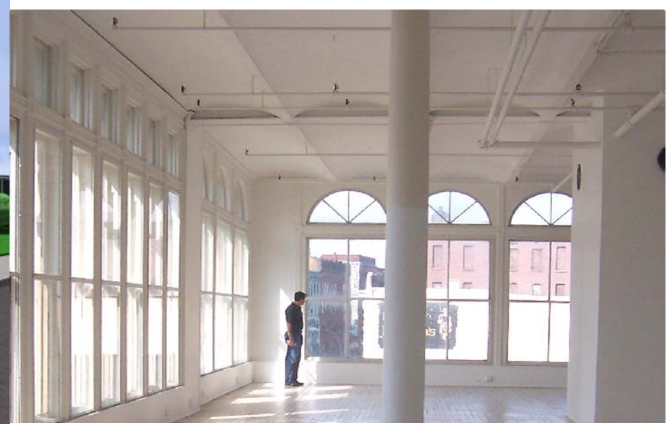

FINANCIAL RESOURCES
FOR
DOWNTOWN DEVELOPMENT

August 2008

Rochester Downtown Development Corporation
Rochester, New York

INTRODUCTION

August 2008: Given the vertical urban context, steeply climbing construction costs, and rising demand for downtown housing, mixed-use developments increasingly top many developers projects of choice as they seek both short- and long-term return-on-investment (ROI).

Consequently, a widening array of incentive programs can now be aimed at any central business district projects, and to that end this document moves even further beyond its origins as a housing development resource.

As the national trend of urban revitalization continues to open new markets in mid-sized cities, Rochester's own downtown vitality is palpable. With an estimated $515 million more dollars of investment aimed at the core, we are at the front end of an exciting growth cycle.

Background & Acknowledgements: To facilitate new construction and adaptive reuse projects, RDDC has compiled information on a wide variety of available financial resources, including a listing of resources, summaries of the programs, and contact information. This document provides program overviews only, and interested individuals are encouraged to contact the source entities to obtain more detailed materials and to confirm the most current program, eligibility, and application information. Originally compiled in the Spring 2001, annual addendums were added to the document in September-October 2002-2007. Revisions are ongoing, and your suggestions are welcomed.

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FINANCING OPTIONS

TAX CREDITS AND INCENTIVES

Brownfields Tax Incentive

The Brownfields Tax Incentive (BTI) was signed into law in August 1997 as part of an effort by the Federal government to spur the cleanup and redevelopment of brownfields in distressed urban and rural areas.

In particular, the BTI seeks to address financial obstacles to the deduction of remediation costs by property owners who want to remediate their property and put it to a different use, as well as would-be purchasers of contaminated sites who heretofore would have had to purchase the site at its impaired value and capitalized the attendant remediation costs over time.

More to the point, the BTI allows property owners to deduct certain environmental remediation costs rather than capitalizing them as a property improvement.

(For more information, visit http://www.irs.utreas.gov. A "brownfields tax incentive" search on their site prompted recent materials regarding "Expanded Renewal Community and Empowerment Zone Tax Incentives".)

Commercial Tax Abatement Program

The City of Rochester offers a commercial tax abatement program that allows for the negotiation of municipal real estate property tax relief for office, retail, and other commercial developments. This program can be used to reduce costs for housing/mixed-use projects by lowering the "early years", tax-side operating expenses for the non-housing portion of the project.

(For more information, contact Steve Golding, Economic Development Department, City of Rochester, (585) 428-6895.)

Conversion Urban Exemption Program (CUE)

Under this legislation, Rochester and other municipalities of 50,000 or more people offer property tax exemptions to developers and building owners who convert vacant office space and properties to residential housing units and commercial uses. Patterned after a similar initiative launched in New York City during the Guiliani administration, CUE seeks to transform empty former warehouses, retail, and office space by offering building owners and developers a 12-year property tax exemption schedule for building residential units and new commercial uses. The CUE program includes the following incentives:

- Property tax exemptions for the first eight tax years equal to 100% of the value added to the portion of a building that is attributable exclusively to residential construction out of a combination of residential and commercial mixed uses.
- Property tax exemption of 80% in year ten; 60% in the eleventh year; 40% in year twelve; and, a 20% exemption in year thirteen.
- Properties designated as landmarks would receive property tax exemption for residential and commercial reconstruction work on the following schedule: 100% for the first nine years, 80% in year ten, 60% in year eleven, 40% in twelve, and 20% in year thirteen.

(Contact the Assessment Department, City of Rochester, at (585) 428-7221 for information regarding local enactment.)

Core Housing Incentive Exemption (CHOICE)

Aimed at sparking "new construction of owner-occupied residential development", the CHOICE "incremental tax relief" program offers an incentive to developers to sell their condos or townhouses while the market is in "transition"; i.e. burgeoning with residential *rental* property development and demand, but not yet meeting what is believed to be the pent-up demand of would-be, home purchasers.

Adopted by City Council in 2007, the CHOICE program will be accomplished on a project-by-project basis under a Payment in the Lieu of Taxes (P.I.L.O.T.) agreement requiring approval by the County of Monroe Industrial Development Agency (COMIDA). For homeowners and developers the program expresses itself through a nine-year abatement on the increase in property assessments resulting from the completion of a new construction, owner-occupied, market-rate residential project.

