

# TERMINAL A REUSE ADVISORY GROUP



Report to the Board of Directors  
Erie Canal Harbor Development Corporation

**DRAFT**

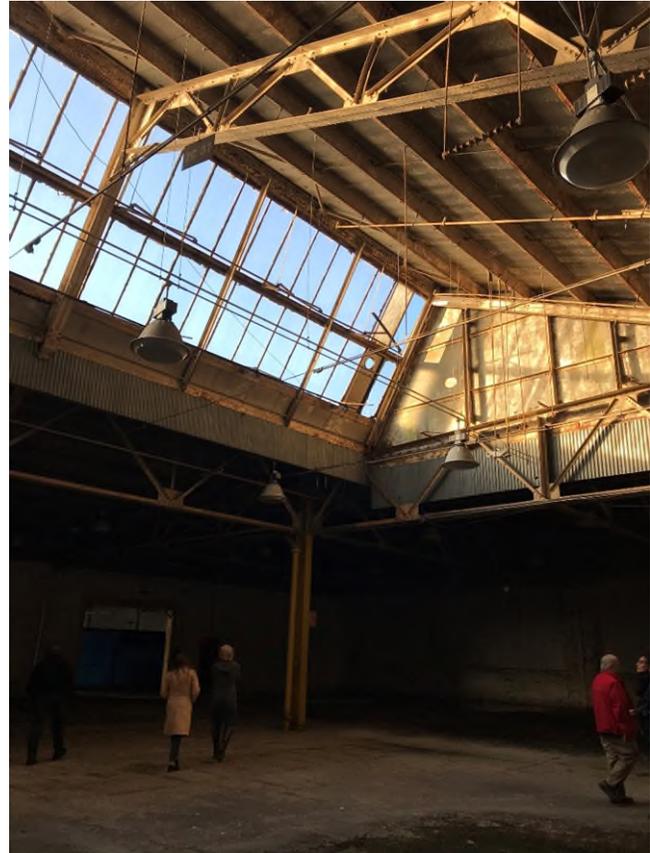
Date: October 6, 2021



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## Summary

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The Terminal A Reuse Advisory Group was formed by the Erie Canal Harbor Development Corp., a subsidiary of Empire State Development, at the end of August 2019, to review existing studies and assessments of Terminal A, a large, historic but abandoned industrial structure on the Buffalo Outer Harbor waterfront.

The group's charge was to "provide strategic, non-binding advice to the Erie Canal Harbor Development Corporation's Directors related to potential future uses for Terminal A. We expect that the work of the Advisory Group will culminate in recommendations that include numerous possible projects and uses." In addition, Mayor Byron Brown requested that consideration be given to producing revenue, creating jobs, and adding to the city tax roll.

ECHDC Board member Mike Vogel, who also chairs the Canalside History Advisory Group, was invited by Board Chair Robert Gioia to lead the group. ECHDC President Steven Ranalli and Senior Director of Property Kristine Kemmis, AIA, reached out to members of the region's governmental, business and development, academic, architectural, environmental and legal communities to form the Advisory Group.

The group began their investigation with a site visit and tour of the property. Meetings followed which included presentations on the history and existing conditions, research on case studies of similar redevelopment projects, and group discussions of the potential concepts and viability for reuse. HR&A was commissioned to conduct a market study to more deeply analyze options for varying levels of adaptive reuse and the associated market feasibility.

Despite months of meeting cancellations due to the COVID-19 pandemic that resulted in a state "Pause" order in March 2019, remote work continued. Occasional site visits by interested parties were conducted carefully. Once meetings resumed and the consultants' study was received and reviewed, development of the recommendations report resumed with the intent of adhering as closely as possible to the original timeline.

The Advisory Group relied on previous studies as well and did not commission or seek updated cost figures. It is noted that such updates would be needed before any project is considered, but it was assumed that relative costs – for example, demolition versus code-compliant rehabilitation – would remain proportional.



## Advisory Group Members

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ECHDC would like to take this opportunity to thank the Advisory Group members for their generous donation of time and expertise to this effort.

In addition to Chairman Mike Vogel, members of the volunteer group included:

**ECHDC Staff:**

Kris Kemmis, Advisor Group Coordinator  
Mark Wendel

**Erie County & UB:**

Dan Castle, Deputy Commissioner of Planning & Economic Development  
Martha Bohm, University at Buffalo School of Architecture & Planning  
Julia Jamrozik, University at Buffalo School of Architecture & Planning

**Preservation:**

Jessie Fisher, Preservation Buffalo Niagara  
Peter T. Flynn, Flynn Battaglia Architects  
Kerry Traynor, University at Buffalo School of Architecture & Planning

**Business & Development:**

Jenny Mogavero, Prospect Hill Consulting LLC  
Kellena Kane, Uniland Development  
David Chiazza, Iskalo Development

**Architecture:**

Rishawn Sonubi, Young + Wright Architects

**Legal & Tax Credit Advisory:**

Peter Sorgi, Hopkins Sorgi & McCarthy  
Steven J. Weiss, Cannon Heyman & Weiss

In the spring of 2021, Julia Jamrozik led a graduate design studio selecting the Terminal A site for the location of their project. The theme of the studio was 'Fun Palace' based on Cedric Price's iconic project adapted to the 21st century. The students conducted in depth analysis of the building, its history and context. They were also allowed access to the original construction documents of the building by Albert Kahn Associates.

At the conclusion of the studio, Mike Vogel and Kris Kemmis were invited to a project presentation. The work presented illustrated not only a variety of concepts but a shift in thinking about the building use for a new generation. Thank you to Julia for selecting the Terminal A site for this project and sharing the intriguing ideas.

## Site History

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Terminal A, at 901 Fuhrmann Blvd., was built in 1930-31 and opened in 1931 as an auto assembly plant for Ford Motor Company. The building was designed by Albert Kahn, a prominent industrial architect, and represents a late-period example of his trademark style of industrial architecture. The building is located between Fuhrmann Boulevard to the east and Lake Erie to the west, just north of the former Freezer Queen industrial site and the marina at Buffalo Harbor State Park.

Ford first made cars in Buffalo at the Tri-Main plant, also designed by Kahn, from 1913 to 1931. Ford moved production to the outer harbor so lake freighters could easily load and unload auto parts and products. The cars were distributed mainly to dealerships in New York, New Jersey, Pennsylvania, and Ohio. The plant employed 1,200 workers at its mid-1950s apex. At the time of the plant's 1958 closure, it was the only remaining facility in Buffalo where automobiles were assembled start to finish.



An estimated 2 million Fords were produced in the 20 years before production ended in 1958, according to a 2015 report by the State Office of Parks, Recreation and Historic Preservation. The building became a local landmark in 2019.

The former Port Terminal A & B complex—once a part of the former federally-designated “Port of Buffalo”—has been owned by the NFTA since 1956. The Authority continued to lease it for industrial purposes even after the port closed in the 1990s, to companies such as Rich Products, Tops Supermarkets, Harlequin Books, Sonwil Distribution, and most recently NanoDynamics. By 2016, it had been largely vacant for several years, and as part of a governor’s policy to progressively transfer all NFTA’s Outer Harbor holdings no longer used for port purposes, ECHDC was directed to purchase the complex in consideration of its mission to foster redevelopment of Buffalo’s waterfront. This was the last ECHDC acquisition of Outer Harbor property from the NFTA; it had also previously purchased the NFTA Boat Harbor and Gallagher Beach facilities (now under agreement with the NYS Office of Parks, Recreation and Historic Preservation [OPRHP] to operate as “Buffalo Harbor State Park”) and the former port’s outdoor bulk storage areas, north of the terminal complex around Bell Slip and the Seaway and Michigan Piers.



In 2017, the City of Buffalo formally adopted a new unified development ordinance, commonly known as the “Buffalo Green Code”. It included a new zoning map for the city and an accompanying “form-based” zoning code to advance the overall community vision that had evolved for the future of this area. Largely based on a 2015 ECHDC-led public planning process for future land uses on the Outer Harbor (called the Outer Harbor “Blueprint”), the Green Code’s new zoning map limits future reuse and redevelopment to the ~50-acre Terminal A & B complex area and a smaller area now containing a marina and former grain elevator property along the Buffalo River, with the balance of the waterfront lands designated for various types of open space/recreation uses and associated support features. The ECHDC Blueprint and the City’s zoning map also considers the nature/extent of landfill and contaminated areas on the Outer Harbor, some of which have been contained/converted to recreation and nature preserve uses (e.g., Times Beach, a closed dredge disposal area).

Consistent with these prior planning efforts, a number of Outer Harbor projects have been completed and are continuing for remediation and new recreation/public access north and south of the Terminal A site, initially Buffalo Harbor State Park and ECHDC’s “Lakeside” complex in 2015 and 2019 respectively, and most recently under an 2021 ECHDC General Project Plan that includes soil capping and recreational/support facilities expanding the Lakeside complex, as well as a proposed de-cladding of the Terminal B building to repurpose its steel superstructure and concrete base for outdoor events. These prior and current projects purposefully did not yet include the Terminal A Building itself, given that its scale, its eligibility for inclusion on the National Register of Historic Places, and the lack of any feasible/sustainable reuses warrant more thoughtful and longer-term consideration, and as discussed in public plans for this work, would inordinately forestall public safety/access objectives if such clean-up efforts waited until a reasonable approach for Terminal A was fully determined.

## Site Conditions

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Terminal A has been deteriorating for decades, and that decay has accelerated over the past several years. The roof and roof drainage systems continue to fail.

A series of detailed conditions reports was completed in 2017 by a team of consultants led by Trowbridge Wolf Michaels Landscape Architects. The analysis concluded the following:

### Physical Condition

- The structure is masonry with steel framing and supports, and is basically sound
- There has been some failure of the exterior brick veneer, largely cosmetic
- The roof needs replacing, and its drainage systems need to be restored
- Loading docks and parking lots need repair due to aging and storm damage
- Utilities and fire detection/suppression systems need to be upgraded or fully replaced
- Environmental remediation is needed

### Environmental Conditions

- Asbestos: Deteriorating and damaged roof material, pipe insulation debris, wall and floor tiles in office area
- Mold: The predominant environmental problem is mold growth in the limited drywalled areas
- Lead: Painted metal surfaces around windows and doors
- PCBs and mercury: Present in electrical switches and in the tubes and ballasts of 2,868 fluorescent lights that must be replaced with LEDs in any case



# Market Study

*See Appendix for Full Report*

HR&A was retained by ECHDC to conduct a market study report to assist the Advisory Group in evaluating the possible uses for the property. The scope included two tasks, the first focusing on market analysis and the second evaluating specific reuse scenarios.

**Task 1:** This task included case study research on similar redevelopment projects in other cities, market assessment and site visits to Terminal A and industrial reuse projects within the region. The findings were presented to the group on March 5<sup>th</sup>, 2020. The Presentation was followed by a large group discussion and debrief with ECHDC to inform the next task as follows:

- The building is not ideal for retail, commercial office space, hospitality or conventions
- The building would likely be too large for a single user and therefore a ‘building block’ approach should be pursued for further study
- The best potential for compatible uses in the building block approach would include light industrial, warehouse, multi-family and cultural uses

## Storage and Warehousing

### Strategy:

- Lowest rehab and development costs
- Ability to produce near-term revenue to finance later improvements
- Position as large-format and specialty storage, such as off-season boat & marine

### Considerations:

- 14'-15' ceiling heights and column grid are not optimal for modern operations
- Limited site activation potential
- Trucking impacts may conflict with Terminal B



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

## Light Industrial

### Strategy:

- Capitalize on strong regional market demand for industrial space
- Potential to accommodate diverse tenant sizes with flexible space to allow for company growth over time

### Considerations:

- Prioritize attracting 1-3 anchor tenants to establish critical mass
- Limitations on manufacturing noise and odor due to co-locating with other uses may limit tenant pool



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

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## Industry Hub

### Strategy:

- Provide multiple space types under one roof to support local development of specialized industries
- Scale of Terminal A allows for equipment storage, production and sound stage, office and other needs



### Considerations:

- Specialized industry growth heavily dependent upon NYS policy and tax credits



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

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## Small Unconventional Office

### Strategy:

- Align with local incubators to attract tenants in need of step-up space upon graduating from early-stage programs
- Build off recent citywide tech hub investments

### Considerations:

- Requires ongoing operator to manage shorter term leases, turnover, and tenant fit out
- Lack of adjacent amenities for office workers may limit desirability of location



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

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## Community Events and Cultural Venues

### Strategy:

- Activate the waterfront with community-focused uses synergistic to Terminal B programming
- Take advantage of the large space to exhibit large-scale installation or public art



### Considerations:

- Depending on the use, 7 day-a-week activation could be challenging
- May be opportunity to showcase temporary uses and build market awareness
- May require significant visitor parking



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

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## Multi-Family

### Strategy:

- Explore emerging market for waterfront development with live-work loft concept

### Considerations:

- Difficulty to divide the space into individual units
- Potentially highest rehab and development cost scenario
- Lack of adjacent amenities limits attractiveness to residents
- Ability of Queen City Landing project to move forward may signal market responsiveness to residential waterfront development



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

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## Uses | Evaluation Matrix

- High Advantage
- Moderate Advantage
- Low Advantage

	Low to high intensity →					
	Storage and Warehousing	Light Industrial	Industry Hub	Small Unconventional Office	Community Events and Cultural	Multi-Family
Activation Intensity		■	■	■	■	■
Rehab Costs	■	■	■	□	□	□
Total Project Costs	■	■	■	□	■	□
Ecological Considerations	□	■	■	■	■	■
Economic Development & Job Creation	■	■	■	■	■	□

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**Task 2:** This task allowed for further assessment of the market-supportable uses, high/medium/low risk square footage combinations, financial feasibility and funding strategies. This task was completed during the time in which COVID-19 quarantine, lockdown and remote work measures were in place. Shifts in market conditions were taken into consideration but not considered as the future norm. The report was presented to the group on March 16<sup>th</sup>, 2021 and provided a resource for a range of market feasible redevelopment opportunities.

