

Concept Document

Redevelopment of 500 Block of Main Street Buffalo NY



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Prepared for:

Brian R Anderson
National Grid

Prepared by:

THE URBAN DESIGN PROJECT
School of Architecture and Planning
University at Buffalo, State University of New York

Acknowledgement

The Concept Document for the Redevelopment of 500 Block of Main Street, Buffalo, NY was presented with the significant support by the following members.

Community Preservation Corporation has provided the following: Keynote Speaker for the 6/20/06 Downtown Living Forum; \$35,000 for the payment of consulting engineer fees for 10 building assessments and one 'connectivity' assessment to CLS, Inc. a construction lending monitoring firm; research into and modelling of development financing for the project; introduction of project to various grant sources.

Zemsky Family Foundation are a primarily philanthropic foundation dedicated primarily to advancing the quality of life in Buffalo.

Fannie Mae, which has a history of financially supporting efforts to develop housing in downtown Buffalo, provided a \$15,000 grant to Buffalo Place to assist with the efforts of the Downtown Living Committee. Robert Bannister, who heads Fannie Mae's Upstate NY Community Business Center, is a member of the committee. He also participated in and helped to plan the Adaptive Reuse Forum held in Buffalo in June 2006.

Their role in the Restoration of the 500 Block of Main Street: Expanding housing opportunities in Buffalo's Central Business District (CBD) has been a priority of the Fannie Mae since the opening of its Upstate NY Community Business Center (UNY CBC) in 1998.

Fannie Mae designated Buffalo's CBD a special investment community. That designation allows the company to provide strategic investments to the area. Fannie Mae helped fund the first reintroduction of rental housing in downtown Buffalo since WWII (Ellicott Lofts).

In addition a \$6 million Community Express Line of Credit (CELOC) was provided to the City, through BURA, for acquisition, development and construction/redevelopment financing. \$2 million was used in the successful redevelopment of 800 Block of Main Street (Granite Works apartments) and \$1.8 million helped finance the Historic Warehouse Lofts. The remainder of the LOC could be used for projects such as the 500 Block.

Participating owners:

Brian Mahoney, Spa Lofts LLC, owner, 9 Genesee Street

Brenda McDuffie, CEO, and James Smith, Vice President of Finance, Buffalo Urban League, owner/occupant, 11 Genesee Street

Kevin Kirk and Paul Iskalo of Iskalo Development, owner, 5 Huron Street

Bill Barrett and Golden Hire Equity LLC, owner, 477 Main Street

The First Church of Christian Science and Perry Smith, church board member, owner and developer, 483 Main Street

Naseem M Malik, proprietor of Royal Photo Lab at 472 Main Street and owner of 496 and 501 Main Street

Charles and Deloris Battle and Charles Anderson, owners and co-developer, 521 Main Street Inc., 521 Main Street

Jim Sandoro, owner, 529 Main Street

Alex Vorhand and Seymour Investments LLC, owner of 529 Main Street

Greg Rehwoldt and Sheri Bell-Rehwoldt, Queen City Lofts LLC, owners of 537 Main Street

J. Roger Trettel, owner, 500 Washington Street

Eran Epstien, E Square Capital LLC, Washington Condos LLC, 504-506 Washington Street

John Barry, 510 Washington Street LLC, owner of 510 Washington Street

Carmina & Wood PC, owners, renovators and occupants of 487 Main Street, contributed staff time at a late November design charette that resulted in the design options for the 500 block presented in this document. Steve Carmina, a partner in the firm, and Jonathan Morris, a principal in the firm, have also worked to advise the Downtown Living Committee on architecture and on the Main Street neighborhood throughout the redevelopment planning process.

Cannon, Heyman & Weiss, LLP, a boutique law firm specializing in low-income housing credits and other tax credit financing, contributed staff time to prepare a document listing tax credits, financial incentives and other options for 500 block owners. Steve Weiss, a partner in the firm, and Tim Favaro, an associate, met with committee members and Buffalo Place staff on multiple occasions to devise possible structures for tax credit financing, focusing on New Market Tax Credits.

