

FOR CONSIDERATION

December 16, 2010

TO: The Directors

FROM: Dennis Mullen

SUBJECT: Buffalo (Erie County) – Canal Side Land Use Improvement Project

REQUEST FOR: Affirmation of Modified General Project Plan; Authorization to Take Related Actions

Project Summary (Please see the attached Modified General Project Plan for a more detailed description of the Project)

Developer: Erie Canal Harbor Development Corporation (“ECHDC”) a subsidiary of the Corporation

Project Site: The Project is located on approximately 20 acres of vacant, substandard or underutilized land in downtown Buffalo (the “Project Area”), and is generally bounded by the following streets:

- On the north by Upper Terrace and Exchange Streets and Perry Boulevard;
- On the east by Washington Street and Seymour H. Knox III Plaza;
- On the south by Perry Street and Buffalo River; and
- On the west by Erie Street, Marine Drive, and Pearl and Commercial Streets.

A Parcel Plan is attached to the General Project Plan.

Project Description: The Project, when completed, is expected to consist of over 1 million square feet of commercial (retail, lodging, and office), cultural, and residential space along the Buffalo waterfront that will be designed to emphasize downtown Buffalo’s connection to the Lake Erie waterfront through the construction of a network of interpretive water elements evoking the character and vibrancy of the historic canals that once crossed

the area, including segments of the Erie Canal, the Commercial Slip, and the Prime Slip. The Project will provide various year-round offerings and experiences, including restaurants, entertainment venues, retail outlets, cultural attractions, vast public spaces, and increased access to the Buffalo River. The Modified General Plan (“MGPP”) sets forth a detailed description of the initial phase of the Project, which generally includes the development of various public amenities, including canals, and walkways, as well as anticipated developments in subsequent phases of the Project.

Anticipated Project Budget:

Canal Side Funding Uses- <i>Phase 1 Development</i>	
Public Infrastructure- Canals & Towpaths	\$37,193,623
Public Infrastructure- Sub-Mechanical Basement	\$1,854,621
Miscellaneous ¹	\$1,300,000
Design Contingency	\$5,000,000
Soft Cost	\$2,800,000
<i>Phase 1 Project Cost:</i>	<i>\$48,148,244</i>
Canal Side Funding Uses- <i>Future Phases</i>	
Public Infrastructure	\$17,104,165
Aud Block Parking Garage- One Level	\$7,496,058
Commercial Slip Parking Garage	\$24,503,000
Streets Project	\$6,148,220
Prime Slip	\$3,000,000
Soft Cost	\$3,150,000
Floating Docks	\$600,000
Canal Side Development Allocation ²	\$35,000,000
Parking at Donovan and Webster Blocks	\$4,800,000
Tenant Allowance ³	\$4,000,000
Private Development	\$140,880,000
<i>Total Project Cost:</i>	<i>\$294,829,687</i>

¹ The Miscellaneous line item is allowances for artwork, historic barges, signage, and graphics.

² These funds were previously allocated to the development of the Bass Pro Store on the A1 Parcel of the Aud Block. No determination has been made as to how these funds will be used with respect to the Canal Side project.

³ Allowance is for an incentive to attract a tenant and/or tenants to the Project Area

Anticipated Funding Sources for Project:

Canal Side Funding Sources		
New York Power Authority	\$105,000,000	NYPA has agreed to provide an Industrial Incentive Award with a revenue stream of \$3.7million over 20 years; and a Relicensing Agreement revenue stream of \$4.7million over 20years- both revenue streams will be bonded for estimated total net revenue of \$105million.
New York State ⁴	\$21,000,000	Currently being reprogrammed for Canal Side activities.
ESDC- Blueprint	\$5,000,000	Award was made by ESDC via an Incentive letter on March 10, 2010
Federal Transit Administration	\$11,800,000	Once FONSI is issued for the Commercial Slip Garage project, FTA funding will be awarded.
Federal Highway Administration	\$11,300,000	Funding approved pursuant to Greater Buffalo-Niagara Regional Transportation Council's 2008-2012 Transportation Improvement Program
Private Development	\$140,880,000	Private investment expected upon full-build out is based on the square-footage of the development.
Total Project Funding:	\$294,980,000	

Anticipated Funding Sources for Initial Phase of the Project will come from one or more of (i) New York State Appropriation; (ii) ESDC Blueprint Grant; or (iii) NYPA.

