



UNIVERSITY OF MARYLAND

**COLVIN INSTITUTE OF REAL
ESTATE DEVELOPMENT**

2018 CASE STUDY CHALLENGE

TEAM 7

“We look at each of the different stakeholders needs - the community, tenants, developer, and investors - on Conventus, we came in 4 for 4.”

*- Paul F. Ciminelli - President & CEO
Ciminelli Real Estate Corporation*



- With over 20 partners in design, engineering and construction, Conventus was completed on time and on budget delivering one of the premier Class A properties in Buffalo, NY.
- Nearly 50% of Conventus incorporates recycled building content materials, and over 25% of total materials were extracted, processed and manufactured regionally, within 500 miles of the site.



- An estimated 1,500 visitors/patients come through Conventus' doors each week. The impact on the Buffalo Niagara Medical Campus is impressive with housing prices and incomes in all surrounding neighborhoods on the rise.
- Conventus is a catalyst for new development in the Buffalo Niagara Medical Campus and surrounding Western New York Region.



- Conventus surpassed all financial metrics that Ciminelli Real Estate Corporation had set out with from inception.
- Conventus was 95% leased prior to its completion; an indication of the acknowledgment and the acceptance of the Buffalo Niagara Medical Campus as a regional leader in the medical and life sciences fields, and specifically, of Conventus as an integral part of the Campus itself.

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Project Outline

<i>Name</i>	Conventus
<i>Address</i>	1001 Main St., Buffalo, NY 14203
<i>Type</i>	Mixed Use - Primarily Medical Office & Research
<i>Style</i>	Early 21st Century Modern
<i>Cost</i>	Approximately \$100 million
<i>Height</i>	8 Stories
<i>Area</i>	350,000 SF
<i>Features</i>	LEED Platinum Certification Green Roof 7th Floor Sold as Condo Unit
<i>Developer</i>	Ciminelli Real Estate Corporation
<i>Builder</i>	Arc Building Partners
<i>Architect</i>	Kideney Architects
<i>Tenants</i>	Albany Molecular Research Inc. Athenex Pharmaceuticals Kaleida Health KeyBank UB Associates Inc. (UB MD)



Introduction

Conventus is Latin for “coming together,” a fitting name for this Center for Collaborative Medicine, and for this unique Class A facility located on the Buffalo Niagara Medical Campus (BNMC) in Buffalo, New York. The BNMC is a not-for-profit medical campus comprised of health care, life sciences research and medical education institutions, created to foster conversation and collaboration. Completed in June of 2015, Conventus was the first major private investment within the BNMC, and was designed and developed to provide tenant spaces that support on-campus institutions to attract new, complementary economic development. Conventus is connected to virtually all current and future developments in direct proximity allowing for interconnectivity between the various sites. This is just another example of the fitting nature of the name, Conventus.

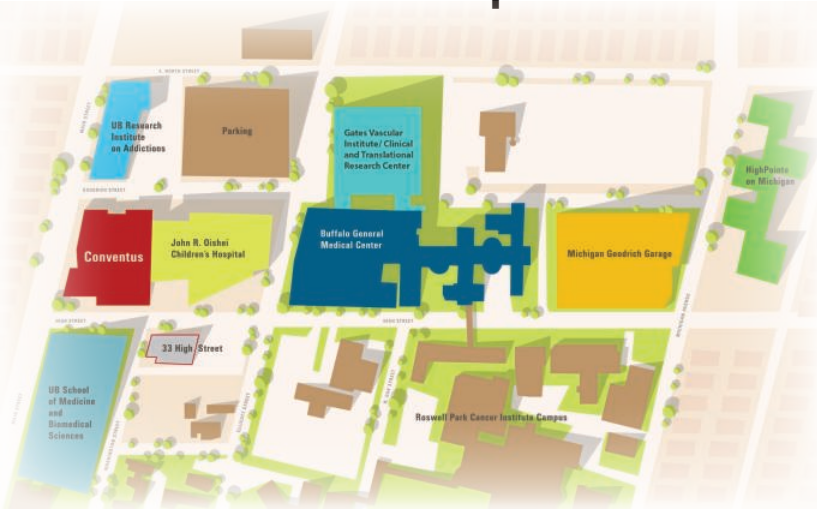
Conventus is the recipient of eight prestigious design and development awards, including the US Green Building

Council’s LEED Platinum certification for Core and Shell, and ULI New York’s top award for Excellence in Office Development. Conventus will also be entered into the 2019 BOMA TOBY awards.

Conventus is a blend of sophisticated design and functional amenities – a gateway for connecting and collaborating, and a cornerstone for development within the BNMC. In developing this facility, Ciminelli Real Estate Corporation (CREC) took important steps to put the building’s tenants, the City of Buffalo, and the BNMC in a leadership position in the medical community regionally. Conventus is steps from the public metro rail system, culturally rich neighborhoods, established retail and public services, and from its location at Main and High Streets it overlooks the emerging BNMC.

Conventus is home to nearly 1,000 employees of the medical and health-related professions, and an estimated 1,500 visitors per week. With

Buffalo Niagara Medical Campus



tenants including Kaleida Health, UB|MD and Albany Medical Research Inc. (AMRI), the project's impact on the BNMC, has been impressive.

Due to the high construction costs and relatively low rental rates in the Buffalo MSA, construction of this magnitude is typically undertaken by a public entity rather than a private real estate development firm. CREC recognized an opportunity, and produced a building that was constructed on time, on budget, and exceeded all financial metrics from inception.