City of Buffalo:

City officials, in addition to holding a seat on the Downtown Living Committee, helped kick off the redevelopment of the 500 Block when the city co-hosted the Adaptive Reuse Forum, where Mayor Byron Brown addressed property owners and other stakeholders. Members of Brown's cabinet, including Richard Tobe, commissioner of economic development and permit and inspection services, and Timothy Wanamaker, executive director of the office of strategic planning, met with Downtown Living Committee members to discuss the project's progress and offer advice on financing options.

Special mention for **Steve Weiss** and firm over and above committee representation.

The **Urban Design Project** with the design team of Robert G. Shibley, Sean Brodfuehrer and Nishu Sinha for participation and preparation of Concept Document.

Many Thanks to all those who participated.

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The 500 Block of Main Street

Overview

Buffalo Place, Inc., the business improvement district for downtown Buffalo, first began working with The Community Preservation Corporation toward a realistic plan to redevelop the 500 block of Main Street, a sore spot in a renewed and growing downtown, more than a year ago. Since that time, in partnership with the City of Buffalo, the University at Buffalo, Carmina & Wood PC and other downtown stakeholders, we've come up with a workable plan with building owners behind it, realistic financial projections and a preliminary set of architectural renderings. With a few more commitments, this important project in the heart of downtown Buffalo can finally take off.

Where We Began

In 1991, a study undertaken by the Urban Design Project suggested small office space as the best use of 500 block upper floors, with buildings linked to make the space more marketable. At that time, little to no residential housing existed in downtown Buffalo and not many owners could be convinced to link (or sell) their buildings for the project to get off the ground.

Since then, vacancy rates have risen and most owners are losing money on their properties, changing the economic incentive to work together and form a joint entity. Further, a strong, vibrant market for downtown apartments, many priced at \$1,000 per month and higher, has emerged. The combination of these conditions, added to the free development feasibility studies and other services provided to building owners, makes this an ideal time for redevelopment to finally occur.

A. VISION FOR FUTURE

February 2006

Buffalo Place, Inc. and The Community Preservation Corp. decided to look at the redevelopment of the 500 block of Buffalo's Main St.

March 2006

Buffalo Place, Inc. authorizes its Planning and Operations Committee under Paul Ciminelli, to organize a subcommittee called the Downtown Living Committee. The committee begins to plan an Adaptive Re-use Forum focused on the 500 block's small building owners.

April-May 2006

The committee meets frequently to put together the day-long forum.

June 2006

Buffalo Place, The Community Preservation Corporation and the City of Buffalo announce a collaborative effort to redevelop the 500 block of Main Street. Mayor Byron Brown addresses the Adaptive Reuse Forum, held on June 20 at the Buffalo Niagara Convention Center, and The CPC commits \$50 million in loan capital for construction and rehabilitation downtown. Of the \$50 million, \$15 million is earmarked specifically for the 500 block. In addition, The CPC commits \$200,000 at 3 percent interest for façade renovation loans and \$35,000 for development feasibility studies that will be provided to property owners free of charge. Professor Bob Shibley of the University at Buffalo facilitates the forum, and several Downtown Living Committee members conduct seminars in the area of their expertise. Keynote speaker Sadie McKeown, Senior Vice President of The CPC,

B. WHAT WE HAVE DONE

discusses CPC's downtown small building redevelopment initiative in New Rochelle, NY. A large percentage of 500 block-area building owners attend.

August 2006

Howard Zemsky volunteers to chair the Downtown Living Committee. Buffalo Place learns that its application for a Main Street Grant from the Department of Housing and Community Renewal has been successful. The grant will be administered by a subcommittee of the Downtown Living Committee and by Buffalo Place staff; it will provide \$200,000 for façade improvements, streetscape improvements and commercial buildouts in the 500 block area.

The CPC contracts with CLS, Inc. for building walk-throughs with 500 block property owners so that feasibility studies can be delivered. The studies detail what repairs and changes would need to be completed in order for residential conversion to work. The studies provided to property owners, along with financial advice, free of charge.

