

FOR CONSIDERATION

November 21, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Buffalo (Western New York Region – Erie County) – Buffalo Niagara Convention Center Capital – Empire State Economic Development Fund – Commercial Area Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

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General Project Plan

I. Project Summary

Grantee: Buffalo Niagara Convention Center Management Corporation

ESD\* Investment: A grant of up to \$500,000 to be used for a portion of the cost of associated with renovations and technology upgrades.

\* The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Location: One Convention Center Plaza, Buffalo, Erie County

Proposed Project: Design, install and integrate new infrastructure and technology at the Buffalo Niagara Convention Center.

ESD Incentive Offer Accepted: March 8, 2006

Project Completion: September 2010

Grantee Contact: Mr. Paul Murphy, Facility Director  
 One Convention Center Plaza  
 Buffalo, New York 14202  
 Phone: (716) 855-5544  
 Fax: (716) 855-3158

Anticipated  
 Appropriation

Source: Empire State Economic Development Fund

ESD Project No.: T884

Project Team: Origination: Marguerite Greco  
 Project Management: Jean Williams  
 Affirmative Action: Helen Daniels  
 Finance: Amit Nihalani  
 Environmental: Soo Kang

Regional Council: The Western New York Regional Council has been made aware of this item.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Roof Renovations	\$ 228,318
Technology Upgrades	<u>1,699,284</u>

Total Project Costs \$1,927,602

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD Grant	\$ 500,000	35%
County of Erie Equity – Department of Public Works	<u>1,427,602</u>	<u>65%</u>

Total Project Financing \$1,927,602 100%

III. Project Description

A. Background

The Buffalo Niagara Convention Center (“Convention Center” or the “Center”), opened in October 1978, is owned by the County of Erie and operated by a 501(c) 3 nonprofit organization, the Buffalo Niagara Convention Center Management Corporation. The Center, located in the Central Business District of the City of Buffalo (the “City”) in close proximity to

major hotels, banking hub, the Center of Excellence in Bioinformatics and Life Sciences, and the “Main Street” area, features 110,000-square-foot of exhibit and meeting space for visiting conventions, trade shows, and conferences, as well as local meetings, exhibits, and various events. Approximately 40% of the Center’s revenue is from conventions; 28% from consumer/trade shows; and 32% from local meetings/banquets. In 2011, the Center projects that it will host 185 events with an aggregate attendance of 345,000 people, including 100,000 out-of-town visitors. The Convention Center has 37 full-time employees and an additional 25 to 160 part-time employees depending on the current business levels.

Primary convention center competitors with similar capacity/size, rates/costs and geographic region include cities such as Milwaukee, WI; Pittsburgh, PA; Grand Rapids, MI; and Niagara Falls, Canada.

In early 2006, the Convention Center advised ESD that it required a major investment to improve the aging facilities and improve customer amenities allowing it remain competitive and attract additional business. However, the County of Erie did not have sufficient funds to complete the capital improvements, including critical technology and infrastructure components. In March 2006, ESD provided the Convention Center with an incentive proposal consisting of a \$500,000 capital grant resulting in its decision to upgrade its aging facility. ESD’s assistance will provide the Center with the necessary enhancements to this important tourism infrastructure allowing for expanded event offerings, resulting in an increased economic impact. The Center is projecting at least a 15% increase in revenue following the completion of the project and the launch of the Buffalo Niagara Convention & Visitor Bureau’s new marketing brand, “Buffalo. For Real.”

#### B. The Project

The \$1,927,602 project involves improvements and renovations including a new 100,000-square-foot roof and technological enhancements including an updated sound system, new lighting system and marquee video display. The project was completed in September 2010 and has already proved beneficial to the Convention Center’s business. In the months since the improvements, the Convention Center has booked a significant number of additional events and has increased its earned revenues 37% this year. As a result of the project, the Convention Center’s infrastructure and technology enhancements will enable both retention of existing business and expansion into targeted markets.

#### C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Grantee shall pay a commitment fee of 1% of the \$500,000 capital grant (\$5,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Grantee will be obligated to advise ESD of any material or adverse changes in its financial condition prior to disbursement.

3. The Grantee will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Grantee's acceptance of ESD's offer. Equity is defined as cash injected into the project by the Grantee or by investors, and should be auditable through Grantee financial statements or Grantee accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
5. Up to \$500,000 will be disbursed to the Grantee in upon documentation of \$1.9 million in roof renovations and technology upgrades incurred by the Buffalo Niagara Convention Center Management Corporation and/or the County of Erie, providing the Grantee is otherwise in compliance with program requirements and assuming that all project approvals have been completed and funds are available. Prior to the disbursement of funds, Grantee shall be required to enter a Labor Peace Agreement in compliance with Public Authorities Law Section 2879-b, if required, as determined by the General Counsel of the Corporation. 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 March 8, 2006 to be considered eligible project costs. All disbursements must be requested by April 1, 2012.
6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$500,000 for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company 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.

#### IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.  
As a result of this project, the Center is expected to increase revenues at least 15% annually, resulting in the retention and creation of jobs at the Center, as well as in the region's hotels, restaurants, entertainment venues, retail outlets and industry suppliers.
2. The proposed project would be unlikely to take place in New York State without the requested assistance.  
Without ESD assistance, the Convention Center did not have sufficient funds to complete necessary improvements to maintain the current level of business and attract additional business previously unattainable due to Center's condition.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$4,827,046;
- Fiscal cost to NYS government is estimated at \$500,000;
- Project cost to NYS government per direct job is \$2,850;
- Project cost to NYS government per job (direct plus indirect ) is estimated at \$2,057;
- Ratio of project fiscal benefits to costs to NYS government is 9.65:1;
- Fiscal benefits to all governments (state and local) are estimated at \$8,222,477;
- Fiscal cost to all governments is \$1,970,430;
- All government cost per direct job is \$11,232;
- All government cost per total job is \$8,106;
- The fiscal benefit to cost ratio for all governments is 4.17:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$19,223,208, or \$79,086 per job (direct and indirect);
- The economic benefit to cost ratio is 9.76:1;
- Project construction cost is \$1,927,602, which is expected to generate 22 direct job years and 15 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.74 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is one year.

Note: For convention centers and tourism destination projects, project benefits include the impact of net new off-site visitor spending.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

4. The requirements of Section 10(g) of the Act are satisfied.

No residential relocation is required because there are no families or individuals residing on the site.

V. Environmental Review

ESD staff has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. The client is encouraged to

include minorities and women in any job opportunities created by the Project and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the Project.

VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

VIII. Additional Submissions to Directors

Resolutions  
New York State Map  
Project Finance Memorandum  
Benefit-Cost Analysis

November 21, 2011

Buffalo (Western New York Region – Erie County) – Buffalo Niagara Convention Center Capital – Empire State Economic Development Fund – Commercial Development Financing (Capital Grant); Authorization to Make a Grant and to Take Related Actions

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RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Buffalo Niagara Convention Center Capital - Empire State Economic Development Fund – Commercial Development Financing (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the President and Chief Executive Officer of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Buffalo Niagara Convention Center Management Corporation a grant for a total amount not to exceed Five Hundred Thousand Dollars (\$500,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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**Buffalo Niagara  
Convention Center Capital**  
Buffalo  
Erie County



