

Laborers Way 1, LLC / Zephyr (Managing Partner)
\$ 45,290,000

AMENDATORY INDUCEMENT RESOLUTION

ELIGIBILITY

- NAICS Section – 531120

COMPANY INCENTIVES

- Original: Approved \$1,088,281 in sales tax savings
- Request: Amendment to increase sales tax benefit to \$1,630,125

JOBS & ANNUAL PAYROLL

- Current Jobs: 0
- Projected / new jobs: 20 FT, 34 PT (37 FTE)
- Est. salary/yr. of jobs created: \$60,000 FT, \$35,000 PT
- Total jobs after project completion: 37 FTE
- Construction Jobs: 179

PROJECTED COMMUNITY BENEFITS*

- Term: 15 YEARS – PILOT Deviation (BLCP PILOT Agmt)
 - NET Community Benefits: \$97,661,171
 - Spillover Jobs: 191
- Total Payroll: \$90,738,492

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

Incentives: \$3,586,862
 Community Benefit: \$86,853,990
 Cost: Benefit Ratio

- 1:24

Project Title: Laborers Way 1
 Project Address: 310 Ship Canal Parkway
 Buffalo, NY 14218
 (City of Buffalo School District)

Amended Agency Request

This request is to increase the sales tax exemption benefit as project costs have increased due to a raise in construction labor cost, materials cost as well as additional costs due to a higher quality & improved design of the interior space. The original request approved by the ECIDA Board in Aug 2022 consisted of a \$27.8 M private investment that included property, sales and mortgage recording tax benefits. The current project costs exceed \$45M.

	Prior	Current
Land Acquisition	\$ 425,000	\$ 400,000
New Building Construction	\$ 21,825,000	\$ 34,210,000
Infrastructure	\$ 3,050,000	\$ 3,050,000
Soft Costs/Other	<u>\$ 2,500,000</u>	<u>\$ 7,630,000</u>
Total Project Cost	\$ 27,800,000	\$ 45,290,000
85%	\$ 23,630,000	\$ 38,496,500

Company Description

Laborers Way 1, LLC is the owner/ landlord of this facility. The tenant, RIV Capital will sublease the property to their subsidiary Etain. Etain currently has a medicinal license for one manufacturing facility and four retail dispensaries in NY State. In July 2023 Etain received approval from Office of Cannabis Management (OCM) to add the Buffalo facility to their license. Prior to starting operations, Etain must submit a certificate of occupancy (or temporary cert of occupancy) to the OCM as a final step in their approval process. Project ownership is fully controlled by Laborers Way Partner, LLC with 50% controlled by Zephyr Laborers Way LLC and 50% controlled by USA DRES, LLC Additionally, Brad Termini is a member with indirect ownership of more than 20%.

Project Description

Since being approved for incentives by the Erie County Industrial Development Agency in August 2022, the applicant Laborers Way 1, has begun construction of the 2 single story steel framed structures to be built – that will total 75,000 SF of space. The majority of the space will be used for cannabis production – manufacturing, cultivating, packaging and distribution. Less than 10% of the space will be used for office space. This project is the first phase of a plan to create an approximately 211,000 sq ft campus on this site, comprised of 3 buildings supporting cultivation and manufacturing operations.

* 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
	Property ****	\$2,115,032
	Sales	\$1,630,125
	Mortgage Recording	\$ 120,000
	Total	\$3,865,157
	Discounted at 2%	\$3,586,862

Benefit: Projected Community Benefit*

BENEFITS	Region	Recipient	Revenue Type	\$ Amount **
	Erie County	Individuals	Payroll Construction	\$ 27,371,879
			Payroll Permanent	\$ 63,366,613
		Public	Property Taxes	\$ 1,410,013
			Sales Taxes	\$ 754,264
			Other Muni Rev (NFTA)	\$ 40,000
	New York State	Public	Income Taxes	\$ 4,083,233
			Sales Taxes	\$ 635,169
			Total Benefits to EC + NYS***	\$97,661,171
			Discounted at 2%	\$86,853,990

* Cost Benefit Analysis Tool powered by MRB Group **includes direct & indirect \$ over project period ***may not sum to total due to rounding
 ****property taxes updated to reflect amounts based upon 2024 tax rates

Discounted Cost \$ 3,586,862
 Discounted Benefit \$86,853,990
 Ratio 1:24

Conclusion: The Cost Benefit for this project is 1:24. For every \$1 in costs (incentives), this project provides \$24 in benefits (payroll & tax revenue). **Note: For Erie County, every \$1 in costs (incentives) provides \$30 in benefits to the community.**

New Tax Revenue Estimated

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
\$10,466	\$9,400,800	\$273,595	\$1,136,428	\$235,004
Combined Tax Rate: \$ 26.111553				

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 = \$ 45,290,000 85% = \$ 38,496,500
Employment	Coincides with 15-year PILOT	Maintain Base = 0 Create 85% of Projected Projected = 37 FTE 85% = 31 FTE Recapture Employment = 31 FTE
Local Labor	Construction period	Adherence to policy including quarterly reporting
Pay Equity	Coincides with 15-year PILOT	Adherence to Policy
Unpaid Tax	Coincides with 15-year PILOT	Adherence to Policy
<u>Recapture Period</u>	Coincides with 15-year PILOT	Recapture of Mortgage recording tax, state and local sales taxes

Recapture applies to:

State and Local Sales Taxes
Real Property Tax
Mortgage Recording Tax

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; ii) company has created 31 FTE jobs, 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

- 8/2/22: Public hearing held.
- 8/24/22: Inducement Resolution presented to Board of Directors adopting SEQR with City of Buffalo Common Council as lead agency confirmation that the project will be carried out in conformance with the conditions and thresholds contained in the 2002 FGEIS.
- 8/24/22: Lease/Leaseback Inducement Resolution presented to the Board of Directors
- 9/05/24: Public Hearing held.
- 9/25/24: Amendatory Inducement Resolution presented to the Board of Directors