Cannon, Heyman and Weiss, a Buffalo law firm specializing in the finance of affordable housing, donates staff time to put together a fifteen page packet enumerating tax code-based financial incentives available to property owners who decide to redevelop their properties. Buffalo Place and Cannon, Heyman and Weiss staff present this and other information to property owners at a meeting at Buffalo Place, free of charge.

September 2006

The CPC commissions CLS, Inc. to complete an elevator and egress study that will examine the cost of redeveloping a string of 500 block properties together in order to save money.

Buffalo Place staff begin research on an ownership structure that would make site control possible, yet maintain multiple owners, by meeting with local experts including Aaron Bartley of People United for Sustainable Housing, Sara Faherty of the University at Buffalo law school and attorney George Grasser. Buffalo Place and The CPC also devote staff time to learning about historic tax credits and other types of tax credit financing that may be available to 500 block property owners.

October 2006

CLS, Inc. delivers a connectivity study, which examines the costs and physical hurdles involved in redeveloping the 500 block as one large mixed-use project with shared elevators and other amenities. CLS' twelve studies of individual properties, all funded by The CPC, are taken into account.

Architects at Carmina & Wood, PC, also a 500 block stakeholder, volunteer staff time to help create redevelopment plans for the block. The Zemsky Family Foundation commits to paying for Urban Design Project graduate students' time so that Carmina & Wood can collaborate with the University at Buffalo in a design charrette.

November 2006

Architects from Carmina & Wood PC meet at Buffalo Place with students and staff of the Urban Design Project, including the project's head, Downtown Living Committee member Professor Robert Shibley. About ten students and architects spend an afternoon creating sketches and design ideas for a revived 500 block, based on square footage and other information from the feasibility studies. Shibley directs the charrette.

Professor Shibley presents design charrette results to a meeting of 500 block area property owners, many of whom informally commit to becoming part of a collective ownership structure should the design plans become a reality. A large number of owners attend, filling the Buffalo Place conference room. Buffalo Place forms a subcommittee of the Downtown Living Committee to administer the Main Street Grant.

January 2007

Professor Shibley presents design charrette results to the Downtown Living Committee and members make suggestions regarding gap financing options and other funding tools. Shibley, CPC staff and Buffalo Place staff begin work on a "concept document" that will detail the vision for the 500 block, steps taken to get there, and what other work and funds are needed.

Buffalo Place staff develop further information on financing and ownership options and Joe Eicheldinger of The CPC delivers revised financial projections for the block's redevelopment that include specifics about number of tax credit dollars anticipated,

include specifics about number of tax credit dollars anticipated, exact square footage and expected sources and uses. Buffalo Place staff develop an application for Main Street Grant funds and meet with two 500 block owners who have expressed interest in applying for the grants.

February 2007

A group of Downtown Living Committee members present design charrette results, financial projections and related information to a group of City of Buffalo staff members, including Rich Tobe, commissioner of economic development and permit and inspection services and Timothy Wannamaker, executive director of the office of strategic planning. Tobe and Wannamaker express interest in helping the committee move the project forward.

C. BLOCK AS IT LOOKS NOW

The upper floors of these buildings have sat vacant for 20 years or more, while the first-floor retail spaces continue to empty out slowly as well. The age of the buildings and their small footprints make building-by-building cost-effective redevelopment impossible, but combining them may make it feasible. Studies commissioned by The CPC bear this out, demonstrating high per-square-foot developments costs, but showing the feasibility of joining the buildings with walkways out back.