Background:

On October 21, 2010, the Corporation adopted a MGPP for the Canal Side Land Use Improvement Project (the "Project") based on the recommendation of its subsidiary, ECHDC. The MGPP sets forth a phased approach for the development of the Project, with the initial phase including approximately \$50 million of improvements, including the development of public canals and tow paths, a below grade parking garage and related amenities.

⁴ New York State previously allocated the \$21 million for the Bass Pro Store. It is expected that the \$21 million will be reprogrammed to Canal Side activities. ECHDC will use a combination of the NYPA Relicensing Agreement, New York State funding, and the ESDC Blueprint Grant to fund Phase 1 of this MGPP. Final allocations of these sources may differ from the sources table above.

The Corporation, through ECHDC, held a public hearing in Buffalo on the MGPP on November 3, 2010. The Corporation also accepted written comments on the MGPP for a ten day period after the public hearing. Due to a significant amount of public input seeking delay on the decision to affirm the MGPP, at its meeting on November 16, 2010, the ECHDC Directors extended the public comment period until November 28, 2010. In addition, ECHDC held a series of public forums from November 17, 2010 through November 24, 2010 seeking additional public input on the MGPP. A summary of the comments and staff's response is attached hereto.

On November 29, 2010, the ECHDC Directors recommended affirmation of the MGPP subject to several modifications based on the significant public comment received. Specifically, the ECHDC Directors recommended that the MGPP be affirmed with the following modifications:

- 1) Eliminating construction of the parking structure that was to be built by ECHDC on Parcel A-1 of the Aud Block in Phase 1 of the project. While ECHDC may ultimately build the parking structure as envisioned, it will not be built until development plans are finalized on the Aud Block.
- 2) Redesigning the canal system to ensure that it is a historically accurate portrayal of the Erie Canal that once occupied the property. Based on public comment received by ECHDC from various public hearings and forums, the canal system will be designed/redesigned to ensure the system's materials, alignment and depth are as historically accurate as feasible taking into account outside factors, including, financial constraints, construction limitations due to the Skyway, elevation changes, security concerns, operation and maintenance issues regarding the Hamburg drain and requirements of the Americans with Disabilities Act.

Subject to these modifications to the MGPP which are reflected in the MGPP which is attached, it is recommended that the Corporation affirm the MGPP.

Affirmative Action

The Corporation has established a 25% goal for minority and women business enterprises (M/WBE) participation in the construction of the Project, and a goal of 30 % for minority and women workforce participation.

Environmental Review

A final Generic Environmental Impact Statement was issued by the Corporation on January 21, 2010 and in March 2010 the Corporation issued a findings statement as required under the New York State Environmental Quality Review Act (“SEQRA”). The modifications associated with the GPP essentially set forth a revised phasing approach for the Project build-out resulting from the elimination of components that were associated with the proposed Bass Pro Outdoor World Store. There are no significant adverse environmental impacts associated with the modifications to the GPP that are not addressed in the Generic EIS and the Findings Statement issued by the Corporation. As such, no further action is required relative to SEQRA for the affirmation of the Modified General Project Plan.

Requested Actions

The Directors are being requested to affirm the Modified General Project Plan subject to the modifications discussed above and authorize the Corporation to take related actions.

Attachments

Resolutions
Modified General Project Plan
Summary of Comments

December 16, 2010

Buffalo (Erie County) – Canal Side Land Use Improvement Project -Adoption of Modified
General Project Plan; Authorization to Take Related Actions

RESOLVED, that, pursuant to Section 16 of the UDC Act, after due consideration of the testimony given at the public hearing on November 3, 2010 on the proposed Modified General Project Plan for the Canal Side Land Use Improvement Project; all comments received by the Corporation during the comment period concluding November 28, 2010 and other findings, statement of facts and conclusions and other determinations previously made by the Corporation, the Corporation does hereby affirm the Modified General Project Plan, a copy of which is attached hereto and which has been presented to this meeting and is ordered filed with the records of the Corporation; and be it further

RESOLVED, that the President or his designee(s) be, and each of them hereby is, authorized and directed, in the name and on behalf of the Corporation, to execute and deliver any and all documents and to take any and all such actions as may be necessary or appropriate to effectuate the foregoing resolutions.

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Attachment A

Modified General Project Plan

Attachment B

Summary of Comments