

ARCO Lofts, LLC/Signature Development of WNY
\$12,424,750
INDUCEMENT RESOLUTION

HIGHLIGHTS

- Eligibility: NAICS Section - **53**
- Real Estate

COMPANY INCENTIVES

- 1% of the final mortgage amount which is at this point estimated at \$4,900,000 for a savings of \$49,000
- Approximately \$367,000 in sales tax benefits
- It is anticipated the company will apply to the City of Buffalo for a 485 -a exemption



Project Title: ARCO Lofts, LLC/Signature Development of WNY
 Project Address: 1807 Elmwood Avenue
 Buffalo, New York 14207
 (Buffalo City School District)
 NAICS: 531110

Agency Request

A sales tax and mortgage tax exemption in connection with the adaptive reuse of the former American Radiator Corporate Office Building

Building Acquisition	\$ 480,000
Building Renovations	8,394,750
Soft Costs	<u>3,550,000</u>
 Total Project Cost	 \$12,424,750
 85% of Project Cost	 \$10,561,037
 Est. Mortgage Amount	 \$ 4,900,000

Company Description

Mr. Termini is the owner of Signature Development, a local development company focused on inner-city development. Some of the projects the company has been involved with include 1998 Vincent Morello Senior Housing (80 senior units built at Love Canal), 2002 & 2004 Ellicott Lofts, 2005 Oak School Lofts, 2005 IS Lofts, 2006 Webb Lofts. The Webb Lofts project included the reconstruction of a 5-story warehouse located in the Joseph Ellicott Historic District. This is a mixed use project with 32 loft apartments and the first privately owned daycare in Downtown Buffalo with a roof-top playground. Mr. Termini has completed the successful historic restoration of the Lafayette Hotel, Horton Building and Distillery Lofts/FWS Project.

Project Description

1807 Elmwood Avenue was built in 1903. The facility was once home to the American Radiator Company which they used as their office facility. Underutilized at present, this 47,600 sq. ft. building is 10% occupied with three tenant's accounting for approximately 5,000 sq. ft.

A portion of the building (south side) had been shut down by the current owners due to major boiler problems. Given the dilapidated condition of the building, the present owners declined to invest in a new boiler.

The proposed project entails the adaptive reuse of the facility. 38 1&2 bedroom apartments ranging from 800 to 1,000 sq. ft. will be constructed. Rents will be in the range of \$950-\$1,350. In addition, the developer proposes to construct 2,000 sq. ft. of office space.

It is contemplated the developer will be able to avail itself of historic tax credits and the building will be rehabilitated according to the standards established by the National Parks Service. Asbestos remediation alone is estimated to cost approximately \$750,000 and window replacement \$900,000.

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The developer's intention is to augment previous investments made within this area; namely, the complete redevelopment and reuse of the Houk Lofts and Foundry Lofts which are located within one block of the American Radiator Building. The hope is with the addition of approximately 400 new people living within the neighborhood that it will spur new commercial revitalization within the Black Rock neighborhood.

Real Estate Tax Impact

Current Yearly Taxes	Estimated new assessed value (50% of construction budget)	New County Revenue over 12 Years	New City Revenue over 12-Year 485-a abatement period
\$19,900	\$4,200,000	\$274,000	\$243,000
Combined Assessment: \$580,000 Combined Tax Rate: \$34.41			

Project Incentives

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Employment

Tenant employment will be based on the type of tenants utilizing the commercial space. At this point, we cannot estimate the impact. A property manager will be responsible for building oversight but that position will be part-time as that person will also be responsible for the oversight of other buildings the developer owns.

Draft Recapture Material Terms

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount = \$12,424,750 85% = \$10,561,037
Employment	Construction period	85% of projected construction jobs Estimated Construction Jobs = 40 85% = 34
Local Labor	Construction period	Adherence to policy including quarterly reporting
Recapture Period	The greater of 2 years or termination of sales tax package	Repayment of state & local sales tax & mortgage tax

Recapture applies to:

- State and local sales taxes
- Mortgage recording taxes

Recapture

Pursuant to Section 875 of New York General Municipal Law, the agency may recover or recapture from the company any state sales and use tax exemption benefits taken by the company that are in violation of the GML.

In addition, it is the recommendation of the ECIDA's Policy Committee to recapture the local share of sales tax and mortgage tax.

At completion of project company must certify i) total investment amount equal to or greater than 85% of amount proposed ii) 85% of construction jobs, estimated construction jobs = (40) 85% = (34) iii) adherence of ECIDA local labor policy and iv) a monitoring/recapture period the greater of two years or the date of termination of the sales tax exemption package.

Project History

- 02/25/2014 City of Buffalo Planning adopts a Negative Declaration in accordance with SEQRA.
- 03/07/2014 Public hearing conducted. Transcript attached.
- 03/17/2014 Public Hearing Conducted. No oral or written comments.
- 03/26/2014 Inducement Resolution presented to Board of Directors.