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Block as it looks now



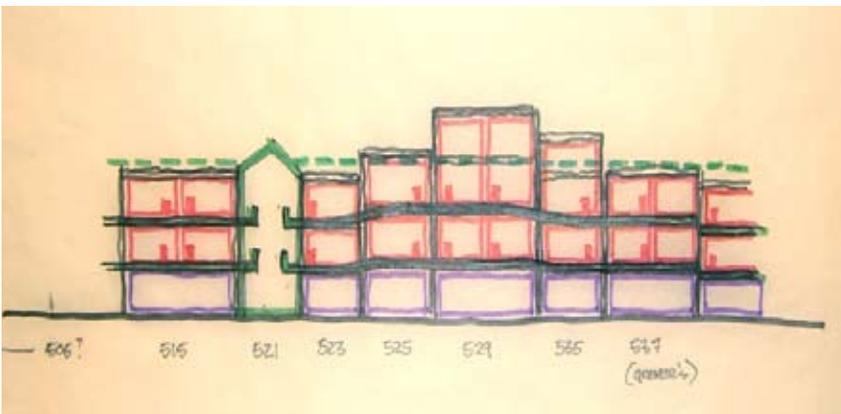
The Design Process

Architects from Carmina & Wood, PC, spent an afternoon with UB's Bob Shibley and several architecture students creating possible plans for the 500 block and taking into account which owners had committed to the redevelopment project.

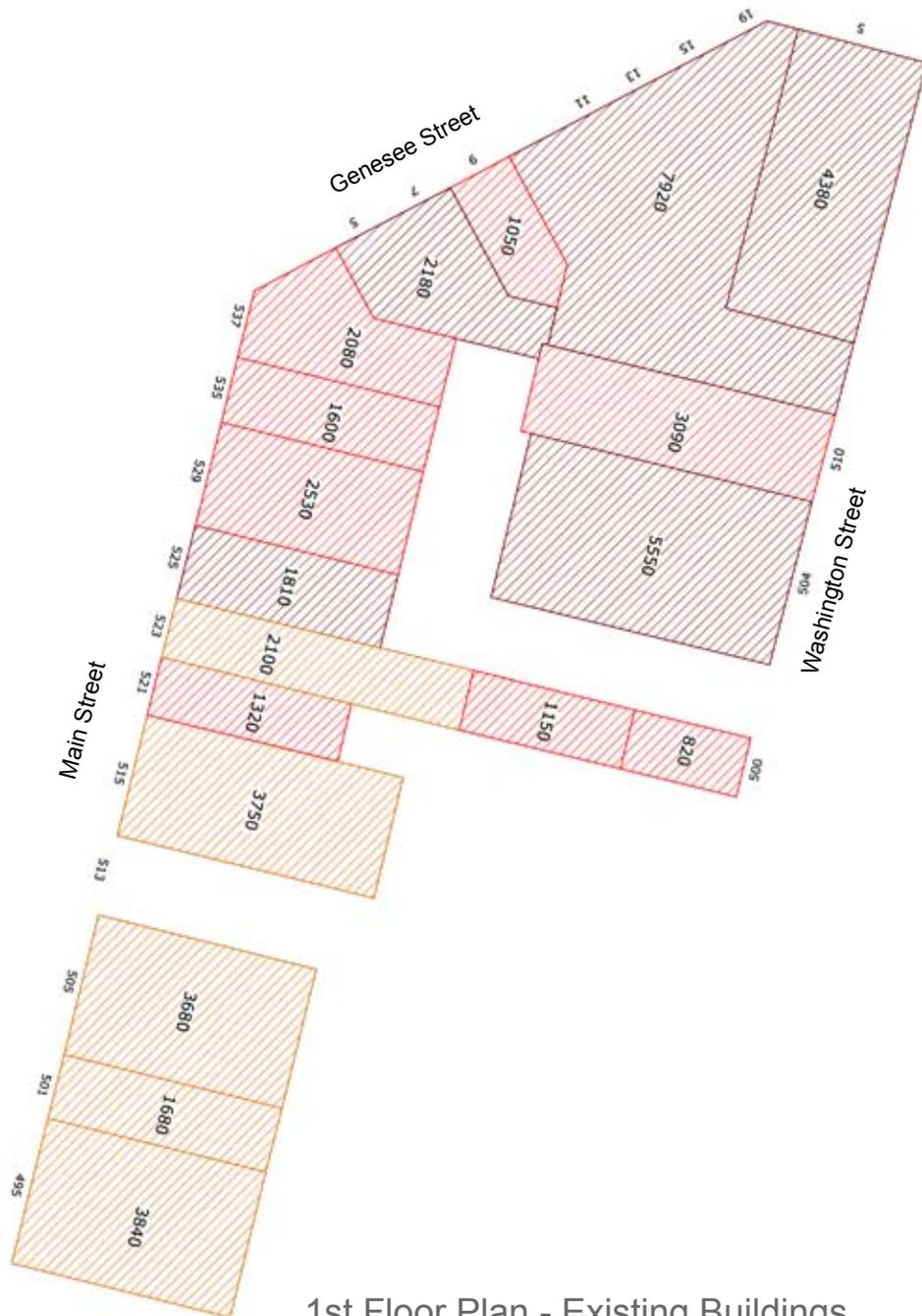
The students and architects put together a series of possible plans. In this example, 521 Main Street (the former Royal Beauty Supply) is torn down so that more apartments with better light can be built in the neighboring buildings, creating a mid-block connection to Washington Street.



