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Towering challenge

BY DANIEL MEYER

The future of the City of Buffalo's most visible structure remains unknown, with real estate experts closely watching and listening to find out what is in store for downtown's tallest office building.

With the landmark tower sitting mostly empty and in foreclosure, the waiting game continues for new ownership to eventually take control and dive in. Many are predicting an extensive redevelopment effort of a structure that after more than four decades lost its two largest tenants last year, leaving behind 38 floors of empty office space.

There was initial panic and concern among community stakeholders when it was announced that HSBC Bank and Phillips Lytle LLP would be leaving the 851,000-square-foot building, the two main anchors. It was the latest blow to the tower, which two years ago saw the Canadian Consulate leave.

Formerly the HSBC Tower, One Seneca Tower now sits 95 percent empty and is the subject of constant speculation by real estate agents, attorneys, politicians and pretty much anyone else who has anything to do with downtown Buffalo. The fact that it is mostly vacant does not sit well in light of a number of other building renovation projects and the fact that the waterfront is experiencing a rebirth.

Image is everything

How much will a large amount of vacant space affect the commercial real estate market? That depends on whom you ask, although no one can deny that the doubling of square footage of vacant space is something that cannot be ignored.



Yalamanchili

"I think the prospects look very good for that building," said Sujata Yalamanchili, partner and practice area leader at Hodgson Russ LLP. "Certainly once you get the experts in to look around, there will most likely be some maintenance and renovation work that will have to be done. But the talk of some sort of mixed-use transformation is probably going to be the best approach for the future."

The latest chatter focuses on a combination of office space, high-end retail, residential lofts and a five-star hotel in One Seneca Tower. New ownership could jump-start redevelopment efforts for large portions of the office space into residential units, retail space and perhaps some type of bar or restaurant.

A desire by Western New Yorkers to see the building fully occupied seems to be as much about aesthetics as economics.

"This is really a philosophical situation," said Steven Weiss, partner at Cannon Heyman & Weiss LLP, which focuses on affordable housing and community development law.



Weiss

"We have an opportunity here as a region to attract consumers from New York City, Toronto and beyond if the right type of business or businesses moves in there. At the same time, from an economic standpoint, if you simply relocate an existing business or businesses from some-

where else downtown into that building, then you are really just moving the vacancy from one location to another. The challenge for Western New York is to bring new tenants to Western New York, not just move existing tenants around."

Plenty of room

There are rows upon rows of abandoned offices in the

tower, which opened in 1972. The building has 38 stories and each floor measures at 20,000 square feet. Two large wings on the ground — both of which are four stories tall — are 100,000 square feet each. Below ground are approximately 800 parking spots.

Until HSBC Bank's lease expired in October, the bank leased space on 22 floors, or approximately 650,000 square feet.



Cappellino

Future development likely would require a significant public-sector subsidy or some type of abatement package; city and county officials are expected to consider making a firm commitment to an incentive offer provided they grant approval to some form of comprehensive redevelopment plan.

"The future of that property is something we are watching very closely and is a project that some people may be leary of," said John Cappellino, executive vice president of the Erie County Industrial Development Agency. "To suddenly have something that significant in size drop onto the marketplace — it's almost 1 million square feet — that is something to be watched. I would say some form of mixed use seems most likely, but it is probably too early to say that simply because we do not yet know who the owner is going to be."

While community stakeholders are trying to maintain a positive mindset, some say the doubling of vacant square footage is too much for any city to absorb. The fear of depressed rental rates in nearby buildings may be lurking in the minds of area building owners, prompting them to try to please tenants with bargain-basement prices.

The ripple effect

A key question regarding the future of Seneca One Tower is if the vast amount of vacant commercial space will have a ripple effect on the rest of the downtown real estate market?



Weitzel

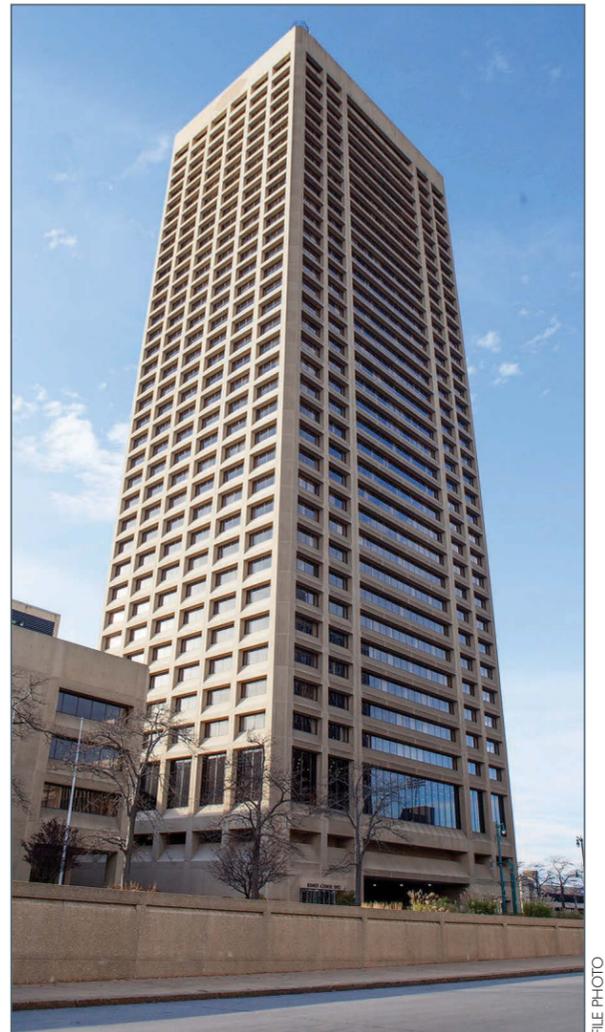
"There is definitely going to be a ripple effect," said Dave Weitzel, a broker for ReMax Real Estate. "The market most certainly will be impacted and it will have the potential to hurt landlords and investors. It will come down to what the new owner's vision is for the building. If it were me, I would look at the city's

shortage of condo stock downtown.

"If they can do something that provides residential mixed use and give people the ability to live there, then I



The escalator in One Seneca Tower, downtown Buffalo's tallest building, isn't as busy as it was before three major tenants left the former One HSBC Center.



One Seneca Tower is the dominant feature of Buffalo's skyline.

think you have something that is unique and would be in great demand."

With the building virtually empty, a number of mixed-use tenant scenarios have been crafted and presented to city and county officials. The structure is viewed as a downtown asset that could be transformed once again into a premier property, with the possibility of both commercial and residential use.

While there is no time frame on when a new owner will emerge, real estate experts predict the building won't remain empty for long.

"There is a need for strong ownership, and I think most would prefer local owners, if that is at all possible," Yalamanchili said. "It is obviously an outstanding location, and with all that is happening around that area, there is a bright future for some tremendous development."

Whatever happens with the sky-high structure that straddles Main Street, there's a clear need for creative vision and a significant amount of money — estimates for the cost of the building and infrastructure improvements are more than \$100 million.

"Make no mistake that it is a big building and, yes, there will be an impact," Cappellino said.

"No matter what ends up happening with that property, this is a challenge that has the potential to alter the perception some have of the City of Buffalo. This is a great opportunity for Western New York and how we view ourselves and how people who are not from here view our community," said Cappellino.

DANIEL MEYER is a freelance writer from Hamburg.