

THOUGHT LEADERS

DEVELOPMENT

Real estate tax credits are essential tool for many developers



ALL PHOTOS: JOED VIERA

Representatives of the region's economic development sector discussed the role that tax-credit programs play for developers. The discussion was part of the Thought Leaders series at Hodgson Russ LLP.

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Tax-credit programs make it possible for area developers to take on projects that might never have been viable.

At the top of the list are brown-field tax credits that offer incentives for developers to tackle projects in buildings and on properties with environmental issues.

For developer Rocco Termini, they were part of a quartet of state and federal programs he tapped to turn Chandler Street in Buffalo from an industrial graveyard into one of the city's emerging neighborhoods.

He spent more than \$40 million on the Chandler Street projects but said it would not have been possible without tapping into such programs as state and federal historic tax credits, new market and brownfield tax credits.

He also utilized a Start-Up New

York designation.

Why so many programs?

"You need gap financing," Termini said.

Chandler Street is the largest series of developments within a state-designed Brownfield Opportunity Area in New York.

Termini joined six other participants in a Thought Leaders discussion Nov. 21 at Hodgson Russ LLP. He was joined by Rebecca Gandour, city of Buffalo director of economic development; Michael Hecker, Hodgson Russ partner; Gwen Howard, Foit-Albert Associates vice president of architecture; Jennifer Schamberger, Hodgson Russ associate; Steve Weathers, Erie County Industrial Development Agency president and CEO; and Ryan Zebro, Ciminelli Real Estate Corp. vice president of investments.

Tax credits and incentives provide a financial bridge that may determine if a project moves forward.



Making a point is Buffalo economic development director Rebecca Gandour, left, seated next to Gwen Howard and Steve Weathers.

Weathers said county IDA tax credits tied to adaptive reuse of older buildings has made a difference. More than 50 vacant or underutilized buildings have been revived through

the county tax-break program.

"That's 50 buildings that were declared dead that are now active," Weathers said. "Without the tax benefits, that would have been 50 build-

with REBECCA GANDOUR, GWEN HOWARD, ROCCO TERMINI, STEVE WEATHERS and RYAN ZEBRO

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ATTORNEYS



“The mindset around Buffalo has changed but you also need tools, like tax credits and breaks, to help change that mindset.”

REBECCA GANDOUR,
director of economic development, city of Buffalo



“A really big project will spin off other, smaller projects.”

GWEN HOWARD,
vice president of architecture, Foit-Albert Associates



“It doesn’t matter if it is a \$50,000 project or a \$5 million project; some of the costs are the same”

ROCCO TERMINI,
president, Signature Development



“This (Buffalo and Erie County) is sort of virgin territory. Investors will go to where they can get returns, whether there is a lot of sunshine or not.”

STEVE WEATHERS,
president/CEO, Erie County Industrial Development Agency



“Out-of-town investors are typically very surprised by what they see when they come to Buffalo. Getting people here is the big thing.”

RYAN ZEBRO, vice president of investments, Ciminelli Real Estate

► HODGSON'S TAKE



“This (Guaranty) building is a good example of using tax credits to save a building that is important to the community and was on its way out.”

MICHAEL HECKER,
partner, Hodgson Russ LLP



“It’s been really fun to see neighborhoods change. It proves that Buffalo needs housing options for all levels of income.”

JENNIFER SCHAMBERGER,
associate, Hodgson Russ LLP

ings sitting around with no value.”

Hecker said tax credits are key parts of due diligence by real estate and finance attorneys when reviewing a project with their clients.

Termini said regardless of the scope of the project, some costs are the same.

The developer said more tax credits for lower-cost projects could be a boost for the region.

“These could be tools where we could make things better,” Gandour agreed.

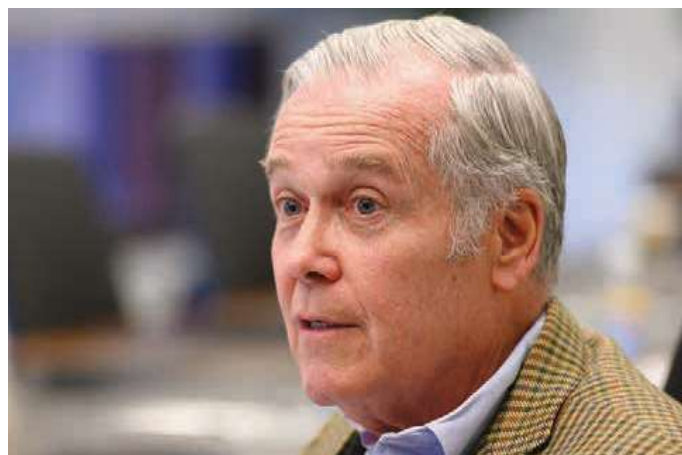
The spin-off from smaller projects could aid Buffalo neighborhoods, said Howard and Schamberger.

“It has been really fun to see the neighborhoods change,” Schamberger said.

Ciminelli Real Estate has used a potpourri of tax-credit programs to help advance a number of projects. Zebro said. That included the \$18 million Mentholatum Apartments on Niagara Street and the \$16 million Sinclair Apartments on Washington Street.

“Those would not have happened without tax credits,” he said. “Tax credits allow developers to go into some neighborhoods they might not have otherwise considered.”

Tax credits have fostered increasing interest from out-of-town investors in the region’s development landscape. The poster child for that is Washington developer Douglas Jemal, who is investing more than \$120 million into Seneca



Tax credits helped Rocco Termini to develop a project at a former industrial site on Chandler Street in Buffalo.

One Tower.

Jemal is self-financing that project but the developer may use tax credits for his \$30 million conversion of the former Buffalo Police headquarters on Franklin Street into a residential-anchored building. He is undecided on whether to use tax credits for his Boulevard Mall redevelopment effort, which sits in Amherst’s lone Opportunity Zone.

“A \$20 million investment in San Diego may appreciate faster than one in Buffalo, but Buffalo’s investment market is far more steady,” Termini said.

► CLOSER LOOK AT THOUGHT LEADERS

Thought Leaders is an ongoing series of discussions with Western New York business leaders and attorneys at Hodgson Russ LLP.

Ten times a year, leaders in diverse industries meet for a roundtable discussion moderated by Business First journalists. Excerpts from the conversation are published after the roundtable.

Discussions are held in the law firm’s Pearl Street offices in Buffalo.