Block as it looks now 10



Block as it looks now 160



1st Floor Plan - Existing Buildings

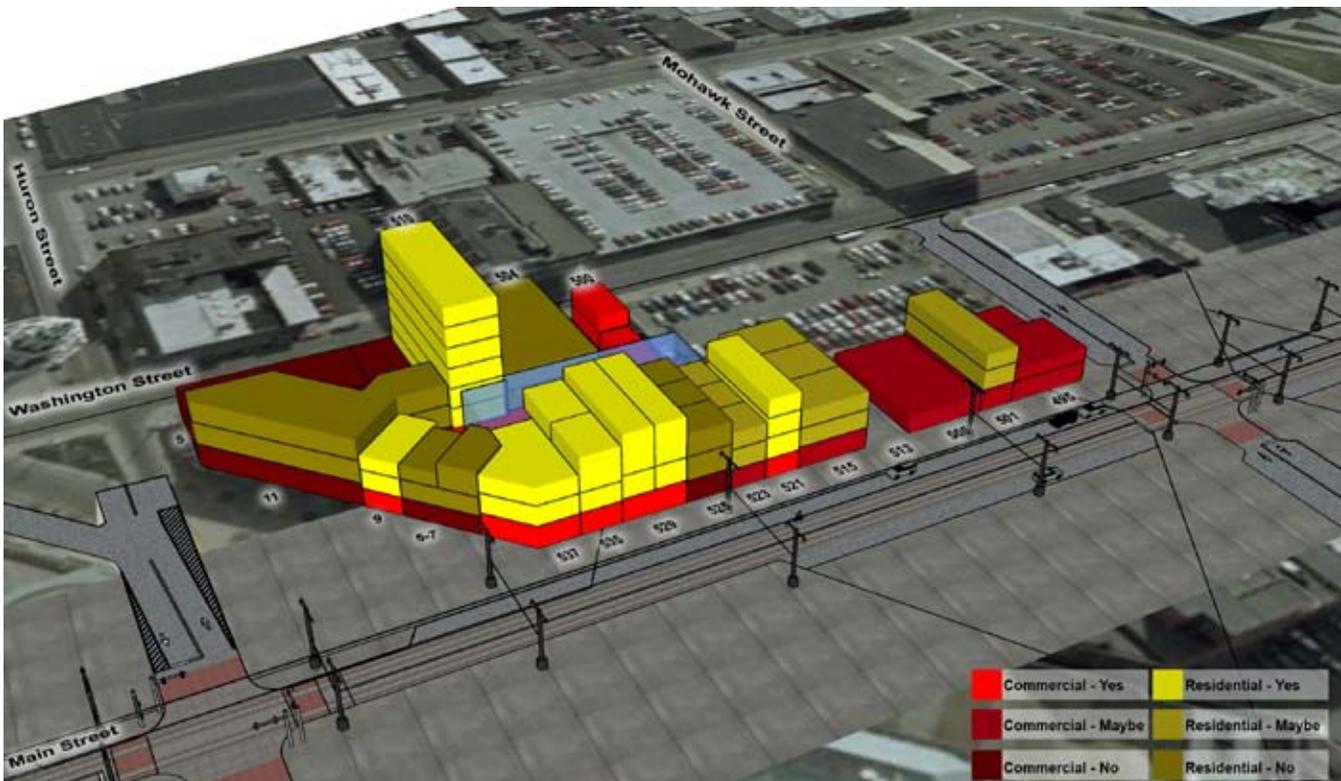
- Commercial - Yes
- Commercial - Maybe
- Commercial - No
- Residential - Yes
- Residential - Maybe
- Residential - No
- Circulation / Atrium