## Terminal A Building Blocks | Scenarios consider the range of revenues and costs

*All scenarios include community space that is open to the public. This may be housed in the entrance adjacent to the park, and/or the pump house.*



NOTE: Warehousing in Scenario B could potentially include self-storage.  
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## Building Program | Scenario A: Low Risk

		Warehousing	Light Industrial	Supporting Retail
Program (GSF) <sup>1</sup>	<b>Recommended</b>	<b>170,000</b>	<b>380,000</b>	<b>10,000</b>
	<i>Low</i>	<i>90,000</i>	<i>100,000</i>	<i>5,000</i>
	<i>High</i>	<i>340,000</i>	<i>575,000</i>	<i>18,000</i>
Rent (per GSF) <sup>2</sup>	<b>Recommended</b>	<b>\$8.50 PSF</b>	<b>\$7 PSF</b>	<b>\$16 PSF</b>
	<i>Low</i>	<i>\$2 PSF</i>	<i>\$3 PSF</i>	<i>\$14 PSF</i>
	<i>High</i>	<i>\$11.50 PSF</i>	<i>\$7 PSF</i>	<i>\$19 PSF</i>
Cost (per GSF)	Hard Costs	\$48.00 PSF <sup>3</sup>	\$52.00 PSF <sup>3</sup>	\$80.00 PSF <sup>4</sup>
	Soft Costs	20%	20%	20%
	Tenant Improvements	-	-	6 months' rent

SOURCES: 1) Comp Research; 2) Developer and Stakeholder interviews, Co Star, LoopNet; 3) Warehouse/industrial developer interviews and third-party research; 4) RS Means  
NOTES: Retail rents are for triple-net leases, and warehouse rents are a blend of relatively low industrial warehouse and relatively high self-storage rents. Hard costs exclude parking; construction costs based on PSF estimates sourced from knowledgeable developers/builders; precise estimates will require a prof. estimator review of Terminal A conditions given the selected program.  
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## Building Program | Scenario B: Medium Risk

		Warehousing	Light Industrial	Supporting Retail	Multi-Family
Program (GSF) <sup>1</sup>	<b>Recommended</b>	<b>150,000</b>	<b>300,000</b>	<b>10,000</b>	<b>100,000</b>
	<i>Low</i>	90,000	100,000	5,000	70,000
	<i>High</i>	340,000	575,000	18,000	200,000
Rent (per GSF) <sup>2</sup>	<b>Recommended</b>	<b>\$8.50 PSF</b>	<b>\$7 PSF</b>	<b>\$16 PSF</b>	<b>\$1.50 PSF</b>
	<i>Low</i>	\$2 PSF	\$3 PSF	\$14 PSF	\$1.20 PSF
	<i>High</i>	\$11.50 PSF	\$7 PSF	\$19 PSF	\$2.00 PSF
Cost (per GSF)	Hard Costs	\$48.00 PSF <sup>3</sup>	\$52.00 PSF <sup>3</sup>	\$80.00 PSF <sup>4</sup>	\$185 PSF <sup>2</sup>
	Soft Costs	20%	20%	20%	20%
	Tenant Improvements	-	-	6 months' rent	-

SOURCES: 1) Comp Research; 2) Developer and Stakeholder Interviews, Co Star, LoopNet; 3) Warehouse/industrial developer interviews and third-party research; 4) RS Means  
 NOTES: Retail rents are for triple-net leases, and warehouse rents are a blend of relatively low industrial warehouse and relatively high self-storage rents. Hard costs exclude parking; construction costs based on PSF estimates sourced from knowledgeable developers/builders; precise estimates will require a prof. estimator review of Terminal A conditions given the selected program.  
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## Building Program | Scenario C: High Risk

		Light Industrial	Community / Cultural Space	Supporting Retail	Multi-Family
Program (GSF) <sup>1</sup>	<b>Recommended</b>	<b>225,000</b>	<b>150,000</b>	<b>10,000</b>	<b>175,000</b>
	<i>Low</i>	100,000	100,000	5,000	70,000
	<i>High</i>	575,000	300,000	18,000	200,000
Rent (per GSF) <sup>2</sup>	<b>Recommended</b>	<b>\$7 PSF</b>	<b>\$1</b>	<b>\$16 PSF</b>	<b>\$1.50 PSF</b>
	<i>Low</i>	\$3 PSF		\$14 PSF	\$1.20 PSF
	<i>High</i>	\$7 PSF		\$19 PSF	\$2.00 PSF
Cost (per GSF)	Hard Costs	\$52.00 PSF <sup>3</sup>	\$80.00 PSF <sup>4</sup>	\$80.00 PSF <sup>4</sup>	\$185 PSF <sup>2</sup>
	Soft Costs	20%	20%	20%	20%
	Tenant Improvements	-	TBD	6 months' rent	-

SOURCES: 1) Comp Research; 2) Developer and Stakeholder Interviews, Co Star, LoopNet; 3) Warehouse/industrial developer interviews and third-party research; 4) RS Means  
 NOTES: Retail rents are for triple-net leases, and warehouse rents are a blend of relatively low industrial warehouse and relatively high self-storage rents. Hard costs exclude parking; construction costs based on PSF estimates sourced from knowledgeable developers/builders; precise estimates will require a prof. estimator review of Terminal A conditions given the selected program.  
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## Cost Comparisons

The TWMLA Existing Conditions Survey identified rehabilitation measures. It is to be noted that the scope of the work and associated construction costs are anticipated to have increased significantly. The options were as follows:

- Rehabilitating the building, putting on a new roof and clearing all the contaminants would cost \$17.5 million
- Tearing it down would cost \$13.7 million, with the asbestos-laden roof accounting for \$4 million of the demolition work
- Limited decommissioning of the building – essentially delaying the decision on the building's future for years – would cost \$3.1 million.
- Making one-third of the building code-compliant for storage rentals would cost \$1.9 million

The HR&A study provided the following cost matrix allowing for comparison between low, medium and high-risk scenarios. Development costs below exclude parking as well as basic core and shell work needed on the existing building, including rooftop and wall weatherization, installation of basic mechanical equipment and elevators, and environmental remediation.

### Feasibility | Detailed Valuation Summary by Scenario

*\*Development costs below exclude parking as well as basic core and shell work needed on the existing building, including rooftop and wall weatherization, installation of basic mechanical equipment and elevators, and environmental remediation.*

	Scenario A Low Risk	Scenario B Medium Risk	Scenario C High Risk
Program Size (GSF)	560,000 GSF	560,000 GSF	560,000 GSF
Total Construction Costs	\$34,532,000	\$50,588,000	\$68,318,000
Total Development Cost	\$36,508,000	\$53,919,000	\$72,837,000
Developer Profit	\$5,359,000	\$6,567,000	\$5,720,000
Total Net Operating Income (NOI)	\$2,971,000	\$3,514,000	\$2,704,000
Project Value Net Cost of Sale	\$44,658,000	\$54,723,000	\$47,669,000
<b>Feasibility Gap:</b>			
<b>Residual Land Value (RLV)</b>	<b>\$2,792,000</b>	<b>(\$5,762,000)</b>	<b>(\$25,128,000)</b>
<i>Pessimistic RLV</i>	<i>\$649,000</i>	<i>(\$8,503,000)</i>	<i>(\$27,927,000)</i>
<i>Optimistic RLV</i>	<i>\$4,934,000</i>	<i>(\$3,023,000)</i>	<i>(\$22,329,000)</i>
<i>delta</i>	<i>\$4,300,000</i>	<i>\$5,500,000</i>	<i>\$5,600,000</i>
<i>Dev Cost Including Dev Profit</i>	<i>\$41,867,000</i>	<i>\$60,486,000</i>	<i>\$78,557,000</i>

*NOTE: Development costs include 12% assumed developer profit margin; exclude parking costs. Optimistic/pessimistic values reflect a 2.5% adjustments to revenue and construction cost assumptions.*

## Interim Recommendations

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With Advisory Group discussions of the future of the Terminal A site under way, several needs were identified. None involved the final determination of best uses, but many were in the nature of work useful for broader outer harbor applications or work that would need to be done anyway, whatever the final determination would be. The Advisory Group therefore submits the following interim recommendations as ECHDC consideration continues:

- Obtain access to the original design documents from Albert Kahn Associates.
- Evaluate and repair severely damaged portions of the roof and drainage systems to limit water intrusion and further deterioration and allow for a small area of short-term use as storage by ECHDC. This would also give ECHDC a chance to assess the full extent of deteriorating roof conditions and solarization possibilities.
- Development of an A/E scope and associated costs to deactivate, stabilize and protect the exterior envelope of the building from further deterioration. This will include roof and drainage systems, windows and masonry, and associated MEP/FP systems.
- We strongly recommend debris removal and/or remediation of the front office area of the Terminal A building, where a partial collapse of a grid ceiling system has created a safety issue for staff and potential building tenants/developers visiting the site. The area's suspended ceiling and moldy drywall and carpeting should be removed. This is environmental remediation that must be done even if selective demolition is pursued. Key architectural elements are to remain.
- As funding allows, repairs to the parking surfaces should proceed as quickly as possible for safety and practical use purposes, with general cleanup and resurfacing starting at the Bike Park and Terminal A area. Such expansion of useable parking would benefit current and short-term Outer Harbor uses independent of Terminal A usage and limit uneven-surface liability.
- Removal of all outdated signage particularly the Nanodynamics vinyl banner.
- We recommend a review of the 2017 recommendations for repairs to the quay wall in the Ford Slip and lakefront to assess further damage which has occurred particularly in the area of the sinkhole. Spot repairs noted should be considered as an interim measure to slow further deterioration.
- We recommend that ECHDC or ESD investigate opportunities for collaborations with NYS manufacturers to integrate alternative energy such as solar panels on the roof, an ideal site for an exposed-environment, shadow less test bed. We note that solarization of the former Ford plant in Richmond California provides 60% of that complex's power needs.

## Reuse Recommendations

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The Advisory Group strongly recommends that Terminal A and its adjacent and connected Oil House be saved and reused.

This recommendation is based on the following factors and development considerations:

- The Terminal A structure is a historic building and an outstanding example of Buffalo's waterfront, industrial and automotive histories, and as a survivor of that era is crucial to the telling of that heritage story; it also is considered a prime example of early 20<sup>th</sup> Century industrial architecture and in 2015 was deemed eligible for listing on the National Register of Historic Places.
- As an existing structure that can be used for light industrial, warehouse, multi-family and cultural purposes, the building(s) offer the opportunity for such uses without impinging on the planned "green" or natural land uses envisioned for the rest of the northern Outer Harbor under the ECHDC General Project Plan for those properties, and without the approval processes and lengthier planning/regulatory timeline required for a new building on the land.
- Reuse scenarios should align with the recommendations of the HR&A market study depending on available funding and consistency of market trends. In discussion, the task group expressed a preference for the scenario that incorporated a cultural component; although the most expensive option, it offers the greatest public activation and the greatest chance for use as a visitor attractor. We recognize transitional uses may be needed as ECHDC works toward that goal, but we recommend a future Board give this option strong consideration.
- The potential for light industrial, warehouse, multi-family and cultural uses offers an opportunity for economic development, jobs and tax base.
- In any scenario, it is felt that an interim measure of building stabilization is critical and that using the building short-term for low impact uses such as open market space or storage while the long-term redevelopment plan was formulated provided access, and activation with potential for revenue generation.
- We recommend separate and more immediate consideration be given to reuse of the more easily repaired Oil House, which could be repurposed lighter/quicker/cheaper to support Outer Harbor maintenance, event management and water related uses.

## Reference Materials

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The following materials were used for reference:

- New York State Department of Parks, Recreation and Historic Preservation, 2015: Historical Study determining the building is eligible for the National Register of Historic Places for its significance in the history of automobile manufacture.
- Buffalo Outer Harbor Access & Activation Civic Improvements Existing Conditions Assessment, 2017; prepared by the consultant team of Trowbridge Wolf Michaels Landscape Architects, WSP USA, Touloukian Touloukian Architects, Biohabitats, The LiRo Group, Ravi Engineering & Land Surveying, and the Encorus Group.
- City of Buffalo Local Landmark Study, 2019; listed as local landmark as Ford Motor Company Fuhrmann Boulevard Plant.
- HR&A Advisors; Market Study: Building Program and Financial Assumptions, 2020.
- The General Project Plan (GPP) for the Buffalo Outer Harbor Civic and Land Use Improvement Project, February 8, 2021.

## Public Commentary

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Public commentary was not included in the Advisory Group scope of investigation; public comment will be sought as required for reuse of the property.

## Appendix

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The following presentations were the product of the HR&A Market Study:

- HR&A Market Study Presentation; Study Overview, Market Assessment, Case Studies, Potential Uses, March 5, 2020.
- HR&A Market Study Presentation; Building Program and Financial Assumptions, November 2020.





**HR&A**  
Analyze. Advise. Act.



**Terminal A - Working Group Presentation**  
**March 5<sup>th</sup>, 2020**

## **Study Overview**

Market Assessment

Case Studies

Potential Uses for Discussion



**HR&A** is an economic development and real estate consulting firm working at the intersection of the public and private sector. Our work transforms communities and revitalizes urban environments in the United States and abroad.

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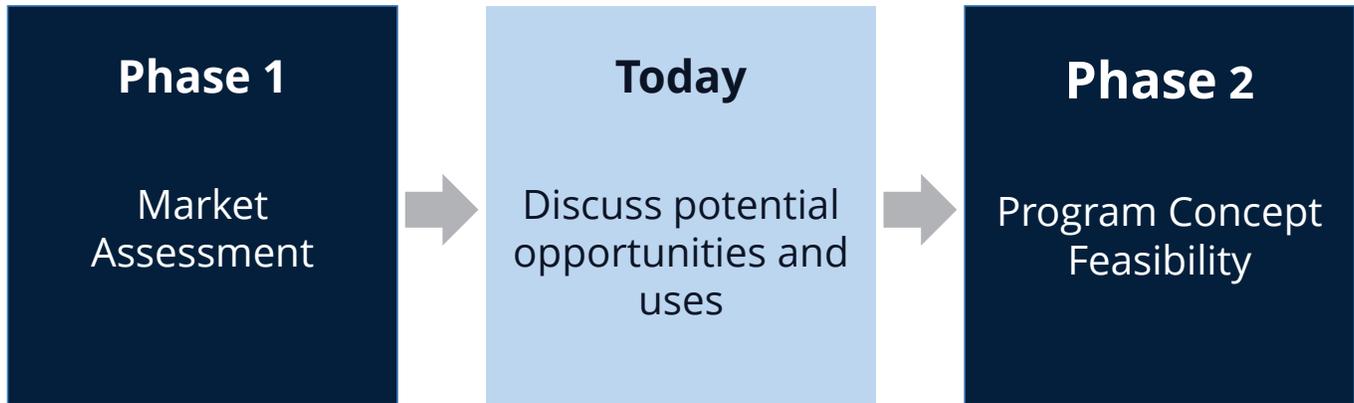
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**HR&A** has conducted market and feasibility studies for multiple projects within the City of Buffalo over the past ten years.



