



Midtown Tower Briefing

June 27, 2013

Development Team:

- Midtown Tower, LLC, which is controlled by:
 - Larry Glazer, Buckingham Properties
 - Robert Morgan, Morgan Management

Project Description: The project will solidify the success of the Midtown Revitalization Project, bring vibrancy to the site and add value to the remaining development parcels at Midtown. Moving the project forward will remove the risk that the City will become responsible for the partially demolished tower.

- 179 residential rental units:
 - Studio—10 units
 - 1 bedroom—107 units
 - 2 bedroom—62 units
 - Mixed income project with 15% of units affordable.
 - Between 250 and 350 residents.
- Commercial space:
 - Approximately 160,000 sq ft (first 3-5 floors of Tower and Plaza).
 - At least 500 employees.
- Short term public parking on Parcel 7 with 34 parking spaces.
- Public access to the garage off of the pedestrian corridor.
- Sale of Pavilion for redevelopment.
- See attached site plans and renderings.

Sources/Uses (Private sources and amounts are subject to change): Nearly \$37 million in conventional financing and \$5 million in investor equity represents a significant expression of confidence in the City of Rochester.

<u>Sources</u>		<u>Uses</u>	
Bank Loan	\$36,830,397	Acquisition	\$2
RG&E	500,000	Construction	\$47,781,102
ESDC Grant	5,200,000	Soft Costs	4,449,293
City Cash Capital Loan	2,700,000	Construction Interest	2,000,000
City CDBG Loan	1,000,000	TOTAL	\$54,230,397
City Capital Project Housing Loan	3,000,000		
<u>Equity</u>	<u>5,000,000</u>		
TOTAL	\$54,230,397		



Approvals:

- SHPO completed in February.
- NEPA completed in May.
- Site Plan approval and SEQR in June.
- Administrative Resubdivision
- City Council consideration in July:
 - Sale of Real Estate—Midtown Tower
 - Sale of Real Estate—Pavilion (August approval subject to appraisal)
 - Lease for Parcel 7
 - Parking Agreement
 - City Loans and Grants
 - Easements
- COMIDA consideration in August:
 - Special Tax Abatement
 - Sales Tax Exemption
 - Mortgage Tax Exemption

Sale/Lease of Real Estate:

- Sale of 270 East Broad Street and 280 East Broad Street (Parcel 3) for \$2.00.
- Lease agreement for 290 East Broad Street (Parcel 7) for operation of a non-exclusive short term surface public parking lot for 25 years with two (2) options to renew for five (5) years each, which are contingent upon City Council approval at that time. The developer will lease the land from the City for \$1, but the developer will be responsible for completing the improvements to the site and for the operating and maintenance costs for the parking. The developer will be allowed to retain any revenue generated from the parking to offset the cost of operations, maintenance and the improvements to the site. Any remaining revenue will be split equally between the developer and the City.
- Sale of the City-owned Pavilion located at 90 South Clinton Avenue will be sought at a later date. The developer wishes to purchase the Pavilion in order to complement the Tower project and the Xerox building and is willing to provide ingress and egress for the public to the Midtown Garage. The developer will not be required to maintain ingress and egress to the Bausch & Lomb Building or Xerox Building through the Pavilion.
- Granting and acceptance of any necessary easements for utilities, ancillary development, and for public access.

City Financing: The proposed funding, terms and conditions for the current project are largely based on the funding that was earlier conceived for the Midtown Tower with the previous development team. The public financing described below will allow the project to be conventionally financed and avoid the uncertainty, complexity and delay of previous financing plans for the project:

- \$2,700,000 loan from prior year Cash Capital. The loan shall be provided as both construction and permanent financing. The loan will have a term of twenty (20) years and annual interest-only payments of one percent (1%) with a balloon payment at the end of the term. .
- \$1,000,000 loan in CDBG funds from the Economic Development (ED) Financial Assistance Loan and Grant. The loan will be provided as both construction and permanent financing. The loan will have a term of twenty (20) years and annual interest-only payments of one percent (1%) with a balloon payment at the end of the term. The funds were previously allocated for Midtown under the Economic Development Financial

Loans and Grants program for PAETEC. Funding not utilized for Winstream were reserved for infrastructure and economic development purposes necessary at Midtown.

- \$3,000,000 loan from the Development Revolving Loan Fund. The loan shall be provided as both construction and permanent financing. The loan will have a term of eight (8) years and annual interest payments of one percent (1%). Principal payments will be paid as follows: \$150,000 in year 1, \$300,000 in year 2, \$450,000 in years 3-7 and \$300,000 in year 8.
- Up to \$280,000 grant will be provided to the developer as reimbursement for work performed on behalf of the City, including wrapping the top four (4) floors of the Tower, renovation of the emergency ingress/egress structure on Parcel 7, and the provision of pedestrian ingress/egress to the Midtown Garage from the pedestrian corridor. These costs will be funded by the grant from the Empire State Development Corporation to the City.

Property Taxes:

- The developer will enter into a 20-year Payment In Lieu Of Taxes (PILOT) Agreement through the County of Monroe Industrial Development Agency (COMIDA). The terms of the PILOT agreement will be as follows:
 - Residential: Developer will pay ten percent (10%) of shelter rent (defined as gross rent less utility costs).
 - Commercial: Developer will pay \$1.00 per leased square foot during years 1 to 5, \$2.00 per leased square foot during years 6 to 15, and \$2.50 per leased square foot during years 16 to 20.
- The projected annual payments by the developer under the COMIDA agreement are:

Year 1	\$198,788	Year 11	\$567,691
Year 2	\$311,532	Year 12	\$572,320
Year 3	\$359,026	Year 13	\$577,019
Year 4	\$384,771	Year 14	\$581,789
Year 5	\$401,815	Year 15	\$586,630
Year 6	\$545,549	Year 16	\$661,294
Year 7	\$549,846	Year 17	\$666,281
Year 8	\$554,208	Year 18	\$671,343
Year 9	\$558,636	Year 19	\$676,482
Year 10	\$563,130	Year 20	\$681,697
		Total:	\$10,669,847

The City will receive a pro-rated portion of the above payments as shown in the City Return on Investment portion below.

