropping out entirely out of exasperation) in the faith that an opportunity is still out there. This is a marked cultural shift, and the effects on improvements to the built environment cannot be underestimated when measuring the perception of economic opportunity in the labor force.

Population & Labor Force	14202			14203			14204		
	2000	2011	2015	2000	2011	2015	2000	2011	2015
Total Population	4,136	3,911	3,340	1,618	1,180	1,725	10,040	9,840	8,934
Median Age	36.4	37.1	36.5	40.6	43.6	32.4	37.1	36.5	42.3
Unemployment Rate	2.5%	7.3%	6.5%	14.1%	5.0%	3.7%	9.3%	9.0%	7.9%
Labor force participation rate	33.9%	60.3%	56.9%	53.7%	42.1%	54.8%	48.6%	55.9%	51.8%

Source: US Census Bureau- 2000 Census, and 2011-2015 American Community Survey

Further illustrating the increase in labor force participation despite changes in population is the increased number of commuters year over year from most geographies within the study area. The decrease in walkers is likely reflective of both the decrease in overall establishments, as well as the shift of types of occupations available within the study geography.

Travel to Work	14202			14203			14204		
	2000	2011	2015	2000	2011	2015	2000	2011	2015
Total Commuters	1,197	1,740	1,479	264	346	751	2,863	3,563	2,994
Mean Travel Time (mins)	16.6	19.9	17.7	23.0	20.7	17.9	22.0	21.1	18.9
Drive Alone	60.1%	56.1%	66.4%	36.0%	52.0%	65.9%	51.5%	52.7%	60.8%
Carpool	5.4%	12.6%	13.8%	4.9%	6.4%	8.1%	12.8%	7.4%	9.5%
Public Transportation (not including taxi)	14.8%	15.1%	4.8%	33.3%	2.9%	7.9%	21.7%	28.1%	15.3%
Walk	16.5%	11.0%	8.7%	6.8%	28.3%	12.6%	10.6%	8.6%	8.9%
Other	0.0%	1.7%	1.3%	1.9%	0.0%	3.9%	1.8%	2.2%	3.6%
Work at Home	3.2%	3.4%	5.0%	17%	10.4%	1.6%	1.6%	1.0%	1.9%

Source: US Census Bureau- 2000 Census, and 2011-2015 American Community Survey

Use of public transportation as a means of travel to work has decreased overall, however, most modes of public transit ridership has been on the rise in Buffalo. Location near or easy access to private transportation is one of the considerations for adapative reuse projects, with the goal of creating more walkable communites. As station-level data was unavailable at the time of this report, actual effects of the Adaptive Reuse projects on the public transit network is inconclusive.

Public Transportation Ridership (Buffalo metro area)	Q4, 2000		Q4, 2010		Q4, 2015		Q2, 2016	
	Average Weekday	YTD Change	Average Weekday	YTD Change	Average Weekday	YTD Change	Average Weekday	YTD Change
Demand Response	100*	23.08%	600	9.22%	700	3.27%	800	8.75%
Light Rail	23,800	0.87%	21,000	(3.75%)	17,100	21.35%	16,900	(5.34%)
Metro Bus	66,700	(11.71%)	73,400	7.63%	84,100	4.90%	76,300	0.66%
Total	90,500	(8.81%)	95,000	4.92%	102,000	7.58%	94,000	(0.45%)

Source: American Transportation Association Ridership Report Archives.
*Reflects the DRP statistic registered for this year, which is comparable to the DR statistic for ensuing years.

Foot Note: The abbreviations reflect the source data from the APTA, and standard language from the Federal Transit Agency. DR stands for Demand Response. DRP is Demand Response/Paratransit. This was formerly recognized as a separate mode of transportation, included because it was found in the 2000 data. The data post-2000 rolls DRP and DR together.

Demand Response (DR)
A transit mode comprised of passenger cars, vans or small buses operating in response to calls from passengers or their agents to the transit operator, who then dispatches a vehicle to pick up the passengers and transport them to their destinations. A demand response (DR) operation is characterized by the following:

a) The vehicles do not operate over a fixed route or on a fixed schedule except, perhaps, on a temporary basis to satisfy a special need, and

b) Typically, the vehicle may be dispatched to pick up several passengers at different pick-up points before taking them to their respective destinations and may even be interrupted en-route to these destinations to pick up other passengers. The following types of operations fall under the above definitions provided they are not on a scheduled fixed route basis:

- Many origins - many destinations
- Many origins - one destination
- One origin - many destinations, and
- One origin - one destination.

Demand Response Service (Rural Module)
Shared use transit service operating in response to calls from passengers or their agents to the transit operator, who schedules a vehicle to pick up the passengers to transport them to their destinations. Can be found in:

Demand Response-Taxi (DT)
A special form of the demand response mode operated through taxicab providers. The mode is always purchased transportation type of service.
https://www.transit.dot.gov/ntd/national-transit-database-ntd-glossary

Historic Preservation

Many of the Adaptive Reuse projects undertaken through the ECIDA's program were also historic properties and thus qualified for Federal and State Historic Tax Credits. Fourteen of the 53 projects studied in this report additionally benefitted from State and Federal Historic Tax Credits.

The goal in using tax credits as an economic development policy is to produce benefits far exceeding the investment. This has been proven in this report with the incentives the ECIDA offers, and has also been well-documented in the Historic Tax Credit program.

Adaptive Reuse projects ECIDA induced since 2008 include fourteen projects which also utilized Historic Tax Credits. The total value of the properties rehabilitated with Historic Tax Credits equals $146,527,369. Thirty seven percent of projects completed under the ECIDA's Adaptive Reuse Program were assisted with Historic Tax Credits. Since these Adaptive Reuse projects would not happen without the ECIDA's incentives, it can be stated that the ECIDA's program is also responsible for preserving 14 historic buildings with project values in excess of $146 million.

Historic Tax Credit Projects within Adaptive Reuse Program *		
Address	**Project Name**	**Project Value**
369 Washington Street	H @ Lofts	$12,000,000
430 Virginia Street	Kanandague Interests	$2,498,287
136 N. Division Street	AC Lofts	$13,813,440
391 Washington Street	Hotel Lafayette	$38,000,000
201 W. Huron	Kanandague Interests	$1,550,000
346 Connecticut Steet	Horsefeather, LLC	$3,800,000
24 S. Johnson Park	5182 Group / The Greystone	$3,567,000
1738 Elmwood Avenue	Distillery Lofts	$16,703,965
1700 Elmwood Avenue	Houk Lofts	$16,703,965
2917 Main Street	Bethune Lofts	$20,123,024
141 Elm Street	Elm Michigan Holdings	$7,200,000
149 Swan Street	Swan St. LLC	$5,945,000
145 Swan Street	Swan St. LLC	$5,945,000
1807 Elmwood Avenue	Arco Lofts	$9,806,943

* Source: Shaw Sprague, Director of Government Relations & Policy | (202) 588-6339 | ssprague@savingplaces.org, Federal Historic Tax Credits Project, New York, National Park Service, 2015.