(For more details regarding the length of the program and the exemption assessment "ramp-up" please contact COMIDA at (585) 753-2000.)

Historic Preservation Tax Credits -- NYS's "Rehabilitation" Tax Credit

Passed in mid-2006 by the New York State Legislature, the measure (*Assembly 11987/Senate 8392*) provides for a State Income Tax credit for rehabilitation costs of historic commercial and residential structures. The bill seeks to encourage new investment in the reuse of historic buildings in urban and rural communities throughout New York State by making State and National Register-listed, owner-occupied residential structures in distressed areas eligible for a credit that covers 20% of exterior rehabilitation costs, up to a credit value of $25,000. (Approximately 11,000 historic residential structures are qualified statewide, primarily in urban neighborhoods.)

The bill also includes incentives for historic commercial properties. National-Register listed or eligible commercial properties that qualify for the Federal Rehabilitation Tax Credit would qualify for an additional New York State Income Tax Credit, covering 30% of rehabilitation costs, up to a credit value of $100,000.

According to the Preservation League of NYS, the residential rehabilitation program will provide a first-ever financial incentive for homeowners and homebuyers for upkeep and stewardship of historic homes.

Following legislative changes to the program in June 2007 that were aimed at "enhancing the incentives and flexibility to further stimulate the rehabilitation of historic properties, and increasing the number of municipalities and neighborhoods that are eligible for the program", the program included the following attributes:

- The commercial credit rate was 30% of qualified rehabilitation costs (vs. 30% of federal credit value at its 2006 adoption);
- There is no cap on the value of the commercial credit;
- The commercial credits may be assigned, transferred, or conveyed to non-New York State developers and financial interests who previously had less incentive to invest in New York State projects; and,
- Expanded the number of "distressed areas" to increase the number of neighborhoods qualified to take advantage of the residential credit program.

(For further information, contact Colleen Ryan, Director of Public Relations at the Preservation League of NYS – (518) 462-5658 (ext.17). Or visit their website at http://www.preservenys.org.)

Incentive Tax Credit Program (ITC)

A product of the "Tax Reform Act of 1986", this historic preservation program offers a 20 percent tax credit to property owners who undertake the certified, major rehabilitation of income-producing buildings listed on the National Register of Historic Places or situated in a locally certified historic district. In addition, a 10 percent tax credit is available to property owners who rehabilitate non-historic, non-residential buildings built before 1936.

The "20 percent" ITC program is jointly administered by the National Park Service, the New York State Office of Parks, Recreation and Historic Preservation's Historic Preservation Field Services Bureau, and the Internal Revenue Service (IRS). For both credits, the rehabilitation must be substantial and must involve a depreciable building. Unlike an income tax deduction, the tax credits lower the amount of taxes owed (generally on a dollar to dollar basis).

(For further information, contact the NYS Office of Park, Recreation and Historic Preservation at http://nysparks.state.ny.us/grants/, the National Park Service by visiting their website at http://www.nps.gov/history/hps/tps/tax/index.htm or by phone at (202) 513-7270, and/or the Internal Revenue Service by visiting their website at http://www.irs.gov.)

IRS Empowerment Zones: Section 179 Expensing

Under Section 179 of the Internal Revenue Code, this incentive increases up to preordained maximum levels the tax deductions that a business located in an Empowerment Zone can claim for "qualified zone property" in the tax year it is placed into service. However, these limits are increased for certain "qualified zone property" placed in service by an Empowerment Zone business. Such businesses are permitted an extra $20,000 per year in Section 179 deductions.

(For more information, see IRS Publication 954, Tax Incentives for Empowerment Zones and other Distressed Communities, or visit their website at http://www.irs.ustreas.gov.)

New Market Tax Credits

The New Market Tax Credit program began in 2000 with the goal of providing innovative financing options for community development and revitalization. Qualified Community Development Entities (CDEs) compete for these tax credits through an annual competitive process. The NMTC can be combined with Historic Rehabilitation credits to enhance financing for commercial and mixed-use projects in both qualifying low-income census tracts and those projects with demonstrable community impact – job creation and retention; wage increases; wealth creation; and provision of essential social services.

The incentives allowable under this program include:

- No capital gains on property within the zone acquired between January 1, 2002, and December 31, 2009. The property must be held for at least five years;
- An employment credit if you hire people who live and work in the wider local "renewal community" (includes a large portion of the city) of a maximum of $1,500 per "qualified" employee;
- Increased Section 179 deductions for "qualified" renewal community businesses that purchase "qualified renewal" property (primarily for equipment and machines);
- Commercial revitalization deduction for "qualified revitalization" in non-residential buildings;
- Capital gain exclusion for investors holding ownership for more than five years;
- Work opportunity credit for all businesses that hire from a targeted pool living in the larger renewal community zone (e.g., TANF recipients, veterans, ex-felons, high-risk youth, etc.); and,
- Credit for hiring a "Welfare to Work" individual.

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(Contact the IRS with questions at communityrenewal@irs.gov, or check out their website at www.irs.gov by typing "Renewal Communities" in the search option.)

