

## **B. Buffalo - RESTORE III – Commercial & Mixed Use Center (W848)**

December 18, 2009

### General Project Plan

**Grantee:** City of Buffalo (“Buffalo” or the “City”)

**ESD Investment:** A grant of up to \$2,000,000 to be used for a portion of renovation costs of Thaddeus J. Dulski Federal Office Building, now known as Avant (“Avant” or the “Building”).

**Project Location:** 200 Delaware Avenue, Buffalo, Erie County

**NYS Empire Zone (or equivalent):** Buffalo Empire Zone

**Project Completion:** July 2009

**Grantee Contact:** Sandra A. Miller, Director, Special Projects  
Office of Strategic Planning  
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**Project Team:**

Project Management	Jean Bly
Affirmative Action	Helen Daniels
Environmental	Soo Kang

### **Project Description:**

#### Background

The City, incorporated in 1832, is located in Erie County in Western New York State. The City is approximately 41 square miles in area and its current population is approximately 280,000. At the turn of the twentieth century, Buffalo was the eighth most populous city and hosted the fifth largest economy in the United States. The City, which is located at the western terminus of the Erie Barge Canal, became known as the “Queen City” of the Great Lakes. It developed as a major transportation hub and contained a vibrant industrial base, which produced innovations in energy, chemicals and aeronautics. As a result of shifts in transportation trends and a decline of its industrial base, Buffalo’s population has decreased by over 50% since the 1950’s. Moreover, Buffalo suffers from high unemployment and poverty levels.

In January 2006, the City adopted a Comprehensive Plan (the “Plan”) to revitalize the City’s neighborhoods. The Plan, consisting of five Strategic Investment Areas in the City, includes the demolition and/or redevelopment of blighted properties to enable Buffalo to use these spaces for housing development, commercial development and land banking for future use.

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Buffalo and UniQuest identified a need, which was consistent with the Plan, to renovate the vacant Building into a 150-room full service hotel, 28 condominium units and 128,000-square-feet of Class A office space. UniQuest Delaware, LLC (“UniQuest”) was formed in 2006 as a joint venture partnership between two commercial real estate development companies, Uniland Development Company (“Uniland”) and Acquest Development Company LLC (“Acquest”), for the sole purpose of acquiring and redeveloping the Building, located in the heart of the City’s downtown government and business district. In 2008, Uniland purchased Acquest’s interest in the Building.

Avant, constructed in 1971 as a federal office building, is a fifteen-story, 470,000-square-foot facility, which housed more than 2,000 employees from various federal governmental agencies until late 2005 when the Building was closed due to asbestos and PCB contamination. The City and UniQuest advised ESD that it lacked the financial resources to complete a Building renovation project. ESD Directors approved \$11 million in grants for UniQuest on July 23, 2009 to assist with renovation costs for the hotel, restaurant and office components of the project.

Previously, ESD Directors approved a \$3 million RESTORE I grant to Buffalo on March 15, 2007, which assisted the City with the demolition and site clearing of at least 208 single-family homes and one commercial property; a \$5,072,000 RESTORE II grant on April 17, 2008, to assist the City with the demolition and site clearing of up to 725 single-family homes; and a \$4,500,000 grant on July 17, 2008, to assist with interior and exterior building renovations to the former Trico Building on the Buffalo Niagara Medical Campus.

In September 2009, Buffalo received a \$14.32 million RESTORE III award, including \$7,635,526 for the demolition and site clearing of up to 472 single-family homes and 5 commercial structures and \$6,684,474 for commercial and mixed use urban center rehabilitation (“Commercial”) projects. This request is for \$2 million of the Commercial allocation for Avant renovation. The remainder of RESTORE III funding will be brought before Directors at a later date.

### The Project

The \$80,298,331 project involves the acquisition and complete renovation of the Building including asbestos, PCB, and lead abatement and removal; dismantlement of all interior walls and exterior concrete-panel facade to its structural-steel skeleton; installation of a glass and metal exterior facade; installation of state-of-the-art plumbing, electrical, and HVAC elements; and interior reconstruction into hotel, condominium and office space. The lower seven floors will be comprised of a 150-room Embassy Suite hotel (the “Hotel”) featuring all-suite and upscale accommodations; 128,000-square-feet of Class A office space on the middle five floors with the Buffalo law firm of Damon & Morey LLP leasing floors eleven and twelve for a 15-year term; and high-end condominiums on the three upper floors, with dwellings prices ranging from \$400,000 to over \$1.5 million. The Building will also feature a restaurant on the ground floor; a two-story atrium/lobby; and terraces on the residential

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floors. The Hotel will be operated by UniQuest Hospitality LLC, an affiliate of UniQuest.

UniQuest utilized the most efficient and environmentally-friendly materials and systems in the design and reconstruction of the Building. Approximately 6,343 tons of concrete exterior panels, 570 tons of interior concrete and brick, 200 tons of steel and heavy metal, and 10 tons of aluminum were removed from the Building and recycled; low reflectivity glass with high transparency and energy efficiency was utilized; state-of-the-art heating and cooling systems will use less electricity, natural gas and water and are expected to reduce air and waste water system emissions by 35%; and interior features were chosen with “green” goals in mind. Various certifications under LEED™ and Green Globe, among others, are currently under consideration. The project is financed by ESD’s grants, loans from Wells Fargo Bank and New York State Energy Research and Development Authority and UniQuest equity.