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## Terminal A – Project Scope



## Terminal A – Building Overview

- **History** - Built in 1930 for the Ford Motor Company
- **Size** - 558,000 SF
- **Unique Attributes** - High bay area, loading docks, waterfront slip



**Our Process** | Terminal A's unique attributes require understanding near-term market conditions and developing creative approaches to longer term uses.

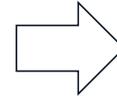
**Phase 1  
Inputs**

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**Future  
Considerations**

- **Market Trends**
  - Industrial
  - Commercial
  - Multifamily
  - Retail and Attractions
- **Stakeholder Interviews**
- **National Best Practices**

- **Phasing**
- **Operations Strategy**
- **Synergy with Outer Harbor Activities**
- **Financial Feasibility**
- **Anticipated Subsidy Needs**



***Preliminary  
uses for  
today's  
discussion***

**Terminal A – Study Goals**



Develop an understanding of market feasibility



Facilitate a process to guide Advisory Group decisions about the future of Terminal A



Collectively identify uses for further evaluation



Consider ability to produce revenue, create jobs, and add to tax base

## Who have we spoken to so far

### **In-person Interviews**

- Mike Vogel, ECHDC Board of Directors
- David Chiazza, EVP Iskalo Development
- Jim Millitello, President JR Militello Realty
- Dan Castle, Erie County
- David Stebbins, BUDC
- Matt Wolfe, President of Tri Main Development

### **Additional Outreach**

- Jason Yots, Preservation Studios

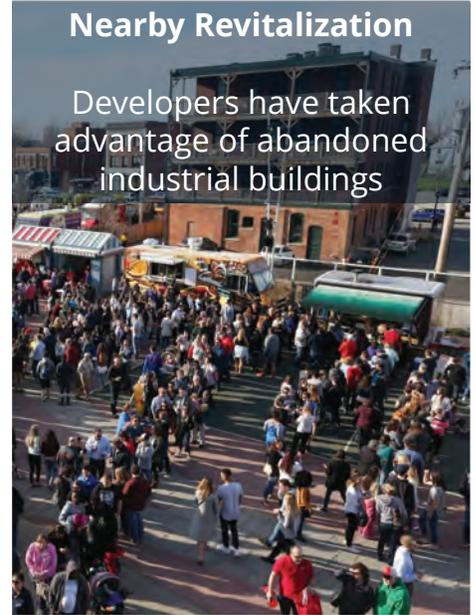
Study Overview

**Market Assessment**

Case Studies

Potential Uses for Discussion

**Investment Activity** | Over the past several years, private and public investment have energized development and economic opportunity in Buffalo and the region.



**Terminal B** | Potential future uses for Terminal A must also coexist with adjacent investments in all-season programming and recreation.



**Benefits from Terminal B Activation:**

- Increased visitors and foot traffic
- Improved site infrastructure
- Enhanced visibility for the area
- Ecological restoration

**Challenges from Terminal Activation:**

- Some uses may not be conducive to co-location, such as
  - Heavy truck traffic
  - Manufacturing noise and odor
- Programming must complement Terminal B uses
- Concerns over increased traffic and crowded parking from Terminal B users

**Market Findings** | In order to understand near-term and long-term feasibility for Terminal A, we examined market conditions across the following four uses.



**Industrial**



**Commercial**



**Multi-Family**



**Retail and Attractions**

**Industrial** | Key Figures

City of Buffalo

---

**582**  
Industrial Buildings

**26.6M**  
Of Industrial Space

**1.25M SF**  
Delivered in the past  
10 years

**5.5%**  
Vacancy Rate (2019)

**\$4.52**  
NNN Rents PSF

Buffalo Niagara MSA

---

**1,880**  
Industrial Buildings

**88M SF**  
Of Industrial Space

**3.8M SF**  
Delivered in the past  
10 years

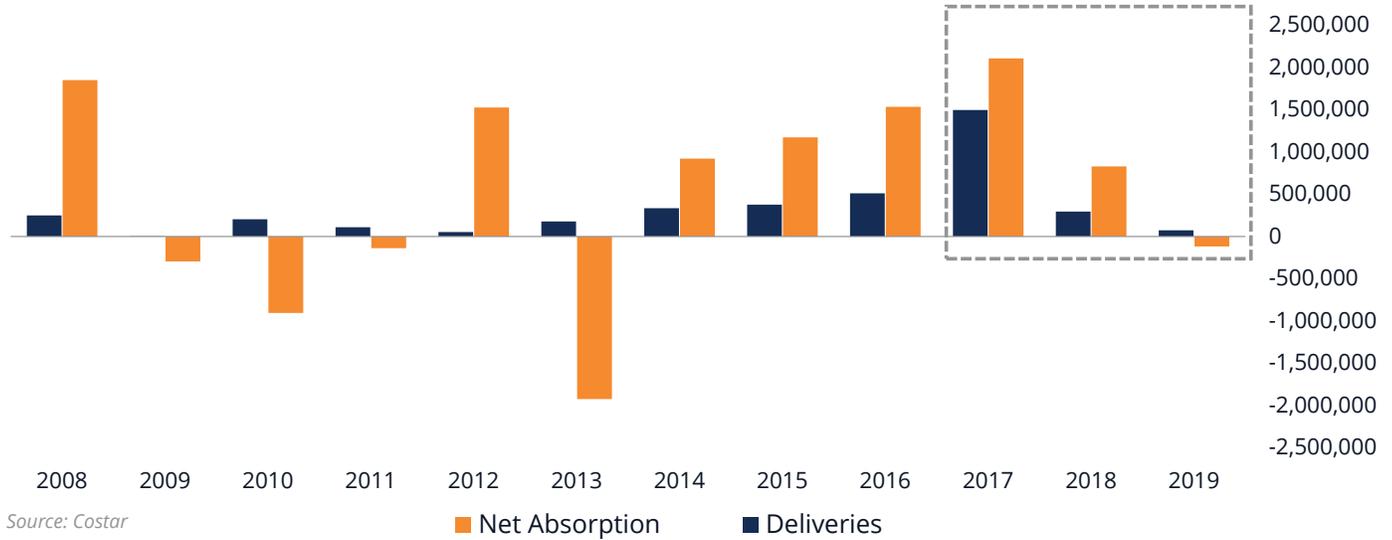
**3.5%**  
Vacancy Rate (2019)

**\$4.76**  
Rents PSF

Source: Esri

**Industrial** | The region has added 3.8M sf of industrial space over the past ten years, though deliveries of have slowed following a peak in 2017.

**MSA Industrial Market - Deliveries and Absorption**



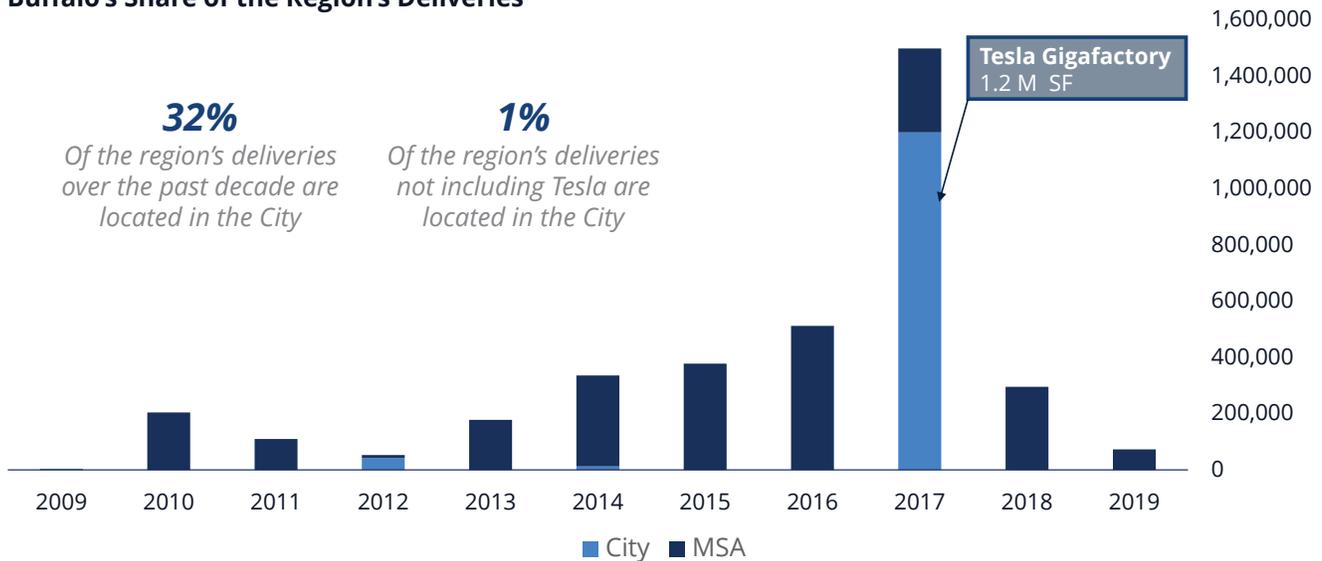
Source: Costar

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**Industrial** | The City historically has been a hub for industry, but in the past decade most new space has been located outside of the City of Buffalo.

**Buffalo's Share of the Region's Deliveries**



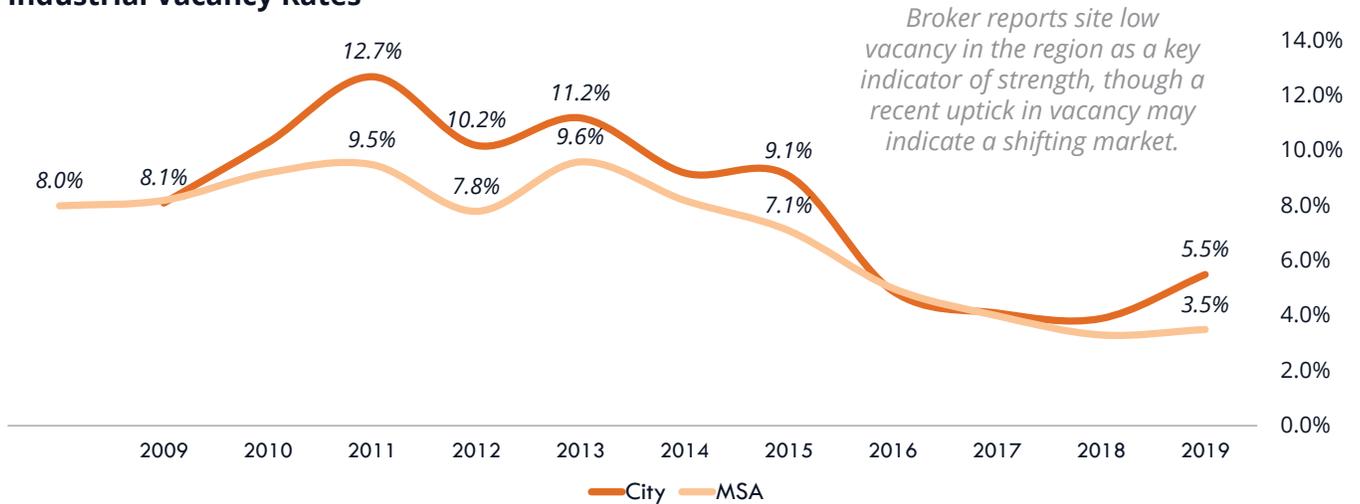
Source: Costar

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**Industrial** | Over the past ten years industrial vacancy rates have been decreasing and reached an all-time low in 2018.