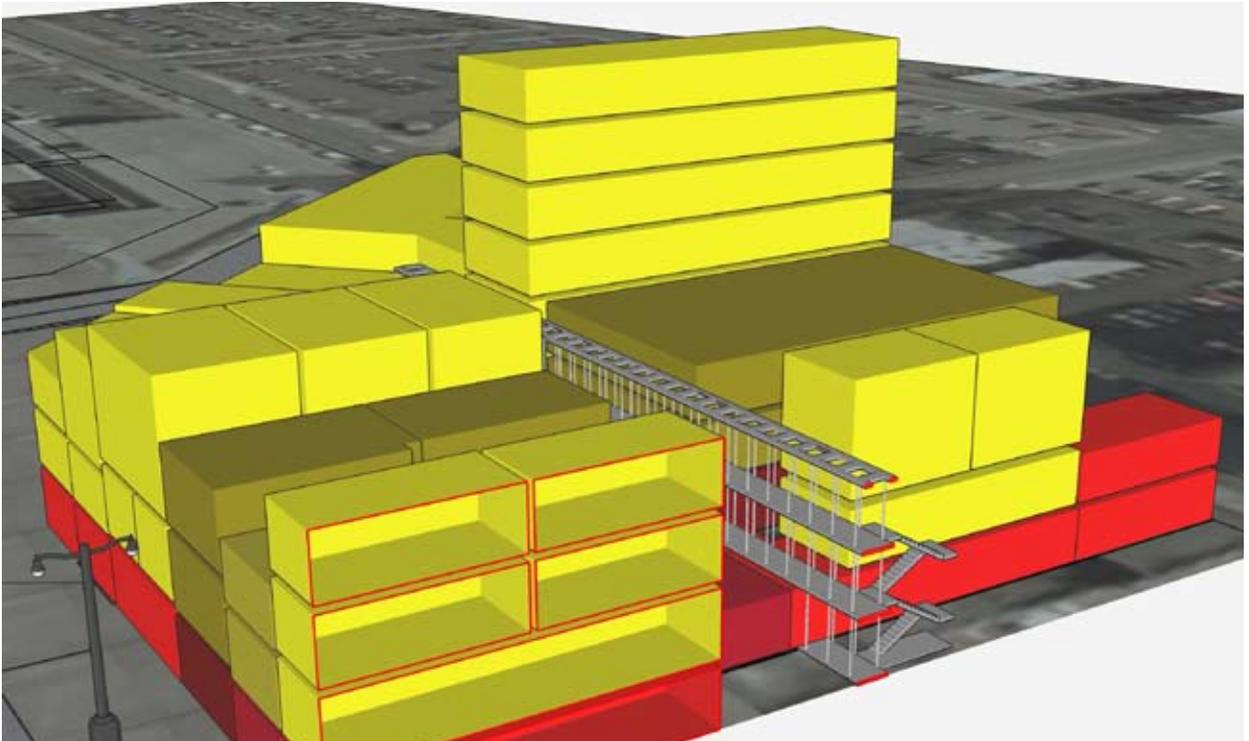


The buildings could be linked with an atrium that extends behind Main Street.

Exterior “catwalks” could be used to connect the buildings. For a demonstration of this style in practice, observe the IS Lofts on Oak Street in Buffalo.