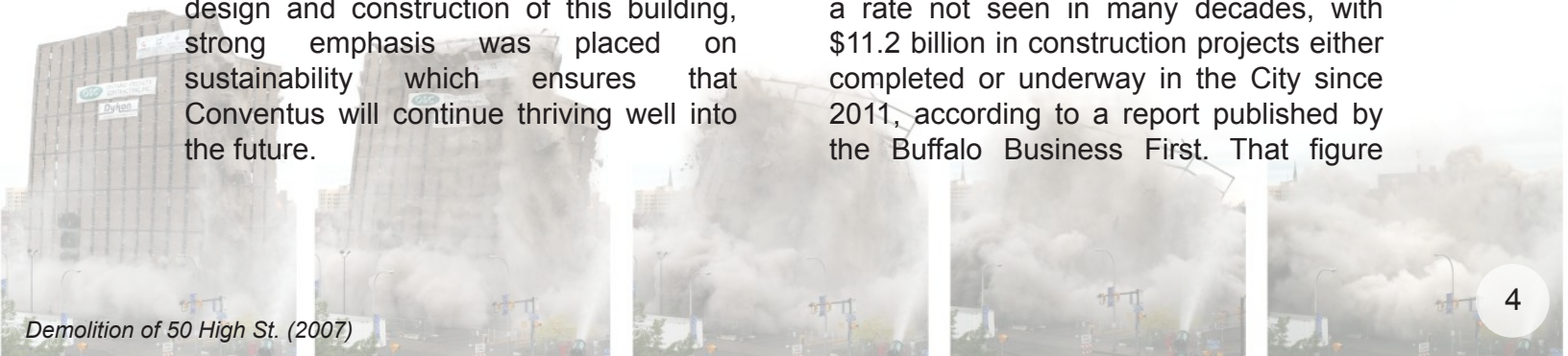
Conventus is an exceptional example for development not only in WNY but across the country. The cutting-edge research performed by the tenants will impact billions of individuals. For example, AMRI's advanced research and development of new pharmaceuticals often involve clinical drug trials held within the BNMC. UB|MD has twelve different medical practices administering direct patient care within Conventus. Furthermore, during the design and construction of this building, strong emphasis was placed on sustainability which ensures that Conventus will continue thriving well into the future.

Context

Buffalo is the second largest city in New York State. The Buffalo Metropolitan Statistical Area (MSA) is comprised of Niagara and Erie Counties, includes a population of 1,135,230, and ranks in the largest 50 MSAs in the country. First known as the "City of Light" at the turn of the 20th century, Buffalo was a world destination for innovation in science, technology, and commerce. The region's economy also benefited from the Erie Canal, which connects the Atlantic Ocean to the Great Lakes. However, beginning at the mid 20th century, the creation of the Interstate Highway System and advances in transportation had coincided with a period of deindustrialization. Consequently, rust belt cities like Buffalo suffered severe economic degradation and population loss.

Today, the largest economic sectors in the MSA are healthcare, finance and education, which have continued to grow as fast or even faster than the national and worldwide trends. Fortune-500 M&T Bank is headquartered in Buffalo, NY with many other large public and private companies such as MOOG, New Era, Delaware North and Rich Products also having headquarters in the area. Citibank, KeyBank, GEICO, and Yahoo also have large operations in the region using the lower labor costs to fill primarily back office positions. Together these companies generate a multi-billion dollar impact on the region. Western New York also benefits from \$85 billion in annual trade at its international border between Canada and the United States.

Buffalo's economy continues to expand at a rate not seen in many decades, with \$11.2 billion in construction projects either completed or underway in the City since 2011, according to a report published by the Buffalo Business First. That figure



Demolition of 50 High St. (2007)

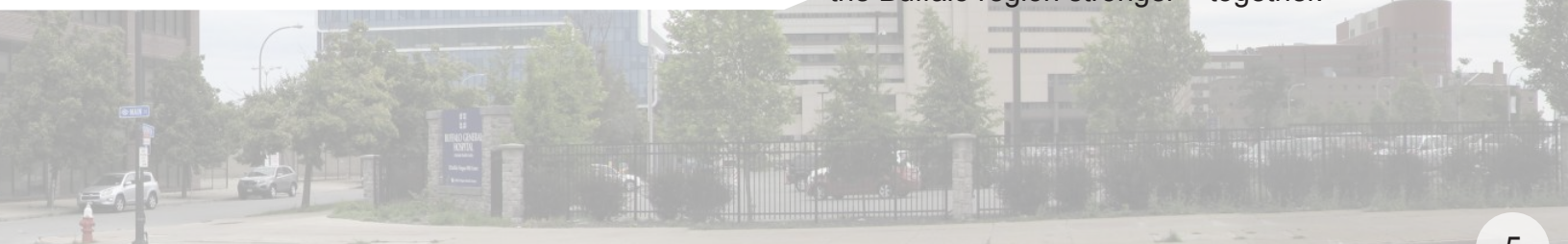
climbs to an astonishing \$19.5 billion when including projects throughout the MSA and not just within City limits. Major investments include a \$5.8 billion solar panel production facility, known as Solar City, which was completed and began full production in 2017, and is expected to create 3,000 permanent new jobs when fully operational. Also, the to-be-completed \$75 million mixed-use hotel/office building being developed by Ellicott Development at the corner of Franklin St. and West Tupper St., in Downtown Buffalo, is helping to fill a growing tourism demand. As regional and national demand for the BNMC services increase, the proximity of this hotel to Conventus may become key to both their continued success.

The "Buffalo Billion" has also led to critical state investments at the BNMC. Buffalo Billion is a New York state government project led by Governor Andrew Cuomo that aimed to invest \$1 billion in the Buffalo, NY area economy. Buffalo Billion uses a combination of state grants and tax breaks to spur economic development with one of the primary targets being the BNMC, a consortium of the region's top health care, education, and research institutions. The 120-acre site located one-mile north of the downtown CBD employs more than 17,000 people and serves over one million patients annually. These remarkable figures are the result of several recently completed projects in the BNMC including University at Buffalo's \$375 million Jacobs School of Medicine and Kaleida Health's \$270 million John R. Oishei Children's Hospital. In addition, a \$50 million expansion of Roswell Park Cancer Institute is recently completed.