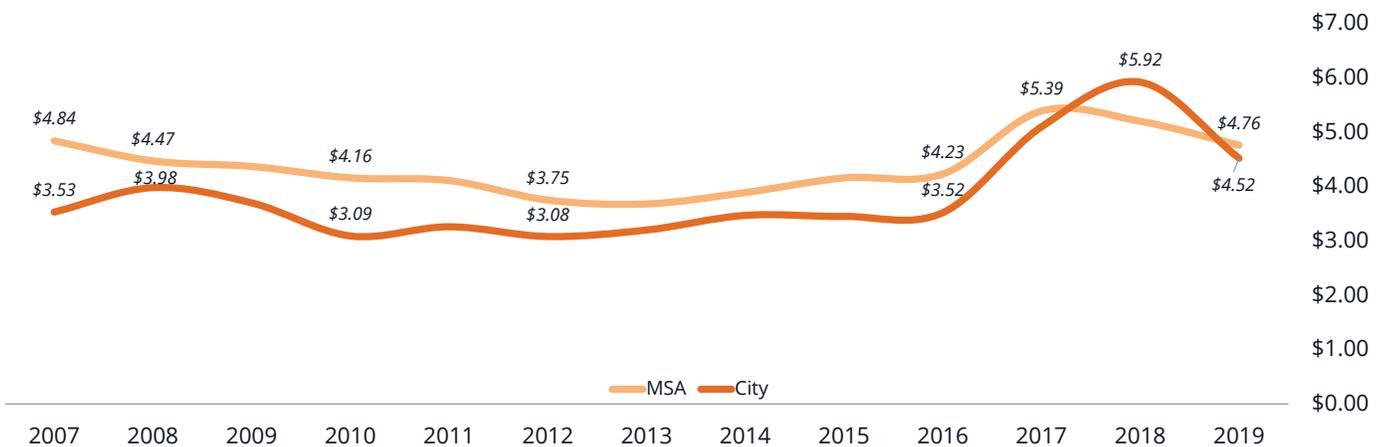
### Industrial Vacancy Rates



Source: Costar

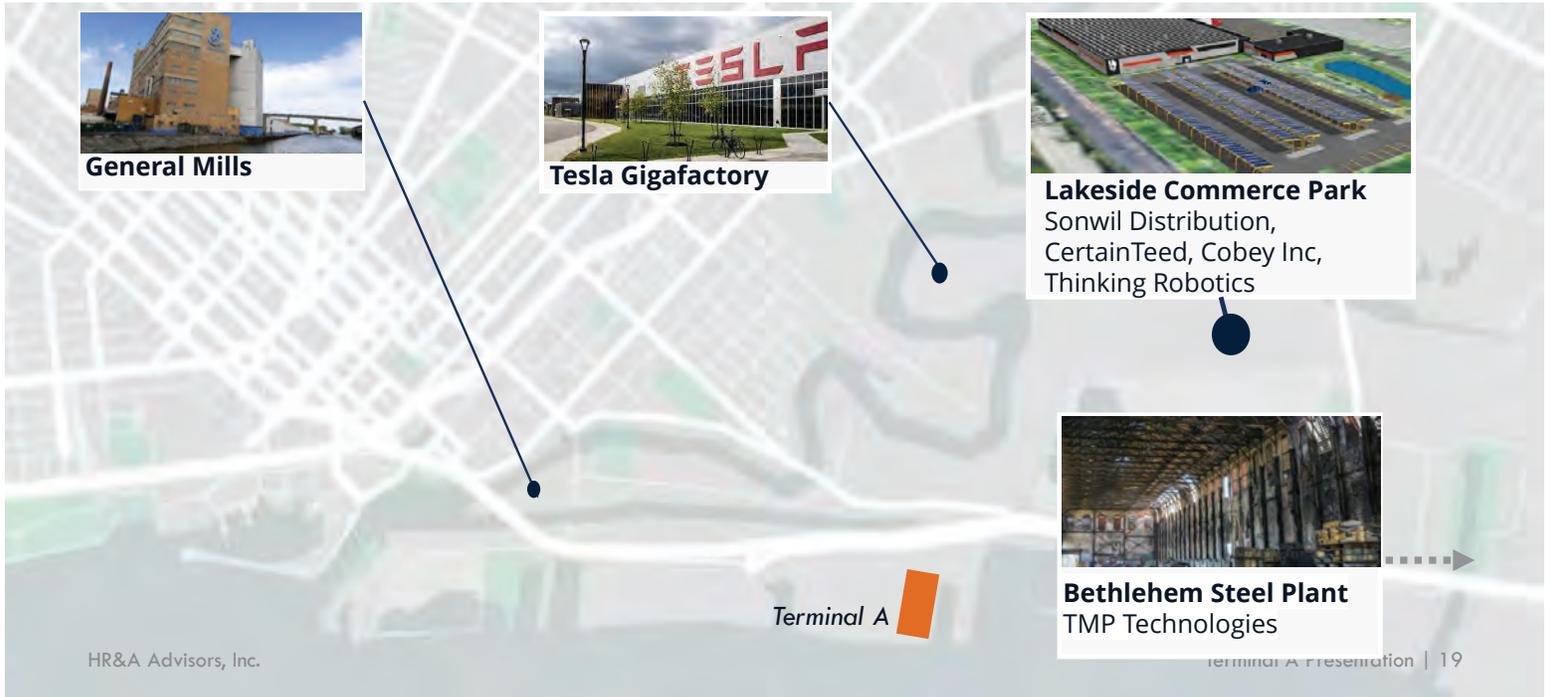
**Industrial** | Industrial rents for both the City and the MSA have been steady for most of the decade, though have seen a recent decrease as vacancy has increased.

### Industrial Rents Overtime



Source: Costar

**Industrial** | Nearby industrial tenants operate out of range of legacy and new construction facilities, indicating a potential flexibility for space needs.



## Site Visit | Industrial Market Findings

- **Market Performance:** Vacancy rates may be higher in older buildings than new construction
- **City vs. Region:** The City has experienced greater volatility in recent years
- **Timing:** New construction is slower to lease
- **Site Access:** Concerns regarding potential Skyway removal
- **Needs of Smaller Tenants:** Unmet demand for smaller-scale step-up industrial space
- **Robust Market:** 95 companies currently looking for space ranging from 10,000 - 100,000+ SF, with 2M SF in annual transactions



## Commercial | Key Figures

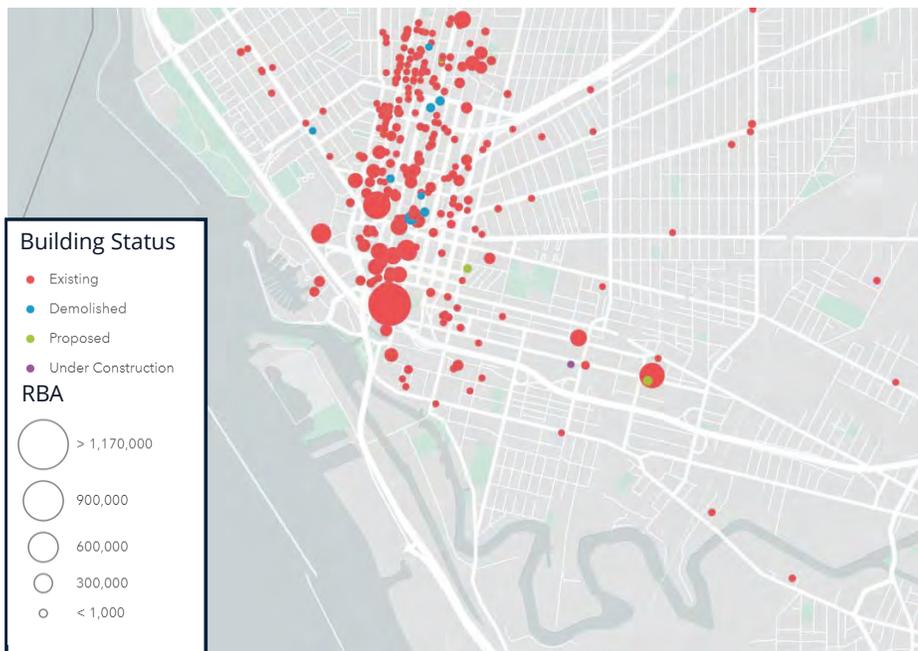
City of Buffalo	Buffalo Niagara MSA
<b>440</b> Commercial Buildings	<b>2,430</b> Commercial Buildings
<b>18.8M SF</b> Commercial Space	<b>47M SF</b> Commercial Space
<b>1.5M SF</b> Delivered in the past 10 years	<b>2M SF</b> Delivered in the past 10 years
<b>10.5%</b> Vacancy	<b>8.3%</b> Vacancy
<b>\$17.06</b> NNN Rents PSF	<b>\$15.95</b> NNN Rents PSF

Source: Esri

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**Commercial** | Commercial office space in Buffalo is heavily concentrated along corridors of the central business district.



Source: Costar

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**Commercial** | The office market saw a large spike in 2015 with the delivery of two new buildings totaling nearly 900k SF.

**City – Office Deliveries and Absorption**



**Commercial** | Former industrial space and traditional office towers are supporting diverse tenants working in established and emerging sectors such as film and tech.

**Tri Main**, 100 tenants, opened in 1989

**Seneca One Tower**, M&T Bank

*M&T Bank plans to move **1,000 employees** into the renovated tower by mid-2020*

*43North will also move their 50 portfolio companies to the renovated building*

**Film Works**, opened in 2018

**Larkin Exchange**, 2,000 tenants, re-opened in 2002

Terminal A

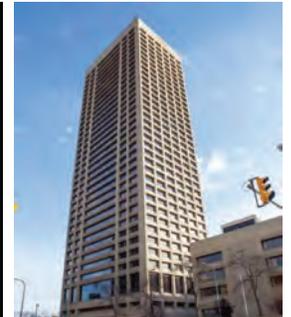
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## Site Visit | Commercial Market Findings

- **Amenities:** Robust offerings, such as those found in Larkinville, are important to the lease up effort
- **Tenancing:** Flexible leases supported entrepreneurs and non-profits
- **Timing:** Successful projects took years to lease up
- **New Industries:** Growing excitement in tech and film, with more than 50 portfolio companies in 43 North and 400 film support services in Western NY



*In order to attract tenants, Tri Main offered flexible short-term leases to accommodate smaller companies*



## Multi-Family | Key Figures

### City of Buffalo

**132k**

Housing Units

**51%**

Multi-Family

**32%**

Owner-Occupied

**17%**

Vacant

**\$1.25**

Rent PSF

### Buffalo Niagara MSA

**2.2M**

Housing Units

**23%**

Multi-Family

**59%**

Owner-Occupied

**10%**

Vacant

**\$1.18**

Rent PSF

**Multi-Family** | The Multi-Family housing stock in the City is older with far more rental units and a larger proportion than the region.

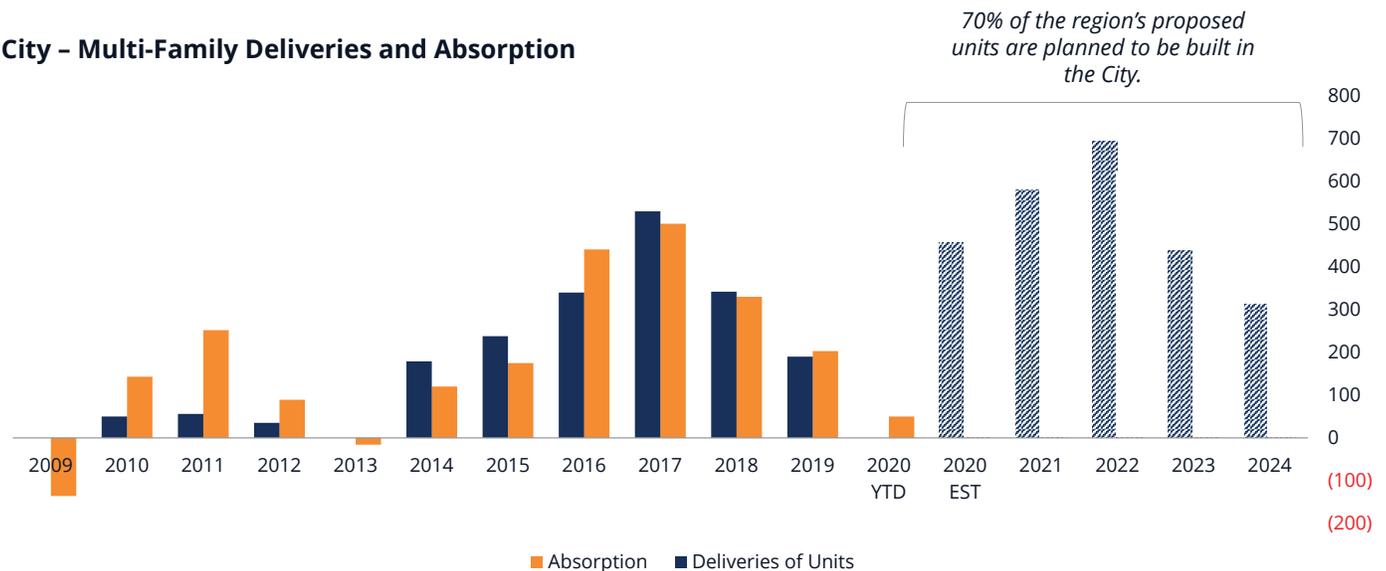
	City	MSA
Renter Share of Occupied Housing	68%	41%
Median Year Built (All Units)	1939	1995
Median Home Value	\$120,000	\$162,000
MF Housing Units (2-4 units)	61,850	119,300
MF Housing Units (5-9 units)	5,800	24,000
MF Housing Units (10-49 units)	8,400	21,400
MF Housing Units (50+ units)	7,200	18,650
Average HH Size	2.2	2.3

HR&A Advisors, Inc. Source: Esri

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**Multi-Family** | New construction in the City has been on an upward trajectory, delivering 1,820 units since 2014, with a total of 2,300 new units in the five-year pipeline.

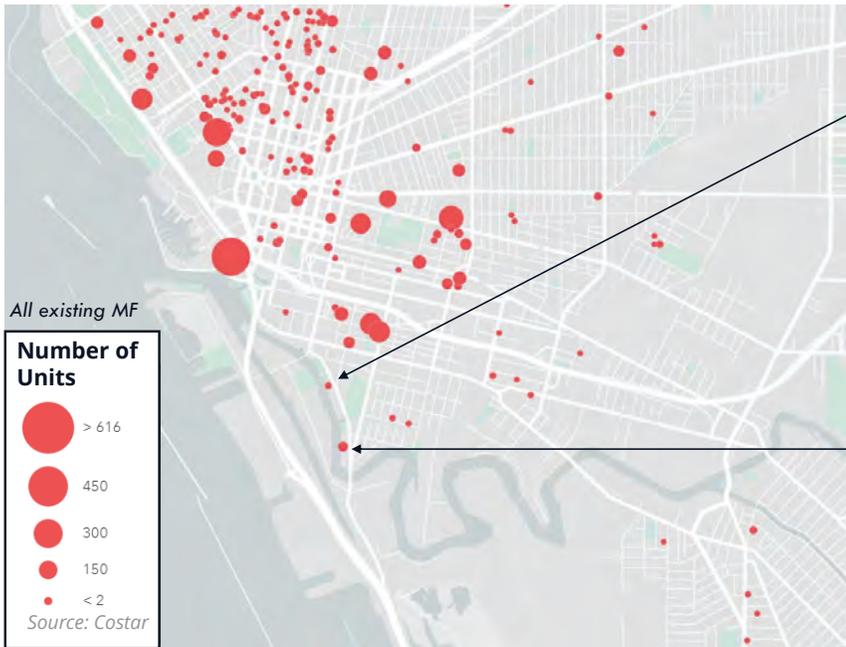
**City - Multi-Family Deliveries and Absorption**



Source: Costar  
HR&A Advisors, Inc.

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**Existing Multi-Family** | Recent new multi-family construction has been developed on former industrial sites along the waterfront.

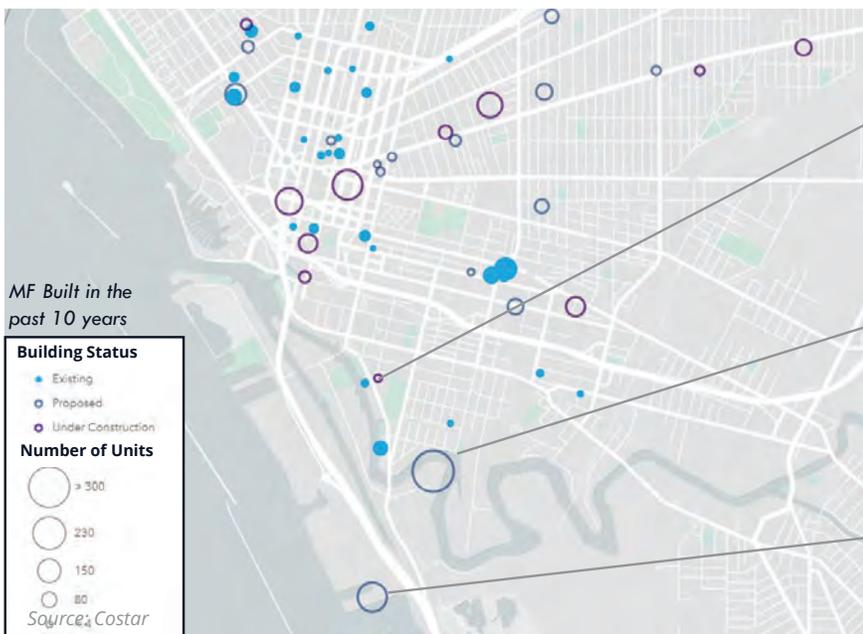


**301 Ohio Apartments**  
21 apartments, starting at \$1,500



**River Landing**  
78 apartments, from \$1,200-\$2,175

**Recent + Pipeline Multi-Family** | Pipeline projects are following a similar trajectory towards the waterfront, adding new options for residents in both new construction and adaptive re-use.