Renewal Community Program

In mid-October 2004 the US Congress approved a corporate tax bill that expanded the territory and benefits of the Renewal Community Program. Internal Revenue Code provisions and local area eligibility designations allow a variety of federal tax incentives that can benefit downtown developers, businesses, and commercial real estate revitalization projects. Expansion of the program in 2003 allowed for nearly $400 million in potential tax break incentives

The incentives allowable under this program include:

- No capital gains on property within the zone acquired between January 1, 2002, and December 31, 2009. The property must be held for at least five years;
- An employment credit if you hire people who live and work in the wider local "renewal community" (includes a large portion of the city) of a maximum of $1,500 per "qualified" employee;
- Increased Section 179 deductions for "qualified" renewal community businesses that purchase "qualified renewal" property (primarily for equipment and machines);
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- Credit for hiring a "Welfare to Work" individual.

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(Contact the IRS with questions at communityrenewal@irs.gov, or check out their website at www.irs.gov by typing "Renewal Communities" in the search option.)

State Low-Income Housing Tax Credit Program (SLIHC)

Established under the 1986 Tax Reform Act, the Low-Income Housing Tax Credit Program (LIHC) seeks to promote private sector involvement in the retention and production of rental housing that is reserved for low-income households.

The NYS Division of Housing and Community Renewal (DHCR) administers a NYS version of the Federal program which allows tax credits for mixed-income projects (e.g., market-rate and affordable units). In this program, 40% of the units must be set aside for households whose incomes are at or below 90% of the area median income. This leaves 60% of the units in a project with allowable market-rate rents.

For a list of all DHCR capital funding programs, visit their 2008 Unified Funding Process at: http://www.dhcr.state.ny.us/Funding/

(For more information, contact the NYS Division of Housing and Community Renewal through their website at http://www.dhcr.state.ny.us/Programs/HousingTrustFund/ , or call them at (716) 847-7955.)

LOANS & BONDS: SOURCES & PROGRAMS

Commercial Lending Institutions

Commercial institutions offer construction and permanent mortgage loans to assist developers in refinancing, building, or expanding commercial and institutional facilities. Such institutions can also assist developers in gaining access to secondary market financing for mortgage loans. Interest rates are based on margins over the applicable US Treasury Security yields. Application/commitment fees are generally one percent or less, depending on loan quality.

Examples of other financing tools offered by commercial banks include: short-term construction loans advanced monthly with terms of up to 24 months, and seven-year commercial mortgage term loans.

The commercial field includes institutional lenders, insurance companies, and mortgage investment conduits. In addition, Federal Home Loan Bank member banks can borrow on Community Investment Program long-term rates to provide long-term financing (e.g., Freddie Mac).

Commercial Loan Fund Program, City of Rochester

Developers interested in attracting tenants to mixed-use facilities may consider the Commercial Loan Fund Program. This program provides loans of $10,000 to $500,000 to assist private sector job creation and retention for new or expanding commercial businesses located in City of Rochester low/moderate income areas. Proceeds are generally used for working capital, equipment, and owner-occupied real estate. Funds cannot be used to repay existing indebtedness. Businesses that qualify include the following: service, wholesale, retail, and others.

(For more information, contact the City of Rochester Economic Development Department at (585) 428-6808.)

East Main Street Assistance Program, City of Rochester

This program provides loans of $10,000 to $250,000 to property and business owners in the East Main Street area between the Genesee River and Stillson Street. The goal of the program is to promote investment, job creation, and retention in the core area of Rochester's Center City. The flexibility of this program allows the City to provide assistance for a variety of uses, through low interest loans or loan-to-grant financing. Consideration for assistance under this program will be at the sole discretion of the City and subject to a complete financial review of the project and applicant. There is a limited amount of funds available, and preference will be given to those eligible projects that are determined to have the most significant impact on the revitalization of the targeted area.

(For more information, contact the City of Rochester Economic Development Department at (585) 428-6808.)

Federal Home Loan Bank Community Lending Programs: Community Investment Program (CIP) and Affordable Housing Program (AHP)

1. The Federal Home Loan Bank System is comprised of its original thrift bank members as well as commercial banks, credit unions, and insurance companies. Among the Federal Home Loan Bank's housing and economic development programs are the Community Investment Program (CIP) and the Affordable Housing Program (AHP).

   The CIP is a housing and community lending program that provides reduced interest-rate advances for housing benefiting families with incomes at 115 percent or less of area median income, and for economic development projects located in low- and moderate-income neighborhoods or that benefit families with incomes at or below 80 percent of area median income.

   In addition to the CIP Advances, the CIP offers a CIP Letter of Credit (CIP LOC) in which any payment made by the Bank pursuant to the CIP LOC will constitute a CIP Advance. The CIP LOC may be used to facilitate transactions that promote home financing, housing activity, or financing of commercial and economic development activities that benefit low- and moderate-income families or activities that are located in those populations' neighborhoods.

   The AHP provides subsidized advances and grants to finance owner-occupied homes for households with incomes at or below 80 percent of the area median income. AHP financing may also be used for rental housing in which at least 20 percent of the units are occupied by and affordable to households with incomes at or below 50 percent of area median income.

2. **Housing and Community Lending:** One of the goals at the HLB is to improve the housing and economic opportunities available to families and communities. We recognize the connection between the strength of a community's economy and its residents' ability to afford safe, decent housing. Through our housing and community lending programs, members have access to the financing tools essential for creating a more prosperous environment. By supporting the start-up and growth of local businesses, you ensure that your communities experience steady economic growth. Together, we can continue to create opportunities that strengthen our communities.