During the same time period covered by the Adaptive Reuse Study, 30 other Historic Tax Credit projects were undertaken in the City of Buffalo. These projects did not seek ECIDA assistance but it is unknown if they would qualify based on program requirements. Additionally, there may have been projects assisted within the ECIDA's Adaptive Reuse program which may also have qualified for Historic Tax Credits but credits were not sought. It is more expensive to rehabilitate a building as historically accurate and in some cases, the new use is not compatible with the architectural requirements of the Historic Tax Credit program.

Buffalo has been recognized for its use of Historic Tax Credits as noted in the following comment by Ruth Pierpont, Deputy New York State Historic Preservation Officer and Past-President of the National Conference of State Historic Preservation Officers. *"It is no exaggeration to say that entire sections of New York City have been reinvented and repurposed using the financial edge that the credit provides. Now, upstate villages, towns and cities, most notably Buffalo, are also seeing a renaissance, with the tax credits playing a large part in attracting investment. Our projects range from major energy improvements to the Empire State Building and the conversions of vacant industrial buildings into fully-occupied residential spaces in downtown Buffalo to the transformation of Watertown's Public Square into a vibrant commercial hub and the rehabilitation of a hurricane-damaged inn in the tiny Catskill community of Prattsville."*

Many more Adaptive Reuse project developers have applied for and utilized Historic Tax Credits on projects also qualifying for Adaptive Reuse incentives. However, at the time of this report, awarding and use of these credits has not been completely executed (and reported) at the State or Federal level.

Blight Elimination

Blight can be defined in numerous ways. It has been defined as broadly as "economically underutilized or underdeveloped" or as narrowly as "unfit for human habitation due to identifiable conditions that endanger the life, health and safety of the owners, occupants or general public" according to New York Sentate Bill 4891, April 23, 2015. Under Senate Bill 4891, property can be considered blighted if *"the property is abandoned. Property shall be deemed abandoned if (A) property is unoccupied and has been tax delinquent for at least two years or (B) a building is unoccupied by the owner or tenants, is unfit for human habitation and has deteriorated to the point where (I) the building is structurally unsound or poses an immediate threat to life or other property or (II) the cost of rehabilitation significantly exceeds the post rehabilitation market value and (III) the owner is unknown or the owner fails to respond within six months to a violation notice from the appropriate governing body…"*

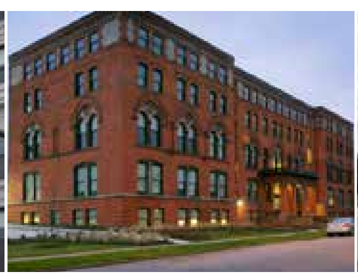
Negative effects of blight, or the costs of blight come in many shapes and sizes. Lost household wealth is realized due to decreased property values over time, documented between 6.5% and 20% in some neighborhoods. There is a cost to maintain blighted property to the City (if abandoned) through waste cleanup, pest control, and police and fire attention. An increase in urban disorder, vandalism and crime/anti-social behavior is present in and around blighted properties. [2]

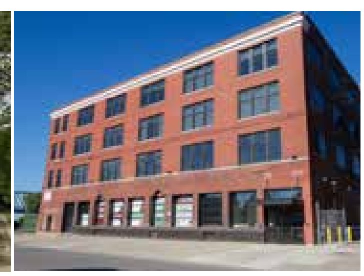
In many communities, the City must do what it can to preserve assets surrounding derelict properties and often ends up assuming the cost of demolition to remove blighting influence and prepare sites for redevelopment. Cost estimates to demolish blighted buildings range widely depending on the conditions within and around the structure, the presence of asbestos, lead, underground storage tanks, and other environmental hazards and the type of construction. An average demolition estimate for Erie County is \$8.50-\$10.75 per square foot, which takes into consideration approximately 30-35% for removal of environmental hazards. The average size of a building which has benefited from the Adaptive Reuse program is 75,000 sq. ft. If the City would be responsible for demolishing one of these buildings it would cost roughly \$675,000.

The ECIDA's requirements for meeting the definition of blight fall somewhere in between the two extremes of the definition listed above. Properties must meet the following criteria to be eligible for ECIDA Adaptive Reuse Program Benefits:

1. Structure must be at least 20 years old and present functional challenges to redevelopment.
2. Structure must have been vacant or underutilized for a minimum of three years. Underutilized is defined as a minimum of 50% of the rentable square footage being vacant, or structure being utilized for a function for which the structure was not designed or intended for.
3. Structure in not generating significant rental income (defined as 50% or less than the market rate income average for that property class).

Considering these criteria, the ECIDA's Adaptive Reuse program has facilitated the redevelopment of **over 4 million square feet** of space into renewed, fully functioning and income-generating office, commercial and residential property.



Over 4 million sq. ft. of blighted space redeveloped

CASE STUDY ON ADAPTIVE REUSE:

TURNER BROTHERS LOFTS, 285/295 NIAGARA STREET
DEVELOPER: SCHNEIDER DESIGN, ARCHITECTS, PC

Each Adaptive Reuse project is unique and has its own story. The buildings arrive at their place in existence through abandonment, disuse, and neglect. An industry changes, companies go out of business and markets take operations elsewhere. These projects attract a special kind of developer and the Turner Brothers Lofts project was no different.

The oldest of the five buildings which comprise this project was built in 1853 for the Turner Brothers Company. The complex includes 62,000 sq. ft. of space which has been converted into 40 market rate apartments and 9400 sq. ft. of food production and restaurant space on the first floor. The setting for the development is a true mixed-use neighborhood where single family residential was blended successfully with industrial and commercial uses for as long as the neighborhood existed. It's the first development visible when exiting Interstate 190 at Niagara Street and has greatly improved the aesthetics of the Niagara Street corridor leading into downtown Buffalo.

The 32 one bedroom and 8 two bedroom apartments were leased up within one month of availability, and generate rents between $925 and $1750 per month.

Total project costs = $11,514,185

This project qualified for and received assistance from not only the ECIDA, but eight other programs including Federal Historic Tax Credits, State Historic Tax Credits, NY State Brownfield Cleanup Program, National Grid Main Street, National Fuel Area Redevelopment Program, NYSERDA, City of Buffalo 485-a Property Tax Program, and the Better Buffalo Fund. Incentives were in the form of grants, loans, tax credits and tax abatements.

To say this project would not have been feasible without the various incentives and support it received is an understatement. Redevelopment projects such as this require more engineering, design and architectural problem solving, most of which is apparent prior to demolition and preparation, some of which isn't discovered until well into construction. For example, with the Turner Brothers Lofts, a sizeable contingency fund was designated with the initial project budget. It was fully utilized when it was discovered the concrete masonry units in internal walls were failing and significant repairs/replacement of the building's infrastructure was necessary. Additional challenges existed when retrofitting a building 160+ years old with a code complying commercial kitchen. Other code compliance issues added costs to the project in terms of installing stairways where all units had appropriate access.