**Barcalo Project (Proposed)**  
118 units



**Silo City (Proposed and Approved)**  
158 units



**Queen City Landing (Proposed)**  
206 units

## Site Visit | Multi- Family Market Findings

- **Affordable Housing:** Market potential for mixed-income housing development.
- **Potential New Strategies:** Live-work units are a largely untested, but optimistic strategy as existing spaces are retrofitted.
- **New Development Risks:** Uncertainty surrounding Queen City Landing development
- **Development Size and Phasing:** A larger development of ~250 units would take 2-3 years to lease up – ultimately multi-family could only take-up a portion of the footprint of Terminal A.
- **Waterfront Location Benefits:** Site could be attractive to future residents who enjoy trails, boating, or other outdoor park uses.



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## Retail | Key Figures

Buffalo City	Buffalo Niagara MSA
<b>11.3M SF</b> Retail Space	<b>77M SF</b> Retail Space
<b>225K SF</b> Delivered in the past 10 years	<b>2.3M SF</b> Delivered in the past 10 years
<b>5.5%</b> Vacancy	<b>3.7%</b> Vacancy
<b>\$19.75</b> NNN Rents	<b>\$11.87</b> NNN Rents

Source: Esri

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**Retail** | A wide range of retail formats on and near the waterfront have been successful in attracting customers.

**Harbor Center** – Traditional mall setting catering to nearby workers

**Resurgence Brewing** – Builds on the nationwide attractiveness of breweries opening in inexpensive formerly industrial spaces

**Duende** – A creative restaurant within unique cultural site, taking advantage of abandoned industrial space

**Larkin Square** – An employer providing amenities and mixed-use retail for workers

**Charlies** – A three-season restaurant catering to waterfront boaters and visitors

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**Event Spaces** | Multiple large-scale venues fulfill a range of event needs in the immediate vicinity and house key cultural anchors.

**KeyBank Center**

**Buffalo Central Terminal**

**Buffalo Niagara Convention Center**

**Terminal B**

**Riverworks**

- Event Center
- Stadium
- Clubs
- Theaters

**73 wedding venues**  
near Buffalo with capacity for 300+ attendees

**20 entertainment venues**  
with capacity of 500+ attendees

**180k-235k SF**  
Proposed new convention center to be delivered in 2026.

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**Cultural Venues** | The Buffalo waterfront has added new attractions that are projected to attract hundreds of thousands of annual visitors.



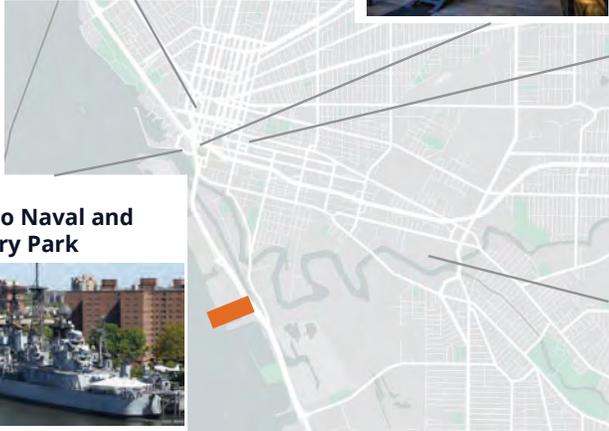
**Buffalo Harbor Museum**

**Ralph C. Wilson Children's Museum**



**Pierce Arrow Museum**

**250,000 annual visitors**  
anticipated for the new Explore and More Children's Museum



**Buffalo Naval and Military Park**



**Steel Plant Museum**

**10 Museums**  
within a 30-minute drive

**Site Visit | Retail and Events Market Findings**

- **Activation:** Concert programming, destination restaurants, and breweries have been successful
- **Creative Spaces:** Mixed-use venues that take advantage of unique industrial spaces are drawing visitors to the waterfront
- **Seasons:** Ability to support a year-round destination is a concern
- **Location:** Lack of built in customer base is a significant hurdle for attracting retail



*10,000 people attend concerts at Canalside annually*



## Market Analysis | Key Takeaways



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Study Overview

Market Assessment

**Case Studies**

Potential Uses for Discussion

**Ford Point, Richmond CA** | This multi-use property has space for a variety of commercial tenant sizes as well as event space for both public and private use.

**Key Stats:**

- 525,000 Total SF (304,000 1st floor, 161,000 2nd floor, 45,000 Craneway, additional out buildings)
- 5-year redevelopment timeline (2004-2009)
- Purchased for \$5.4M, and redeveloped for \$40M, leveraging national historic tax credits.

**Current Uses:**

- **SunPower** - solar energy equipment manufacturer (50% of first floor ~150k SF)
- **Mountain Hardware** - outdoor equipment producers (2<sup>nd</sup> largest tenant)
- **Craneway Pavilion** - event and conference space
- California Closets
- Monerva Glass Décor
- Pacific Sail and Power Boat
- Ekso Bionics
- Assemble Restaurant and Brewery
- Rosie the Riveter National Park Visitor Center



**Ford Point, Richmond CA** | This multi-use property has space for a variety of commercial tenant sizes as well as event space for both public and private use.

**Ownership and Operations:**

- **Property owner, developer, and landlord**
  - Orton Development
- **Former land-owner**
  - City of Richmond Redevelopment Agency

**Phasing and Funding**

- Orton Development restored and modernized building shell with historic tax credits before attracting anchor tenants
- City of Richmond spent \$20M over 15 years to repair 1989 earthquake damage
- Architects found large shell couldn't easily be converted for small tenants or live-work spaces
- Unique landlord/tenant agreement with SunPower to install 1 megawatt solar array
- Orton Development financed shuttle bus to BART station and introduced ferry service to peninsula



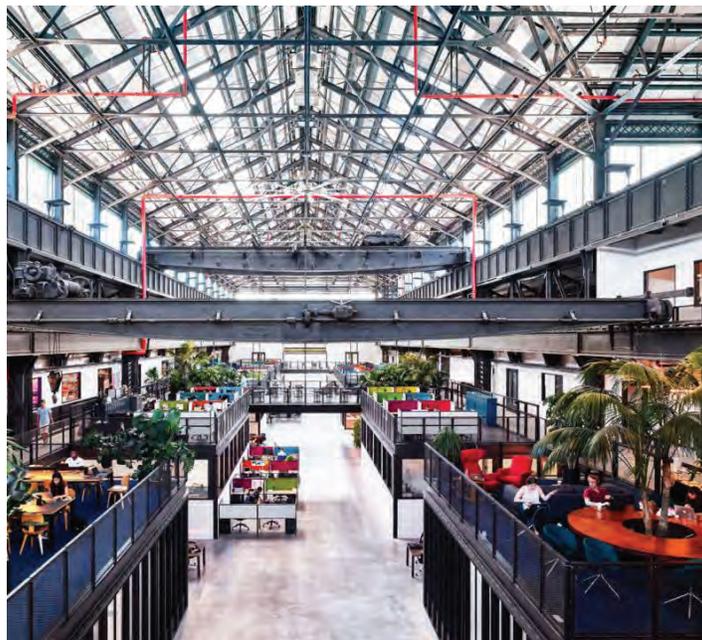
**New Lab, Brooklyn NY** | Located in the Brooklyn Navy Yard, this tech incubator supports start-up companies and provides programs for entrepreneurial growth.

**Key Stats:**

- 84,000 Total SF
- Former Naval machine assembly plant
- 5-year development timeline (2011-2016)
- \$35M total capital investment

**Current Uses:**

- Tech incubator with 150 tenants focused in artificial intelligence, robotics, and urban tech
- Available spaces range from 1 desk to 31,000 SF private studios
- Amenities include open collaboration space, cafes, access to 3D printing, and conference rooms
- Programming includes networking events, connections to larger companies, and business development workshops
- Open to public



**New Lab, Brooklyn NY** | Located in the Brooklyn Navy Yard, this tech incubator supports start-up companies and provides programs for entrepreneurial growth.

**Ownership and Operations:**

- **Property owner** - Brooklyn Navy Yard Corporation (public-sector)
- **Developer and Operator** – New Lab is the long-term lessee and master developer and is responsible for subleasing space to start-ups

**Phasing and Funding**

- New York State (ESD) supported \$3M in grants
- New York City (NYCEDC) supported \$7.2M in grants
- New Lab financed remaining construction costs
- Upon opening in 2016 had 41 companies leased, has since grown 3x over the course of 3-4 years
- Navy Yard leveraged early phase warehouse and storage tenants in nearby on-site facilities properties to generate revenue and support creation of other spaces



## **Kearny Point, NJ** | A former shipyard seeks to become a mixed-use industrial park anchored by a multi-tenant artisanal manufacturing hub and creative office space.

### **Key Stats:**

- 6 building campus, 130 acres, 2.5M SF
- Building 78 – 210,000 SF manufacturing hub
- Former shipyard
- 7-year development timeline (2016 – ongoing)
- \$30M total development cost for Building 78
- \$1B to complete the campus

### **Current Uses:**

- Building 78 hosts nearly 200 companies, ranging from 120 SF to 12,000 SF
- Provides fully furnished co-working space, creative production space, and flex space for small-mid sized companies
- Tenants work across industries including media, design, tech, and food manufacturers
- Amenities include 24-hour security, conference rooms, and common areas, an on-site bistro and bar, event space and roof top

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## **Kearny Point, NJ** | A former shipyard seeks to become a mixed-use industrial park anchored by a multi-tenant artisanal manufacturing hub and creative office space.

### **Ownership and Operations:**

- **Property owner and master developer** - Hugo Neu (private) has owned the property since 1960

### **Phasing and Funding**

- Federal funding - \$3M grant for infrastructure improvements (EDA)
- City funding - \$1.3M match for the federal funding
- Being developed in 4 phases
- Building 78 developed as a “proof of concept” and was 70% pre-leased before completion
- Tenanting strategy includes short-term leases and competitive rental rates compared to nearby Brooklyn waterfront
- The NJ Job Access Reverse Commute Program subsidizes a shuttle from transit stops in order to attract tenants and employees

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## Industry City, Brooklyn, NY | This ambitious megaproject combines a destination retail and entertainment experience with a diverse industry hub.

### Key Stats:

- 16 buildings, combined 6M SF
- Former shipping and manufacturing complex
- \$1B total redevelopment cost
- 3-year initial development timeline (2013-2016), as part of a 10-year phased strategy

### Current Uses:

- 500 businesses employ more than 7,500 people
- Tenants are working across industries in design, architecture, food manufacturing, warehousing, tech, and workforce training
- Offers workshops, creative offices, large format offices, production space, retail, and event space
- Tenant amenities include 5 acres open space, access to loading docs. and networking events
- Visitor amenities include recreational programming, multiple food halls and restaurants, artisanal shops and big box retail



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Terminal A Presentation | 45

## Industry City, Brooklyn, NY | This ambitious megaproject combines a destination retail experience with a diverse industry hub.

### Ownership and Operations:

- **Property owner, developer, and landlord –** Jamestown Properties

### Phasing and Funding

- Developers received \$720M in private equity financing from Blackrock
- The program calls for a complex rezoning effort to increase retail space and introduce educational and hotel uses
- Upon purchase some warehousing tenants remained and served as revenue generators
- Extensive site activation strategies include food trucks, yoga events, outdoor film screenings, baking completions, a seasonal ice rink, weekend pop-up shops, and concerts



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## The Plant, Chicago IL | This non-profit urban farm and small food business incubator leveraged volunteers to cost effectively rehab and operate the facility.

### Key Stats:

- 93,500 SF former pork-processing facility in the Chicago Stockyards
- 10+ year redevelopment timeline (2010-ongoing)
- \$525,000 sale price and \$1.5M in renovations and equipment

### Current Uses:

- Vertical farm with 35,000-square-foot research farm and 20,000 square feet of growing beds
- 20 food businesses, including a beer and kombucha brewery, coffee roaster, bakery, and other producers and distributors
- Non-food uses include an Industrial cultural heritage museum, event space, and public tours
- Site activation strategies include a winter farmers market and urban agriculture education programming



## The Plant, Chicago IL | This non-profit urban farm and small food business incubator leveraged volunteers to cost effectively rehab and operate the facility.

### Ownership and Operations:

- **Bubbly Dynamics**, a social enterprise and sustainable urban industrial development firm oversees all aspects of facility development, including hands-on design and build-out of tenant spaces, common areas and infrastructure

### Phasing and Funding

- Funding primarily raised through philanthropy
- With a staff of only 7 employees, the low-cost redevelopment has remained committed to material reuse and closed-loop waste and energy systems
- Currently, there are approximately 95 full-time jobs based at the facility.
- The Plant is still under construction and is approximately 85% leased, with full build-out anticipated for 2020.



