

East Side Building Capital Fund

Program Guidelines

June 2021

Available to graduates of the
Community-Based Real Estate
Development Training Program



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I. Background and Context

As part of the 2017-2018 State budget, Governor Andrew M. Cuomo and the State Legislature approved a second phase of the Buffalo Billion initiative, or BB2, allocating an additional \$500 million for economic development in Western New York. A major component of BB2 focuses on ensuring that all Western New Yorkers have an improved quality of life, and includes programs targeted at revitalization in the City's most underserved neighborhoods. As part of this strategy, \$50 million in state funding is dedicated to the revitalization of Buffalo's East Side through the East Side Corridor Economic Development Fund (ESCEDF), which is making transformational capital investments in nine investment areas along four north-south commercial corridors – Michigan, Jefferson, Fillmore, and Bailey Avenues.

As part of the ESCEDF, ESD is establishing this \$5 million East Side Building Capital Fund (the "Fund"), which will provide capital grants to building owners who successfully complete the Community-Based Real Estate Development Training Program (see Section II). Grant funding will be used for projects on the East Side of Buffalo, including infill development or the renovation and reuse of buildings. Access to funding will allow Training Program participants to aid in the creation of a vibrant, mixed-use, high-density East Side neighborhood by putting the knowledge they learned in the program to use in their projects, making a direct impact on their community.

II. Introduction to the Fund

The Community-Based Real Estate Development Training Program ("Training Program") was developed to empower East Side building owners and community members with the know-how to plan for and implement a redevelopment or infill project, fostering entrepreneurial spirit and creativity. This ensures that land and buildings are redeveloped for productive use, driven by the community, and don't fall further into the hands of absentee landlords and land speculators or sit unused. It also helps realize the great potential for development on Buffalo's East Side and the great entrepreneurial spirit on the East Side—from small business owners, to artists, urban farmers, preservationists, budding housing and commercial developers, and not-for-profit leaders. Some of these entrepreneurs have deep roots in the community. Others are young people new to Buffalo, or new immigrants building a life on the East Side. All of them see real estate and community development opportunities on the East Side and are passionate about how their buildings could house new business enterprises.

ESD is soliciting applications from property owners who have successfully completed the Training Program for consideration under the Fund. Under this program, grant funding will leverage state, local and private sector resources for capital investments that help revitalize commercial buildings and conduct infill development on commercial corridors on the East Side. These new projects will help to create new opportunities for housing and employment on the East Side, giving residents of these neighborhoods greater access to amenities, services, and jobs hubs. Projects will improve physical infrastructure, remove vacant lots and add new density to the urban fabric, and foster mixed-use development that benefits residents of East Side neighborhoods.