From the developer's perspective, the property must also generate rents to support development costs long after the incentives roll off the project. Many of the incentives assist with upfront costs but others offer support to operations for a period of years. If market rents are not strong enough to support the development on its own, debt service will be difficult to meet.

Upon researching other rental markets in peer cities, average rents appear to be higher in and near downtown Cleveland, downtown Milwaukee and downtown Pittsburgh on apartments with comparable sizes, surroundings and amenities.

Comparable Apartments in Peer Cities			
Listed lease rate ranges	**Cleveland**	**Milwaukee**	**Pittsburgh**
1-3 bedroom	$995-$2100	$1035-$2995	$1200-$4900
(sampling of various properties)	$1100-$6375	$1155-$2700	N/A
(sampling of various properties)	$1500-$6995	$1235-$4055	N/A
(sampling of various properties)	$1629-$6999	$3100-$4775	N/A
1-2 bedroom	$999-$2824	$1060-$2580	$1239-$3104
(sampling of various properties)	$1105-$1420	$1300-$1490	$1295-$2695
(sampling of various properties)	$1437-$1683	$1315-$1875	$1500-$2400
(sampling of various properties)	$2400-$2500	$1325-$2595	$2070-$2755

Understanding the lower cost of living, or inability to charge a higher market rent on these units provides more evidence these projects are difficult to structure in order to realize a positive cash-flow. Rents will have to increase in the coming years to offset the full value of the property tax payments once the 485-a program benefits begin to cycle through. Subsidized housing units within a development such as this would not be feasible.

The benefits to the community on this project are significant. To put into perspective what the public sector and private sector are together leveraging, here is a review of the impacts of this development:

285-295 Niagara Street was assessed at $22,300 prior to its redevelopment. The current assessment is $4,235,000, an increase of $4,212,700 or 18,891% the pre-improved value.

At the time of construction, this project created 102 temporary construction jobs with total income for temporary construction jobs of $5,310,000.

This project received approximately $400,000 in ECIDA incentives (3.5% of total project costs) but generated $3.3 million in tax related benefits as a direct result of the project, including state income tax, state and local sales tax and local property taxes. The Return on Investment (ROI) by ECIDA computes out to 8.25:1. The Estimated Community Benefit pencils out at over $8.6 million. This is a calculation of the direct, indirect and induced impacts on the community through jobs created, and the spending that turns over because of them. The return on investment when it comes to Community Benefit is 20.9:1.

The value of the City's incentive, 485-a property tax abatement over the abatement period is approximately $1.1 million, or 10% of total project costs.

The food production facility and restaurant/bar, Ru's Perogies, has created approximately 30 jobs and continues to grow. Many of the employees live in the neighborhood which has immeasurable benefits for economic and social influences.

CASE STUDY ON ADAPTIVE REUSE

500 SENECA STREET
DEVELOPER: SAVARINO COMPANIES

The Adaptive Reuse project located at 500 Seneca Street in what is now Larkin District was developed by Frontier Group of Companies and Savarino Companies in partnership as 500 Seneca Street, LLC. This is one of the larger projects undertaken with the second largest construction budget of 53 adaptive reuse projects induced by ECIDA since 2008, at $45 million.

With a rich history of a formerly thriving, self-contained neighborhood, the Larkin District is a fascinating study of the economic impacts of the rise and fall of the industrial era. Residential, commercial, retail, churches and industry co-existed to serve the employees of the large manufacturers such as the Larkin Soap Company which thrived in this area until the mid-1950s. As quickly as these large employers either failed or moved to the suburbs, the economic impact was devastating and widespread throughout the neighborhood.

With the adaptive reuse of the former F.N. Burt Company at 500 Seneca Street, there are now more people activating the building either at work or in their apartments than have been in the last 70 years. Over 300,000 sq. ft. of space has been revitalized into class A office space and a non-profit job training center. Two dozen different businesses now call 500 Seneca Street home, from startups to offices for multi-national corporations traded on the NYSE. This speaks volumes to the developer and the environment created through thought and planning that went into bringing this building back to life. A notable amount of office space is dedicated to BCOME (a job training program) and local cultural institution space at below market rent. Commercial space in the building is 95% leased and occupied.

The Hydraulic Lofts residential component of the redevelopment project at 550 Seneca is home to 99 units of new studio, one-, two- and three- bedroom apartments on the upper four stories of the development. The property is equipped with a variety of amenities which provide a true live/work/play environment including green areas, gathering space, and unique cultural features. Rents range between $815 and up for studios, to up to $2,000 for three bedroom units. Rents for these residential units are in line with new units available at the Turner Brothers Lofts by Schneider Design and reinforce the market disparity in Buffalo when compared with other peer cities (see Turner Brothers Lofts case study for rent comparisons). The Hydraulic Lofts are 100 percent occupied, something which happened more quickly than anticipated. Within seven months of opening, the units were fully leased and occupied.

The redevelopment project has been awarded accolades including "Best Historic Preservation," "Best Friend of the Arts" and "Best Makeover of an Existing Building" from various entities and publications.

The project was developed with the assistance of State and Federal Historic Tax Credits, ECIDA Adaptive Reuse incentives and City of Buffalo 485-a program incentives (on 550 Seneca portion of the development). These incentives are critical to the project and were noted as such by the developer.

The impacts from the development are powerful, far reaching, and may continue beyond the scope of this study. At the time of the project's application for ECIDA Adaptive Reuse incentives, the project anticipated the creation of 25 direct jobs. According to the owner/developer, approximately 250 newly created jobs have materialized, plus hundreds of other employees who now call 500 Seneca Street home. There are 800 people in total working in the building and 150 people living there.

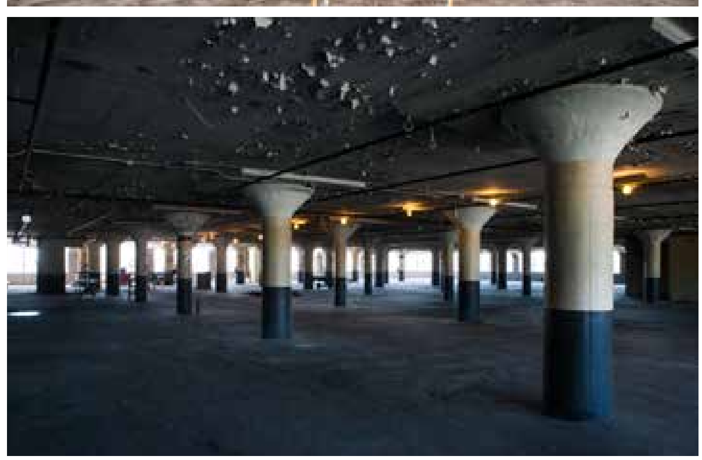
Through the construction process, there were 345 temporary construction jobs created which had a direct and indirect impact on the regional economy to the tune of nearly $18 million.

