

DNC 250, Inc.
\$51,785,708
INDUCEMENT RESOLUTION

HIGHLIGHTS

- Eligibility: NAICS Section - **53**—
- **Retail - highly distressed**

COMPANY INCENTIVES

- A mortgage tax savings up to \$400,000
- Sales tax savings for all project components except for the hotel in the estimated amount of \$1,817,000
- Approximately \$7,800,000 in real estate tax abatement



Project Title: DNC 250, Inc.
 Project Address: 250 Delaware Avenue
 Buffalo, New York 14202
 (Buffalo City School District)
 NAICS: 531110

Agency Request

A sales tax, mortgage tax exemption and real estate tax abatement in connection with the construction of a 472,320 sq. ft., 12-story mixed use development and a 4-level parking ramp.

Land Acquisition	\$ 3,878,254
Building Construction	41,530,762
Soft Costs	5,862,589
Other (demo/remediation/carrying costs, etc)	514,103
Total Project Cost	\$51,785,708

Company Description

DNC 250, Inc., an affiliate of Uniland Development Company engages in real estate development, construction, leasing and management of various industrial and commercial properties throughout the Western New York region.

The most recent project being undertaken by Uniland Development is the construction of a 140,000 sq. ft., six story, Class A office building which will ultimately serve as the administrative offices and regional training center for Catholic Health.

Project Description

The developer, DNC, 250, Inc. has applied for and has been approved for site cleanup in the New York State Brownfield Cleanup Program. The project site is the location of petroleum contamination.

DNC 250, Inc. is proposing to construct a 472,320 sq. ft., 12-story mixed use development. The project will be anchored by Delaware North Companies (“DNC”) which has submitted and has been approved for incentives associated with the buildout of their space.

The development is anchored by 204,000 sq. ft. (7 stories) of Class A office space, of which 110,000 sq. ft. is proposed to be leased to DNC and the balance to be used as expansion space to accommodate potential future growth of DNC and to help retain Delaware North’s operations in the City of Buffalo.

Included in the overall project is a 119-room hotel (116,000 sq. ft) bearing a major flag identity and serving as DNC’s worldwide training center for their division of Hospitality Services. The hotel component of the project is not being considered for IDA assistance and is not included in the total project costs and will be paying full taxes.

To complete the development, a 4-level parking structure for 380 cars (152,520 sq. ft) and sub grade parking will be constructed. The number of car parks meet the required contractual obligations by the DNC lease.

The entire facility totals approximately 476,320 sq. ft. and is located in a highly distressed census tract as defined by New York State Law (Census Tract 165). Should the project costs associated with the retail component of the project be greater than 33% the IDA must make a retail finding on the project. In accordance with General Municipal Law Section 862(2)(c), if a project is considered retail, the County Executive’s confirmation of the ECIDA’s action is required.

Recap:

Use	Sq. ft.	% of Total Costs	% of Total Project Sq. ft.	PILOT
Delaware North	110,000	74%	31%	10-Years
Vacant Office - Retail	94,000	8%	26%	7-Years
Parking Ramp - Retail	152,520	18%	43%	7-Years
Total IDA Project	356,520	100.0%	100%	
Hotel	115,800	N/A		Full Taxes
Total Project	472,320			

* The cost of the parking ramp which is retail along with the vacant office space which we are considering retail since the tenants are unknown is 26%

Employment

Tenant	Current Jobs	Projected
Delaware North	350	415

* note the total jobs excludes any jobs created by the parking ramp operator, the hotel or any office tenants other than DNC

Project Benefits

At present the existing facility is generating approximately \$43,000 in revenue to the City and County. By utilizing 75% of the construction budget as the final assessment, the full tax payment on the facility is estimated to be \$1,078,000 annually.

The project will be divided into two separate categories: DNC Space PILOT and Retail Space PILOT each having a different payment schedule based on percentage of the assessed value. The percent of assessed value attributable to each project component will be determined by the City assessor. The estimates below are based on the percent of square footage of the overall project.

DELAWARE NORTH PILOT IMPACT – 10 YEAR PILOT SCHEDULE

The Delaware North space portion of the project, is eligible for a 10 year PILOT. Assuming the assessed value at 75% of the construction budget, it is estimated this portion of the project will generate approximately \$1,590,000 of additional revenue to the local taxing jurisdictions over the abatement period representing \$253,000 to the County of Erie and \$1,337,000 to the City of Buffalo.

RETAIL SPACE PILOT IMPACT – 7 YEAR PILOT SCHEDULE

The parking ramp and vacant space portion of the project, is eligible for a 7-year PILOT. Assuming the assessed value at 75% of the construction budget it is estimated this portion of the project will generate, OVER A 10-YEAR PERIOD, approximately \$1,550,000 of additional revenue to the local taxing jurisdictions over the abatement period representing \$247,000 to the County of Erie and \$1,303,000 to the City of Buffalo.

In total over a 10-year period the project is estimated to generate an additional \$644,264 to the County of Erie and \$3,404,727 to the City of Buffalo.

The project provides an opportunity to keep the expected future growth of DNC’s World Headquarters in Buffalo for decades to come. If the project moves forward, Delaware North has indicated they will be signing a 20 year lease with options for additional renewals.

The City of Buffalo would realize the development of a historically underutilized brownfield property located in a highly distressed area of the City. Uniland has expended \$1.5 million dollars in the cleanup of this contaminated site.

The estimated sales tax and bed tax to be generated by the hotel & retail components of the project is approximately \$650,000 annually.

DNC 250, Inc.

Project Incentives

- Sales tax savings for all project components except for the hotel in the estimated amount of \$1,817,000
- A mortgage tax savings up to approximately \$400,000
- Approximately \$7,800,000 in real estate tax abatement

Draft 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 (less hotel) = \$51,785,708 85% = \$44,017,851
Employment	Coincides with PILOT Term	100% of base (350) and 85% of the 65 projected jobs (55) = 405
Local Labor	Construction period	Adherence to policy including quarterly reporting. While the hotel portion of the project will receive no benefit, the developer has agreed to utilize local labor for the entire project
PILOT	PILOT Term = 7 and 10 years	Up to 100% recapture at Agency discretion
Recapture Period	Coincides with 10-Year PILOT term	Based on Delaware North Employment

Recapture applies to:

- Mortgage recording tax
- Sales tax
- Real property tax

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) confirm that company has met 85% of its projected FTE employment while maintaining 100% of its base and iii) confirm adherence to ECIDA local labor hiring policy.

Project History

- 10/08/2013 City of Buffalo adopts a Negative Declaration in accordance with SEQRA.
- 10/29/2013 Public Hearing conducted. Transcript attached.
- 11/25/2013 Public Hearing conducted
- 12/16/2013 Lease/Leaseback Inducement Resolution presented to Board.