

356 Hertel Ave, LLC
\$ 32,067,800
PRIVATE INVESTMENT INDUCEMENT RESOLUTION

ELIGIBILITY

- NAICS Section – 23

COMPANY INCENTIVES

- Approximately \$ in sales tax savings: \$612,500

JOBS & ANNUAL PAYROLL

- Current / Retained Jobs: 0 FTE
- Projected new jobs: 42 FTE
- Est. salary/yr. of jobs created: \$55,000
- Total jobs after project completion: 42 FTE
- Construction Jobs: 212

PROJECTED COMMUNITY BENEFITS*

- Term: 2 yrs from project completion
- NET Community Benefits: \$ 29,313,412
- Spillover Jobs: 150
- Total Payroll: \$27,646,012

INCENTIVE COST / COMMUNITY BENEFIT RATIO (discounted at 2%)*

Incentives: \$ 612,500
 Community Benefit: 28,895,873
 Cost: Benefit Ratio
 • 1: 47

Project Title: John Kam Malt House Adaptive Re-Use
 Project Address: 356 Hertel Ave / 42 Foundry, Buffalo, NY 14207
 (Buffalo Central School District)

Agency Request

A sales tax abatement in connection with the adaptive reuse of a 116,000 sq ft building located in Buffalo’s historic Black Rock neighborhood.

Building Acquisition	\$ 1,840,000
Building Addition	\$ 1,100,000
Building Renovation	\$ 21,035,000
Infrastructure	\$ 325,000
Non- Manufacturing Equipment	\$ 1,102,500
Soft Costs/Other	\$ 6,665,300
Total Project Cost	\$ 32,067,800
85%	\$ 27,257,630

Company Description

356 Hertel Ave, LLC is owned by Fred LoFaso (60%) and Angelo Tomasello (40%). LoFaso is President of Sienna Realty, a real estate development and brokerage firm HQ in Buffalo. LoFaso is an experienced commercial real estate developer with over 32 years of industry experience having rehabilitated several other similar properties in the area. Tomasello joined Sovran/Life Storage in 1996 and served as an acquisition officer, overseeing over \$200 million in acquisitions prior to co-founding The Locke Group. For over twenty years, under Angelo’s leadership, Locke has been active in sourcing acquisition opportunities for Life Storage and has represented buyers and sellers in over \$3.5 billion in transaction volume. Locke Group LLC will be the storage facility operator partner.

Project Description

The project located in Buffalo’s Historic Black Rock section, is a mixed use redevelopment of an existing historic complex. The new development will consist of 82 apartments (72,000 sq ft of residential space), a 30,000 sq ft self-storage facility, and 14,000 sq ft of retail space. We are not providing incentives to the storage and retail portions of the project. Nine of the 82 apartment units (11%) will have rents at or below 80% AMI. These nine units are made up of 5 one-bedroom units and 4 two-bedroom units. Planned amenities include: an on-site dog park, dog wash, pedestrian gathering plaza, and permanent and visitor bike storage. The site design was prepared in consideration of the Buffalo Green Code and limitations of the City of Buffalo combined sewer systems and will incorporate measures to mitigate storm water runoff, including permeable pavement throughout the site, as well as environmentally conscious design features including energy star equipment and geothermal heating systems.

# of Units	Sq Ft	Monthly Rent Range
42 one-bedroom	464 – 1,019	\$882-\$1,505
40 two-bedroom	731 – 1,252	\$1,336 - \$2,100

The company is pursuing property tax savings through the City’s 485 A program.

* Cost Benefit Analysis Tool powered by MRB Group

Economic Impact: Inform Analytics Cost-Benefit Analysis

The Erie County Industrial Development Agency uses the Cost Benefit Analysis Tool powered by MRB Group to assess the economic impact of a project applying for incentives. A Cost-Benefit Analysis is required by Section 859-a (5)(b) of General Municipal Law. For the complete Cost Benefit Analysis – please see the attached MRB Cost Benefit Calculator.

Cost: Incentives

COSTS	Tax Exemption	Amount
	Sales	\$ 612,500
	Total	\$ 612,500
	Discounted at 2%	\$ 612,500

Benefit: Projected Community Benefit*

BENEFITS	Region	Recipient	Revenue Type	\$ Amount**	
	Erie County	Individuals	Payroll Construction	\$19,485,354	
			Payroll Permanent	\$8,160,658	
		Public	Property Taxes	\$0	
			Sales Taxes	\$229,807	
			Other - NFTA	\$0	
	New York State	Public	Income Taxes	\$1,244,071	
			Sales Taxes	\$193,522	
				Total Benefits to EC + NYS***	\$29,313,412
				Discounted at 2%	\$28,895,873

* Cost Benefit Analysis Tool powered by MRB Group **includes direct & indirect \$ over project period *** may not sum to total due to rounding

Discounted Cost \$ 612,500
 Discounted Benefit \$28,895,873
 Ratio 1:47

Conclusion: The Cost Benefit for this project is: 1:47. For every \$1 in costs (incentives), this project provides \$47 in benefits (payroll & tax revenue). **Note: For Erie County, every \$1 in costs (incentives) provides \$83 in benefits to the community.**

New Tax Revenue Estimated – City of Buffalo 485 A Program

Current Yearly Taxes	Estimated New Assessed Value	Additional County Revenue over abatement period	Additional Local Revenue Over abatement period	New Yearly Taxes Upon Expiration of Abatement Period
\$10,266	\$18,298,000	\$1,104,088	\$767,583	\$424,471
Combined Tax Rate: \$ 23.198				

Retail Determination

Project Use	Sq Ft	Cost (infrastructure, renovation + addition)	% Project Cost
Retail / Commercial	44,000	4,042,800	18%
Other: residential housing + building amenities	72,000	18,417,200	82%
	116,000	22,460,000	

The retail component of the project is less than 30% of the project costs and therefore no sign off is required.

Draft Recapture Material Terms

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount. Total project amount = \$32,067,800 85% = \$27,257,630
Employment	Coincides with recapture period	Projected = 42 FTE Create 85% of Projected = 35 FTE Recapture Employment = 35 FTE
Local Labor	Construction period	Adherence to policy including quarterly reporting
Pay Equity	Coincides with recapture period	Adherence to Policy
Unpaid Tax	Coincides with recapture period	Adherence to Policy
<u>Recapture Period</u>	2 years after project completion	Recapture of state and local sales taxes

Recapture applies to:

State and Local Sales Taxes

Recapture

Pursuant to New York State General Municipal Law, the agency shall modify, recover, recapture or terminate any financial assistance taken by the company that is in violation of the GML.

At completion of the project company must certify i) total investment amount is equal to or greater than 85% of the anticipated project amount; \$27,257,630 ii) company has created 46 jobs (FTE), iii) confirm adherence to local labor policy during construction and iv) its adherence to unpaid tax/pay equity policies for recapture term.

Project ECIDA History

- 01/17/23: Public hearing held.
- 09/13/21: City of Buffalo Planning Board Unlisted – Uncoordinated NEG DEC SEQR Approval
- 01/25/23: Lease/Leaseback Inducement Resolution presented to the Board of Directors