The University's new medical school on the BNMC is part of the "UB2020" plan, a comprehensive growth strategy to increase jobs, enrollment, and research funding at the school, the largest public university in New York State, with more than 28,000 students across three campuses. UB2020 is an initiative to stimulate life science economic development through the technological transfer of ground-breaking research into new business startups. At the foundation of this endeavor, is the "Eds and Meds" principle, which is a catalyst for economic development, especially in recovering Rustbelt cities.

The population of residents aged 55 years or older in the Buffalo MSA is anticipated to grow at a compound annual rate of 1.5% over the next five years. Presently, nearly 29% of the total population is 55 years or older; significantly greater than the national average. The aging population of the region bodes well for Conventus and the BNMC as this age group requires the greatest amount of healthcare services. Conventus accelerates the advancement of specialized medical research and development, including STEM, and will become an economic driver for attracting an educated workforce. Combined, these factors ensure an increased demand for specialty services at Conventus and the BNMC

With its explosive growth and new jobs, the BNMC with Conventus is a catalyst for a new era of regional prosperity. Conventus is at the center of it all, where for the first time, physicians, researchers, students, patients, and affiliated businesses can connect, collaborate, innovate, and make the Buffalo region stronger – together.



Development Team



Established in 1981, CREC began as a local development firm that has since evolved into a full service corporate real estate firm with a portfolio of more than 16 million square feet of office, flex, medical, industrial, and retail space. Headquartered in Buffalo, NY, CREC is a leading developer manager and owner of commercial properties, with a team of nearly 200 employees, and operations in New York, Florida, Pennsylvania, and Connecticut. CREC specializes in a full range of commercial real estate services, including development, facilities and property management, asset management, tenant & landlord representation, acquisitions and dispositions, among others.

CREC has a strong track record in the development and ownership of medical properties and related healthcare development projects. The Development, Management and Leasing professionals collaborate throughout design and construction to ensure efficient operations and an optimal tenant experience. Pursuing LEED and sustainable practices are important to CREC's mission and results in projects that positively impact operations and maintenance, provide a healthful environment for tenants, and benefit the greater community. Under President and CEO, Paul F. Ciminelli, and in collaboration with Kaleida Health and UB, CREC has successfully positioned itself as a leader for Western New York's premier medical office development project by developing Conventus. As the region's largest healthcare provider, and anchor tenant, Kaleida Health was instrumental in the design and planning of Conventus with CREC to build a structure that truly fit their needs.

Seavest⁷ Healthcare Properties

CREC elected to partner with Seavest Healthcare Properties, LLC. Based in White Plains, NY and established in 1981, Seavest is a fund manager and real estate investment management firm dedicated to the medical office and outpatient facility sector. The firm works with best-in-class medical office developers to create new properties and acquires existing properties directly (or with operating partners). Seavest invests through dedicated discretionary third-party real estate funds focused on the healthcare sector.



Arc Building Partners specializes in many delivery types such as construction management at risk and design build. Arc delivers fast-track project success, while tackling complex projects that require true partnership, from inception to completion. Founded by Frank L. Ciminelli II, Arc Building Partners is powered by talented people who have successfully delivered some of the most important construction projects in the region. Multiple Arc team members and subcontractors had integral roles on the Conventus project team.



Kideney Architects, the oldest and largest architecture firm in Western New York, was responsible for the design of Conventus, bringing extensive experience in healthcare related architecture. The firm has experience in other areas of practice including historic preservation, K-12 education, higher education, corporate office, multi-unit housing and municipal/governmental facilities.

Development Vision

The inception of Conventus dates back to 1993, when CREC, following a vision for what the future might hold, purchased an old medical office building on a parcel adjacent to the current site, across the street from the existing Buffalo General Medical Center. The building was purchased because of its location, and because CREC's Founder, Frank L. Ciminelli, possessed a keen sense for strategic real estate acquisition. Though there were a few conceptual plans for development of the site, it wasn't until years later that the true "highest and best use" became more evident.

CREC imploded the 13-story medical office building in 2007 with plans for a new medical office building that would be at the hub of activity. As plans for the then fledgling BNMC began to come together, the site for Conventus shifted to its current site at 1001 Main Street. The original 50 High St. site is now home to the John R. Oishei Children's Hospital.

The building's program evolved from a traditional medical office building to a Center for Collaborative Medicine that would bring together the best and brightest in medicine, research and education. This, of course, involved enormous collaborative effort between CREC, Kaleida Health and its new John R. Oishei Children's Hospital, as well as the University at Buffalo and its new Medical School. The three buildings, which total over 1.4 million square feet, are located adjacent to one another on nearly six acres within the BNMC and are brought together through a series of interconnected walkways; a connotation to the name Conventus.

Development Timeline

1993	Purchase of 50 High Street by Frank Ciminelli
May 2007	Demolition of the medical office building at 50 High Street
Late 2007	Initial design discussions with Kideney Architecture about a replacement building
Late 2011	Land Parcel swap to 1001 Main Street with Kaleida Health, and the beginning of the realization of Conventus
Late 2012	Site work begins
April 2013	Construction on Conventus begins
Early 2014	Short delay to add an additional floor
May 2014	Topping off of structural steel is completed
June 2015	Completion of Conventus on time & budget

With millions of public dollars beginning to be invested in BNMC infrastructure through the Buffalo Billion project, it was time for the private sector to demonstrate support. With a commitment of nearly \$100 million, Conventus became the first major private investment. The project re-shaped an environmentally contaminated lot into a state-of-the art center for collaborative medicine. The announcement of the project spurred a renewed private sector interest in BNMC and many private developers have since purchased nearby properties to develop supporting uses or facilitate supporting business.