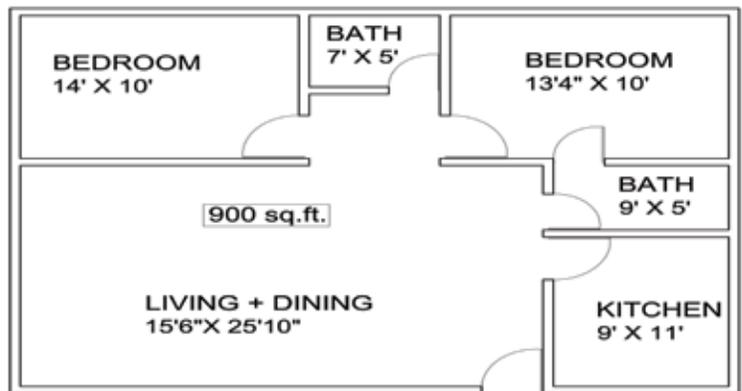
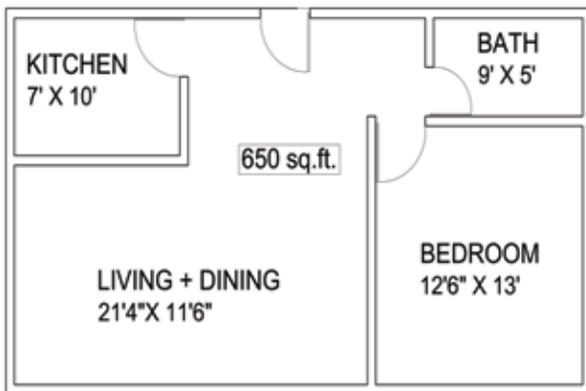
D. BLOCK AS IT COULD LOOK

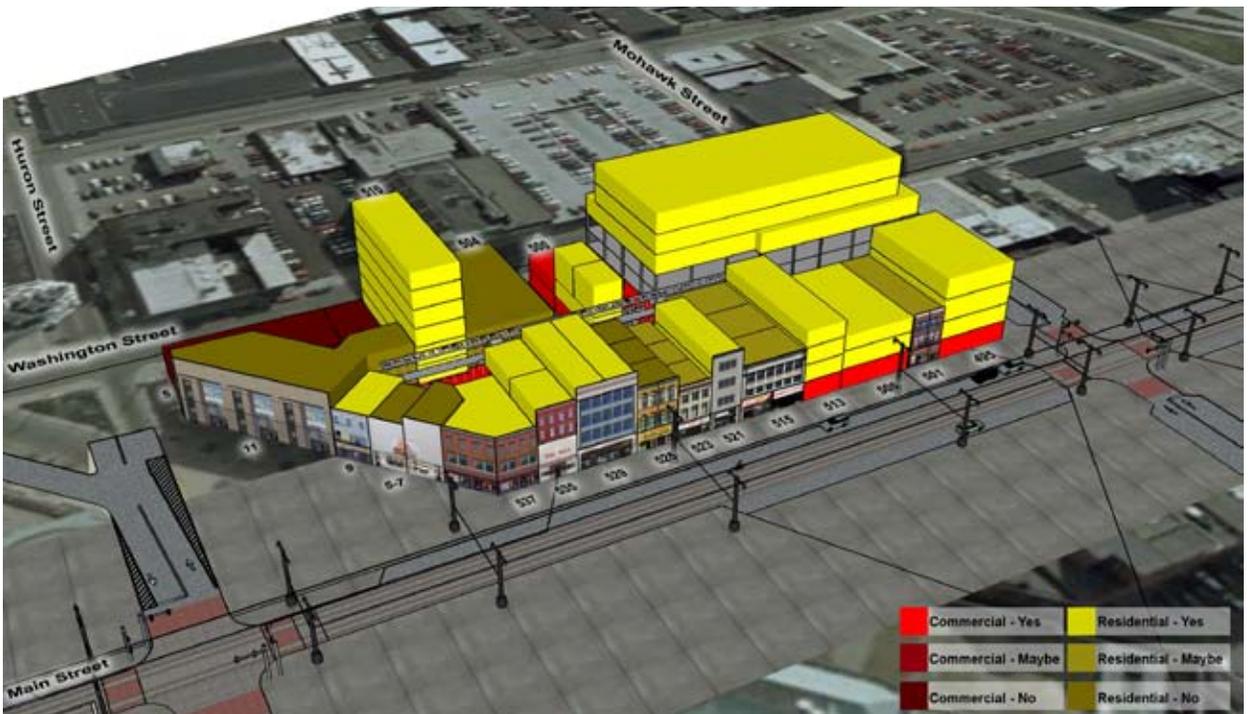




This east / west section graphic through the block shows an example of how these buildings could be divided into smaller or larger units depending on the conditions of light, egress and overall quality of the created space.

