

# RBJ



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## DePaul project to begin

### \$23M plan to transform historic carriage factory

By **THOMAS ADAMS**

Preliminary work could begin as soon as today to transform one of the historic James Cunningham, Son & Co. carriage factory buildings on Litchfield Street into low-income housing and residential space for the mentally impaired.

An entity of DePaul Community Services Inc. closed in December on 33 Litchfield St., the last of five buildings constructed as part of the factory complex. DePaul expects to close today on financing for the



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Rendering courtesy of SWBR Architects; photo by Kimberly McKinzie



## CARRIAGE FACTORY

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\$23 million project.

"We've already mobilized," said David Christa, CEO of Christa Construction LLC, the project's general contractor. "We have a trailer on site. Our guys are starting some preplanning and mobilization. We're anxious."

The work is expected to take 16 months, Christa said, with 71 apartments scheduled for completion in July 2014. SBWR Architecture, Engineering & Landscape Architecture P.C. is designing the building.

The city provided a \$600,000 loan to DePaul to help finance the project.

"I was relatively sure that all the funding was going to be in place," DePaul president Mark Fuller said early this week.

"These deals probably have seven different law firms working on it. They look at every single word. You have attorneys debating the meaning of 'they' or 'the,' or 'this' or 'that.'"

The project has progressed slowly for several reasons. They include funding issues, contamination at the site and disagreement between the U.S. National Park Service and state funding agencies over historic building codes.

The nature of the building, and its age and deterioration, complicated the design process, said Joseph Gibbons, an SWBR partner and its project manager.

"Secondarily, the historic standards that we needed to meet also were challenging," he said. "We needed to not only meet our client's requirement and the city's requirement; we also needed to meet the requirements of other funding agencies and the National Park Service."

"There were a lot of interested parties that all had their interests in mind. We had to make sure we accommodated all the different requirements for each one of those."

DePaul entity Carriage Factory Special Needs Apartments L.P. and CFSN Housing Development Fund Co. Inc. bought the vacant building from real estate developer George Traikos for \$500,000 after nearly two years of discussions.

"A project like this simply couldn't get done without the wide variety of financing mechanisms, a combination of mental health and affordable housing tax credits," said Bret Garwood, director of business and housing development for the city of Rochester.

"That's why we're particularly pleased with an organization like DePaul, because they bring in historic tax credits and loan deposit tax credits, but it also is a community asset as an economic development project because they're going to hire a substantial number of people who are going to

be employed here. That really (enhances the) West Main Street renaissance."

The project will create some 300 construction jobs and 50 permanent jobs, Fuller said.

"It's going to be an exciting project because we're able to reuse an existing, historic building and turn it into housing," Gibbons said. "It's a building that I think is a perfect style of building for apartments."

"It probably has its last legs as far as deterioration. If we weren't able to get in now and turn this building around, it probably didn't have much life left in it."

Based in Gates, DePaul is a \$90 million non-profit residential services firm for people with low incomes and mental health problems, for addiction prevention and support, and for senior living. It operates in six counties in Western New York and 12 in North Carolina, employing more than 1,800 people.

"More recently, we're converting group homes into apartments," Fuller said. "We've found that clients do a lot better. The concept of two people sharing a bedroom and 14 people shopping together and eating together is really not normal."

"So we go from there to (residents) living on their own. It's a big jump. Now we're trying to individualize the apartments, so the affordable housing is more normalized. Then the treatment for the mentally ill revolves around that rather than in a group home where one size fits all."

The city of Rochester recommended the carriage factory after DePaul inquired about potential sites, Fuller said.

"It has a huge environmental problem, the roof leaks and everything else," Fuller said. "That was a lot of our problem. The environmental investigation is going on and on. Trying to get a handle on that is one of the biggest issues."

"In hindsight—I'm not going to lie—I should've run for the hills."

DePaul lined up its funding and received the necessary approvals from the city. But it needed historic tax credits to make the project work, Fuller said.

"We've never done a historic tax credit project," he said. "I clearly didn't know what I was getting into."

"The National Park Service oversees every inch of the remodeling: the type of windows you have to use—the windows cost \$2,000 more than wood windows—and a lot of things that are difficult for an architect to do to meet our needs and convert it."

For example, Fuller said, the Park Service mandates 10-foot ceilings for the carriage factory. The state energy code limits the height to eight feet. The NPS also requested plain brick on the outside walls, Fuller said.

"Between the environmentals and the National Park Service and the difficult parking requirement," he said, "it was probably my most difficult project."

"The governor's office was calling me almost daily. This is a high priority for the city, and the city is pushing me. The city sees it as one of the linchpins of the area. The governor's office wants jobs and housing because we take care of people so much cheaper than the state does. It's a win for the state on several levels."

Fuller and DePaul, however, were hamstrung by the conflicts between the National Park Service and state agencies.

"The National Park Service wants historic renovation," Fuller said. "It's their way or don't do it. They don't care if it doesn't get done. They actually would rather have the building demolished than not renovated to their standards, which is crazy."

State agencies have ceded their demands to the Park Service, Fuller said.

Christa Construction has experience with historic buildings, but on a much smaller scale than the carriage factory, Christa said.

"It's been a combination between the brownfield and just how long it takes to get a project like this approved and started," Christa said. "But Mark is a resilient guy."

Christa and Fuller worked together to develop the \$35 million Bullshead Commons multiuse residential treatment facility on West Main Street.

"What DePaul accomplished down there is just so significant," Christa said. "It's the west end of West Main Street, going down to where Nothnagle is on the east end of West Main Street."

"Now, for everything in between, it's the fastest turnaround I've ever seen in an area of the city."