Parking:

- Up to 423 exclusive parking spaces in the Midtown Garage will be provided to the developer. The terms of the agreement are different from previous agreements that helped enable economic development projects, such as Windstream, where price reductions were provided for parking passes and/or spaces:
 - The developers will pay \$50,000 per year to offset the operating costs that are retained by the City.
 - The developer will be responsible for maintenance and security costs for that portion of the garage.
 - The term of the agreement will be for 25 years with two (2) options to renew for five (5) years each, which are contingent upon City Council approval at that time.
- The City will grant a purchase option to the developer for that portion of the Midtown Garage comprising the 423 exclusive parking spaces at the appraised value at the time

of transfer. The option may be exercised at any time during the lease term as long as the developer is current on garage rent and all other obligations to the City related to this transaction, including loans related to acquisition and payments in lieu of taxes. The developer would be responsible for any future capital improvements to the portion of the garage after its purchase.

- Up to 250 additional parking passes in the Midtown Garage, South Avenue Garage, and Mortimer Street Garage (one-half at Midtown and one-half at the other two garages) at the full rate charged by the City for use by commercial tenants of the Midtown Tower, subject to the discretion of the Director of Parking and as long as the developer is current on garage rent and all other obligations to the City related to this transaction.
- The City and the developer will enter into a Reciprocal Easement Agreement due to the fact that a portion of the Midtown Garage is located under the parcels at 270 and 280 East Broad Street that are being conveyed to the developer. The agreement will provide permanent unrestricted subsurface easements to the City and all necessary easements back to the developer.
- Short term public parking will be provided on 290 East Broad Street (Parcel 7) through a lease with the developer. The developer will lease the land from the City for \$1, but the developer will be responsible for completing the improvements to the site and for the operating and maintenance costs for the parking. The developer will be allowed to retain any revenue generated from the parking to offset the cost of operations, maintenance and the improvements to the site. Any remaining revenue will be split equally between the developer and the City.

Community Benefits:

- Investment: \$55 million total investment. Nearly \$37 million in conventional financing and \$5 million in investor equity represents a significant expression of confidence in the City of Rochester.
- Importance to Midtown Site and Center City Rochester: The project will solidify the success of the Midtown Revitalization Project, bring vibrancy to the site, and add value to the remaining development parcels at Midtown. Moving the project forward will remove the risk that the City will become responsible for the partially demolished tower.
- Sustainability: The reuse of the structure of the building, as was done for the redevelopment of the Seneca Building for Windstream, is a more sustainable practice than demolition and new construction.
- Workforce and Enterprise Goals:
 - Enterprise Goals: 20% of total dollar amount of contracts to go to Minority Business Enterprises (MBE), Women Business Enterprises (WBE), Disadvantaged Business Enterprises (DBE) and/or Small Business Enterprises (SBE).
 - Workforce Goals: 20% for minority persons and 6.9% for women.
 - Prior to closing, the developers will submit a plan satisfactory to the City in accordance with the City's Construction Utilization Requirements demonstrating how the Enterprise and Workforce goals will be achieved.
 - The City will hire a third party to monitor and report on the developer's performance compared to the Enterprise and Workforce plan as it did for the Midtown PLA.
- Affordable Housing: Fifteen percent (15%) of the residential units will be affordable for a term of twenty (20) years to households with incomes under 120% of the Median Family Income and one-half of those units will be rented to households under 80% MFI.
- Construction Jobs: At least 300 construction jobs.

- **Permanent Jobs:** It is anticipated that approximately 500 employees will work at the premises in the office and retail spaces.
 - At least 29 new permanent jobs will be created by the project.
 - Office and retail tenants will be subject to the City's Hiring Preference Agreement.
- **Residents:** Between 250 and 350 people will live at the Midtown Tower, increasing our Center City population by more than 5%.

City Return on Investment: The chart below projects all funding provided to the project from the City and payments from the developer to the City:

	Construction (18 Months)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Capital Loan:	\$ (2,700,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Origination Fee	\$ 27,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -
Interest Payment	\$ 40,500	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CDBG Loan:	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Origination Fee	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	\$ 15,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Short-term Financing:	\$ (3,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Origination Fee	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	\$ 45,000	\$ 30,000	\$ 28,500	\$ 25,500	\$ 21,000	\$ 16,500	\$ 12,000	\$ 7,500	\$ 3,000	\$ -	\$ -
Principal Payment	\$ -	\$ 150,000	\$ 300,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 450,000	\$ 300,000	\$ -	\$ -
City Portion of COMIDA	\$ -	\$ 155,054	\$ 242,995	\$ 280,041	\$ 300,121	\$ 313,416	\$ 425,528	\$ 428,880	\$ 432,283	\$ 435,736	\$ 439,241
TOTAL	\$ (6,532,500)	\$ 372,054	\$ 608,495	\$ 792,541	\$ 808,121	\$ 816,916	\$ 924,528	\$ 923,380	\$ 772,283	\$ 472,736	\$ 476,241
Running Total	\$ (6,532,500)	\$ (6,160,446)	\$ (5,551,951)	\$ (4,759,410)	\$ (3,951,289)	\$ (3,134,373)	\$ (2,209,845)	\$ (1,286,465)	\$ (514,182)	\$ (41,446)	\$ 434,795

Timeline:

- Construction is anticipated to start in the fall of 2013 and be complete by fall of 2015.