   Funding programs include:
   Housing Programs
   Affordable Housing Program ("AHP")

First Home Club^sm ("FHC")
Community Lending Programs
Disaster Relief Funding: $250 Million Committed
Program-Specific Community Lending
Community Investment Program ("CIP")
Rural Development Advance ("RDA")
Urban Development Advance ("UDA")

Through our reliable source of funding, members can obtain the lowest-priced HLB advance to finance their lending activities while simultaneously strengthening their Community Reinvestment Act ("CRA") performance and foster relationships from gained recognition for community involvement.

(For more information regarding CIP and HLB programs, please contact the Community Investment Department at (212) 441-6850, or visit their website at http://www.fhlbny.com/community/index.htm)

Freddie Mac Multifamily Programs

Freddie Mac offers a variety of multifamily loan origination and servicing programs, including programs for:

- Conventional cash mortgages;
- Second mortgages;
- Bond credit enhancement ;
- Negotiated transactions;
- Senior housing and assisted living;
- Rate-reset mortgages; and,
- Streamlined refinancing.

In general, eligible properties include garden, mid-rise, and high-rise apartments, as well as cooperative properties.

(For more information call the Northeast Regional Offices of Freddie Mac at (212) 418-8900, or visit http://www.freddiemac.com)

Industrial Revenue Bonds

Industrial Revenue Bonds are offered by municipalities as incentives for capital investment projects such as acquisition, construction, and/or renovation. The IR bonds have the same basic structure as commercial or conventional issuances; however, the bonds offer the developer property and sales tax benefits. Collaterally, these capital investment projects generally qualify developers for state and local tax exemptions and/or abatements.

(For more information, contact the, County of Monroe Industrial Development Agency [COMIDA] at (585) 753-2000.)

Mixed-Income Ratio Programs

This financing structure derives its name from the decision of an owner/developer to reserve one of the following:

- 20 percent of the units in a newly constructed or renovated, predominantly market-rate housing project for occupancy by households at or less than 50 percent of the area's median income, OR
- 40 percent of the units for households at or below 60 percent of area's median.

The owners' agreement to comply with the above triggers the issuance of tax-exempt private activity bonds, and the proceeds of the sale of these bonds in turn help to finance the project. On most such transactions there are regulatory limitations on the project costs that create funding gaps that must be filled with other sources of capital, requiring additional debt or investment of additional equity.

(Information on these programs is accessed through private lenders.)

Renewal Community Program

In mid-October 2004 the US Congress approved a corporate tax bill that expanded the territory and benefits of the Renewal Community Program. Internal Revenue Code provisions and local area eligibility designations allow a variety of federal tax incentives that can benefit downtown developers, businesses, and commercial real estate revitalization projects. Expansion of the program in 2003 allowed for nearly $400 million in potential tax break incentives

The incentives allowable under this program include:

- No capital gains on property within the zone acquired between January 1, 2002, and December 31, 2009. The property must be held for at least five years;
- An employment credit if you hire people who live and work in the wider local "renewal community" (includes a large portion of the city) of a maximum of $1,500 per "qualified" employee;
- Increased Section 179 deductions for "qualified" renewal community businesses that purchase "qualified renewal" property (primarily for equipment and machines);
- Commercial revitalization deduction for "qualified revitalization" in non-residential buildings;
- Capital gain exclusion for investors holding ownership for more than five years;
- Work opportunity credit for all businesses that hire from a targeted pool living in the larger renewal community zone (e.g., TANF recipients, veterans, ex-felons, high-risk youth, etc.); and,

- Credit for hiring a "Welfare to Work" individual.

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(Contact the IRS with questions at communityrenewal@irs.gov, or check out their website at www.irs.gov by typing "Renewal Communities" in the search option.)

Section 108 Loan Guarantees

Through Section 108, HUD guarantees notes issued by units of general local government for the financing of economic revitalization and development activities including:

- Housing and rehabilitation of privately owned buildings for residential purposes;
- Expanding for-profit businesses;
- Financing and rehabilitation of low-income and public housing;
- Site improvement on community-owned land leased to a developer for a commercial or industrial development project;
- Site development;
- Purchase of buildings or land for economic development; and,
- Infrastructure development that includes street reconstruction and/or sewer repairs.

(For more information, see the HUD website at http://www.hud.gov/grants/index.cfm)

SONYMA/Mortgage Insurance Fund Credit Enhancement

A mortgage loan financing mechanism insured by the NYS Mortgage Agency (SONYMA) Mortgage Insurance Fund, SONYMA loans provide permanent financing by way of the proceeds from the issuance of bonds by the NYS Housing Finance Agency. Such loans may not be less than $1 million or greater than $20 million. Eligible properties include mixed-income developments with a mix of market-rate and affordable units, and 100% "affordable" developments where all the units are occupied by low- and moderate-income households.

(For more information, contact the New York State Housing Finance Agency at (212) 688-4000, ext. 386, or visit their website at http://www.nyhomes.org).

Tax-Exempt Bond Financing

Tax-exempt Enterprise Zone (EZ) facility bonds generally have lower interest rates than conventional financing. To qualify, 95 or more of the net proceeds of the bond issue must be used to finance "qualified zone property" whose principal user is an EZ business.