Foundation construction begins (2013)

Site Description

The Conventus Building site is situated at 1001 Main St., the north end of the rapidly expanding BNMC in downtown Buffalo. Referred to as the “Northern Gateway” serving as a main point of entry to the BNMC, Conventus is located on a site of only 1.41-acres or 61,226 square feet with Conventus truly being a leader in the responsible and efficient land use.

Land Exchange

Initially, the medical office building that was the precursor to Conventus was planned to be located adjacent to the current site where Kaleida Health’s new John R. Oishei Children’s Hospital currently stands. As building plans evolved, CREC and Kaleida Health agreed that it would be in their best interests to swap land parcels, due to programming and size requirements. The land exchange was executed in the form of a long-term ground lease with CREC as the lessee, and Kaleida Health as the lessor. To ensure a “win-win” for both parties, CREC received a more visible and strategic site location for Conventus as a center for collaborative medicine. Kaleida Health received full land assemblage of the adjacent site for the future John R. Oishei Children’s Hospital and continued income from the ground lease with CREC.

Environmental Remediation

The land parcel where Conventus stands today required environmental remediation to address petroleum contamination from a former gas station and its underground storage tanks. CREC and Kaleida Health entered into the New York State Department of Environmental Conservation Brownfield Cleanup Program. A remedial investigation and IRM activities were conducted concurrently from December 2012 to August 2013; contamination was found on 80% of the 2-acre land parcel. To qualify for

Site - April 2002



Brownfield Tax Credits there must be a certain amount of contamination on the site from past uses. After this initial qualification, the level to which the site is cleaned then determines what percentage of benefits the project may receive. To promote development on the site, and not just cleanup, NYS offers incentives to help offset remediation costs. The underground tanks that had leaked allowed CREC to take full advantage of the Brownfield Tax Credit Program by contributing to the equity required for the project. Conveniently, the program required the removal of contaminated soil which made it financially feasible of underground parking. Special care was taken in consideration of the nearby Metro Rail below-grade tunnel, including vibration monitoring and three-dimensional scanning.

Transportation

Several different forms of transportation are accommodated throughout the site, most prominently the metro rail with a station at the adjacent Jacobs School of Medicine and Biomedical Sciences building. This rail line which serves over 5 million passengers annually. The NFTA, a regional public transportation authority, began a formal study to expand the rail north to the University at Buffalo’s main campus. This line would service the some of the region’s most vibrant suburbs. Conventus also has direct access to a major four-lane thoroughfare providing

Planning & Entitlements

Preliminary Rendering



north-south access through Buffalo. Public transit is readily available with ten different public bus lines all within a tenth of a mile. Additionally, the BNMC is pedestrian friendly featuring large walkways, Reddy BikeShare, ZipCar, protected bike storage, as well as priority carpool parking, and an on campus bus shuttle service.

Neighborhood

The BNMC is located north of Buffalo's Central Business District. To the west of the site is the Allentown District, which is home to many of Buffalo's most popular restaurants, cafes and bars, as well as cultural events including the annual Allentown Art Festival. Home to the Theodore Roosevelt Inaugural Site, the Allentown district is listed on the National Register of Historic Places, and is one of the largest historic districts in the country. On the east side of the BNMC is a residential neighborhood locally known as the "Fruit Belt", named for its former orchards and now for its fruit-named streets. The surrounding neighborhoods have undergone significant revitalization as a result of the development occurring within the BNMC.

The land exchange between CREC and Kaleida Health was instrumental to achieving a cohesive environment between all adjacent sites. It allowed Kaleida Health's new John R. Oishei Children's Hospital to be directly connected to the Buffalo General Medical Center, Gates Vascular Institute and Conventus.

As a key building tenant since the project's inception, Kaleida Health had originally planned to locate its Ambulatory Surgery Center (ASC) within the Conventus Building. However, due to the complexity of surgeries planned to be performed, a seismic requirement for the structure, comparable to what is provided for hospitals, would have been required to be added to the entire building at a considerable cost premium. Through extensive collaboration with Kaleida, it was determined that their neighboring John R. Oishei Children's Hospital would be directly connected to Conventus at the second and third floors, where Kaleida Health occupies space within Conventus. This approach allows Conventus to still accommodate ASC intake and discharge, while surgeries are performed in the adjacent hospital.

During initial design and development discussions, the building's size and use were altered several times from plans to include standard office space to hotel use, all ranging between five to ten stories in building height. Additionally, interior and exterior design was ever changing throughout the planning process. Interestingly, retail use on the ground floor was the only commonality throughout the design process. This is because of CREC's vision that the expansive plans of the BNMC would necessitate a consistent demand for quality ground floor retail for the tenants and community.

Initial designs from Kidney Architects included substantially more glass than what is seen today, but there were also design concepts with little to no glass and minimal windows in attempts to reduce the costs and increase efficiencies. Ultimately, after much discussion between Kidney Architects and CREC, a building with an elegant mix of glass and solid mass was selected, resulting in Conventus being an exceptionally well-designed structure, meeting all financial requirements. This delicate balance is key because without CREC's vision and commitment to a design that would create economic value, Conventus may have ended up looking like many of the other typical concrete medical facilities found throughout the country.

Early on, Conventus was advanced to the design development stage with 7 stories above grade. However, to limit the amount of speculative space, construction documents were completed for only 6 stories. Due to the nature of real estate in Buffalo, and commercial construction lending practices in general, financing of large amounts of speculative space is difficult to accomplish.

Adding a Seventh Floor

As a result of the project's success following the design development stage and nearly all of the medical/research space being pre-leased, CREC received a request for additional space during construction. Steel was being erected for the construction when Albany Molecular Research, Inc. (AMRI), funded through the Buffalo Billion Initiative, was looking for space. Through a public-private partnership with New York State, a seventh floor was added as home to AMRI, which provides pharmaceutical and biotechnology industries with drug discovery research, development and manufacturing. CREC's project team

quickly advanced the seventh-floor design, even while steel was being erected, impressively adding another floor to the building with only 4 additional weeks to the construction schedule. This short delay to add an additional floor was made possible because of the original intention to make Conventus seven floors of leasable space and the efficient design of the structure itself.