The carriage factory project bolsters the character of the Susan B. Anthony neighborhood, Christa said.

"This is the last big piece that gets gentrified," he said.

Development on West Main was scarce for nearly 10 years until the Bullshead Commons project began in 2009.

"As the city and others decided to grow the investment in that area, you really started to see things change," Garwood said.

Nothnagle Realtors purchased a vacant 27,000-square-foot, four-story building at 217 W. Main St. and moved its headquarters to the 93-year-old structure in April 2011 after a \$4 million renovation.

Passero Associates P.C. renovated a 111-year-old building at 242 W. Main, at a cost of \$7 million, and moved its headquarters there last month.

"With everything from Nothnagle and Passero on one end to the DePaul/Bullshead area, things have started to fill out," Garwood said. "We're running out of vacant, historic buildings in the Susan B. Anthony area."

"We've seen affordable housing, market-rate housing, historic renovations, job

creation; we have a cafe. All the dynamics of a good community have started to come together."

In addition, developer Laurence Glazer awaits the approval of historic tax credits for the redevelopment of the former Volunteers of America building on Canal Street. Glazer bought the building in September 2011.

"That whole section of West Main will now be probably \$100 million worth of investment in the last couple of years," Christa said.

The 33 Litchfield structure was built in 1910 and originally used by the Cunningham family to manufacture V8 automobiles, said Cynthia Howk, architectural research coordinator for the Rochester-based Landmark Society of Western New York Inc.

"It's just a different era," Christa said. "Very seldom do we get to work in such an interesting building with interesting history behind it. In fact, we bought a carriage that we found in Vermont. It's in storage. It's going to be the focal point of the building."

The Cunningham family launched its business in the 1840s and was located on State Street, Howk said. It moved to Canal Street some 10 years later, gradually expanding to five buildings including 33 Litchfield, she said.

Cunningham was one of the largest carriage manufacturers in the world by the 1870s, Landmark Society research shows. It was the city's largest employer, with more than 700 workers.

"The scale of manufacturing with the Cunningham company was a major presence in the carriage world," Howk said. "They were known everywhere. The surviving factory complex is one of the rare surviving such carriage factory complexes anywhere in North America."

"Many of these companies just went under when automobiles came in. This company was savvy enough that they started making luxury cars for the same customers, who now wanted automobiles instead of horse-drawn carriages."

The first automobile with a V8 engine was made on Litchfield Street, Landmark Society research shows. Cunningham also made ambulances for use in World War I and eventually added airplanes and tanks to the product line, Howk said.

The family sold the Litchfield Street building, vacant for more than 20 years, and the Canal Street complex in 1959.

Along with 33 Litchfield, three of the four Canal Street buildings are still standing.

"Back in the early 1900s, (buildings) were all wood timber beams," Christa said. "It's not a structural steel frame; it's a wood timber structure. There are not many of them left. So this type of structure really has a lot appeal to it."

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## EXCELLUS

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"Compensation paid (to Duda) in 2013 would be recorded and reported with the health plan's 2013 financial statements in March 2014," said Redmond, the insurer's vice president for communications.

Also not yet clear is whether retirement benefits collected by the more recently retired David Klein, who stepped down as Excellus CEO at the end of last year, exceeded Duda's—a retirement sendoff more than double what Excellus had previously reported paying to a departed executive.

As reported by the Rochester Business Journal in 2011, the Excellus affiliate Genesee Region Homecare Inc. reported annual pretax, deferred compensation contributions to Klein's post-employment nest egg topping \$600,000 in both 2008 and 2009 filings with the IRS. Those filings did not

require deferred compensation disclosures in prior years. Excellus is not required to file similar reports.

In 2011, Redmond declined to elaborate on the information provided in those filings or to say what prior deferred compensation Klein might have received. Amounts detailed in the filings, he said, did not represent money being paid to Klein in the year reported or actual dollars set aside at the time. Rather, they were calculations meant to indicate what might be needed to cover sums Klein could receive in retirement.

Excellus could have begun making post-retirement payouts to Klein this year. Asked this week about such payments, Redmond echoed his own earlier comment, stating that the insurer would have nothing to say about any payouts made this year until it would be required to do so 12 months hence.

Excellus reported Duda's \$10.95 million

retirement payout last week as part of an annual financial disclosure it is required to make to the state's Department of Financial Services. It noted the eight-figure payment to Duda on a single line of the filing, making the disclosure in a section detailing payments to outside agencies and vendors.

The DFS filing lists only Duda's name and the 2012 payout's amount. The insurer, which released the annual disclosure to local news media on the same day it filed the document with DFS, made no mention at all of the ex-CFO or his retirement package in an accompanying press release detailing last year's financial performance and currently employed executives' 2012 compensation.

Former Rochester Mayor William Johnson Jr., who served as an Excellus board member, said he had been impressed with the performance of Duda, Klein and other top managers. However, on a number of occasions he had raised concerns over how the

insurer's executive compensation policies were playing with subscribers and a general public facing premium hikes year after year.

"It seems like every time news came out about how much (top Blues executives) were making, there was a big public outcry, but then it would die down. I questioned whether this was a good idea. I guess they decided they could just ride out the criticism," said Johnson, who left the Excellus board eight years ago.

Duda's post-employment compensation compares to some \$5.1 million that former Blues CEO Howard Berman received after he stepped down at the end of 2003.

Berman, credited as the mastermind behind Excellus' growth from a Rochester-area Blues plan to a \$6 billion giant serving much of Upstate New York, received his retirement payout in three installments—\$1.6 million, \$1.7 million and

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