III. Program Eligibility

A. Eligible Applicants

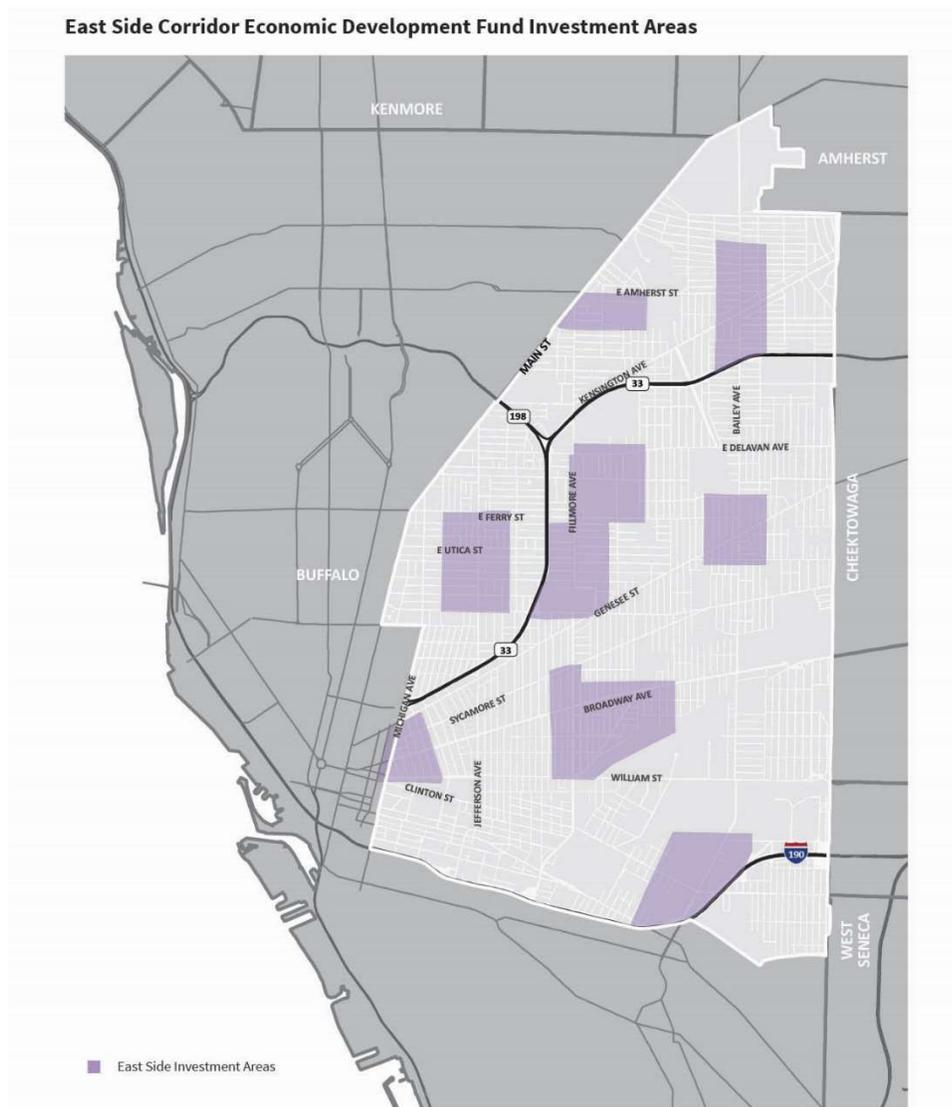
To be eligible, applicants must have successfully completed the Community-Based Real Estate Development Training Program offered through East Side Avenues.

Applicants must demonstrate the development and financial management expertise to successfully develop, design, construct, manage and implement the project.

Applicants must also demonstrate ownership or site control of all real estate considered part of the proposed project. Although final acquisition costs may be considered as part of the proposal, applicant must show a clear intent and agreement to purchase such as a Purchase Option Agreement or comparable legal instrument.

B. Eligible Project Locations

To be eligible for funding, buildings must be located on the City of Buffalo's East Side¹. Projects do not have to be located within one of the nine target investment areas of the ESCEDF, however project sites located within or adjacent to these areas may receive a higher scoring during review of the application.



¹ Defined as 17 square miles, bounded by the University at Buffalo (UB) to the north; Main Street and Michigan Avenue (excluding the Buffalo Niagara Medical Campus and Central Business District) to the west; I-190 and the Buffalo River to the south; and the City line to the east.

C. Program Activities

The nature of the program is to catalyze the East Side’s assets and ensure that revitalization is driven by the members of the East Side community. As such, it is intended to be flexible and responsive to innovation and ingenuity, rather than following a proscriptive approach. Funding will support (1) a standalone, single site, “shovel ready” renovation project or (2) an infill development project on a vacant lot.

Applicants may request **capital assistance only**. Mixed-use projects are encouraged and there is a preference for projects that include market rate or mixed income rehabilitated, converted, or infill housing (excluding single-family). Eligible activities may include targeted rehab and repair that leads to reuse of a currently vacant or underutilized property; revitalization/repurposing of brownfields and vacant property; and commercial and mixed-use development. Projects in existing buildings will likely involve substantial interior and/or exterior building renovations.

The Fund is not limited to these project types and encourages applicants to provide new and creative proposals that fit within the goals of the Fund, tailored to neighborhood needs and opportunities.

D. Use of Funds

1. Allowable Expenses

Funding can be used for the following:

- New construction;
- Renovation;
- Acquisition of furniture and fixtures; and
- Soft costs² of up to fifteen (15%) of total project costs.

Funding can be used for a relatively broad range of acquisition expenses, hard costs and soft costs. However, funds may only be used for expenses incurred **after** an ESD incentive offer letter has been countersigned by applicant (expense documentation will be required).