**Case Studies** | These successful programs and strategies provide lessons for potential uses for Terminal A.

- Multiple tenants of various sizes required for successful lease-up
- Public-private partnerships and subsidies needed to finance projects
- Lease-up occurs over several years, requiring phased development
- Amenities, programming, and open spaces are important components

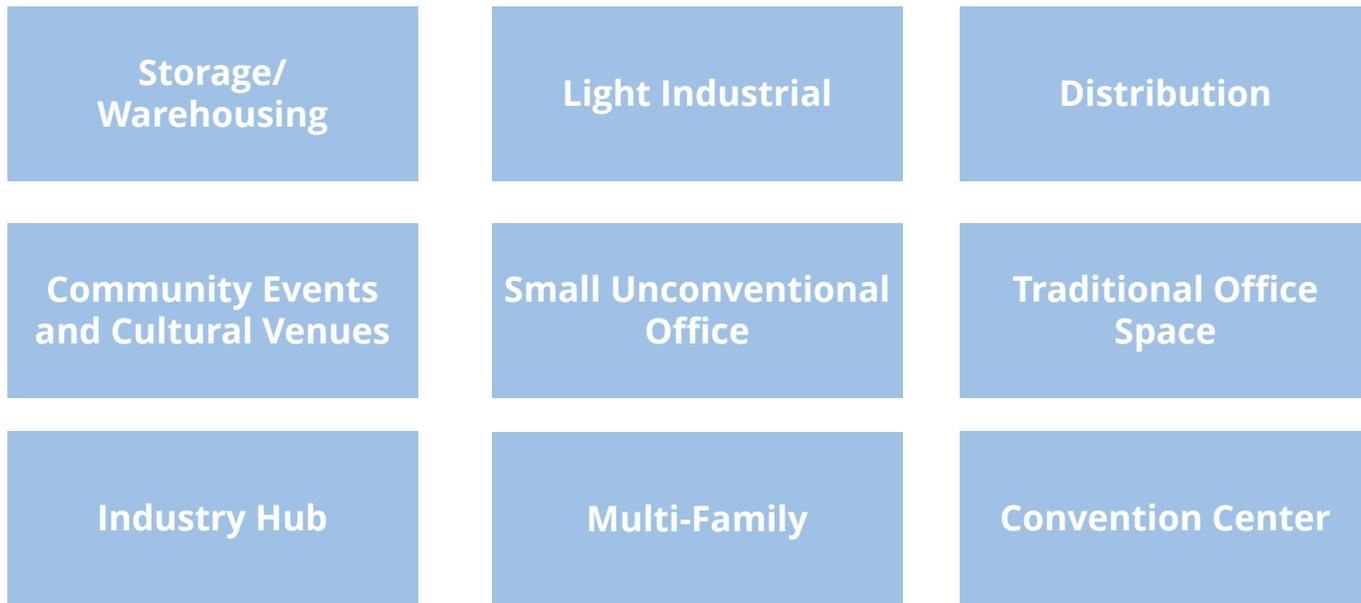
Study Overview

Market Assessment

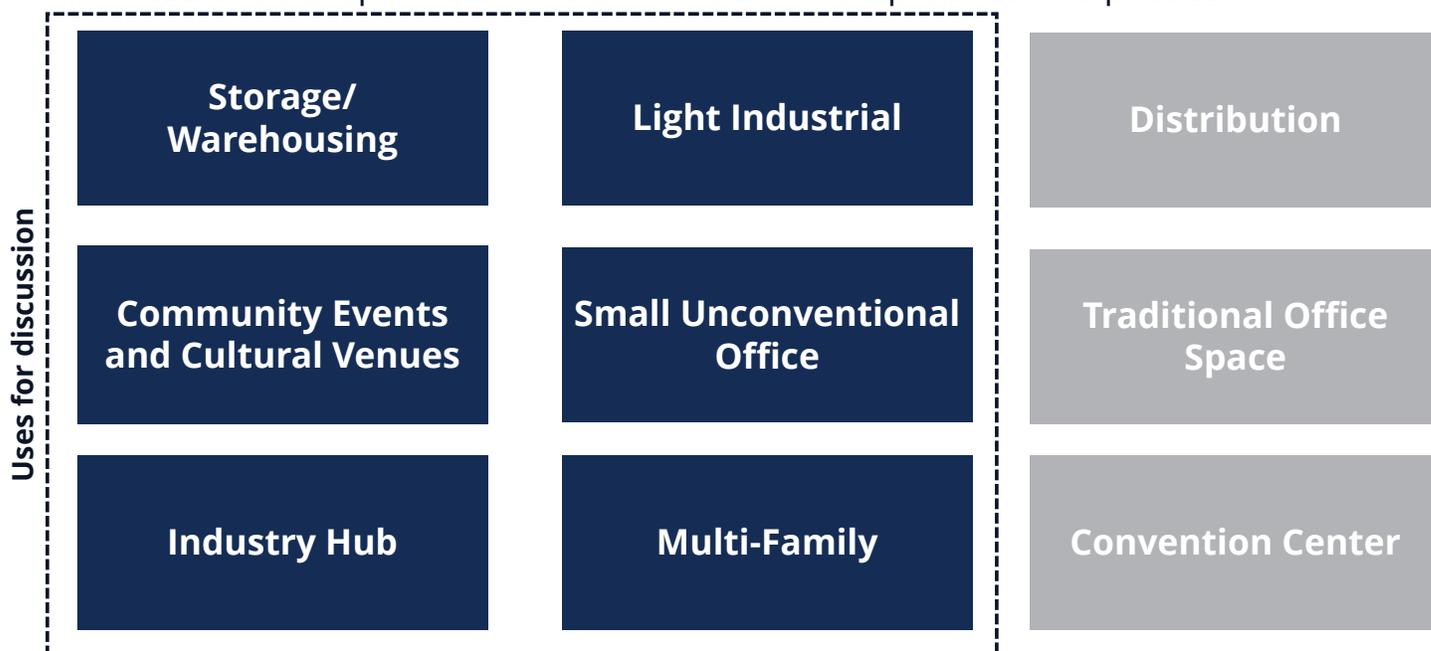
Case Studies

**Potential Uses for Discussion**

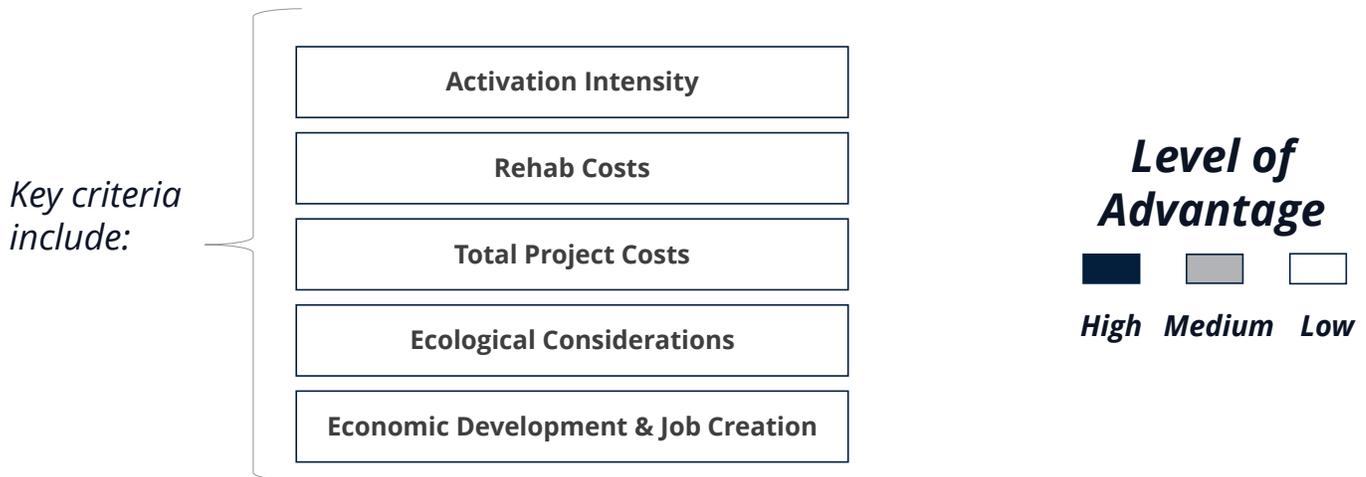
**Uses** | Based on our market assessment, stakeholder interviews, and case study precedents - the following possible uses were identified:



**Uses** | We then refined potential opportunity uses for Terminal A, recognizing that a successful development will need to include multiple uses and phases.



**Uses** | As we explored each potential use, we created an evaluation framework to best understand tradeoff's for Terminal A.



## Storage and Warehousing

### Strategy:

- Lowest rehab and development costs
- Ability to produce near-term revenue to finance later improvements
- Position as large-format and specialty storage, such as off-season boat & marine

### Considerations:

- 14'-15' ceiling heights and column grid are not optimal for modern operations
- Limited site activation potential
- Trucking impacts may conflict with Terminal B



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development
□	■	■	□	■

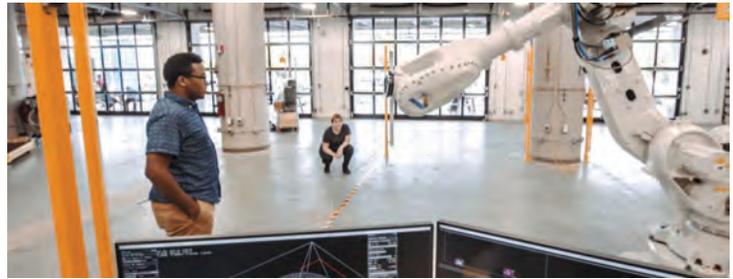
## Light Industrial

### Strategy:

- Capitalize on strong regional market demand for industrial space
- Potential to accommodate diverse tenant sizes with flexible space to allow for company growth over time

### Considerations:

- Prioritize attracting 1-3 anchor tenants to establish critical mass
- Limitations on manufacturing noise and odor due to co-locating with other uses may limit tenant pool



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

## Industry Hub

### Strategy:

- Provide multiple space types under one roof to support local development of specialized industries
- Scale of Terminal A allows for equipment storage, production and sound stage, office and other needs

### Considerations:

- Specialized industry growth heavily dependent upon NYS policy and tax credits



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

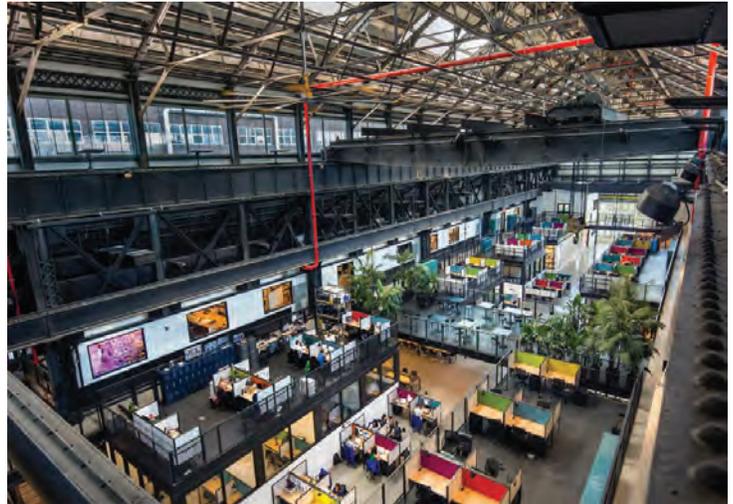
## Small Unconventional Office

### Strategy:

- Align with local incubators to attract tenants in need of step-up space upon graduating from early-stage programs
- Build off recent citywide tech hub investments

### Considerations:

- Requires ongoing operator to manage shorter term leases, turnover, and tenant fit out
- Lack of adjacent amenities for office workers may limit desirability of location



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

## Community Events and Cultural Venues

### Strategy:

- Activate the waterfront with community-focused uses synergistic to Terminal B programming
- Take advantage of the large space to exhibit large-scale installation or public art



### Considerations:

- Depending on the use, 7 day-a-week activation could be challenging
- May be opportunity to showcase temporary uses and build market awareness
- May require significant visitor parking



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

# Multi-Family

## Strategy:

- Explore emerging market for waterfront development with live-work loft concept

## Considerations:

- Difficulty to divide the space into individual units
- Potentially highest rehab and development cost scenario
- Lack of adjacent amenities limits attractiveness to residents
- Ability of Queen City Landing project to move forward may signal market responsiveness to residential waterfront development



Activation Intensity	Rehab Costs	Total Project Costs	Ecological Considerations	Economic Development

## Uses | Evaluation Matrix

- High Advantage
- Moderate Advantage
- Low Advantage

Low to high intensity →

	Storage and Warehousing	Light Industrial	Industry Hub	Small Unconventional Office	Community Events and Cultural	Multi-Family
Activation Intensity						
Rehab Costs						
Total Project Costs						
Ecological Considerations						
Economic Development & Job Creation						





## Terminal A – Building Program and Financial Assumptions November 2020

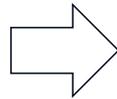
### Terminal A | Project scope



## Terminal A | Phase 1 summary

### Scope

- **Market Trends**
  - Industrial
  - Commercial
  - Multi-family
  - Retail /Community /Cultural
- **Stakeholder Interviews**
- **National Best Practices**



### Recommended uses for feasibility analysis

- **Light industrial/maker space**
- **Warehousing**
- **Storage**
- **Multi-family**
- **Community and cultural space**
- **Supporting retail**

## Terminal A | Phase 2 interviews to discuss market changes post-COVID 19 and confirm rent and cost assumptions

### ***In-person and Phone Interviews:***

- David Chiazza, Iskalo Development
- Dan Castle, Erie County
- Jason Yots, Preservation Studios
- Paula Blanchard, Hanna Commercial Real Estate
- Steve Blacke, Blacke Commercial Real Estate Group
- Matt Hubacher, Invest Buffalo Niagara



## Updated Market Findings | Shifts in market conditions and trends due to COVID-19 lockdown measures

### Light Industrial and Warehousing

- Strengthened demand for industrial space and warehousing
- Consistent need for multi-tenant industrial space



### Commercial

- Work from home has decreased demand for office space
- Banks are less inclined to underwrite deals
- Vacancy rates have increased and may continue to rise as leases expire



### Multi-Family

- Given a tight housing market and more people returning to Buffalo, there is increased demand for housing
- Pipeline projects demonstrate strength of current market, but absorption and phasing will be important
- Scale is still a challenge



### Retail / Cultural / Community Space

- Retail, dining, and indoor venues are not viable in the short term and face an uphill battle in the long term



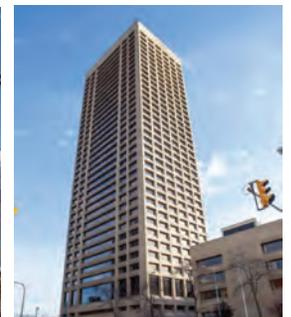
## Updated Market Findings | Light Industrial and Warehousing

- **Market Performance:** Light industrial is still strong and can co-exist in a mixed-use building (particularly maker space), potentially with supporting retail.
- **Use of Space:** Clear demand for flex and storage space.
- **Site Access:** Concerns over truck traffic adjacent to the activated Outer Harbor park.
- **Needs of Smaller Tenants:** Unmet demand for smaller, step-up industrial space (sweet spot is ~20K SF per tenant).
- **International Market Demand:** With no Canadian access to the US during COVID-19, supply chain disruptions slightly lowered demand for international warehouse needs.