Total State and Region mortgage recording tax savings and sales tax savings to the developer equal $1.3 million. Total benefits to the State and Region including income tax revenue, sales tax revenue and labor income exceeds $54 million (discounted present value, over 10 years).

The total anticipated local revenue generated from this project in local property tax and local sales tax over ten years is nearly $4.2 million. The local portion of sales tax and mortgage recording tax savings totals just over $677,000. Net local revenue therefore is $3.5 million, resulting in a benefit to cost ratio locally of 6.2:1. The overall return on investment on this project is an impressive 77.4:1. For every dollar the public sector invested in forgone taxes, the private sector introduced $77 new dollars into the economy.

Seneca Street Greenway Connector Plan is another example of positive unanticipated consequences of the large-scale redevelopment of 500 Seneca Street. Dollars are being dedicated from property tax payments made by the development to improve and enhance the streetscape between the Central Business District and Larkinville along Seneca Street.

500 Seneca Street can be considered a catalyst project for a neighborhood in desperate need of attention. This development is generating positive ripples into the immediate geographic vicinity as more and more vacant and underutilized properties are met with new infill developments.



RETURN ON INVESTMENT

Return on Investment (ROI) is the investment term that communicates effectiveness of investments made in a project or business. A positive return on investment is greater than 1:1, meaning the positive outcomes or profits are greater than the inputs. For the Adaptive Reuse Program, ECIDA's cumulative return on investment is very positive. Even more impactful is the return on investment's effect on the community, which will indicate the number of times the investments made by ECIDA are leveraged for Community Benefit.

Projects were evaluated to determine return on ECIDA's investment using the inputs of sales tax abatement and mortgage recording tax savings. On a project by project basis the ROI varied with only six projects realizing an ROI of less than 1.5:1. Twenty nine projects generated an ROI between 1.6:1 and 4.9:1. Sixteen projects saw an ROI of greater than 5.0:1. Regarding variance in ROI from 1:1 to 19.1:1 - this can partially be explained by 1) the magnitude of the project, 2) a much lower "ending assessment" than predicted at project start and 3) project type, for example, hotel and large residential projects would qualify for more sales tax abatement than office or more commercial projects.

The total program return on investment for ECIDA's Adaptive Reuse Program between 2008 and 2016 is 3.6:1, meaning for every dollar ECIDA invested in the form of sales tax savings and mortgage recording tax savings, $3.60 were generated in local property taxes and sales taxes.

But when expanded across the community, to include indirect and induced impacts, the overall community benefit-based return on investment is much higher. The inputs of ECIDA's incentives were calculated against the estimated community benefit total for each project. For every dollar ECIDA invested in adaptive reuse projects, the community saw an exponential return. At the low end, one project returned $10.70 in community benefit to every dollar invested by ECIDA. On the high end, one project generated $100.60 for each dollar invested by ECIDA.

What's most impressive about the return on these investments is that inputs to the developments were small tax related inputs which could not have been collected had the project not been induced by ECIDA. We would argue that if these taxes were collected and not invested by ECIDA, they would not have the same exponential return on investment as they did because they were used to rehabilitate blighted, functionally obsolete properties and return them to a higher and better use. Jobs were created, real estate was activated, the value of the properties were increased exponentially and even more tax revenue was realized.

The overall (average) Community Benefit Return on Investment for the Adaptive Reuse program between 2008 and 2016 is conservatively 36.1 to 1. For every dollar ECIDA invested in an Adaptive Reuse project, $36.10 of community benefit was generated.

Twenty-nine of the projects analyzed are also noted to have received 485-a property tax incentives from the City of Buffalo. Data was analyzed as to the value of these incentives, and property tax totals were adjusted when calculating ROI. Only the collected property tax was taken into consideration, or what would be the value of the property tax when the benefits of the 485-a program termed out for those receiving the savings.

Overall Community Benefit Return on Investment for ECIDA Adaptive Reuse incentives, 2008-2016

ADAPTIVE REUSE IN PEER CITIES

Buffalo, being a city of approximately 258,000 people, has seen significant population decline since its peak of nearly 575,000 between 1930 and 1950. With a metropolitan area population of 1.13 million, there is a lot which can be inferred in these numbers, but the most obvious assumption is that in the mid-to-late 20th century, the industrial flight to the suburbs created the situation the Adaptive Reuse program was trying to solve. Buffalo is not alone, and there are several cities which can be considered comparable cities in terms of population, climate, industry and growth patterns. For the purpose of this study, we will be comparing the redevelopment efforts of the following cities: Pittsburgh, Syracuse, Rochester, Cleveland, Columbus and Milwaukee.

Peer Cities to Buffalo, NY	Population 2014
Buffalo	258,703
Syracuse	144,263
Rochester	210,358
Pittsburgh	304,391
Cleveland	389,521
Milwaukee	599,164

Syracuse, NY – Syracuse Urban Renewal Agency (SURA)'s mission is to acquire and dispose of properties in a fashion that is consistent with the identified needs of the neighborhood residents for better housing, commercial services, recreational facilities, employment opportunities, and, when appropriate, demolition of properties that in their current form discourage investment and advance the further deterioration of neighborhoods. SURA was formed to facilitate the sale and rehabilitation of underutilized and/or tax delinquent land and buildings in the SURA area. Their approach is to invest in blighted properties through acquisition and transition them back to productive, tax generating properties. Syracuse also has a local IDA, (SIDA) which does not appear to offer incentives specific to Adaptive Reuse.

Rochester, NY – Rochester does not focus on Adaptive Reuse specifically, but as a part of their program for "Renovation/Modernization," the redevelopment of a building is a box which can be checked on an application form. There appears to be no formal Adaptive Reuse Program with incentives promoted in the City of Rochester. Rochester's city bus system recently promoted the transition of former City bus shelters into pop-up businesses, through an adaptive reuse marketing strategy. The primary goal of the County of Monroe Industrial Development Agency (COMIDA) is to promote, encourage, attract and develop job opportunities and economically sound commerce throughout Monroe County. It appears the focus is on assisting companies through economic development support to create jobs and increase wealth for individuals.

Pittsburgh, PA – Pittsburgh's redevelopment efforts are facilitated through the Urban Redevelopment Authority of Pittsburgh (URA) and can be summarized by reviewing their Tax Incremental Financing (TIF) incentives program for projects with are considered redevelopment projects. The organization incentivizes large projects which have a minimum size of $20 million and will provide up to 10% of the project costs in TIF Funds (so $2 million on the minimum project). They have a range of diversion rate from 60-75%, depending on impact on distressed areas, sustainability goals and impacts in targeted areas. Their policies state the ratio of public to private investment of public TIF funds (proceeds) shall be used to fund no more than 10% of total project costs.

