

FOR CONSIDERATION

February 21, 2013

TO: The Directors

FROM: Kenneth Adams

SUBJECT: City of Buffalo (Erie County) - Proposed Acquisition of the former Episcopal Church Home

REQUEST FOR: Authorization to Acquire Real Property, Determination of No Significant Effect on the Environment and Authorization to Take Related Actions.

I. Background

The Episcopal Church Home ("ECH") is located on Busti Avenue in the City of Buffalo and contains five separate parcels totaling approximately 3.72 acres (the "Property"). A map of the Property is provided as Attachment A. The Property is owned by three related entities: 1) the Episcopal Community Housing, Inc.; 2) the Episcopal Residential Health Care Facility, Inc. and 3) The Episcopal Church Home of Western New York (collectively the "Owner") and contains multiple buildings in excess of 187,000 square feet. The complex previously housed an adult day care facility that closed in 2007 and a skilled nursing facility that ceased operation in 2005. Two of the buildings located on the Property are listed as local landmarks: the Hutchinson Chapel and Thornton Hall. Although none of the buildings are listed on the National Register, both have been determined eligible for listing on the National Register.

The ECH Property has been vacant for many years and has been heavily looted, and there is evidence of neglect and a lack of maintenance, resulting in graffiti, vandalism and failure to keep buildings properly secured. Overall, the buildings are in poor condition and the Property has become an eyesore to the community. A Phase I environmental assessment conducted of the main building of the Property indicates the presence of asbestos, radon potential, lead-based paint, mold and moisture damage and the presence of a 10,000 gallon underground storage tank ("UST") that has been closed in place. Without an appropriate caretaker for the Property, it will continue to deteriorate.

The Property is located one block away from the Peace Bridge operated by the Buffalo and Erie County Peace Bridge Authority (the "Authority"). As an international crossing connecting Buffalo and Fort Ontario, Canada, the Property sits at a gateway to the United States. Due to its vicinity to the Peace Bridge and its proximity to Canada, the Property is an important asset for future economic development projects and may be needed for any future expansion of the Peace Bridge plaza. While there are no current plans for the use of the Property for such an expansion, acquisition by ESD will ensure that the Property is properly secured, maintained and readily available for any future Peace Bridge plaza expansion or other economic development plans.

II. Proposed Transaction

Upon approval by the Directors, the Corporation will enter into a contract of sale with the Owner for acquisition of the Property for the purchase price not to exceed \$4,731,500. As part of the contract of sale, ESD would be permitted a due diligence period to access and inspect the Property. In the event ESD finds the condition of the Property unacceptable, ESD would have the right to cancel the transaction. Funding for the acquisition costs and immediate maintenance/stabilization will be provided by the New York Works Fund ("Fund"). The \$75 million dollar Fund is contained in the 2012-2013 State Budget and was included by the Governor to assist ESD and other State entities in advancing economic development and infrastructure related projects.

The Property is currently assessed at \$3.4 million and appraisals of the Property have been completed which set the value at \$1.862 and \$1.65 million. However, current liens against the Property exceed \$14 million and include approximately \$600,000 in back taxes owed to the City and County; a HUD mortgage in the amount of \$7,228,000 that was acquired by the Authority; a creditor's mortgage in the amount of \$2,760,000; a confession of judgment in the amount of \$3,119,000 in favor of the Episcopal Church Home Foundation; and various State Department of Health ("DOH") liens totaling approximately \$711,000.

In order to acquire the Property and ensure the various non-public creditors are satisfied, the negotiated sale price is significantly higher than the appraised value. However, the sale price was negotiated to permit ESD to acquire the Property free of all liens and encumbrances except the Authority's HUD lien. As such, many of the creditors will be paid substantially less than what they are owed. It is expected the Authority's HUD lien will be satisfied in the event the

Authority seeks to acquire the Property. These complex liens on the Property make it unmarketable and subject to potential foreclosure. Absent ESD's involvement, the Property will fall into further disrepair and the economic development potential of this strategic location could be compromised.

III. Environmental Review

ESD, as lead agency, has completed an environmental review of the proposed property acquisition pursuant to the requirements of the State Environmental Quality Review Act and the implementing regulations of the New York State Department of Environmental Conservation. This review found that the proposed acquisition would not result in significant adverse impacts on the environment. Therefore, ESD staff recommends that the Directors make a Determination of No Significant Effect on the Environment.

IV. Requested Action

The Directors are requested to (1) authorize the acquisition of the former Episcopal Church Home property; (2) make a determination of no significant effect on the environment; and (3) authorize the Corporation to take all related actions.

V. Recommendation

Based on the foregoing, I recommend approval of the attached resolution.

Attachments

Attachment A – Property Map
Resolution

February 21, 2013

City of Buffalo (Erie County)- Authorization to Acquire Real Property, Determination of No Significant Effect on the Environment and Authorization to Take Related Actions.

RESOLVED, that based on the materials presented to this meeting and ordered filed with the records of the New York State Urban Development Corporation d/b/a Empire State Development (the "Corporation") relating to the Episcopal Church Home in the City of Buffalo, the Corporation be and hereby is authorized to: (i) acquire real property consisting of the Episcopal Church Home as described in the Board materials; and (ii) take all related actions, and be it further

RESOLVED, that on the basis of the materials submitted to the Directors, the Corporation hereby determines that the proposed action will not have a significant adverse effect on the environment, and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designees be, and each of them hereby is, authorized to take such action and execute such documents as may be necessary or appropriate to carry out the foregoing resolutions.

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