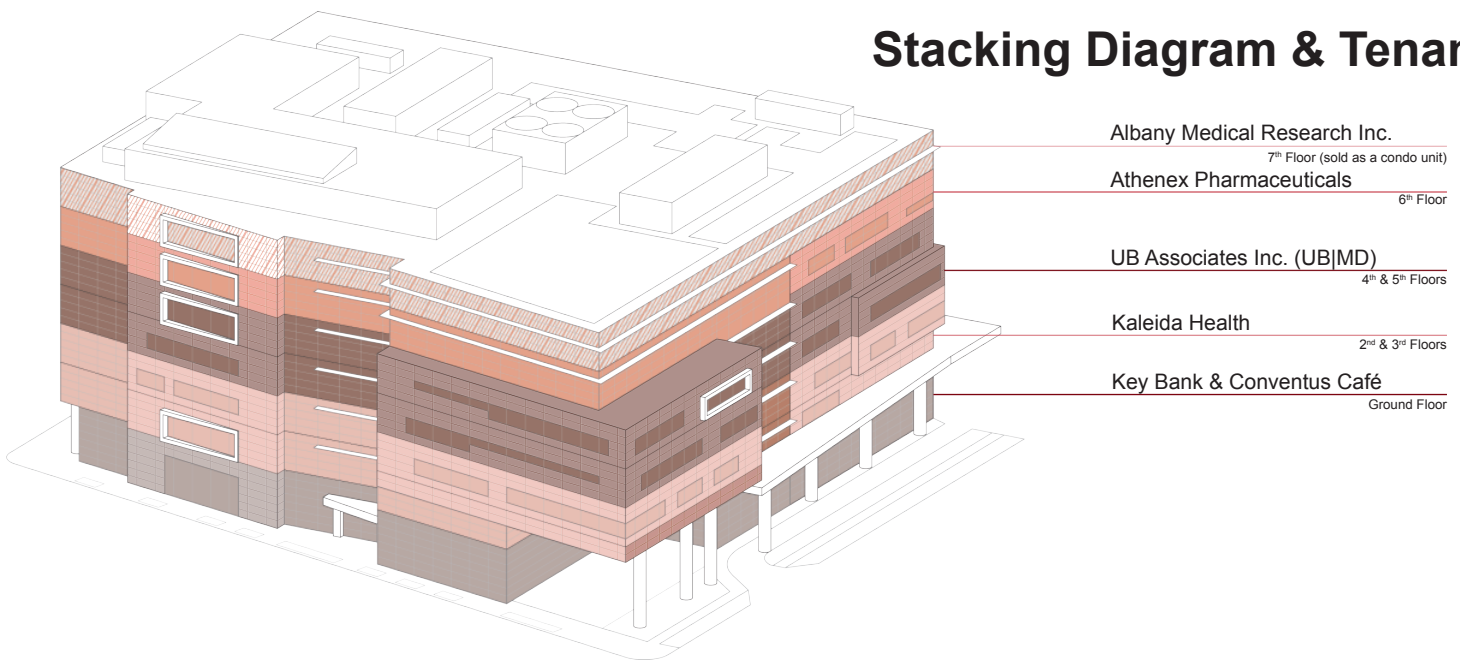
The seventh floor is owned and occupied by AMRI. The project was converted to a condominium structure in January of 2015, when the seventh-floor was sold to a conduit entity of NYS. The addition of a seventh floor changed the ownership of the building Conventus, fortunately it did not have major impacts on the financing of construction.

Public Incentives

Conventus faced a minor setback in obtaining incentives from the Erie County Industrial Development Agency (ECIDA). Tax breaks were put on hold over concerns the building would house medical offices, due to no pre-signed leases from bio-medical research companies at time of inquiry. The ECIDA did not want more personal doctors' offices as they do not provide the economic impact the ECIDA sets out to provide. CREC were able to persuade the Board to grant tax abatements as a clearer picture of what Final ECIDA incentives for this building include a mortgage tax recording, and sales tax abatement.

Brownfield tax credits were used to finance the cleanup of environmental contamination on this site. Conventus' owner applied for New York State's Brownfield Clean-up Program and were granted tax credits on site preparation costs and tangible costs based on the level of clean-up.

Stacking Diagram & Tenants

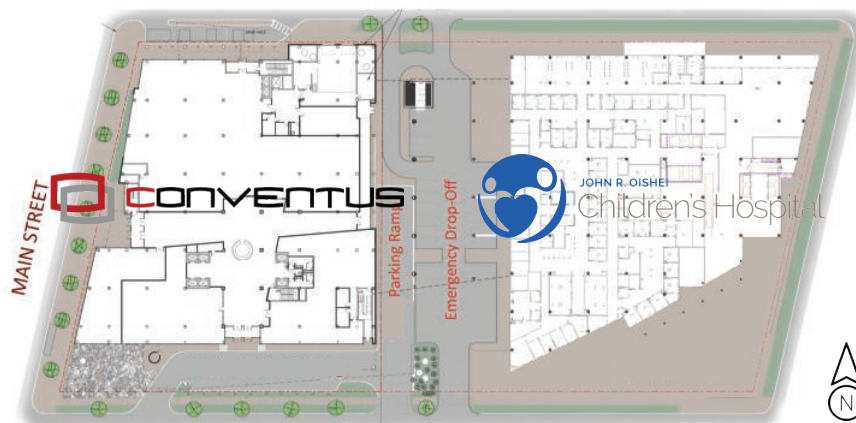


Building Analysis

The state-of-the-art, seven-story, 350,000 square foot mixed-use medical office/research building features a glass curtain wall and insulated metal panel façade. Conventus sits on a 1.41 acre urban site, with seven stories above-grade and a mechanical penthouse, as well as two levels of below-grade parking totaling more than 300 parking spaces. With the highest quality Class A medical office/research finishes and design features, Conventus has obtained an impressive LEED Platinum certification, solidifying sustainable design, building elements and operation. Staff, patients and visitors enjoy a variety of amenities including a KeyBank branch and a locally owned café operated by Queen City Foods, provided through 28,000 square feet of ground floor retail.

