

THOUGHT LEADERS

DEVELOPMENT

Historic tax credits are in jeopardy. Developers say that's bad news for Buffalo.



JIM COURTNEY

Robert Stark, left, Clint Brown and Paul Ciminelli discussed the value of historic tax credits as an economic development tool at a Thought Leaders discussion last week at Hodgson Russ LLP. They and other panelists said the loss of tax credits would not be good for Buffalo.

BY JAMES FINK
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New federal policies threaten a program credited with playing a role in Buffalo economic development projects.

At risk is the federal historic tax credit program that the Trump administration would like to see cut back or shut down when it sunsets next year.

The program potentially provides developers a 25 percent tax break on historic preservation and adaptive-reuse projects, and in many cas-

es that fills in enough of the financial gap to make many local projects viable.

"The 25 percent difference is enough to determine if a project is going to make it or not make it," said developer Rocco Termini. "If it goes away, we will all need to look to other methods when it comes to project equity."

Termini was one of 10 developers, architects and attorneys who took part in the Business First "Thought Leaders" series sponsored by Hodgson Russ LLP.

Panelists said the threat of elimi-

nating federal historic tax credits is very real and would be devastating to the regional economic development landscape.

Losing the program comes against the backdrop of rising construction costs and higher interest rates.

Those combined could have a chilling effect on the local development industry.

"It couldn't happen at a worse time for the city," said Terrence Gilbride, partner at Hodgson Russ.

Local officials said the tax credits provide tax breaks and incentives for developers looking to renovate

buildings that are at least 50 years old. The credits played a critical role in many adaptive-reuse projects that were part of the region's economic development agenda in the last decade.

The federal program is often used in tandem with a similar incentive offered by New York state, as well as tax breaks offered by regional industrial development agencies.

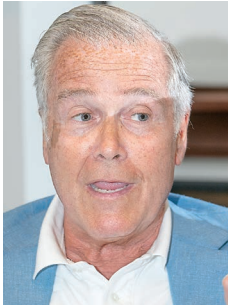
The National Trust for Historic Preservation estimates that for every dollar in federal tax credits awarded to a project, the U.S. Treasury sees a \$1.26 return.

with CLINT BROWN, STEVE CARMINA, PAUL CIMINELLI, GWEN HOWARD, PAUL ISKALO, SAM SAVARINO, ROCCO TERMINI and ROBERT STARK



“Historic tax credits don’t just make developers wealthy; there is a trickle-down effect that helps all the way down.”

GWEN HOWARD,
Vice president,
Foit-Albert
Associates



“Trump has decimated the historic tax credit program. He doesn’t need them anymore; he doesn’t care.”

ROCCO TERMINI,
CEO, Signature
Development



“We wouldn’t have done the Electric Tower project if it wasn’t for historic tax credits.”

PAUL ISKALO,
CEO, Iskalo
Development



“The only way this community is going to grow is if it increases its development ecosystems.”

PAUL CIMINELLI,
President and CEO,
Ciminelli
Real Estate Corp.



“The potential loss of federal historic tax credits couldn’t happen at a worse time for the city.”

**TERRENCE
GILBRIDE,**
Partner,
Hodgson Russ LLP



“Congress and the Senate do not see how important federal historic tax credits are to cities like Buffalo.”

STEVE CARMINA,
President, Carmina
Wood Morris DPC



“ ‘Save the Whales’ (is) doing a better job lobbying than we are (at) fighting to preserve historic tax credits.”

CLINT BROWN,
President, Clint
Brown Co.
Architecture

“Buffalo is thriving now, perhaps more than ever, in large part due to the federal historic tax credit program,” said Sam Savarino, CEO of Savarino Cos.

In recent years, more than 70 projects that collectively represent \$500 million in private investment were developed with federal historic tax credits.

The list includes Hotel @ The Lafayette, Hotel Henry, Turner Bros. Lofts, Shea’s Seneca and Parkside Candy Shoppe.

Paul Iskalo, CEO of Iskalo Development Corp., said his company never would have undertaken the purchase and renovation of the 1901-era Electric Tower in 2004 if not for historic tax credits.

Panelists agreed that in recent years, the New York State Office of Parks, Recreation and Historic Preservation, which also offers historic tax credit incentives, has been welcoming when it comes to projects seeking tax breaks.

They said that is not the case with the National Parks Service, the federal agency that oversees the historic tax credit program.

“It all depends on the person you are dealing with on any one particular day,” said Robert Stark, partner at CJS Architects.

Architect Steve Carmina agreed. He is president of Carmina Wood Morris DPC in Buffalo.

“It is getting harder every day to work with the National Parks Service



JIM COURTNEY

Gwen Howard and Paul Iskalo said historic tax credits are vital to the preservation of the city’s older buildings.

because they are always changing the rules,” Carmina said.

Delays in receiving federal tax credits can be expensive, said Paul Ciminelli, president and CEO of Ciminelli Real Estate Corp.

He has relied on federal historic tax credits for many area projects including the Sinclair Apartments on Washington Street and the recently opened Mentholatum on Niagara Street.

“Delays in projects become hidden costs,” Ciminelli said.

Joseph Endres, partner at Hodgson Russ, said delays are more than development speed bumps.

“We’ve all seen horror stories,” Endres said. “Businesses do exactly what they are supposed to do and then someone tells them to do something different.”

Clint Brown of Clint Brown Co. Architecture said it behooves developers or their representatives to make a strong case when dealing with state and federal agencies, especially the National Parks Service.

**► CLOSER LOOK
AT THE THOUGHT LEADERS**

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

Each month, 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.

“You do need to make a strong case for your investment in historic buildings,” Brown said.

Gwen Howard is architecture department vice president at Foit-Albert Associates. She said the value in preserving older buildings isn’t limited to downtown office buildings. As a member of the Buffalo Preservation Board, Howard sees individual homeowners beginning to apply for historic tax credits.

“People realize the value in that investment,” she said.

Termini said Western New York developers need to generate more support for preserving the tax credits. He wants to see lobbying on all levels and said the case must be made to keep the incentives in place

“We are poor salesmen,” Termini said.