Cleveland, OH – The city of Cleveland, OH offers one program to assist small redevelopment projects through a grant process: The 2017-2018 Community Development Corporation (CDC) Program Grant provides funding for local improvement projects. Eligible activities are organized into the following categories: Area-wide Core Services–pivotal programs or activities that address the greatest needs and priorities of Cleveland's neighborhoods, with an emphasis on: Home Repair, Community Engagement and Education, Housing Development with a focus on Residential Rehabilitation, Re-utilizing Vacant Land, Retail/Commercial Revitalization, including commercial rehabilitation and marketing, public facilities improvements, park improvements and tree planting, and public services performed by Community Based Development Organizations (CBDO).

The city also targets large scale redevelopment projects by geography, detailed planning and massive scale comprehensive redevelopment efforts.

Milwaukee, WI - The Redevelopment Authority of the City of Milwaukee, in cooperation with the Department of City Development is the primary agent for inducing redevelopment projects in the city. Activities undertaken by the organization include:

1. Assemblage and sale of land, Tax Increment District loan administration and the issuance of bonds for the construction of offices and institutional facilities, affordable rental and owner occupied housing, and for catalytic commercial projects
2. Publication of Requests for Proposals for the purchase and renovation of historic structures in neighborhoods such as King Drive, Brewer's Hill, Walker's Point, Concordia and Cold Spring Park
3. Capital investment and continued participation in the Housing Partnership Corporation revolving loan fund for below-market rate loans to non-profit organizations for affordable housing production
4. Preparation of comprehensive plans to guide future development in the Menomonee River Valley, Midtown and Beerline areas
5. Miscellaneous bond transactions for business recruitment, retention and expansion in locations throughout the city for real estate purchase, facility construction and equipment.

Since tax abatement is not allowed in Wisconsin by state statute, organizations are limited in the types of incentives they can use to encourage adaptive reuse. In Wisconsin, tax incremental financing is the primary tool for incenting any kind of development or redevelopment. Project participation from the public sector varies, but can stretch as high as 35% of total project costs or more, depending on the project and the community's goals.

As evidenced by the above review, in comparison to peer communities of similar size, industry, economy and climate, ECIDA's Adaptive Reuse program has generated noteworthy results. This can be attributed to timing, market opportunity, massive inventory of qualifying projects, leveraging scarce resources for maximum results and effective marketing of the available incentives.

THE BUFFALO MARKET TODAY

The Buffalo market today looks much different than it did eight years ago. The focus of this study has been looking back to where the economy has been and the resulting effects of the investments made by ECIDA through the Adaptive Reuse Program.

Office

The headline of a **"Marketview"** report by CBRE Research for the Office Market during the 4th quarter of 2016 states "City of Buffalo continues to thrive as overall vacancy drops." Reports for the office market by CBRE provide current market data on Class A, B and Flex properties greater than 10,000 sq. ft. This report shows a continuing decrease in office vacancy, which currently stands at 12.5% (down from 13.5% a year ago). Over 337,000 sq. ft. of office space has been absorbed over the last year and nearly 258,000 sq. ft. is projected to be constructed.

Office space users are changing the way they are utilizing space. More telecommuting, flex-time positions and remote working arrangements are shrinking the need for individual office space and increasing the need for meeting and collaborative work space. As noted in the CBRE report, shrinking footprints and rightsizing continues, while tenants seek high quality space in active, live-work-play environments, making downtown very attractive. Although the surrounding "submarkets" would appear to be affected by increased demand for downtown space, they remain relatively flat, and are appealing to back-office operations which need efficient layouts and plenty of parking.

Metro area and county asking price for sale in the office category is still well below the state average at $75.50 per sq. ft. vs. $141 per sq. ft. average statewide. Lease rates per sq. ft. in the Central Business District range between $22-26 per sq. ft. for Class A space and between $16-20 per sq. ft. for Class B office space. Buffalo and the metro area are still more affordable than elsewhere in the state where the average is $26.66 per sq. ft. for office space.

Retail

Analyzing a retail market is an interesting exercise since retail is a category of business that follows the masses. Rarely does retail lead the way in developing an area. Retail follows "heads in beds" so it's not surprising there is more activity in densely populated areas. Within the City of Buffalo, retail has seen a positive trend over 2016, with more than 30,500 sq. ft. absorbed. There is a higher (market area wide) vacancy rate in the City (11.5%) with 232,276 sq. ft. available. Shopping areas around the market are experiencing closings (Sears x2, Macys x3 and others) but food related national chains are expanding.

The CBRE Marketview report for Retail in Q4 2016 notes an active market in the Buffalo Trade Area with a significant drop in the vacancy rate over the reporting period. According to the report this can in part be attributed to a reduction in vacant space due to a reclassification of older retail property which is no longer being marketed as retail property. As more and more restaurants and apartments enter the scene, the increased activity and population will draw in other retailers.

Lease rates in the City are most affordable comparatively across the metro area and state, with an average per sq. ft. price of $10.74. Metro and County average lease rates are $11.76 and $12.04 respectively. Purchase price for retail space is slightly higher compared to the metro and state averages at $101.29 per sq. ft. (compared to $89.81, Metro and $97.62 per sq. ft. at the County level). This may be the beginning of an indication that retail space in the City is once again becoming desirable, as this purchase price saw the highest increase year over year of all geographies measured, with a 16.5% increase from the same time in 2015. 3

Multifamily

Activity in the multifamily sector of commercial real estate is notable for a variety of reasons. A record year in sales of multifamily units is explained by continued low interest rates and interest from investors inside and outside the local market. More multifamily units were sold in 2016 than any year since 2008, and prices are beginning to increase. Demand remains high as baby boomers wish to give up the large maintenance-laden homes in exchange for smaller, less involved residences. Additionally, younger college educated and aspiring workers are not interested in a mortgage and all the maintenance and upkeep associated with home ownership making apartment living appealing to this segment of the population as well.

Average rent ranges between $700 and $950 per month with 791 units currently available for rent in that price range in the City of Buffalo.

81 apartments are available between $950 and $1100, and 40 apartments available between $1150 and $2750. 4

CURRENT CONDITIONS VS. OBJECTIVES OF ADAPTIVE REUSE PROGRAM

Certainly, there are many positive indicators in the market for Erie County following the eight years since 2008. As demonstrated in this report, several areas have achieved success across many goal areas, which indicates a successful program over the past eight years.

A look at the goals will more clearly identify areas of success.

Goals of the Adaptive Reuse Program include:

1. Redevelopment of blighted sites and structures
2. Promote infill development that utilizes existing public infrastructure, controlling costs for local government support of infrastructure
3. Support the Framework for Regional Growth Plan
4. Create new economic activity at difficult sites and buildings, helping to eliminate neighborhood slum and blight
5. Promote a green redevelopment strategy, recycling existing buildings and sites
6. Help maintain neighborhood fabric and historic nature of area structures

Clearly more than 50 blighted sites and buildings have been adaptively reused and created new economic activity at sites which were previously challenged. When a site or building is vacant for more than three years, which is a requirement of the Adaptive Reuse program, systems deteriorate, rust, mold, animals and birds find their way into buildings and general disuse causes rapid failing of other critical infrastructure. By encouraging the reuse of these properties, the investment made in City roads, water, sewer, storm water and other utility systems leverages the public investment for increased usage and does not burden the public sector with request for additional services.