Conventus is well positioned to benefit from its strong affiliation with Kaleida Health. Beyond its commitment to Conventus with leasing 109,000 square feet on a long-term lease for several outpatient care facilities, Kaleida has also made a significant long-term investment in the BNMC as its primary destination for the delivery of healthcare services. The BNMC is already home to Kaleida's recently renovated flagship hospital, the 501-bed Buffalo General Medical Center as well as the HighPointe on Michigan, a 300-bed skilled nursing facility opened by Kaleida in December 2011. In addition, Kaleida commenced operations at the new \$291 million Gates Vascular Institute in March 2012. Kaleida's commitment to serve as the anchor tenant to the project, along with its larger investment in the overall Campus, demonstrates the strong alignment Conventus will have with the BNMC System for years to come.

Site Plan



Additionally, Conventus serves as a key facility for UB|MD to house its rapidly growing physician base occupying 108,000 square feet. UB2020 has an initiative in place to recruit 100 additional specialty physicians by 2020. The significant majority of these physicians will be faculty members of the University at Buffalo School of Medicine and Biomedical Sciences. Conventus is in a prime location to house this growing physician base currently UB|MD has twelve practices located at Conventus. These include dermatology, family medicine, internal medicine, neurology, neurosurgery, obstetrics, gynecology, orthopedics and sports medicine, pathology, pediatrics, psychiatry, surgery and urology. With the exception of complex surgeries, each practice administers direct patient care on site.

UB|MD Lobby



Lastly, Conventus is also occupied by Albany Medical Research Inc. (AMRI) and Athenex Pharmaceuticals, which are global contract research and manufacturing organizations aimed to improve patient outcomes and quality of life. With locations in North America, Europe and Asia, AMRI's team combines scientific expertise and market-leading technology to provide a complete suite of solutions in Discovery, Development, Analytical Services, API Manufacturing and Drug Product. Athenex is dedicated to delivering innovative drugs that can have a life-changing impact on cancer patients.



Building Operations

A building energy management system monitors the ceiling mounted high efficiency water-to-air heat-pumps that provide heating and air conditioning to all common areas, as well as, the variable speed heat-pump loop pumps circulating water through piping risers to serve tenant spaces. The building is serviced by a 23kV spot network electric service with three 500kVA transformers.

Main penthouse space features three high efficiency condenser boilers, hot water pumps and condenser loop on variable speed with over 30% more energy efficient heating and cooling than required by code. The generator room includes four indoor 500kW diesel standby generators with the ability for all four to be able to come up to speed, synchronize and activate the transfer switch in 6 seconds. These generators have the ability to supply power to 85% of the building for 12 to 18 hours.

Penthouse generator being installed



Art Exhibit

Conventus is also committed to incorporating public art into the fabric of the building to raise awareness about how art can expand economic revitalization in Buffalo. CREC has established relationships with several organizations to incorporate unique art into their properties.

Local artist Terri Katz Kasimov was commissioned to create two unique pieces for Conventus. "Journey...Coming Together" is a 2' wide by 286' long canvas, vibrantly painted with acrylics and playfully displayed in the double-high lobby at the High Street Entry. Displayed at the north side of the lobby, "Construction...A Dream to Reality," is mixed media collage on arches which incorporates elements from the project construction site, along with contributions from the project team and contractors, into a richly layered narrative.

Terry Katz Kasimov's artwork displayed in the lobby of Conventus

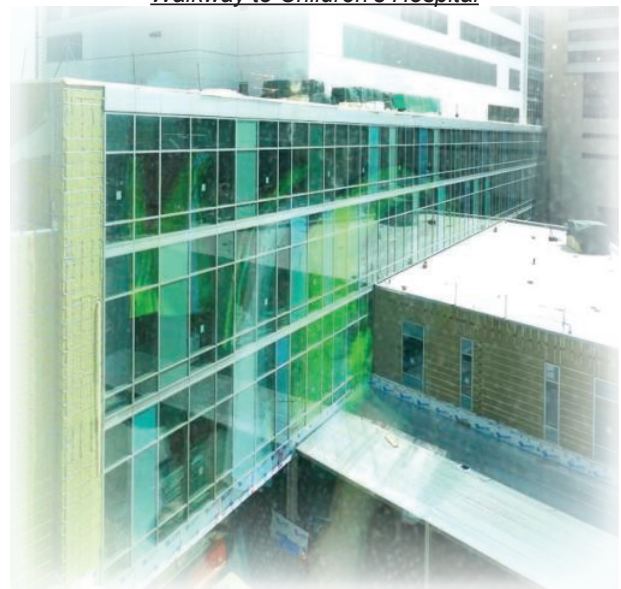


Connectivity

The solution to construct a connector between the second and third floors of Conventus and the John R. Oishei Children's Hospital resulted in more than a satisfied tenant and considerable cost savings. This connection brings clinical, educational and research components together, facilitating a synergistic environment.

Conventus serves as the hospital's "front door" to the Ambulatory Surgery Center to accommodate ASC intake and discharge, while surgeries are performed in the adjacent hospital. Moreover, the added connectivity extends to a larger network of vital, planned and existing second floor level "coatless" connections on the BNMC, linking Conventus to the John R. Oishei Children's Hospital, Buffalo General Medical Center, Gates Vascular Institute, Roswell Park Institute, University at Buffalo Jacobs School of Medicine & Biomedical Sciences and the Metro Rail Allen/Medical Campus Station.