## Updated Market Findings | Commercial

- **Market Performance:** Pre-COVID, stakeholders expressed excitement in tech and film. Current demand for commercial office is weak given the economic downturn and “work from anywhere” environment.
- **Financing:** Banks and lenders are less inclined to underwrite commercial office projects due to COVID.
- **Timing:** Successful projects took years to lease up prior to the pandemic; lease up periods will likely increase.



## Updated Market Findings | Multi-Family

- **Growing Demand:** COVID may be attracting new residents who seek a lower cost of living and larger unit sizes. Developments that are underway include Silo City, the Grid, Ohio Street apartments and the proposed additional 200 units downtown.
- **Limited Housing Supply:** With limited new developments in recent years, the housing market is tight.
- **Development Size and Phasing:** Given the scale of pipeline developments, new projects may take time to lease up and careful phasing is key.



## Updated Market Findings | Retail/Community/Cultural

- **Market Performance:** COVID has created challenging conditions for retail and restaurants as well as other indoor public gathering spaces.
- **Financial Challenges:** Even before COVID retail and restaurants in non-prime locations faced economic challenges. They are often treated as a building amenity.
- **Community/Cultural Subsidies:** Most cultural institutions require substantial subsidies and/or philanthropic support to remain viable.



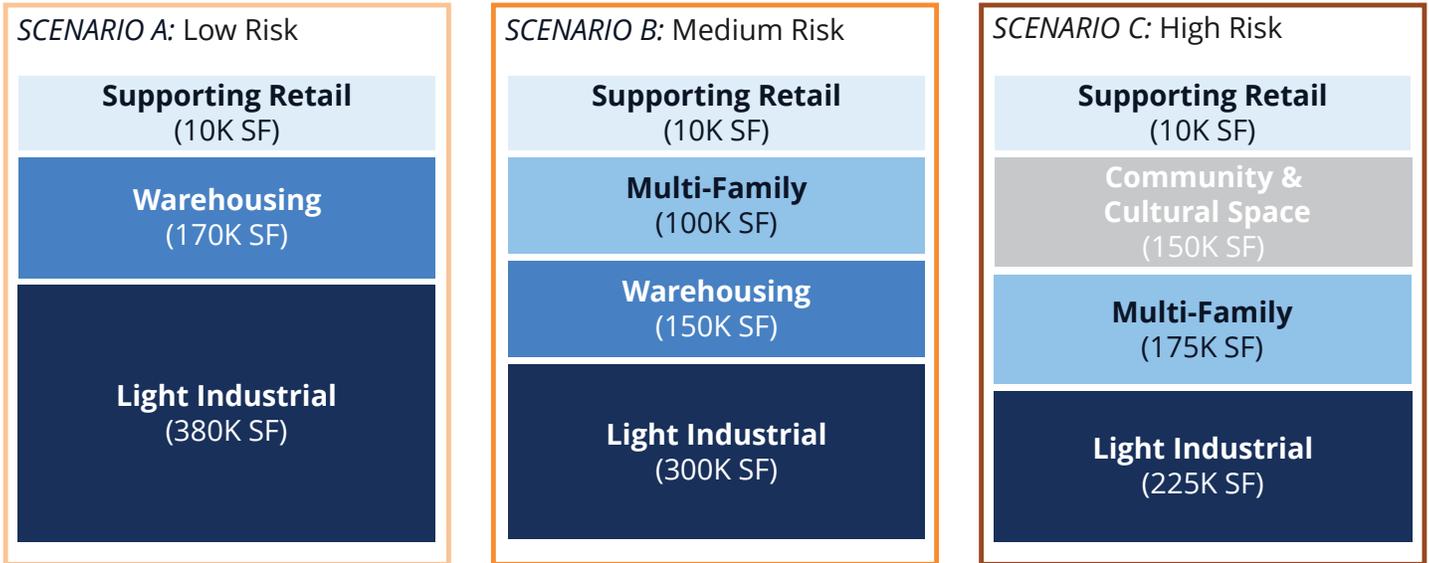


**Terminal A Building Blocks** | Market-supportable uses that align with the Advisory Group's goals



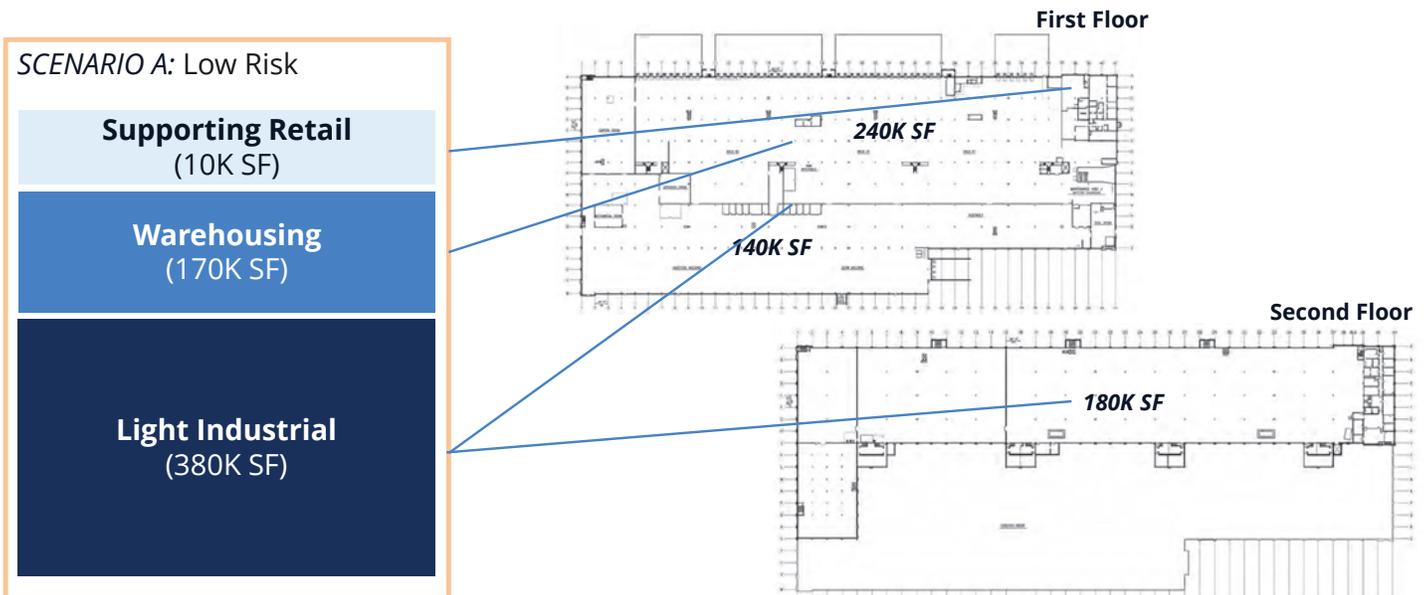
## Terminal A Building Blocks | Scenarios consider the range of revenues and costs

All scenarios include community space that is open to the public. This may be housed in the entrance adjacent to the park, and/or the pump house.



NOTE: Warehousing in Scenario B could potentially include self-storage.  
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## Terminal A Building Blocks | Very little activation for the community or connection to Outer Harbor's park and vision

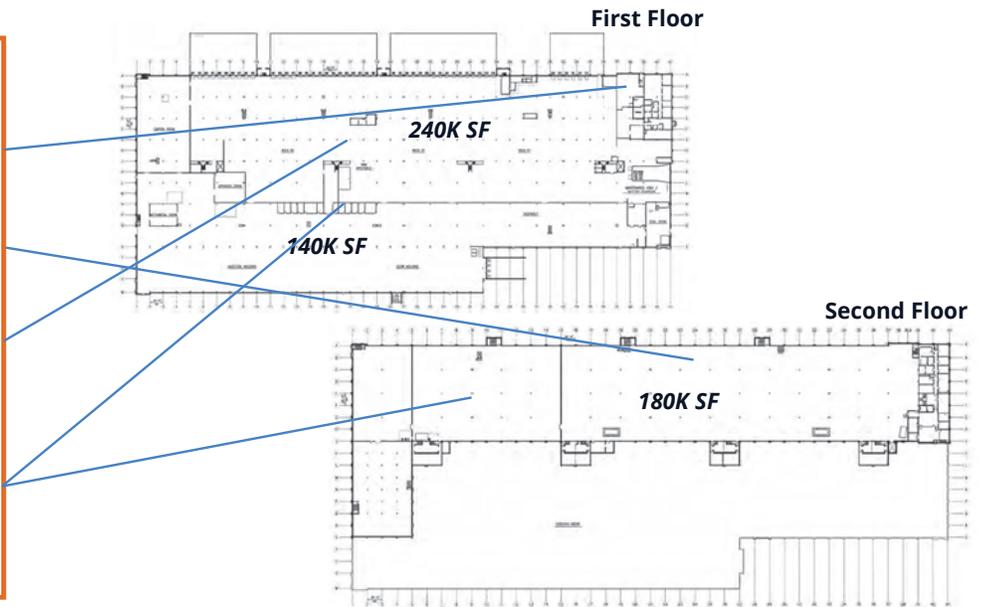


NOTE: Terminal A square footages based on Nov 7, 2019 Marine Terminal A advisory group kickoff presentation. Allocation of SF for each scenario is theoretical and for the sake of illustration only.  
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## Terminal A Building Blocks | Limited activation and connection to the Outer Harbor's park and vision

**SCENARIO B: Medium Risk**

- Supporting Retail**  
(10K SF)
- Multi-Family**  
(100K SF)
- Warehousing**  
(150K SF)
- Light Industrial**  
(300K SF)

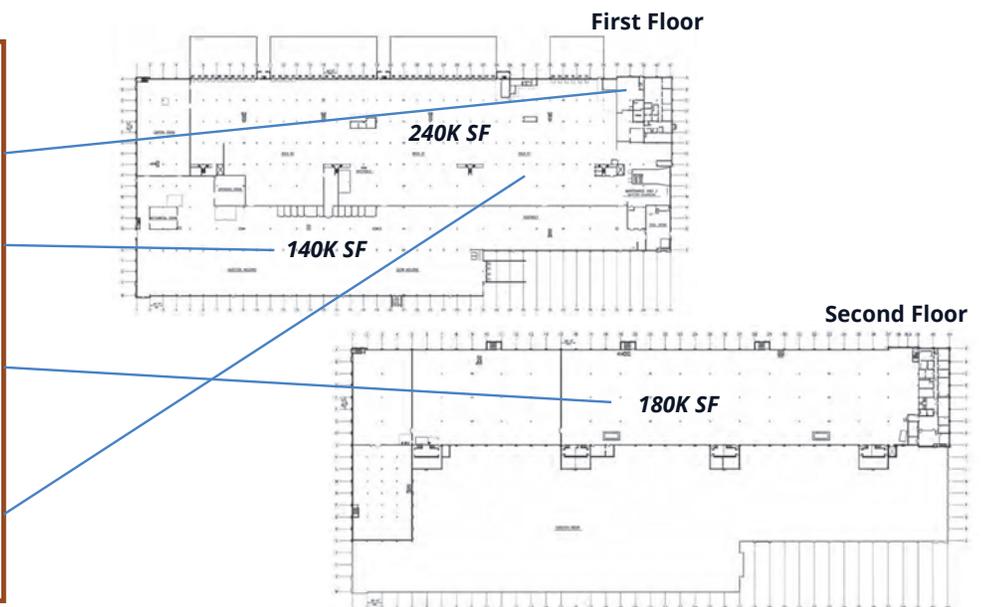


NOTE: Terminal A square footages based on Nov 7, 2019 Marine Terminal A advisory group kickoff presentation. Allocation of SF for each scenario is theoretical and for the sake of illustration only.  
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## Terminal A Building Blocks | Highest possible activation for both residents and visitors

**SCENARIO C: High Risk**

- Supporting Retail**  
(10K SF)
- Community & Cultural Space**  
(150K SF)
- Multi-Family**  
(175K SF)
- Light Industrial**  
(225K SF)



NOTE: Terminal A square footages based on Nov 7, 2019 Marine Terminal A advisory group kickoff presentation. Allocation of SF for each scenario is theoretical and for the sake of illustration only.  
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## Terminal A Building Blocks | Feasibility considerations and assumptions

- **Rent and cost assumptions** informed by market data and broker/developer outreach
- **COVID-related market demand** is a strong consideration, but some of these dynamics may not persist in the long term
- **Construction costs do not reflect any environmental remediation** or clean up that may be required
- **Surface parking is assumed across all scenarios** at a cost of \$5,000 per space

## Building Program | Scenario A: Low Risk

		Warehousing	Light Industrial	Supporting Retail
Program (GSF) <sup>1</sup>	<b>Recommended</b>	<b>170,000</b>	<b>380,000</b>	<b>10,000</b>
	<i>Low</i>	90,000	100,000	5,000
	<i>High</i>	340,000	575,000	18,000
Rent (per GSF) <sup>2</sup>	<b>Recommended</b>	<b>\$8.50 PSF</b>	<b>\$7 PSF</b>	<b>\$16 PSF</b>
	<i>Low</i>	\$2 PSF	\$3 PSF	\$14 PSF
	<i>High</i>	\$11.50 PSF	\$7 PSF	\$19 PSF
Cost (per GSF)	Hard Costs	\$48.00 PSF <sup>3</sup>	\$52.00 PSF <sup>3</sup>	\$80.00 PSF <sup>4</sup>
	Soft Costs	20%	20%	20%
	<i>Tenant Improvements</i>	-	-	6 months' rent

SOURCES: 1) Comp Research; 2) Developer and Stakeholder Interviews, Co Star, LoopNet; 3) Warehouse/industrial developer interviews and third-party research; 4) RS Means

NOTES: Retail rents are for triple-net leases, and warehouse rents are a blend of relatively low industrial warehouse and relatively high self-storage rents. Hard costs exclude parking; construction costs based on PSF estimates sourced from knowledgeable developers/builders; precise estimates will require a prof. estimator review of Terminal A conditions given the selected program.

