

337 Ellicott Street, LLC
\$2,560,000
INDUCEMENT RESOLUTION

HIGHLIGHTS

- Eligibility: NAICS Section - **31**

COMPANY INCENTIVES

- Approximately \$102,000 in property tax savings
- Approximately \$54,000 in sales tax savings
- Up to 1% of the total project amount at present, the mortgage tax savings is \$18,000
- The project will generate approximately \$27,000 of revenue to the local taxing jurisdictions over the abatement period representing \$4,300 additional dollars and \$22,700 of additional dollars to the City of Buffalo.



Project Title: 337 Ellicott Street, LLC
 Project Address: 337 Ellicott Street
 Buffalo, New York 14203
 (Buffalo City School District)
 NAICS 312120

Agency Request

An exemption from sales taxes, mortgage recording tax and real property taxes in connection with the renovation of 337 Ellicott Street into a production brewery.

Building Acquisition	\$1,100,000
Building Renovation	1,200,000
Non-Manufacturing Equipment	150,000
Soft Costs	110,000
 Total Project Cost	 \$2,560,000

Company Description

Iskalo Development Corporation is involved in various types of commercial development in the Western New York area. Examples of projects undertaken by the company include the historic Electric Tower in downtown Buffalo, redevelopment of the former Kane Doyle Jeep Eagle Dealership in Kenmore as well as several properties along the Main Street Corridor in the Town of Amherst.

Project Description

337 Ellicott is located on the corner of East Huron and Ellicott Street and was acquired by an Iskalo affiliate in 2011. The 32,800 sq. ft. building was originally constructed for Verizon which it used as a service center for its vehicles. The building included a maintenance/wash bay, a two story office area along with an open bay area for parking of Verizon vehicles. Verizon ceased utilizing the two-story section of the building years ago but continued use of the open bay until 2010. The interior open bay area is currently being utilized as enclosed parking for tenants of the Electric Tower and surrounding buildings.

Big Ditch Brewing (“Big Ditch”) a start-up craft micro brewery is interested in leasing a portion of the complex. By definition a micro brewery may produce or brew up to 60,000 barrels per year. Micro breweries are not allowed to sell directly to the public unless they are in receipt of a separate brewers retail permit.

The company intends to be a production brewery as opposed to a brew pub in which its products will be sold throughout the region and beyond, predominantly through commercial distribution channels.

Big Ditch will operate using a 20 barrel brew house-this is the same size as the Flying Bison and slightly bigger than Pearl Street Grille. They expect to sell about 1,500 barrels the first year-this equates to one to two batches per week. The 20 barrel brew house would have a maximum operational capacity of approximately 15,000 barrels per year though that volume of production would be years away.

337 Ellicott Street, LLC

The renovation project to be undertaken would involve conversion of the former maintenance/wash bay area to a production area with the storage, bottling and distribution functions occurring in a portion of the open bay area. The balance of the ground floor of the Huron Street section of the building would be converted to support space for the brewery and a tasting room that would be used by the brewery to roll out new product and building the Big Ditch Brewing brand. In total, Big Ditch would occupy approximately 14,600 sq. ft. of the building - approximately 45%.

The scope of the renovation work includes modifying the brewery space and adding an additional overhead door, asbestos abatement, new and expanded electric, fire and HVAC systems. A complete exterior facelift including installation of new storefront windows as well as the replacement of existing windows will occur.

IDA PILOT benefits will only apply to the portion of the building occupied by Big Ditch. The remainder of the facility will pay full taxes.

Project Benefits

The project is anticipated to create 13 new jobs.

The project will generate approximately \$27,000 of revenue to the local taxing jurisdictions over the abatement period representing \$4,300 additional dollars to the County and \$22,700 of additional dollars to the City of Buffalo.

Project Incentives

Approximately \$102,000 in property tax savings

Approximately \$54,000 in sales tax savings

Up to 1% of the total project amount at present, the mortgage tax savings is \$18,000

*Sales tax benefits are limited to the brewery production area and will not be used for FFE in the tasting room

Employment

<u>Current:</u>	<u>Year 2 (after completion of Project)</u>
0	13

New Tax Revenue

Current Yearly Taxes	Estimated New Assessed Value	Additional Revenue to taxing jurisdictions over 7 year PILOT period.	Full taxes in first year after abatement period expires
\$27,000	\$600,000	\$27,000	\$20,600
Combined Tax Rate: \$34.44			

New tax assessment is determined by taking 50% of the construction budget and applying equalization rate

Draft Material Terms

Condition	Term	Recapture Provision
Total Investment	At project completion	Investment amount equal to or greater than 85% of project amount. Total Project Amount = \$2,560,000 85% = \$2,176,000
Employment	To coincide with PILOT term	85% of projected of 13=11
Local Labor	Construction period	Adherence to policy including quarterly reporting
PILOT	PILOT Term = 7 years	Up to 100% recapture at Agency discretion
Recapture Period	Coincides with term of PILOT	Recapture of state and local sales taxes, mortgage recording tax and PILOT.

Recapture applies to:

State and Local Sales Taxes
Mortgage Recording Taxes
Payment in Lieu of Taxes

Recapture

Pursuant to Section 875 of New York General Municipal Law, the agency may recover or recapture from the company any state sales tax and use tax exemption benefits taken by the company that are in violation of the GML.

In addition, it is the recommendation of the ECIDA's Policy Committee to recapture the local share of sales tax, mortgage tax and PILOT.

At completion of project company must certify i) total investment amount equal to or greater than 85% of amount proposed ii) confirm that company has met 85% of its projected full time employment while maintaining 100% of its base and iii) confirm adherence to ECIDA local labor hiring policy.

Project History

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| 12/3/2013 | City of Buffalo Planning adopts a Negative Declaration in accordance with SEQRA. |
| 1/08/2014 | Public Hearing conducted. Transcript attached. |
| 1/29/2014 | Lease/Leaseback Inducement Resolution presented to Board. |