Walkway to Children's Hospital



Steel superstructure topping off (2014)

Sustainability

Conventus is a testament to sustainability and profitability coming together in a renowned commercial real estate building. Sustainability is a valued design principle for CREC, it ensures their properties operate efficiently, provide a healthful environment for tenants and to the greater community. Conventus transformed a contaminated and uninhabitable land parcel into an icon for the BNMC and an industry symbol for sustainable development.

2016 LEED Platinum Certification

Conventus was awarded LEED Platinum certification for Core and Shell by the U.S. Green Building Council (USGBC). This designation places Conventus in an elite group of a few in New York State to have received LEED Platinum certification for Core and Shell and the only project in Western New York with the distinction. The LEED rating system, developed by the USGBC is the foremost program for buildings, homes and communities that are designed, constructed, maintained and operated for improved environmental and human health performance.

Materials

During construction, the Conventus team was conscientious of the materials and methodologies used. Nearly 50% of the building materials incorporate recycled content materials and over 25% were extracted, processed and manufactured regionally, within 500 miles of the site. Over 62% of wood-based materials and products are certified in accordance with Forest Stewardship Council. Low emitting paints, coating, carpet, composite wood and agrifiber were selected to improve indoor environmental air quality and over 80% of project construction waste was diverted from landfills.



Storm-water Management

In optimizing land usage on the 1.41 acre site, the building footprint of more than 46,000 square feet required an innovative solution for storm water management. Representing the largest in the region, Conventus' 12,000 square feet of green roof limits storm water discharge and restores the natural habitat. The mix of native, low maintenance sedums and alliums attract pollinating bees and chirping crickets, while adding beauty to the rooftop that will be enjoyed by users of neighboring buildings, the John R. Oishei Children's Hospital and the School of Medicine & Biomedical Sciences. Additionally, the vegetation and white roofing membranes reduce Conventus' "heat island effect."

Custom Wind Screens

The main entrance located on High Street, is the highest point in the City which can create troublesome wind conditions. Computational modeling studies were performed to provide data that would inform the best design approach. Wind velocities at the entrance were found to reach speeds significantly higher than the ambient wind velocity. In order to mitigate the wind speeds and improve pedestrian experience, CREC reached out to local professionals and the collaboration resulted in a functional and beautiful solution, Affine Shells, iconic custom wind screens crafted with stainless steel perforated metal panels and stainless-steel plates that diffuse the wind.

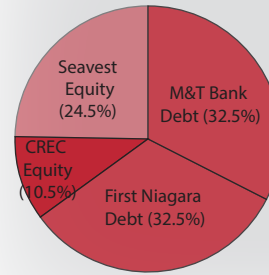
Financials

In the early part of this decade, when the BNMC plans fully began to take shape, CREC adjusted its vision for the site and saw the need for a high-end Class A medical office and research building. It was then that the plans for a 6-story medical office building was finalized, only to be changed during the construction process to add a 7th floor. This was done to accommodate the needs of the specific user and the floor would ultimately be built as a condo unit and sold to a NYS affiliate. With a total project cost nearing \$100 Million, Conventus is not only one of the newest Class A buildings in Buffalo but one of the most expensive. Construction remained on time and budget throughout the project with the only delays resulting from the tenants changing their needs which resulted in the altering the construction plans.

As a result of the large estimated construction costs of Conventus, CREC decided that it should seek out an equity partner in order to make the construction and operation of Conventus feasible and share some of the risk. It was at this time that CREC began their search for a limited equity partner that would allow CREC to maintain all control in design, construction and management roles. It was decided through the help of an investment banking firm that Seavest Investment Group would be CREC's partner on Conventus. The equity structure between the two companies were split between CREC and Seavest at a 30 to 70 ratio, respectively.

The Brownfield Tax Credit Program was also a significant part of the overall financing structure. Estimating a 20% Tangible Tax Credit on portions of the \$100 million project results in an approximately \$10 million refundable tax credit after their sale to outside investors. Additionally, because the approved remediation plan

Capital Stack

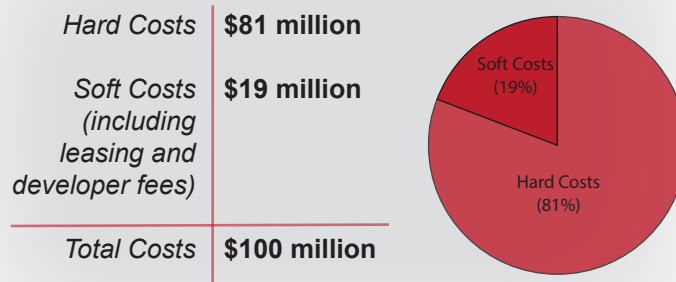


<i>M&T Bank Participation Debt</i>	\$32.5 million
<i>First Niagara Participation Debt</i>	\$32.5 million
<i>Seavest Equity</i>	\$24.5 million
<i>CREC Equity</i>	\$10.5 million

required CREC to excavate 40' below grade to remove all of the contaminated soil, it facilitated the construction of the underground parking and helped to pay for the underground parking. The cost of underground parking in Buffalo is usually cost prohibitive, but since the Brownfield Tax Credit Program rewarded CREC for that excavation, it made underground parking financially feasible and allowed them to use the whole site for the building.

However, due to prior engagement of the Brownfield Tax Credit Program before the Seavest partnership, the way that Seavest's equity contribution was brought into the project was unique. If CREC was to include Seavest as a traditional equity partner, its name would also need to be included on the Brownfield Tax Credit. This would alter the original agreement between CREC and the government agency and under the Brownfield agreements this would result in a default under the program. Defaulting would cause CREC to waste unnecessary time and money reapplying for the credit. Because of this, a creative solution was agreed upon to bring the Seavest equity share on as convertible debt allowing the Brownfield Tax Credits to be used as originally intended without default. Upon all requirements of the Brownfield Tax Credit being met satisfactorily, the Seavest debt would be converted into equity.