UniQuest managed the project which was complete in July 2009. Damon & Morey LLC took occupancy in June 2009; the Hotel opened in July 2009; Capello Salon established operations in August 2009; and condominiums have entered the housing market.

Financing Uses	Amount	Financing Sources	Amount	Percent
Building Acquisition & Renovation Costs	\$73,634,296	ESD-RESTORE Grant (W848)	\$2,000,000	2.49%
		ESD-EDF Grant (V784)	4,200,000	5.23%
Soft Costs	6,664,035	ESD-EOF Grant (V806)	1,886,000	2.35%
		ESD-UCDP Grant (V785)	4,914,000	6.12%
		Wells Fargo Bank Loan*	50,000,000	62.27%
		NYSERDA Smart Loan**	1,000,000	1.25%
		Grantee Equity***	16,298,331	20.30%
Total Project Costs	\$80,298,331	Total Project Financing	\$80,298,331	100.00%

\* LIBOR+250/30 mos w/two 12 mos extensions/1<sup>st</sup> on RE & M&E. Recorded mortgage is \$52.5 million. Loan will be reduced by \$2.5 million when EDF, EOF and UCDP grant funds are disbursed.

\*\*5.5%/10 yrs/2nd lien on other RE. 2<sup>nd</sup> mortgage in the amount of \$700,000 and assignment of rents and leases at 3356 Walden Avenue, Depew; and 2<sup>nd</sup> mortgage in the amount of \$300,000 and assignment of rents and leases at 6044 Main Street, Williamsville.

\*\*\*Grantee Equity provided by UniQuest

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### **Financial Terms and Conditions:**

1. At the time of disbursement, the City will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The City will be obligated to advise ESD of a materially adverse change in its financial condition prior to disbursement.
3. The City will ensure the contribution of at least a 10% match of the grant amount to the Project.
4. Up to \$2,000,000 will be disbursed to Grantee upon completion of the project substantially as described in these materials; documentation of project costs totaling \$80,298,211; and compliance with the Governor's protocol which requires that a labor peace agreement be in place, assuming that all project approvals have been completed and funds are available. Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenditures must be incurred on or after May 4, 2009 to be considered reimbursable project costs. Previously expended funds may be applied toward match requirements retroactive to June 23, 2006, when the Restore New York Legislation was enacted.
5. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$2,000,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the City and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.
6. If the Grantee is not the owner of the Project, then the Grantee shall prohibit, for five years from the date of the initial disbursement of Grant funds, any transfer of the Project in whole or in part, by sale, lease, or conveyance of any interest in or with respect to the Project except (a) transfers of minor interests in the Project site, such as utility easements and limited rights-of-way, and (b)(i) the arms-length basis sale or lease of individual condominium units in the ordinary course of business for a condominium development and (ii) the arms-length basis residential or commercial lease in the ordinary course of business for a commercial, residential, or mixed-use rental development. In the event that such a prohibited transfer occurs within such five-year period, the Grantee shall pay to ESD, promptly upon ESD's written demand therefor, the applicable amount indicated below

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the transfer occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

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- (i) 100% of the disbursed amount if the transfer occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the transfer occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the transfer occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the transfer occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the transfer occurred in the fifth full calendar year after the disbursement was made.

### **Environmental Review:**

The Directors made a Determination of No Significant Effect on the Environment for the project at their meeting of July 23, 2009. This determination addressed all aspects of the project. Therefore, no further environmental review is required in connection with this action.

### **Statutory Basis – Restore NY Communities:**

#### Land Use Improvement Project Findings

1. The area in which the project is to be located is a substandard or insanitary area, or is in danger of becoming a substandard or insanitary area and tends to impair or arrest sound growth and development of the municipality.  
The project is located in a blighted neighborhood and involves the renovation of a significantly vacant commercial structure, which has been deemed by the City to arrest sound growth and development in the area.
2. The project consists of a plan or undertaking for the clearance, replanning, reconstruction and rehabilitation of such area and for recreational and other facilities incidental or appurtenant thereto.  
The Plan includes the rehabilitation of commercial areas in the City's neighborhoods for re-use, allowing for a potential increase in the local tax base.
3. The plan or undertaking affords maximum opportunity for participation by private enterprise, consistent with the sound needs of the municipality as a whole.  
The City published a property assessment list and held a public hearing on the project at the time of application. UniQuest bid the project in accordance with local municipal laws.
4. The requirements of Section 10(g) of the Act are satisfied.  
There are no families or individuals displaced from the project area.

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Restore Communities 09-10 Capital Project – Determination of No Significant Effect on the  
Environment

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RESOLVED, that based on the material submitted to the Directors with respect to the Buffalo-  
RESTORE III - Commercial and Mixed Use Center Project, the Corporation hereby determines that  
the proposed action will not have a significant effect on the environment.

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