(For more information, visit http://www.irs.ustreas.gov.)

SPECIAL DISTRICTS & GRANT OPPORTUNITIES

Brownfield Economic Redevelopment Initiatives

- Pre-Development Matching Grant Program – Brownfields Assistance Program: These funds are available for developers to assist them in the investigation of brownfields problems prior to the purchase of properties (grants of up to $25,000 are available to established firms and developers);
- Brownfields Cleanup Revolving Loan Fund Pilot: Created in September 1997, this Pilot program was initially considered "handcuffed" by restrictive requirements. Consequently, the City of Rochester had considered returning unused funding to the EPA; however, in January the Bush administration signed the Small Business Liability Relief and Brownfield Revitalization Act, announcing that existing grants would be "grandfathered" under new legislation due to be formally released in October/November 2002. City officials reported that draft guidelines published in September 2002 suggested a easing of requirements, and that they would retain the funding in anticipation of the new guidelines.

(For further information, contact the City of Rochester's Economic Development Department at (585) 428-6808 and/or Department of Environmental Services at (585) 428-5978, or visit the City's website at www.ci.rochester.ny.us.)

Commercial Building Renovation Program, City of Rochester

Mixed use facility applications: the purpose of the program is to create, increase, or maintain occupancy in commercial buildings by encouraging property and business owners to invest, relocate, or expand within the City of Rochester. This program provides matching grants of up to $30,000 to property owners within the City of Rochester toward the cost of permanent building renovations or an expansion/addition to an existing building.

(For more information, contact the City of Rochester Economic Development Department at (585) 428-6808.)

Empire Zones (EZ)

Background: *The EZ program formally expired in August 2004; however, NYS lawmakers voted to extend the current apparatus until March 2005. In early April 2005 the program was extended for a new five-year period ending March 31, 2010.*

Reform proposals adopted by the State in 2005 included the following: establishment of 12 new zones; tougher zone performance standards; shortening of benefit terms to ten years for those businesses certified after April 1, 2005; and creation of "flex zones," so that one square mile per year could be allocated for major attraction projects.

Section 485-e of New York State Real Property Tax Law permits counties containing cities with populations of 50,000 to 1 million that have adopted the CUE Program to also, by local law, opt into the program. Consequently, developers of residential housing in Empire Zones can offer new home owners the added incentive of significant property tax breaks during their first twelve years of ownership (see 485-e, below). Furthermore, certified businesses in Empire Zones can access special incentives to encourage economic development, business investment and job creation. Certified businesses in the zone could qualify for significant tax credits, sales tax benefits, as well as a utility discount. Benefits include the following:

- 485-e Property Tax Abatement: This 485-e abatement provides a reduction in the taxable assessment base upon physical renovation or new construction within the Zone (ten-year schedule with ramp up beginning in seventh year);
- Wage Tax Credits: The New York State Income Tax Credit is available for up to five consecutive years for qualified EZ certified companies hiring full-time employees in newly created jobs within the zone;
- Investment Tax Credits (ITC) and Employment Incentive Credit (EIC);
- Sales Tax Refund: 8% refund of sales tax paid on purchases of building materials used in commercial and industrial improvement projects within the EZ;
- Zone Capital Credit: This NYS Income Tax Credit of 25% of the eligible investment or contribution is available for qualified investments in a Zone Capital Corporation—a direct equity investment in a certified EZ business or a "contribution" in an approved community development project located within the Zone;
- Tax Credit Reduction: A firm's tax liability can be cut below the Alternative Minimum Tax (AMT) if the firm expands and is entirely within the Zone;
- Real Property Tax Credit: These credits cuts a company's liability to the AMT or the fixed dollar amount;
- Sales-tax Exemption: This exemption is from the four percent state sales and user taxes for tangible personal property and services purchased by a qualified business.

(For further information regarding the Zones, please contact the City of Rochester Empire Zone office at (585) 428-6853, or visit the City's website at www.ci.rochester.ny.us. **)**

GreatRate Interest Subsidy Program, County of Monroe

GreatRate is a potential attraction or retention program for a developer of a mixed-use facility with for-profit commercial tenants who are seeking to purchase machinery or equipment while meeting the County's job creation requirements. This program provides businesses with an interest rate subsidy on a fixed-rate loan or a capital lease used to purchase machinery or equipment. The subsidy will be 4% if the equipment is purchased locally, 3% otherwise (rate cannot be subsidized below 1%).

For Rochester region companies, locally is defined as purchasing equipment from a vendor in the following counties: Monroe; Genesee; Livingston; Ontario; Orleans; or Wayne.

GreatRate application criteria include the following prerequisites:

- the business must be a non-retail, for-profit business;
- meet the SBA's definition of a small business; and,
- be headquartered in Monroe County; and create one job for every $50,000 in loan or lease subsidized up to $200,000, or increase employee base by $10,000, whichever is less, and the job creation must occur in Monroe County within 12 months of loan or lease closing.

In addition, companies that receive GreatRate benefits for the purchase of equipment through the Monroe County Industrial Development Corporation (MCIDC) may also be eligible for a sales tax exemption.

(For more information, call (585) 428-2970 or visit http://www.growmonroe.com .)

