

FOR CONSIDERATION

October 21, 2010

TO: The Directors

FROM: Dennis Mullen

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

REQUEST FOR: Adoption of Modified General Project Plan; Authorization to Hold Public Hearing; 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, walkways and a below grade parking garage, as well as anticipated developments in subsequent phases of the Project.

Anticipated Project Budget:

1. Funding Uses

Canal Side Funding Uses- <i>Phase 1 Development</i>	
Public Infrastructure- Canals & Towpaths	\$32,593,623
Public Infrastructure- Sub-Mechanical Basement	\$1,854,621
Aud Block Parking Garage- One Level	\$7,496,058
Miscellaneous ¹	\$1,300,000
Design Contingency	\$5,000,000
Soft Cost	\$2,800,000
<i>Phase 1 Project Cost:</i>	<i>\$51,044,302</i>
Canal Side Funding Uses- <i>Future Phases</i>	
Public Infrastructure	\$21,704,165
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
A1 Parcel Development Allocation ²	\$35,000,000
Parking at Donovan and Webster Blocks	\$4,800,000
Anchor Tenant Allowance ³	\$4,000,000
Private Development	\$140,880,000
<i>Total Project Cost:</i>	<i>\$294,829,687</i>

2. Funding Sources

¹ The Miscellaneous line item is allowances for a seasonal temporary storage facility during construction, project management software, 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 if an alternate destination retailer will be selected for the site or some other development will be pursued.

³ Allowance is for an incentive to attract an anchor tenant to the Project Area

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 December 18, 2009, the Corporation adopted a General Project Plan (“GPP”) for the Canal Side Land Use Improvement Project (the “Project”) based on the recommendation of its subsidiary, ECHDC. As described in the GPP, the Project was expected to include both private and public development of a 20 acre site in Downtown Buffalo. An important component of the GPP was the development of a major destination retail facility to be developed as a Bass Pro Store.

Since approval of the GPP, Bass Pro has withdrawn from the Project. As a result ECHDC is seeking to pursue the development of the Project in phases, with the initial phase focused on the public infrastructure components. As described in the attached MGPP, the initial phase will include approximately \$50 million of improvements, including the development of public canals and tow paths, a below grade parking garage, and related amenities and infrastructure.

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 MGPP envisions private development (potentially retail, office, housing, and cultural developments) on a number of sites within the Project boundaries. Although those developments have not been finalized, with the exception of the developments on Parcel A-1 of the Aud Block (where Bass Pro was to be located), there has been no changes made to the GPP. With respect to Parcel A-1 of the Aud Block, no determination has been made as to whether that site shall be developed for an alternative destination retailer or for some other uses. Once that determination is made, the attached MGPP will be further modified to reflect such uses.

The primary purpose for the revised project remains the same. It is expected that the project will redevelop a blighted area of the City by transforming it into a vibrant, transit-oriented, mixed use development that will attract year-round activities, attract visitors and generate substantial private economic development activity.

To reflect the withdrawal of Bass Pro and the phased approach to development of the Project site, the Corporation will hold a public hearing on the MGPP. In the event there is negative testimony at the public hearing, the Directors will be advised of the same and will likely be requested to affirm the MGPP, as is, or with additional modification resulting from comments received at the public hearing.

Affirmative Action

The Corporation has established a 20% goal for minority and 5% 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

As Lead Agency, the Directors issued a Findings Statement pursuant to the State Environmental Quality Review Act (“SEQRA”) and the implementing regulations of the New York State Department of Environmental Conservation for the Project at their meeting of in March 2010. The Findings Statement was based upon the Final Generic Environmental Impact Statement (“FGEIS”) issued by ESDC on January 21, 2010. The Findings addressed all aspects of the proposed Project, including activities now to be undertaken under the MGPP. Therefore, no further environmental review is required. If future changes are made to MGPP, including but not limited to revisions to development plans on Parcel A-1 of the Aud Block, a determination will be made as to what reviews/assessments of such changes would be required for compliance with SEQRA.

Project Schedule

ECHDC is currently evaluating bids for the design and construction of the public infrastructure improvements to be implemented in the first phase of the Project. Subject to necessary approvals, it is expected that construction of the initial phase of the Project will commence in the beginning of 2011.

Requested Actions

The Directors are being requested to adopt the Modified General Project Plan; authorize the Corporation to hold a public hearing and to take related actions.

Attachments

Resolutions

Attachment A: Modified General Project Plan

October 21, 2010

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

RESOLVED, that with respect to the Canal Side Land Use Improvement Project (the “Project”), the Corporation does hereby adopt, as required by Section 16 of the New York State Urban Development Corporation Act of 1968, as amended, the Modified General Project Plan for the Project submitted to this meeting (the “Plan”), together with such changes therein as the President 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 authorizes the Corporation to hold a public hearing on the Plan; 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