Capital Uses



With the equity portion solved, CREC still needed to seek construction financing. With CREC wanting to keep as much of the project as local as possible, it sought out local lenders. The only two locally based lenders capable of handling a project of this magnitude were M&T Bank and First Niagara Bank, two mid-sized super-regional banks with headquarters in Buffalo. Ultimately it was agreed that of the nearly \$100 million project cost, debt financing would cover 65% or \$65 million split evenly between M&T Bank and First Niagara Bank at 50% or \$32.5 million each. Due to the size of this construction loan it was only logical that the lenders would want to reduce their exposure to one project by sharing some of the debt. Even with this 50% sharing for First Niagara it was the largest single loan ever made in their history at the time. In late 2015, following the completion of Conventus, First Niagara Bank was acquired by Key Bank.

With a significant portion of the building pre-leased to recognized stable tenants, this not only helped the ability to obtain financing, but also with returns. Conventus' proforma cash-on-cash projections indicated an approximate 8% return with a mid-teen internal rate of return, which is an impressive feat for Buffalo given the costs of new construction and the relatively low rental rates seen in the market.

Current asking rents are approximately \$30 to \$35 per square foot on the first-floor retail space and information provided by CREC shows that medical office tenants occupying space on the 2nd through 6th floor have rental rates between \$23 to \$28 per square foot. With these rental rates at the upper end or above typical rates seen in Buffalo, it is clear how CREC was able to blend financial feasibility with a cutting edge and sustainable building that is Conventus.

CREC is typically a "build and hold" company, managing their assets for many decades. But because of their equity partnership with Seavest, this strategy was altered slightly. The partnership intended to hold the property approximately five to seven years, when the partners would decide whether to extend the partnership or CREC would buy Seavest out of its share. Following two years of development and construction, and three years of operations, the partners decided to sell the property to a Hong Kong investor, which is an affiliate of Chevalier International. While this was outside of what CREC typically does, the buyers presented CREC with a compelling offer and on March 9, 2018 Conventus was sold for \$122 million. CREC continues to manage day-to-day operations and is the property's primary leasing agent.

Operational Issues

As a result of the strategic planning that took place early on and throughout Conventus' design phases, to date, there have been no major operational issues. Examples of CREC's effective planning include their anticipation of the seventh-floor addition, as well as, the addition of a fourth generator to fit a specific tenant's requirements.

This is a testament not only to the design, but to CREC's management abilities, which shows that they address any and all minor issues before they become major. CREC tests backup systems regularly to ensure they're functioning properly and if an emergency does occur, the tenants of Conventus and their delicate and valuable research samples are not affected.

Development Impacts

Conventus is one of the largest private real estate investments made in Buffalo this millennium and the first major private investment in the BNMC. Conventus' success can be broken down into three core categories, it solidified the BNMC as a regional medical center through its research and medical tenants, Conventus serves people from all socioeconomic levels and it has acted as a catalyst in revitalizing the surrounding neighborhoods.

Conventus was able to secure the largest medical provider in the region, Kaleida Health, as a main tenant and several highly specialized tenants, bringing hundreds of high paying jobs to the area that would have otherwise gone elsewhere. Many of the new jobs attract

a STEM educated workforce and innovative startups due to the collaborative environment. This does not stop just at Conventus, but thanks to the Buffalo Billion program, this expansion of high paying jobs in the BNMC continues to grow across all development that has or will take place. Not only did CREC, the tenants and employees of Conventus benefit from this project, the region benefited from a cutting-edge medical center, and an increased tax base.

Conventus' unique tenant mix brings together a variety of medical research and direct care. UB|MD administers direct patient care across a range of specialties ranging from neurology to pediatrics. AMRI is performing state-of-the-art medical research to drive new drug discoveries in developing new pharmaceuticals that treat and prevent disease, while improving quality of life. Many of their drugs are used in clinical trials, which are conducted at the BNMC. Conventus' connectivity enables ease of access between research areas and direct patient care centers, creating an environment for collaborative medicine and patient care.

With Conventus being the first major private development on the BNMC, naturally there was some risk for CREC. With thorough due diligence, incentives, and a motivated tenant base, Conventus was able to be realized. Overall, through a collaborative design process among CREC, Kaleida Health, the University at Buffalo, the design and construction affiliates, and the City of Buffalo, CREC was able to deliver a striking high-class sustainable building that furthers the progress of the BNMC and sets a precedent for future developments.

Conclusions

Conventus is where proximity and potential meet. As a unique project at a time when Buffalo is experiencing a renowned renaissance, Conventus was able to take full advantage of a market that had been severely depressed for many decades. Conventus represents the first major private investment on the BNMC which reflects a level of confidence that CREC had in the campus' future. Conventus brings together research in AMRI and Athenex, clinical care in Kaleida, and academic research and care in UB|MD at one single location. This encourages interaction among each discipline, and therefore, improves clinical care, research, innovation and academics.

With the blend of public and private money going into the BNMC, Conventus is able to connect and provide value to the neighboring facilities through research and

outpatient care. As the population of not only Buffalo, but the nation as a whole continues to age, the demand for the services offered at the BNMC and Conventus will see an increased demand. Additionally, an "Eds and Meds" strategy for the City not only benefits the region but directly impacts Conventus with what it needs with a robust tenant base to be a successful piece of the BNMC. Conventus integrates with its neighboring sites as a focal point for the BNMC, and with LEED Platinum certification, Conventus is an icon for sustainability, inspiring projects for future developers entering the field. It has been a long journey for CREC since the original purchase of the land back in 1993, but it is one that can be remembered fondly and knowing that Conventus has and will continue to make a lasting impact on Buffalo and the Western New York Region.





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