Typical apartments in the new 500 block would be more affordable than most downtown choices. The images below show two typical room layouts at 650 square feet and 900 square feet. The Zimmerman/Volk downtown housing market analysis commissioned in late 2004 says demand for downtown housing will continue to outstrip supply well into the future.





The Possibility of Further Development Going Forward

Redeveloping the 500 block would provide an opportunity for structured parking with ground floor retail and apartments above it on a nearby surface lot. Redevelopment could also mean incentive for owners on the far end of the block to redevelop as well, especially if structured parking is built. Here is the full-block redevelopment concept, with 521 Main Street removed in favor of an atrium, as mentioned previously.

The Numbers

Detailed financial projections compiled by Joe Eicheldinger, vice president and regional director for The CPC and a commercial lending veteran, show that 500 block redevelopment could work with an ownership entity establishing site control and about \$2 million in gap financing (structured as a loan) from the City of Buffalo, State of New York or some other source.

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Block as it could look



E. PROFORMA



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Proforma

Final CPC Summary

500 Block Redevelopment, LLC

2-Apr-07

Calculation of Qualified Equity Investment (QEI)
Calculation of New Market Tax Credit (NMTC) Proceeds

Tax Credit Eligible Expenses (TCE)	\$14,472,000
20% of TCE eligible for Historic Tax Credit (HTC)	0.20
HTC Allocation	\$2,894,400
HTC Proceeds per \$1 Allocation	0.95
HTC Proceeds	\$2,749,680
Total QEI	
NMTC Proceeds	\$3,042,000
HTC Proceeds	\$2,749,680
City loan through FNMA	\$3,676,209
Market Rate First Mortgage	\$5,139,415
Total QEI	\$14,607,304
QEI Eligible for NMTC	\$12,000,000
NMTC Factor	0.39
NMTC Basis	\$4,680,000
Purchase Price per \$1 NMTC	\$0.65
NMTC Proceeds	\$3,042,000

01/14/07 pre 1936 Buildings only Property Condition Facts Adaptive Reuse Cost Est. Building Address	1/14/2007 Commitment	Year Built	Latest Gross Bldg Area (SF)	No. Floors
11 Genesee St. (1991 Estimates)	No	1929	17,508	2
9 Genesee St.	Yes	c. 1860-1920's	3,186	3
5 & 7 Genesee St. (1991 Estimates)	No	c. 1860-1920's	5,306	3-4
537 Main St.	Yes	c.1890-1920's	5,811	3
535 Main St.	Yes	c.1890-1920's	6,372	4
529 Main St.	Yes	c. 1900	10,104	4
525 Main St. (1991 Estimates)	No	c. 1890	5,433	3
523 Main St.	Maybe	c. 1900	3,963	3
521 Main St.	Yes	c. 1900	17,120	4
515-519 Main St. (1991Estimates)	Maybe	c. 1900	11,262	3
501 Main St.	Yes	c. 1880	5,058	3
500 Washington St.	Yes	c. 1880	3,084	2
504-506 Washington St. (1991 Estimates)	No	c. 1870	16,385	3
510 Washington St.	Yes	c. 1920	17,000	7
5 East Huron St. (1991 Estimates)	No	c. 1929	4,385	1
TOTALS			76,699	
			does not include	
			504, 510 Washington	
			11 Genesee	
			5 E. Huron	
Acquisition/Construction				
Soft costs				
Developer's Fee				
Total Development Cost				
DevelopmentCost per SF				\$139.86
Total Gross Building Area				76,699
Est. 'Connectivity' SF Area				10,000
Total Developed SF				86,699