While project flow has slowed in 2016 (three projects closed), there is not a shortage of opportunity for future projects. Project flow may have slowed as the market catches up with the new inventory of residential units and commercial space available. With the election in 2016, uncertainty may have stalled some projects or at the very least put a temporary pause on the activity. While new construction also is absorbed into the market, it will be an opportunity to enhance the Adaptive Reuse Program if necessary.

A survey of existing commercial real estate listings for potential adaptive reuse projects reveals there are still opportunities on the market. Of properties currently listed for sale in Erie County, approximately 20% of them (30 out of 150) would qualify for the Adaptive Reuse program, with total square footage of approximately 1,340,000 sq. ft. This does not consider properties not currently listed for sale.

Of property listed for sale, what follows is a summary of the number of buildings by size that would qualify for the Adaptive Reuse program at first glance.

Listed Commercial Properties in ECIDA services area, by size (2/24/2017)	
Square Footage	**Number of Buildings**
150,000 (+)	1
100,000-150,000	4
50,000-99,000	4
20,000-49,000	4
10,000-19,000	6
<10,000	7

Future demand for the program should be studied with an effort to design or redesign the existing program, to better meet the needs of property owners and inventory of existing buildings which, by and large, have smaller footprints and higher threshold to profitability. It appears there are a significant number of buildings which would qualify under the current program, however, it would be beneficial to interview likely developers and see where current market demand meets existing inventory of subject properties with special circumstances.

One of the most striking observations revealed in this study was the disparity between relatively high costs of construction on adaptive reuse projects and the depressed commercial and apartment lease rates the Buffalo market will bear. The chart below supports the disparity in rental rates in peer cities, but also notes an even wider gap in the cost of construction indexed against rental rates in Buffalo. While it's an affordable place to live, it's less feasible to undertake adaptive reuse under current conditions. Also, as incentives expire and developments are paying the full property tax load, rents generated must support debt service, which may prove a challenge for some of the adaptive reuse projects undertaken to-date.

Construction Costs High - Rents Low

	Average Rents		Construction Cost Index**	Relative Margin
City	Avg. Rents*	% Natl. Avg.		
Buffalo	**$765**	**85.8%**	**103%**	**-17.2%**
Baltimore	$1552	174%	93.2%	80.8%
Boston	**$2675**	**299.9%**	**117.5%**	182.4%
Chicago	**$1531**	**171.6%**	**117.8%**	53.8%
Cincinnati	$869	97.4%	91.8%	5.6%
Cleveland	$980	109.9%	99.3%	10.6%
Denver	$1518	170.2%	92.3%	77.9%
Indianapolis	$1023	114.7%	93%	21.7%
Milwaukee	$938	105.2%	102.4%	2.8%
Pittsburgh	$1121	125.7%	102.1%	23.6%
St. Louis	$855	95.9%	102%	-6.2%
San Antonio	$889	99.7%	84.4%	15.3%

*Source: US Census (Q3 2016)
**Source R.S. Means (2016)

INCENTIVES FOR ADAPTIVE REUSE

The Erie County Industrial Development Agency has been effectively leveraging sales tax savings and mortgage recording tax savings for the past eight years of the Adaptive Reuse Program with exceptional results. Other incentives are utilized for filling the gap by developers, such as historic tax credits (Federal and State) as well as the City's 485-a and 485-b programs. Some projects also qualify for brownfield cleanup grants. Incentives utilized by some developers in Erie County also include National Grid Mainstreet grants, National Fuel Area Redevelopment Program, NYSERDA and Buffalo Building Reuse Project.

Here are some incentives which may be useful in supporting adaptive reuse in Erie County.

NY Incentives for Adaptive Reuse	
New Markets Tax Credits	Credits to developers for investment in qualifying area through qualified Community Development Entity
Low Income Housing Tax Credits	Awarded directly to the developer based on a strict and arduous application process
Brownfield Redevelopment Tax Credits	Available to developers who redevelop brownfields (from NY State DTF)
Urban Initiatives	Provides grants to not-for-profit community based orgs/charitable orgs that have a direct interest in improving the health, safety and economic viability of a distressed urban neighborhood related to community preservation or renewal activities
NYSERDA	Provides assistance for implementing energy efficiency directly to developers
HOME and CDBG	Administered by City of Buffalo or other designated agency for pre-planned eligible activies, could include blight elimination, acquisition, housing assistance for LMI and other related activities, including Section 108 loans
National Grid Main Street Brownfield Redevelopment Grant	Grants to fund utility related infrastructure improvements and other costs that are necessary to progress the redevelopment of a brownfield site or vacant building
485-a	Local property tax abatement available to developer from local unit of government
Industrial Development Agency	May award Sales Tax (project related) and Mortgage Recording Tax abatement and Real Property Tax Abatement
NY State Housing Finance Agency	Various incentives based on affordable multifamily residential development

CONCLUSIONS/CONSIDERATIONS

Like many communities across the Midwest, Erie County, NY was greatly impacted by major market shifts as large industrial employers either went out of business or relocated to the suburbs. These shifts had a major negative impact on the surrounding neighborhoods which were often developed around the economic opportunity employers provided. The flight of large employers from the core of the City left a host of buildings to fall into disrepair, functional obsolescence, or abandonment. According to one developer, "the people of Buffalo are somewhat scarred by what they've witnessed happen to their city for a long time."

The Adaptive Reuse Program operated by ECIDA over the past eight years is one of the most successful adaptive reuse programs in the country. By promoting reuse of vacant, underutilized, aging properties, the City of Buffalo has been able to realize the benefits of a reactivation of over 4 million sq. ft. of space in productive and energized commercial and residential, tax generating developments.

Prior to considering adjustments or changes to this very successful program, there are several thoughts to keep in mind.

1. The market for multifamily residential has been strong in recent months and several studies are currently underway. Until the results are known, it is unclear how much more residential development can be absorbed. It will be important to understand where the housing needs in the market exist, and how (if at all) the adaptive reuse program can be leveraged to address those needs.

2. The number of large scale opportunities are not as plentiful since many of the bigger buildings have been redeveloped. Those which remain are either faced with extraordinary challenges or are in locations which are not desirable or proximate, so it will be important to consider the lack of economies of scale inherent to smaller projects.

3. This study did not address neighborhoods or smaller commercial districts which could be focus areas for redevelopment. Instead of identifying single sites for adaptive reuse, it may be beneficial to examine multiple parcels and entire blocks in the future.

4. As incentives expire and developers are paying the full property tax load, rents generated must support debt service, which may prove a challenge for some of the adaptive reuse projects undertaken to date.

