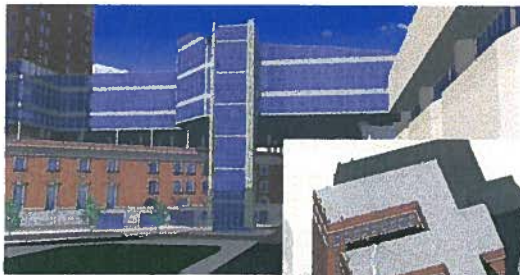


A Case for the Rescue Rehabilitation and Adaptive Reuse of The Statler Towers, Buffalo New York

EXECUTIVE SUMMARY



Statler City, LLC



The Knoer Group, PLLC



Executive Summary

The Statler Towers complex is vacant and in danger of being abandoned into legal limbo. The abandoned building is barricaded behind a perimeter fence to protect the public from falling terra cotta. The current owner, a limited liability company, has no other assets and is in bankruptcy. The bankruptcy trustee is prepared to abandon the property. As such it will drift into further deterioration with no owner and no realistic chance of rehabilitation into productive reuse.

The solution proposed by Statler City, LLC is to:

1. Use public funds to secure the exterior, repair the roofs and right size the utilities. This will allow for the removal of the fence and boarded up façade. The work will prevent further deterioration. This expenditure now will save money that would have to otherwise be spent in a more expensive later restoration or demolition.
2. Revitalize the lower floors and mezzanine level into mixed use space as banquet, restaurant and small retail operations. That would allow for a revolving infusion of cash from that can be used to pay the operating expenses of the building pending more extensive future development.

3. Allow for the remaining tower space to grow organically as the local market demands into hotel, residential rental, condo or other needed development sectors.
4. As part of that longer term revitalization, a connection, physical or operational to the existing Buffalo Niagara Convention Center is being proposed. This allows the community to get a benefit for the investment. The ability to finally realize a larger Convention Center operation will lead to more convention dollars, bed and sales tax revenues and an infusion of out of the region dollars into the local economy.

Demolition and asbestos abatement costs have been estimated as high as \$15-17 million dollars. The cost of the rescue rehabilitation is \$5.3 Million (Attachment 4). The best and most economically efficient use of government funds would be in support to saving the building, not demolition. This approach would generate over 65 immediate construction jobs.

POTENTIAL CONSTRUCTION JOB CREATION

Trade	Employment
Roofers	6
Plumbers	4
Asbestos Abatement/Demolition	6
Painters	4
Carpenters	4
Masonry/Terra Cotta Repair	14
HVAC Repair	8
General Laborers	10
Electricians	4
Glazers/Window Repair	3
Plasterers	4

ESTIMATED TOTAL 67

In addition the potential exists to create 85 permanent jobs in the tenant spaces to be occupied on the lower level and mezzanine floors:

Potential Tenants and Job Creation

Floor	Tenant	Suite Numbers**	Potential Net Rent		Jobs (FTE)
			Monthly	Yearly	
B, 1	Statler Food Service, LLC	62, 63, 68, 71, 73*	\$22,000	\$264,000	18
1	Buffalo Pub Concepts, Inc.	53	\$5,000	\$60,000	12
S	Regional Bank	9, 21	\$4,000	\$48,000	6
S	Dry Cleaners	23	\$1,600	\$19,200	3
1	Bakery/Coffee Shop	89, 94, 95	\$6,875	\$82,500	8
1, M	Assorted Small Retail	6,000 sq. ft.	\$5,000	\$60,000	13
R	Rooftop (Cell Tower)	Roof	\$3,000	\$36,000	1
M	Salon/Spa/Health Club	100	\$8,333.33	\$100,000	14
M	Dental Office	148	\$4,628	\$55,536	6
All	Statler City, LLC	all	na	na	4
TOTAL			\$60,436.33	\$725,236	85

notes:

* Includes Rendezvous Room, Terrace Room, and Golden Ballroom

** As shown on attached floor plan

B-Basement, S-Street Level, 1-First Floor, M-Mezzanine, R-Roof

FTE-Full Time Equivalent

Once saved the continuing operation costs of the building will be approximately \$675,000.

Continuing Operating Expenses

Category	Annual Cost
Property Taxes	\$48,000
Insurance	\$38,000
Utilities (gas, electric, and water)	\$132,000
Property Maintenance	\$150,000
Security	\$65,000
Debt Service	\$240,000
TOTAL	\$673,000

The estimated \$725,000 generated from the immediate rehabilitation could allow for a self sustaining building capable of expanded future development. This initial transformation can be accomplished in months, not years. If the assistance is forthcoming now the building could be available for the national spotlight when the National Trust for Historic Preservation arrives in Buffalo in October 2011.

The rescue rehabilitation would preserve the towers as a significant “drywall ready” development site. Unfortunately the Buffalo development market can not absorb 800,000 square feet of any category of development at this time. No part of the current plan contemplates office redevelopment. The idea of bringing the entire building back on line is not only unrealistic but would actually be counter productive to the long term and broader development interests in Buffalo. It would be counterproductive to use government money to subsidize the development of office space to compete with already

struggling private market office space. Enough new business however can be generated from non-competing development to pay ongoing operating expenses until additional development can occur to meet future market demands.

Conclusion

In order for this rescue rehabilitation and adaptive reuse to come to fruition, it is necessary to secure \$5.3 Million dollars in funding from the public sector that will address the immediate infrastructure needs including terra cotta repair and roofing as well as right sizing the utilities.

Additional government assistance would be required in relief of penalties and interest on the back real property taxes. Certain constitutional limitations prevent the City and County from relieving the property of the priority tax lien. However, the entities can forgive interest and penalties pursuant to statutory mandate (N.Y. Real Property Tax Law § 1182.

Upon the infusion of that public investment, Statler City, LLC is prepared to invest \$2-\$3 Million private dollars for immediate internal improvements to the interior space such that tenants can come on line quickly and create an ongoing infusion of cash to pay for the building expenses.

The towers will be redeveloped over time as market demands dictate.