HUBZone Empowerment Contracting Program

The HUBZone Program provides federal contracting assistance and preferences for qualified small business concerns (SBCs) located in historically underutilized business zones. The goal of the HUBZone initiative is to increase employment opportunities, stimulate capital investment in those areas, and empower communities through economic leveraging and the "multiplier effect", i.e. the participating companies must also maintain a "principal office" in one of these specially designated areas, and 35% of its employees must reside in a HUBZone.

HUBZone qualified businesses enjoy the following potential benefits when applying for federal contracts:

- Set-aside awards when there is an expectation that two or more HUBZone qualified SBCs will submit bid offers (and that the contract will be awarded at a fair market price);
- Sole source awards;
- Awards through full and open competition after application of a price preference as provided to HUBZone SBCs;
- Subcontracting: All subcontracting plans for large business Federal contractors must include a HUBZone subcontracting goal; and/or,
- Eligible HUBZone firms can qualify for higher SBA-guaranteed, "surety bonds" on construction and service contract bids.

(For more information regarding the HUBZone Program and to access their application system go to http://www.sba.gov/hubzone.)

IRS Empowerment Zones: Section 179 Expensing

Under Section 179 of the Internal Revenue Code, this incentive increases up to preordained maximum levels the tax deductions that a business located in an Empowerment Zone can claim for "qualified zone property" in the tax year it is placed into service. However, these limits are increased for certain "qualified zone property" placed in service by an Empowerment Zone business. Such businesses are permitted an extra $20,000 per year in Section 179 deductions.

(For more information, see IRS Publication 954, Tax Incentives for Empowerment Zones and other Distressed Communities, or visit their website at http://www.irs.ustreas.gov.)

"Living-Work Space" Grant Program

Administered by the New York State Council on the Arts, the 2007 state law provides NYS artists with grants to develop "shared-use residences that include studio, performance, or gallery space and living quarters". The program is part of a "broader statewide effort to turn abandoned warehouses, boarded-up buildings, and dilapidated houses into art galleries, music studios, and artist cooperatives", according to reports in the *Syracuse Post-Standard.*

The program will provides grants of up to $12,000 for individual artists, and up to $20,000 for multiple artists to pay for up to two years of rent for shared-use residences that include studio, performance, or gallery space and living quarters.

(For more information, contact the New York State Council on the Arts at www.nysca.org.)

NYS HOME Program & NY Main Street Program

As part of a larger announcement regarding $106M in funding to increase the availability of affordable housing statewide, in August 2007 the Spitzer administration announce the approval of two large grant programs of $34M and $5M to be administered, respectively, by the New York State HOME program and the Division of Housing and Community Renewal (DHCR). Such monies will be further leveraged to gain access to more than $420M in additional federal, local, and private funding.

The HOME program will be used to expand the supply of safe and affordable housing in more than sixty communities. The HOME program partners with local governments, private developers, and community-based non-profit housing organizations, providing funds to acquire, rehabilitate, or construct housing, or to provide assistanc to low-income home-buyers and renters.

The Main Street Program monies can be used to renovate buildings, restore facades, and revitalize the states' traditional Main Street and downtown business districts.

"Preserve New York" Grant Program

Jointly administered by the Preservation League of New York State and the New York State Council on the Arts, the Preserve New York program provides support for three types of projects: 1) cultural resource surveys; 2) historic structure reports; and, 3) historic landscape reports. An applicant must be a not-for-profit with tax exempt status or a unit of local government. State agencies and religious institutions are not eligible to apply.

The program generally provides only partial support on a competitive basis. Grants are likely to range between $3,000 and $10,000.

(For more information, contact Erin Tobin, Regional Director of Technical and Grant Programs, Eastern New York and Long Island, 518-462-5658, ext. 12, and/ or Tania Werbizky, Regional Director of Technical and Grant Preservation League of New York State, Western and Central New York and Southern Tier at (607) 272-6510.)

Renewal Community Program

In mid-October 2004 the US Congress approved a corporate tax bill that expanded the territory and benefits of the Renewal Community Program. Internal Revenue Code provisions and local area eligibility designations allow a variety of federal tax incentives that can benefit downtown developers, businesses, and commercial real estate revitalization projects. Expansion of the program in 2003 allowed for nearly $400 million in potential tax break incentives

The incentives allowable under this program include:

- No capital gains on property within the zone acquired between January 1, 2002, and December 31, 2009. The property must be held for at least five years;
- An employment credit if you hire people who live and work in the wider local "renewal community" (includes a large portion of the city) of a maximum of $1,500 per "qualified" employee;
- Increased Section 179 deductions for "qualified" renewal community businesses that purchase "qualified renewal" property (primarily for equipment and machines);
- Commercial revitalization deduction for "qualified revitalization" in non-residential buildings;
- Capital gain exclusion for investors holding ownership for more than five years;
- Work opportunity credit for all businesses that hire from a targeted pool living in the larger renewal community zone (e.g., TANF recipients, veterans, ex-felons, high-risk youth, etc.); and,
- Credit for hiring a "Welfare to Work" individual.

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(Contact the IRS with questions at communityrenewal@irs.gov, or check out their website at www.irs.gov by typing "Renewal Communities" in the search option.)