APPENDICES

1. Erie County Adaptive Reuse Policy, 2008

2. City of Buffalo 485-a program report

Footnotes:

1. The Buffalo, NY R/UDAT; a program of the Urban Planning and Design Committee of the American Institute of Architects, March 22-26, 2001.

2. Planners Web: "How Cities are Taking on Blight," Andy Kitsinger, AI, AICP, May, 2014, www.plannersweb.com

3 Loopnet Local Market Reports, Market Trends, February 1, 2017; http://www.loopnet.com/local/New-York/Buffalo-Commercial-Real-Estate/

4. Apartment Finder, February 1, 2017; http://www.apartmentfinder.com/New-York/Buffalo-Apartments/q/?nr=1100&xr=2750

REDEVELOPMENT RESOURCES

211 S. Paterson St.
Suite #320
Madison, WI 53703
608-729-1807
www.redevelopment-resources.com

ECIDA POLICY COMMITTEE

Adaptive Reuse Policy

Adopted December 8, 2008

Recent local real estate market surveys have indicated that the region's real estate market continues to be dually challenged by old outdated structures which are considered functionally obsolete and a flat relatively low cost market for real estate. This is particularly problematic with the existing building inventory in the urban core office market and regionally in the industrial building inventory. Some estimates place the obsolescence level of the existing industrial building inventory at as much as 50%.

These structures present unique challenges to development and adversely impact the economic viability of the neighborhoods and districts surrounding them by contributing to:

- Slum and blight
- Public safety concerns
- Environmental concerns
- Depression of local real estate values
- Economic viability issues for infill development\

In an effort to advance a regional strategy for development consistent with the Framework for Regional Growth, that outlines a growth, development and investment plan for the region, the ECIDA shall pursue an **Adaptive Reuse Strategy** that encourages the redevelopment of old structures or sites for new purposes consistent with this plan.

This represents a shift in development focus of the ECIDA to assuming an active role in building and site development in targeted areas and for specific purposes in the county.

Adaptive Reuse is the process of adapting old structures or sites for new purposes.

Adaptive Reuse Projects present unique challenges to development by private market activity, among these are:

- Higher costs associated with development of sites and structures
    - Environmental Remediation Issues
    - Building Code Issues
    - Physical Development Costs
- Local real estate values that do not support increased upfront development costs

These structures also present many governmental and regional growth issues for the county.

- Public safety concerns from abandoned and deteriorating structures
- Significant costs to local governments for demolition or remediation of sites and buildings that end up in public ownership through abandonment or tax delinquency
- Increased public infrastructure costs associated with new site and building development

Current ECIDA and the Countywide IDA Policy make the use of IDA benefits problematic and difficult to use in Adaptive reuse projects.

- Present policy and state law focus on end use(s) of projects which may not be fully known in adaptive reuse scenarios
- Many adaptive reuse projects are large floor plate structures which typically have a mix of uses making project eligibility determinations difficult
- Market rate housing has been a component of many of the adaptive reuse projects in the urban core

The adoption of a proactive Adaptive Reuse Policy and strategy will create many benefits to the region, including:

- Redevelopment of blighted sites and or structures
- Promoting infill development that utilizes existing public infrastructure, controlling costs for local government support of infrastructure
- Supporting the Framework for Regional Growth Plan
- Creating new economic activity at difficult sites and buildings, helping to eliminate neighborhood slum and blight
- Promoting a green redevelopment strategy, recycling existing buildings and sites
- Helping maintain neighborhood fabric and historic nature of area structures

In implementing an Adaptive Reuse Policy the ECIDA will create a scoring system to evaluate projects for adaptive reuse utilizing evaluation criteria that will include:

Required Criteria:

1. Age of structure, structure must be at least 20 years old and present functional challenges to redevelopment

2. Structure has been vacant or underutilized for a minimum of 3 years

    a. Underutilized being defined as a minimum of 50% of the rentable square footage of the structure being vacant, or structure being utilized for a use for which the structure was not designed or intended for.

3. Structure is not generating significant rental income

    a. Significant rental income defined as 50% or less than the market rate income average for that property class.

4. Project is in compliance with the investment and growth criteria of the Framework for Regional Growth plan

5. Demonstrated evidence of financial obstacle to development without ECIDA or other public assistance

    a. Submission of cash flow projections documenting costs, expenses and revenues indicating a below average return on investment rate as compared to regional industry averages.

6. Demonstrated support of local government entities

Other Factors to be considered:

7. Structure or site presents significant public safety hazard and or environmental remediation costs

8. Site or structure is located in a distressed census tract

9. Structure presents significant costs associated with building code issues associated with new development making the project financially unfeasible per item#5 above

10. Site or structure is presently delinquent in property tax payments

A report will be prepared and presented to the ECIDA board which will evaluate each project on the above cited criteria, for review and determination of project eligibility and assistance by the ECIDA Board of Directors.

***All adaptive reuse projects must comply with existing state law and Countywide IDA eligibility requirements.**

Pursuant to this policy, adaptive reuse projects with the exception of the present Hotel restrictions may include eligibility uses that are presently not considered for ECIDA assistance under non-adaptive reuse project scenarios, i.e. certain retail uses and market rate housing.