Assets being acquired must be reflected in the budget at a level at or below fair market value. If an applicant proposes acquiring an asset from an affiliate or related entity, the value of that asset must be verified independently

2. Use Restrictions

Improvements using this funding cannot be used for:

- residential-only properties (i.e. buildings without a mixed-use component);
- structures owned by religious organizations and used for any religious purpose;
- structures owned by private membership-based organizations or used solely for private membership-based events;

² Professional service costs, or “soft costs,” that can be attributed directly to the delivery of the construction/renovation activities may be eligible expenses. These expenses must be reasonable and necessary for the completion of the building project. Soft costs must be included in the proposed project budget at the time of application. In-kind time is not eligible for reimbursement with program funds as soft costs. Invoices and proof of payment will be required to request reimbursement for soft costs.

- structures owned or operated by a municipality; or
- activities conducted prior to the awarding of funding.

Costs incurred for work on buildings that eventually prove infeasible and do not receive other investments will not be reimbursed with program grant funds. Therefore, reimbursements of soft costs may not be requested as part of a partial payment prior to completion.

Acquisition, environmental remediation costs, and standard developer fees may be included in budgets presented for ESD consideration, but ESD funds cannot be used to pay them.

In addition, the following should not be included in budgets and presented for ESD consideration:

- Operating expenses, including rent payments;
- Working capital; and
- Recapitalization/refinancing.

E. Project Funding

Funding assistance generally will follow these parameters:

Minimum assistance level: \$100,000

Maximum assistance level: \$500,000

Because awards are offered as an incentive to undertake a project, the project should not begin – and expenses should not be incurred – before funding awards have been announced. Expenses incurred prior to submission of an application should not be included in application project budgets (except in the instance that a building or land has been purchased in connection with the project or environmental remediation has taken place onsite), nor should expenses that will be incurred after submission of an application but prior to an award announcement. ESD generally seeks to provide **no more than twenty percent (20%)** of the financing for any particular project.

The applicant must always disclose whether it is pursuing or intends to pursue multiple ESD funding sources, including grants, loans and tax incentives.

F. Match/Leverage Funds

ESD requires that the applicant contribute **a minimum of ten percent (10%)** of the total project cost in the form of equity contributed after the applicant's acceptance of ESD's incentive proposal. Equity is defined as cash injected into the project by the applicant or by investors and should be auditable through the applicant's financial statements or accounts, if so, requested by ESD. Equity cannot be borrowed money secured by the assets in the project or grants from a government source. Equity may include tax credit income used for project related costs secured by the applicant and/or a building or land that has already been purchased in connection with the project.

The required match may come from the building owner and/or other public funds. Building owners may take out a loan for construction financing and the match. The equity of a property that is free and clear of a mortgage obligation can be considered as a cash match, only if funds are borrowed against the equity from a financial institution and used in the renovation.

Any funds expended before the execution of the grant agreement will not be eligible as match. Acquisition is not an eligible use of program funds and not an eligible source of match.

IV. Review Criteria

Proposals will be evaluated on the extent to which they fulfill the goals of the East Side Corridor Economic Development Fund and the WNYREDC Strategic Plan. Upon review and project selection Empire State Development will negotiate and approve the terms and conditions of project support and authorize entering into an Incentive Proposal, which will provide the terms and conditions for the receipt of any award.

Project applications will be screened for the following:

- **Readiness:** Demonstrates sufficient planning, approvals, and capacity to implement within the stated timeline and is based on demonstrated market demand and viability.
- **Completeness of the application proposal:** All required documents have been submitted and the project is presented in a clear and concise manner.
- **Experience and qualifications:** Demonstrate that applicant and any affiliated partners and team members must have the capacity to complete the project.
- **Project budget and demonstration of need:** Project budget is complete, and all sources and uses of funds are clearly defined and documented. Project budget demonstrates a need for this funding that cannot be obtained through equity or conventional financing. Evidence or commitments for the balance of project financing are included.

