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City & Region



A rendering of the Buffalo Sabres' proposal for the Webster Block. (Courtesy: Populous)

HarborCenter gets city, state approvals and nearly \$37 million in tax breaks

BY: [Jill Terreri \(mailto:jtterreri@buffnews.com\)](mailto:jtterreri@buffnews.com) , [Jonathan Epstein \(mailto:jepstein@buffnews.com\)](mailto:jepstein@buffnews.com)

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For a 30-year-old waterfront parking lot, things are moving fast.

One year after Mayor Byron W. Brown made development of the city-owned Webster Block the centerpiece of his State of the City address, the Buffalo Sabres have secured every approval they need and are poised to spend \$172.2 million to create a magnet for hockey lovers, complete with indoor ice rinks, a hotel and parking ramp.

Brown chose the Sabres' HarborCenter Development in August, following a request for proposals for the site, and construction will start in early March. It's an unusually quick turnaround in the world of economic development in Western New York.

"It says we can get these big projects done in Buffalo," Brown said. "This project is completely hitting all of the timelines we laid out perfectly."

In separate meetings Tuesday, HarborCenter won nearly \$37 million in tax breaks from the Erie County Industrial Development Agency, got approval from the Common Council to purchase the parcel from the city for \$2.2 million and received a favorable vote on its design from the Erie Canal Harbor Development Corp.

A ceremonial groundbreaking will be held when the weather warms up, but Sabres officials said they expect to begin construction on March 1 and have the rinks and parking structure open by September 2014.

Developers are spending \$8.7 million to clean up the site and anticipate receiving \$20 million in state brownfield tax credits. Over the years the property has been used for oil storage, oil refining, a machine shop and a brass foundry.

The site has been a parking lot since the 1980s, following industrial and commercial uses that date back to the 1820s, according to the state Department of Environmental Conservation.

In the last 15 years, grand plans for the parcel, bounded by Main, Perry, Washington and Scott streets, have not come to fruition. In 1999, the Rigas family, then-owners of the Sabres and Adelphia Communications, announced plans to build an office tower, retail and entertainment space there. Those plans were shelved in 2002 when company executives faced charges of corporate looting.

The Sabres' proposal is designed to create a new tourism draw for downtown Buffalo to complement the canals, ships, parks and other features already in place or under way on the waterfront.

HarborCenter, financed by the Sabres and team owner Terry Pegula, will include the National Hockey League's only three-rink complex and a bridge over Perry Street that will connect to First Niagara Center.

Brown and Sabres officials said they have fielded calls from Toronto and Fort Erie, Ont., among other cities, seeking information on the project. They said they believe the project will make Buffalo a regional hockey destination.

Plans call for two NHL-quality skating rinks; a full-service hotel with 200 rooms, possibly affiliated with the Marriott brand; a five-level parking garage with 845 spaces; and 20,000 square feet of retail and restaurant space, as well as a center for excellence to train hockey players and coaches.

"Part of the design, part of the reason we have a full-service hotel and a sports bar, is because we expect every other weekend from October to April to have tournaments, and we hope those are going to be all new people," said Cliff Benson, Sabres' chief development officer. "We're not trying to take tenants or teams from any other rink. We all know there's a lack of ice time here in Buffalo."

Efforts also will be made to attract a diverse base of rink users, from local schoolchildren who don't often have the chance to skate to figure-skating organizations.

The ECIDA approved a nearly \$37 million tax incentive package that includes \$28 million in property tax breaks over 10 years, \$7.5 million in sales tax savings and \$1.2 million in mortgage-recording tax breaks. Almost simultaneously, the Erie Canal Harbor Development Corp. gave its backing to the design of the massive project, which will be located on the edge of the Canalside development.

The Common Council unanimously approved the \$2.2 million sale of the nearly two-acre parcel of land, after a public hearing that included debates about parking, traffic flow and impacts on public views of the water.

Washington Street will become narrower, but two lanes of traffic will remain, as it is now.

It wasn't completely smooth sailing for the project.

"This parking ramp is unnecessary and would be very bad for the historic Cobblestone District," said Tim Tielman of the Neighborhood Workshop, who unveiled an alternative concept for the site last week. Tielman urged the Council to delay its vote.

But generally, the project received favorable reviews Tuesday.

"This is an extremely important project for the City of Buffalo," said John LaFalce, chairman of the ECIDA board and a former congressman. "There is no question that this will be beneficial not only to Erie County but to all of Western New York."

Erie County Executive Mark C. Poloncarz raised the question of whether the project would go ahead anyway, even without incentives, and stressed that the ECIDA shouldn't "just provide incentives on any project, but on projects that need it." But he also noted the "transformational impact" of HarborCenter.

"I believe this is the type of project that we want to say to the rest of the world that we can get things right," he said.

The city negotiated special agreements with the Sabres, calling for 25 percent of construction workers on the project to be minorities and 5 percent to be women, as well as setting goals for permanent hires from the local community and paying prevailing wages on construction jobs. The Sabres and city officials also have discussed dedicating a "certain amount of ice time" for public skating and community events, as well as the creation of skating or hockey programs for the

underserved, according to ECIDA documents.

The Coalition for Economic Justice, which has advocated for payment of a living wage and the use of local labor for construction and permanent positions, praised the ECIDA for granting the tax breaks.

"The Sabres have gone beyond what IDAs require in corporate subsidy deals," said Michaela Shapiro-Shellaby, coalition organizing director.

Under the plan, the hockey facility, to be located on the sixth and seventh floors, would seat about 2,000 spectators and would include eight locker rooms, concessions, restrooms, a concourse, and administrative and maintenance areas.

The hotel would open in April 2015 and is expected to mostly serve the demand generated by the HarborCenter project itself. It's expected to generate about 6,000 "room nights" per year and would produce \$5.5 million in "bed tax" revenues over 10 years.

In all, the team and Pegula would spend \$149.2 million on construction, plus \$10.8 million on equipment and another \$10 million on "soft costs." The biggest portion would be for the parking garage, at 371,000 square feet, plus the 144,000-square-foot hotel and 115,000 square feet for the skating rinks. Only about 400 of the parking spaces are needed for the building itself, with the rest available to support Canalside overall.

The new facility would employ 205 full-time workers and 160 part-time workers, mostly in the hotel and restaurant. Those workers will earn \$132 million over 10 years, with an average of \$32,000 per year. Construction alone would produce 1,648 full-time equivalent jobs, with a total payroll of \$98 million and an average of \$59,000 per year.

The project would pay \$1.2 million in property taxes to the county and \$6.3 million to the city over the 10-year abatement period, compared with no payments for the city-owned property now. Additionally, the project will generate \$4.4 million in other state and local taxes in its first year and \$56 million over 10 years, while the construction will generate \$9.6 million in sales and other taxes.

email: jepstein@buffnews.com and jterreri@buffnews.com

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