City of Buffalo 485-a report including Adaptive Reuse Projects

primary_owner	loc_st_nbr	loc_st_name	SBL_No	Tax Dist	total_av	ex_code	ex_amt	ex_init_ yr	ex_ term_ yr
1876 Buehl Block,LLC	36	Broadway	111.54-1-6.11	3	625,000	47596	315,000	2007	2018
656 Elmwood Avenue, Inc.	625	Ferry West	100.29-4-6	2	1,340,000	47596	850,000	2016	2027
Marginali, LLC	783	Elmwood	100.22-4-1.1	6	600,000	47596	255,000	2013	2024
FZO Main LLC	501	Main	111.46-9-9	3	285,000	47596	125,000	2012	2023
346 Connecticut LLC	346	Connecticut	99.67-4-9.1	2	1,670,000	47596	1,508,000	2014	2025
Houk Lofts LLC	316	Grote	78.77-1-14	8	1,700,000	47596	1,620,000	2015	2026
LAPC Lofts LLC	598	Lafayette Ave	89.78-2-31	6	3,500,000	47596	3,060,000	2016	2027
535 Main Street, LLC	535	Main	111.46-9-17	3	350,500	47596	225,500	2016	2027
Chapin 112 Genesee Street, LLC	112	Genesee	111.39-1-18	3	346,500	47596	256,500	2016	2027
678 Associates, LLC	678	Main	111.38-3-1	3	625,000	47596	400,000	2013	2024
Delvir, LLC	468	Delaware	111.22-2-5	3	2,640,000	47596	2,443,000	2015	2026
945 West Ferry, LLC	1526	Main	100.31-3-11	6	800,000	47596	675,000	2016	2027
945 West Ferry, LLC	1524	Main	100.31-3-12	6	250,000	47596	218,700	2016	2027
Huron Group Inc	176	Franklin	111.45-3-6.1	3	174,500	47596	84,500	2016	2027
Huron Group Inc	172	Franklin	111.45-3-8	3	252,900	47596	92,900	2016	2027
ARCO Lofts LLC	1807	Elmwood	78.69-2-2	9	3,400,000	47596	2,920,000	2016	2027
9187 Group, LLC	173	Elm	111.55-7-21	3	825,000	47596	785,000	2016	2027
1285 Main LLC	1285	Main	100.55-2-2.1	6	3,132,100	47596	2,100,000	2016	2027
551 Seneca Street LLC	550	Seneca	111.81-4-1.1	1	3,925,000	47596	3,750,000	2016	2027
483 Main Street LLC	483	Main	111.13-6-5	3	305,000	47596	75,000	2016	2027
Swan Street Buffalo LLC	145	Swan	111.70-5-3.1	1	5,500,000	47596	4,824,250	2015	2026
Hamister Hospitality Wake LLC	447	Main	111.13-6-3	3	18,000,000	47596	16,200,000	2015	2026
Genesee Gateway, LLC	111	Genesee	111.46-5-1.1	3	2,480,000	47596	2,259,900	2015	2026
HES Properties II, LLC	368	Grant	88.75-6-6	7	270,000	47596	215,000	2015	2026
Harbor District Associates,LLC	125	Main	111.17-7-1.2	1	22,000,000	47596	21,037,000	2015	2026
4628 Group, Inc.	189	Pearl North	100.71-6-13	3	950,000	47596	850,000	2015	2026
425 Michigan Avenue, LLC	425	Michigan	111.14-1-2	1	7,500,000	47596	5,500,000	2015	2026
Del-Al Group LLC	546	Delaware	100.78-1-7.1	3	600,000	47596	500,000	2013	2024
Buffalo Lafayette LLC (The)	391	Washington	111.54-4-1./1	3	4,250,000	47596	4,075,000	2013	2024
Apartments at the Buffalo	391	Washington	111.54-4-1./2	3	5,750,000	47596	5,449,500	2013	2024
100 South Elmwood LLC	157	Mohawk West	111.45-1-16	2	3,400,000	47596	3,015,000	2013	2024
AC Lofts LLC	136	Division North	111.14-6-4.1	1	5,500,000	47596	4,850,600	2011	2022
598 Main Street LLC	740	Seneca	111.82-5-11	1	225,000	47596	149,500	2012	2023
Kanandague Interests LLC, The	430	Virginia St	111.22-1-10	3	550,000	47596	450,000	2011	2022
Elmwood/Bryant LLC	448	Elmwood	100.45-4-9	2	1,300,000	47596	1,098,000	2012	2023
700 Parkside LLC	700	Parkside	78.66-4-9	9	585,000	47596	425,000	2012	2023
4858 Group, LP	456	Main	111.13-5-4.1	3	2,810,000	47596	1,700,000	2013	2024
Kanandague Interests LLC	201	Huron West	111.37-7-15.1	2	700,000	47596	678,700	2014	2025
Rand & Jones Enterprises	20	Tracy	111.29-7-5.1	3	650,000	47596	275,000	2015	2026
400 Lincoln Associates LLC	400	Lincoln	89.22-4-25	9	840,000	47596	581,100	2015	2026
Wang, Suzhen	3233	Bailey	79.81-8-40	10	84,400	47596	80,900	2015	2026
Mill Race Commons, LLC	716	Swan	111.82-6-4.1	1	364,900	47596	309,000	2015	2026
455 Ellicott Street LLC	455	Ellicott	111.39-1-30.1	3	302,600	47596	125,000	2015	2026
5182 Group LLC	24	Johnson Pk	111.37-3-3	3	3,000,000	47596	2,900,000	2015	2026

Fairfield Commons, LLC	1659	Amherst St	89.28-5-1	9	300,000	47596	223,000	2014	2025
KLP Commons, LLC	786	Kenmore	78.43-1-1	9	800,000	47596	625,000	2014	2025
1239 Group LLC	500	Main	111.46-10-2.11	3	3,200,000	47596	200,000	2015	2026
Elm/Michigan Holdings LLC	456	Michigan	111.55-8-1.1	3	3,190,000	47596	2,815,000	2015	2026
Wil Partners, LLC	537	Main	111.46-9-18	3	335,000	47596	115,000	2016	2027
Kanandague Interests LLC	249	North St	100.69-6-6	2	400,000	47596	331,000	2014	2025
Grace Manor, LLC	310	North St	100.69-1-1.11	2	2,690,700	47596	1,124,700	2015	2026
Arrow Dynamics Inc	334	Connecticut	99.67-4-12	2	207,000	47596	125,600	2008	2019
SEB Development LLC	618	Tacoma	78.58-4-13	9	520,000	47596	273,000	2007	2018
SRK 770 Elmwood Associates	766	Elmwood	100.21-4-7	7	3,500,000	47596	3,456,400	2016	2027
1040 Delaware LLC	1040	Delaware	100.39-1-34	6	1,800,000	47596	1,400,000	2013	2024
D.P. & J.B. Inc.	1035	Abbott	133.74-6-13.1	14	160,000	47596	40,000	2011	2022
H@Lofts, LLC	369	Washington	111.54-4-6.1	3	4,500,000	47596	4,400,000	2011	2022
257 Lafayette LLC	257	Lafayette Ave	99.27-3-9.1	7	1,200,000	47596	1,000,000	2010	2021
Foundry Lofts LLC	1738	Elmwood	78.77-1-4.1	8	5,600,000	47596	5,500,000	2015	2026
MSBP 251, LLC	251	Main	111.70-1-8	1	4,100,000	47596	3,680,000	2017	2028
5277 Group LLC	199	Scott	122.23-1-2.1	1	9,866,000	47596	9,583,800	2017	2028
9271 Group LLC	960	Busti	99.57-4-4	2	4,060,000	47596	3,835,000	2017	2028
618 Elmwood LLC	204	Highland	100.37-3-10	2	350,000	47596	130,000	2017	2028
Niagara Street Buffalo LLC	295	Niagara	110.44-1-15.11	2	4,325,000	47596	4,075,700	2017	2028
506 Delaware Avenue Associates LLC	498	Delaware	100.78-1-14.1	3	3,815,000	47596	3,165,000	2017	2028
Capello Downtown LLC	220	Franklin	111.37-4-6	3	865,000	47596	620,000	2017	2028
B&S 9 Genesee St LLC	9	Genesee	111.46-9-3	3	270,000	47596	190,000	2017	2028
686 Main Street LLC	686	Main	111.30-5-6	3	2,884,000	47596	2,634,000	2017	2028
Bosche LLC	916	Main	100.78-5-5.1	3	4,100,000	47596	3,940,000	2017	2028
465 Washington Street LLC	465	Washington	111.13-7-7	3	6,650,000	47596	5,125,900	2017	2028
Phoenix brewery Apts. LLC	835	Washington	111.23-8-4	3	4,400,000	47596	4,220,000	2017	2028