Projects meeting the screening criteria will then be assessed for their impact according to the following:

Grounded in current planning and smart growth principles: Projects should be consistent with the goals of existing planning efforts (including the City of Buffalo Comprehensive Plan and Green Code, the Buffalo Billion Investment Development Plan and East Side Corridor Economic Development Fund. There should be demonstrated local support for the proposed project and demonstrated linkages between the proposed project and local planning and development effort.

Contribute to the Neighborhood Context: Projects should contribute to a mix of uses, incomes and activities; be accessible and integrated into the surrounding neighborhood; unite disparate or disconnected communities; and be appropriately planned to align with the surrounding neighborhood including architectural and design standards consistent with the historic and current neighborhood fabric.

Adds Vibrancy of the Community: Projects should demonstrate tangible, significant progress where the community celebrate the success of the investment that provides new active uses for retail and neighborhood-oriented businesses and services, promotes use of sidewalks to spur pedestrian activity, and creates public spaces that provide opportunities for activity.

Enhance accessibility and safety: Project promotes walkability and bicycle amenities, lighting for safety, and incorporating parking in a smart growth, neighborhood context that does not dominate land use.

V. Application Submission and Review Process

Applications will be accepted on a rolling basis, as individuals complete the Community-Based Real Estate Development Training program and complete subsequent conversations with banks and other financing institutions.

Applications must be submitted via email to (ESBCF@esd.ny.gov).

All questions can be directed to (ESBCF@esd.ny.gov). A record of Frequently Asked Questions (FAQs) will be kept on the program website (<https://buffalobillion.ny.gov/communitybased-real-estate-development-training-program>)

Empire State Development reserves the right to issue an addendum to these Guidelines, if required.

VI. Grant Administration

A. Incentive Proposal

Notice of a funding award will be given in the form of an Incentive Proposal outlining the terms of the proposed assistance. The award is subject to approval of the ESD Directors and compliance with applicable laws and regulations. Project funding may only be used for expenses incurred after the date that notice of funding award is given. Applicants must review and countersign ESD's Incentive Proposal prior to starting the project.

Although funding is offered prior to project commencement as an inducement to undertake the project, ESD grants are disbursed in arrears upon project completion as reimbursement for eligible project expenditures, unless otherwise approved by ESD. Terms for disbursement will be discussed with each grantee individually and included in the ESD Incentive Proposal.

All projects will also be reviewed with the ESD's Office of Contractor and Supplier Diversity, which will set business and participation goals for minorities and women. ESD's agency-wide MWBE utilization goal is 30%, and each project will be assigned an individual contract-specific goal which may be higher or lower than 30%. Such goals will be included in the Incentive Proposal.

A **\$250 Application Fee**, payable when funding is documented in an Incentive Proposal, and a one percent **(1%) non-reimbursable commitment fee** based on the grant amount awarded will be assessed to all awardees. The commitment fee will be due when the applicant executes documents required for processing the grant, after approval by the ESD Directors. The applicant will also be obligated to pay for out-of-pocket expenses incurred in connection with the project, including, but not limited to, expenses related to attorney fees, appraisals, surveys, environmental surveys, title insurance, credit searches, filing fees, public hearing expenses and other requirements deemed appropriate by ESD.

All required project approvals must be in place prior to the start of construction and approval of the project by ESD Directors, including State Environmental Quality Review (SEQRA) and consultation with the State Historic Preservation Office (SHPO), if applicable.

B. Next Steps

Upon execution of the Incentive Proposal, projects can commence. Projects are generally presented to the ESD Directors once disbursement of ESD assistance is sought. As outlined above, this typically occurs once all project expenditures have been undertaken, though ESD may consider alternate arrangements under this grant program.

After approval by ESD Directors, a public hearing is required for any project that involves the acquisition, construction, reconstruction, rehabilitation, alteration, or improvement of any property. ESD will schedule a public hearing in accordance with the New York State Urban Development Corporation Act (“UDC Act”) and will take such further action as may be required by the UDC Act and other applicable law and regulations.

Following these reviews, Grantees will receive a Grant Disbursement Agreement (“GDA”) from ESD that will clearly identify the obligations of both ESD and the Grantee. Awardees will be required to prepare and return a countersigned version of the GDA, as well as submit other paperwork requested in the document. An ESD project manager will review the process and paperwork with Grantees prior to their returning a signed version.