"Restore New York" Communities Initiative Program

Restore New York is designed to help revitalize urban centers, induce commercial reinvestment, and improve housing stock. The program is administered by the Empire State Development Corporation and distributed through municipal applicants acting on behalf of themselves and private developers. The goal of the program is to assist municipalities in their efforts to demolish, deconstruct, rehabilitate or reconstruct vacant, abandoned, surplus or condemned residential and/or commercial properties.

The ESDC increased the total funding for the program from $50M in 2006 to $100M in 2007. The ESDC limits municipalities with populations over 100,000 to two (2) projects and to a maximum request of $5M per project. In the Fall of 2007, the City of Rochester applied for $2.3M Restore New York monies to continue its efforts to "right-size the housing stock, as well as additional $4.1M to assist four downtown housing developers.

Municipalities will submit proposals to ESDC for funding under a specific set of criteria. To the extent possible, funding will be awarded in a geographically proportionate manner based on the qualified applications received. Only municipalities may apply. Special consideration will be given to projects located in Brownfield Opportunity Areas or Empire Zones; those affected by recent and unusual flooding in June 2006 and designated as federal declared disaster areas; and communities with severe economic distress and/or dislocation

(For more information, contact Brett Garwood, Community Development Department, City of Rochester, (585) 428-6150.)

U. S. Dept. of Housing and Urban Development -- Brownfields Economic Development Initiative (HUD—BEDI)

The Brownfields EDI is coordinated by HUD as part of their effort to provide communities with the financial and technical assistance necessary to revitalize brownfields. Grant funds in this program are available to both Community Development Block Grant (CDBG) entitlement communities and non-entitlement communities eligible to receive loan guarantees (Section 108). BEDI grant funds can be used for the following:

- land writedowns;
- site remediation costs; funding reserves;
- over-collateralizing the Section 108 loan;
- direct enhancement of the security of the Section 108 loan; and,
- provisions of financing to for-profit businesses at below-market interest rates.

(For more information, visit the HUD website at http://www.hud.gov/offices/cpd/economicdevelopment/programs/bedi/index.cfm)

U.S. Dept. of Housing and Urban Development - Economic Development Initiative (HUD-EDI)

The EDI provides grants to be used in tandem with Section 108 guaranteed loans for economic revitalization projects. These grants will enhance the viability of such projects (through interest rate subsidies and debt service/operating reserves) and increase the likelihood that the Section 108 loans can be repaid from project revenue.

(For more information, visit the HUD website at http://www.hud.gov/offices/cpd/economicdevelopment/index.cfm .)

Urban Renewal Districts

Under the aegis of the City of Rochester, the Rochester Urban Renewal Agency (RURA) can "package" an urban renewal district for City administration submission to the Rochester City Council for approval. Urban Renewal Districts are appropriate for larger scale projects, and can serve as a powerful land assembly and land cost write down mechanism. Such districts can also afford future adjacent "use" protections for such projects be yond the existing zoning code.

(For more information, contact Mr. Carlos Carballada, Economic Development Commissioner, City of Rochester, (585) 428-6808.)

Additional Agencies and Programs

American Heritage Rivers Initiative

This program supports local communities efforts to revitalize and maintain riverfront areas. Local communities can apply for assistance through their state and metropolitan planning organizations. Eligible projects include those that will improve economic or environmental viability of riverfront neighborhoods and districts.

(For more information, visit http://www.fhwa.dot.gov/environment/te/resources.htm)

Community Development Block Grant Program (CDBG -- HUD)

CDBG provides annual formula grants to entitled metropolitan cities (50,000 or more people), urban counties (20,000 or more people), and to States for distribution to non-entitled communities to carry out a wide range of community development activities. Funded activities pertinent to this compendium include construction of public facilities and improvements (streets, sidewalks, sewers, and water systems) and technical assistance to for-profit businesses (including microenterprises).

(For more information, see the HUD website at http://www.hud.gov/offices/cpd/communitydevelopment/programs)

Community Development Financial Institutions Fund (CDFI)

The CDFI fund was created to expand the availability of credit, investment capital, and financial services in distressed urban, rural, and Native American communities. The Fund's investments work to accomplish the following:

- build private markets;
- create healthy local economies;
- promote entrepreneurship;
- restore neighborhoods;
- generate local tax revenues; and,
- empower residents.

(For more information, visit http://www.treas.gov/cdfi.)

Empire Opportunity Fund (EOF)

The EOF provides financial assistance for the following:

- Infrastructure or capital facilities related to the development of industrial facilities, business parks, and incubators;
- The development of downtown and rural area projects that increase the availability of commercial and retail activity; and,
- The development of tourism destinations and facilities that are likely to attract a significant number of visitors from outside the region.

Eligible applicants include the following: counties, cities, towns and villages, not-for-profits, IDA's, BID's, and businesses. EOF requires a 3:1 match which must be made with cash expenditures. Project costs must be a minimum of $500,000.

(For complete program deadlines and applications, visit www.nylovesbiz.com.)

Federal Community Reinvestment Act (CRA)

The CRA of 1977 requires federal regulators of lending institutions to encourage lending within the local area of the institution, particularly to low- and moderate-income residents and those residing in inner-city neighborhoods. CRA-driven lending programs can make "conversion areas" more attractive to developers.

(For more information, visit http://www.treas.gov/cdfi.)