## Building Program | Scenario B: Medium Risk

		Warehousing	Light Industrial	Supporting Retail	Multi-Family
Program (GSF) <sup>1</sup>	<b>Recommended</b>	<b>150,000</b>	<b>300,000</b>	<b>10,000</b>	<b>100,000</b>
	<i>Low</i>	90,000	100,000	5,000	70,000
	<i>High</i>	340,000	575,000	18,000	200,000
Rent (per GSF) <sup>2</sup>	<b>Recommended</b>	<b>\$8.50 PSF</b>	<b>\$7 PSF</b>	<b>\$16 PSF</b>	<b>\$1.50 PSF</b>
	<i>Low</i>	\$2 PSF	\$3 PSF	\$14 PSF	\$1.20 PSF
	<i>High</i>	\$11.50 PSF	\$7 PSF	\$19 PSF	\$2.00 PSF
Cost (per GSF)	Hard Costs	\$48.00 PSF <sup>3</sup>	\$52.00 PSF <sup>3</sup>	\$80.00 PSF <sup>4</sup>	\$185 PSF <sup>2</sup>
	Soft Costs	20%	20%	20%	20%
	<i>Tenant Improvements</i>	-	-	6 months' rent	-

SOURCES: 1) Comp Research; 2) Developer and Stakeholder Interviews, Co Star, LoopNet; 3) Warehouse/industrial developer interviews and third-party research; 4) RS Means

NOTES: Retail rents are for triple-net leases, and warehouse rents are a blend of relatively low industrial warehouse and relatively high self-storage rents. Hard costs exclude parking; construction costs based on PSF estimates sourced from knowledgeable developers/builders; precise estimates will require a prof. estimator review of Terminal A conditions given the selected program.

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## Building Program | Scenario C: High Risk

		Light Industrial	Community / Cultural Space	Supporting Retail	Multi-Family
Program (GSF) <sup>1</sup>	<b>Recommended</b>	<b>225,000</b>	<b>150,000</b>	<b>10,000</b>	<b>175,000</b>
	<i>Low</i>	100,000	100,000	5,000	70,000
	<i>High</i>	575,000	300,000	18,000	200,000
Rent (per GSF) <sup>2</sup>	<b>Recommended</b>	<b>\$7 PSF</b>	<b>\$1</b>	<b>\$16 PSF</b>	<b>\$1.50 PSF</b>
	<i>Low</i>	\$3 PSF		\$14 PSF	\$1.20 PSF
	<i>High</i>	\$7 PSF		\$19 PSF	\$2.00 PSF
Cost (per GSF)	Hard Costs	\$52.00 PSF <sup>3</sup>	\$80.00 PSF <sup>4</sup>	\$80.00 PSF <sup>4</sup>	\$185 PSF <sup>2</sup>
	Soft Costs	20%	20%	20%	20%
	<i>Tenant Improvements</i>	-	TBD	6 months' rent	-

SOURCES: 1) Comp Research; 2) Developer and Stakeholder Interviews, Co Star, LoopNet; 3) Warehouse/industrial developer interviews and third-party research; 4) RS Means

NOTES: Retail rents are for triple-net leases, and warehouse rents are a blend of relatively low industrial warehouse and relatively high self-storage rents. Hard costs exclude parking; construction costs based on PSF estimates sourced from knowledgeable developers/builders; precise estimates will require a prof. estimator review of Terminal A conditions given the selected program.

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# FINANCIAL FEASIBILITY AND PUBLIC BENEFITS

## Scenario Evaluation: Weighing Financial Feasibility and Public Benefits

FINANCIAL FEASIBILITY	ECONOMIC DEVELOPMENT	AMENITIES & ACTIVATION
<ul style="list-style-type: none"> <li>• Ideally, a scenario pencils out without subsidy.</li> <li>• High-value uses could cross-subsidize lower-value uses within a given program.</li> </ul>	<ul style="list-style-type: none"> <li>• Ideally, onsite uses maximize the creation of jobs and new, sustained economic activity on the waterfront.</li> <li>• Some industrial uses may unlock public subsidy.</li> </ul>	<ul style="list-style-type: none"> <li>• Uses like multi-family housing add desired housing supply to the area as local jobs are created.</li> <li>• Retail and community space uses further activate the site, turning the waterfront into a destination.</li> <li>• Affordable multi-family could receive additional project subsidy to offset the cost.</li> </ul>

## Program Element Feasibility | Scenario A: Low Risk

	<b>PROS</b>	<b>CONS</b>
<b>Supporting Retail</b>	<ul style="list-style-type: none"> <li>• Financially feasible on its own.</li> <li>• Provides services to workers, visitors.</li> <li>• Provides public space to community.</li> </ul>	<ul style="list-style-type: none"> <li>• Near-term economic challenges due to COVID-19.</li> </ul>
<b>Warehousing</b>	<ul style="list-style-type: none"> <li>• Financially feasible on its own, especially with a self-storage element.</li> </ul>	<ul style="list-style-type: none"> <li>• Less intense use creates fewer jobs and results in less economic activity onsite.</li> </ul>
<b>Light Industrial</b>	<ul style="list-style-type: none"> <li>• Generates jobs and spurs local economic development nearby.</li> </ul>	<ul style="list-style-type: none"> <li>• Borderline financially feasible. Likely requires cross subsidy from other uses.</li> </ul>

## Program Element Feasibility | Scenario B: Medium Risk

	<b>PROS</b>	<b>CONS</b>
<b>Supporting Retail</b>	<ul style="list-style-type: none"> <li>• Financially feasible on its own.</li> <li>• Provides services to workers, building residents, and the broader community.</li> <li>• Provides public space to community.</li> </ul>	<ul style="list-style-type: none"> <li>• Near-term economic challenges due to COVID-19.</li> </ul>
<b>Multifamily</b>	<ul style="list-style-type: none"> <li>• Adds to limited housing supply as job opportunities increase in the local area.</li> <li>• Adds users to outer harbor nature areas.</li> <li>• Further supports retail onsite.</li> </ul>	<ul style="list-style-type: none"> <li>• High conversion costs require subsidy.</li> <li>• Would require public financing to fill financial gap.</li> </ul>
<b>Warehousing</b>	<ul style="list-style-type: none"> <li>• Financially feasible on its own, especially with a self-storage element.</li> <li>• Provides onsite employment opportunities for building residents.</li> </ul>	<ul style="list-style-type: none"> <li>• Less intense use creates fewer jobs and results in less economic activity onsite.</li> </ul>
<b>Light Industrial</b>	<ul style="list-style-type: none"> <li>• Generates jobs and spurs local economic development nearby.</li> <li>• Provides onsite employment opportunities for building residents.</li> </ul>	<ul style="list-style-type: none"> <li>• Borderline financially feasible. Likely requires cross subsidy from other uses.</li> </ul>

## Program Element Feasibility | Scenario C: High Risk

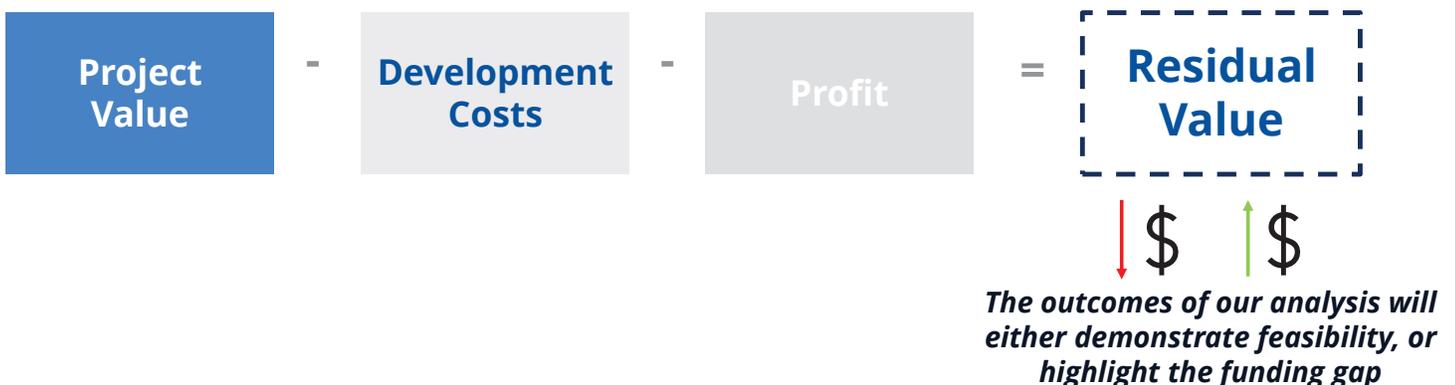
	PROS	CONS
Supporting Retail	<ul style="list-style-type: none"> <li>Financially feasible on its own.</li> <li>Provides services to workers, building residents, and the broader community.</li> <li>Provides public space to community.</li> </ul>	<ul style="list-style-type: none"> <li>Near-term economic challenges due to COVID-19.</li> </ul>
Community & Cultural Space	<ul style="list-style-type: none"> <li>Greatest potential to activate the waterfront as a destination.</li> <li>Creates another waterfront public access point for the community.</li> </ul>	<ul style="list-style-type: none"> <li>Most community and cultural institutions require substantial subsidy or philanthropic support.</li> </ul>
Multifamily	<ul style="list-style-type: none"> <li>Adds to limited housing supply as job opportunities increase in the local area.</li> <li>Adds users to outer harbor nature areas.</li> <li>Further supports retail onsite.</li> </ul>	<ul style="list-style-type: none"> <li>High conversion costs require subsidy.</li> <li>Would require public financing to fill financial gap.</li> </ul>
Light Industrial	<ul style="list-style-type: none"> <li>Generates jobs and spurs local economic development nearby.</li> <li>Provides onsite employment opportunities for building residents.</li> </ul>	<ul style="list-style-type: none"> <li>Borderline financially feasible. Likely requires cross subsidy from other uses.</li> </ul>

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## Overall Financial Feasibility | Methodology

**Residual land valuation** is the process of valuing land with development potential.

The **residual land value** is the **total value of the developed real estate minus the costs of development** (including required developer profit). In other words, it is the residual sum available for buying the land—the most a developer can spend on the land while still meeting their minimum required return.



## Overall Financial Feasibility | Limitations

**Residual land valuation** calculations exclude the following development costs:

### Basic Core and Shell Work

Development costs exclude basic core and shell work needed on the existing building, including rooftop and wall weatherization, façade repair, installation of basic mechanical equipment and elevators, and environmental remediation.

### Parking

Development costs exclude the creation of onsite surface parking

## Overall Financial Feasibility | Three scenarios consider a range of revenues and costs

*\*Development costs below exclude parking as well as basic core and shell work needed on the existing building, including rooftop and wall weatherization, façade repair, installation of basic mechanical equipment and elevators, and environmental remediation.*

### SCENARIO A: Low Risk

- Development Costs: **(\$41.9M)**
- Estimated Annual Revenue: **\$3.0M**
- Residual Land Value: **\$2.8M**

### SCENARIO B: Medium Risk

- Development Costs: **(\$60.5M)**
- Estimated Annual Revenue: **\$3.5M**
- Residual Land Value: **(\$5.8M)**

### SCENARIO C: High Risk

- Development Costs: **(\$78.6M)**
- Estimated Annual Revenue: **\$2.7M**
- Residual Land Value: **(\$25.1M)**

NOTE: Development costs include 12% assumed developer profit margin; exclude parking costs. Development costs are based on PSF estimates sourced from knowledgeable brokers, developers, and builders; however, a precise estimate will require a professional estimator to specifically review the current conditions of Terminal A vis-à-vis the final selected programming scenario.

## Feasibility | Detailed Valuation Summary by Scenario

\*Development costs below exclude parking as well as basic core and shell work needed on the existing building, including rooftop and wall weatherization, installation of basic mechanical equipment and elevators, and environmental remediation.

	Scenario A Low Risk	Scenario B Medium Risk	Scenario C High Risk
Program Size (GSF)	560,000 GSF	560,000 GSF	560,000 GSF
Total Construction Costs	\$34,532,000	\$50,588,000	\$68,318,000
Total Development Cost	\$36,508,000	\$53,919,000	\$72,837,000
Developer Profit	\$5,359,000	\$6,567,000	\$5,720,000
Total Net Operating Income (NOI)	\$2,971,000	\$3,514,000	\$2,704,000
Project Value Net Cost of Sale	\$44,658,000	\$54,723,000	\$47,669,000
<b>Feasibility Gap:</b>			
<b>Residual Land Value (RLV)</b>	<b>\$2,792,000</b>	<b>(\$5,762,000)</b>	<b>(\$25,128,000)</b>
<i>Pessimistic RLV</i>	<i>\$649,000</i>	<i>(\$8,503,000)</i>	<i>(\$27,927,000)</i>
<i>Optimistic RLV</i>	<i>\$4,934,000</i>	<i>(\$3,023,000)</i>	<i>(\$22,329,000)</i>
<i>delta</i>	<i>\$4,300,000</i>	<i>\$5,500,000</i>	<i>\$5,600,000</i>
<i>Dev Cost Including Dev Profit</i>	<i>\$41,867,000</i>	<i>\$60,486,000</i>	<i>\$78,557,000</i>

NOTE: Development costs include 12% assumed developer profit margin; exclude parking costs. Optimistic/pessimistic values reflect a 2.5% adjustments to revenue and construction cost assumptions.

## Funding Gap | Public programs can help offset a portion of the expected development gap; most programs prioritize serving low-income residents.

 Program	Description
<b>ECIDA Tax Incentives (Erie County)</b>	Incentive programs reduce taxes for capital projects to support the industrial economy. Tax incentives range from 7-10 years. Programs reduce expansion costs up to 15% for projects greater than \$500,000.
<b>BUDC Buffalo Building Reuse Loan Fund (BBRLF)</b>	Low interest gap financing for adaptive reuse and new construction projects in downtown Buffalo. Eligible projects may receive a max of \$750,000 in financing for up to 54 months.
<b>Better Buffalo Fund</b>	Offers up to \$30 million for projects that encourage Buffalo's economic development along transportation corridors and revitalize downtown commercial districts.
<b>Buffalo Main Streets Initiative (BMSI)</b>	Provides grants from \$50,000 to \$1 million to revitalize historic mixed-use neighborhood commercial districts. Funds can be used for building renovations and public space with community input.
<b>Invest Buffalo Niagara</b>	A centralized place for businesses to learn about a range of state and local tax incentives, grants and loans targeted at bringing in new businesses to the region.

**Funding Gap** | Public programs can help offset a portion of the projected development gap; most programs prioritize serving low-income residents.



**Program**

**Description**

**Low Income Housing Tax Credit (LIHTC)**

4% or 9% tax credit on total costs of affordable units that meet affordability requirements.

**New Market Tax Credits (NMTC)**

Federal income tax credits allocated in exchange for private investments in distressed communities.

**Historic Tax Credits**

State tax credits to supplement the cost of rehabilitation for historic buildings. This has been a common tool in Buffalo to deliver housing such as in the Larkin District, Humboldt Park Neighborhood, and Broadway Filmore.