GreatRate Interest Subsidy Program, County of Monroe

GreatRate is a potential attraction or retention program for a developer of a mixed-use facility with for-profit commercial tenants who are seeking to purchase machinery or equipment while meeting the County's job creation requirements. This program provides businesses with an interest rate subsidy on a fixed-rate loan or a capital lease used to purchase machinery or equipment. The subsidy will be 4% if the equipment is purchased locally, 3% otherwise (rate cannot be subsidized below 1%).

For Rochester region companies, locally is defined as purchasing equipment from a vendor in the following counties: Monroe; Genesee; Livingston; Ontario; Orleans; or Wayne.

GreatRate application criteria include the following prerequisites:

- the business must be a non-retail, for-profit business;
- meet the SBA's definition of a small business; and,
- be headquartered in Monroe County; and create one job for every $50,000 in loan or lease subsidized up to $200,000, or increase employee base by $10,000, whichever is less, and the job creation must occur in Monroe County within 12 months of loan or lease closing.

In addition, companies that receive GreatRate benefits for the purchase of equipment through the Monroe County Industrial Development Corporation (MCIDC) may also be eligible for a sales tax exemption.

(For more information, call (585) 428-2970 or visit http://www.growmonroe.com .)

Housing Assistance Tax Act of 2008

This 2008 Act contains a wide range of tax breaks for many individuals. Significantly, it may benefit new homebuers, existing homeowners, ans ome senior cititzens. The following is an overview of the types of programs expected to be improved by the Act: Homebuyer's Tax Credit; Low-income Housing Credits; Tax-Exempt Housing Bonds; and Home Sale Exclusion.

(For an overview of the Act as detailed by the US Congress Ways& Means Committtee, visit: http://waysandmeans.house.gov/media/pdf/110/eresummary.pdf)

Industrial Revenue Bonds

Industrial Revenue Bonds are offered by municipalities as incentives for capital investment projects such as acquisition, construction, and/or renovation. The IR bonds have the same basic structure as commercial or conventional issuances; however, the bonds offer the developer property and sales tax benefits. Collaterally, these capital investment projects generally qualify developers for state and local tax exemptions and/or abatements.

(For more information, contact the, County of Monroe Industrial Development Agency [COMIDA] at (585) 753-2000.)

NYS 1996 Clean Water/Clean Air Bond & EPF Grants

For communities interested in downtown revitalization, the NYS Office of Parks, Recreation & Historic Preservation (OPRHP) administers three funding programs: Historic Preservation, Parks, and Acquisition. Municipalities, State agencies, and not-for-profit corporations are among those eligible to apply for the matching bonds and grants. There are annual caps for both the EPF and Bond Act grants.

(For more information, visit http://www.epa.gov)

New York State Energy Research and Development Authority (NYSERDA) Energy-Efficiency Resources for New Construction/Substantial Renovations for Five or More Family Buildings

The New York State Energy Research and Development Authority (NYSERDA) encourages the incorporation of energy efficiency and renewable-energy resources into the design, construction and operation of commercial, industrial, institutional and multi-family buildings through their Energy mart New Construction Program.

Under the Program Opportunity Notice 1222 (PON 1222), $24 million is available to conduct technical assessments of energy-efficiency measures in building designs and to offset up to 75% of the incremental capital costs to purchase and install energy-efficient equipment. Maximum incentive amounts vary by project type and incentive category. Incentive amounts for projects in Consolidated Edison's service territory are generally higher than incentive amounts for projects in other utilities' service territory. The total per project limit is $1.65 million for projects in ConEd's service territory and $850,000 for eligible customers of other utilities. Bonus incentives for certain improvements are not counted towards the project cap.

Funding is available for pre-qualified equipment, custom measures, whole-building design, advanced solar and daylighting, peak-load control, LEED projects and energy benchmarking. Additional incentives for natural gas efficiency and electric or steam driven chillers are available to ConEd customers only. Incentives are based on the predicted energy performance of the building design and are available on a first-come, first-served basis until March 31, 2009. For details or additional information, see the current program solicitation at the program web site, shown above.

This program is available to electric customers of Central Hudson Gas & Electric, Consolidated Edison, New York State Electric & Gas, National Grid, Orange and Rockland Utilities, and Rochester Gas and Electric Corporation. The program is funded by the New York's System Benefits Charge (SBC). Cash incentives are available for the following types of projects: 1) change of use and reconstruction of an existing building or space within; 2) construction work of a nature requiring that for at least 30 consecutive days the building or space within be out of service; and/or, 3) reconstruction of a vacant structure or space within.

The program offers cash incentives for the following:

- New Construction: Approved energy efficient measures and the option for a consultant to review design plans to recommend energy-efficient measures;
- "Green" Buildings: Same as above, plus extensive consultant assistance in analyzing construction material and helping locate local "green" (energy-efficient) products;
- Bulk Purchasing: Cash incentives for ENERGY STAR appliance and lighting, as well as a recycling program for refrigerators and air conditioners. Eligible applicants include counties, cities, towns and villages, not-for-profits, IDA's, BID's, and businesses. EOF requires a 3:1 match which must be made with cash expenditures. Project costs must be a minimum of $500,000; and,
- Solicitations: In addition to the programs above, NYSERDA also provides funding opportunities through solicitations.

(For complete program deadlines and applications, visit: http://www.nyserda.org/programs/New_Construction/default.asp)

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