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## Winn details its plans for Sibley Centre

By THOMAS ADAMS - 9/7/2012

Initial redevelopment plans for the downtown Sibley Centre include market-rate housing on the top three floors and affordable housing on three floors below that, a Winn Cos. official said this week.

The 12-story building will be redeveloped for mixed uses, said Christopher Fleming, project executive, with retail businesses on the first and second floors and office space on the third and sixth floors.

"The Rochester Police Department is going to be taking a chunk on the first floor," Fleming said. "That'll probably go pretty soon after we close. We're just waiting for them to finish up their plans."

Market-rate apartments are planned for floors 10 through 12, with affordable housing on floors seven through nine, he said.

"That, of course, is subject to change as things happen in the market," Fleming said.

Monroe Community College will continue to occupy the fourth and fifth floors under the school's five-year lease extension. The floors will be converted to office space if MCC relocates after five years.

The Boston-based real estate firm expects to close on the \$5 million purchase by early October, Fleming said.

The company plans to spend \$3.75 million on repairs and improvements, including compliance with MCC's lease arrangement, city officials said. It will spend \$100 million to \$150 million over 10 years to completely renovate the building, city officials said.

Sibley Redevelopment L.P., an affiliate of Winn Development LLC, is the buyer. Rochwil Associates L.P., a subsidiary of Wilmorite Properties Inc., is the seller.

"We're going to be doing a bunch of image-changing maintenance and repairs to the building to liven it up a little while we're going about our leasing efforts," Fleming said. "We're going to try to change the look and feel of the building right away so people get the sense that there's a new energy being infused in there."

The work will be focused on the ground floor and on the exterior, he said.

"It's sort of like a rolling rehab, if you will," he said. "As we finish one thing, we'll be moving on to the next. If one thing gets out of sequence, we'll do something else first, depending on if we hit any speed bumps. I think you'll see stuff continuously over the next 24 to 36 months."

### Loan, taxes

The acquisition includes Winn's assumption of an obligation to repay a loan of nearly \$3.2 million that was made by the city of Rochester to Rochwil, city officials said last Friday. The company must pay 1 percent annual interest on the 10-year loan and use a portion of its cash flow to pay down the principal balance.

The loan originally was financed through the U.S. Department of Housing and Urban Development's Section 108 loan guarantee program. The city paid off its HUD obligation in July, officials said.

Mayor Thomas Richards has submitted legislation to City Council to approve terms of the sale at the Sept. 19 meeting.

Winn is applying for a 20-year payment-in-lieu-of-taxes agreement through the County of Monroe Industrial Development Agency.

"We anticipate closing in late September or early October, then starting within a few weeks after the COMIDA vote and starting renovations immediately," Fleming said.

Winn already has begun renovations for MCC, the building's primary tenant.

"Some of their space needed some work," Fleming said. "We've replaced some HVAC equipment. We've washed their windows for them. We're proceeding as if we're going to be owners of the building. But we'll dive in in a serious way right after we close."

MCC's board of trustees has decided to relocate the downtown campus to Eastman Kodak Co. buildings on State Street. The move is contingent on approval for a bond issue from the County Legislature and on Kodak's bankruptcy proceedings.

"We think we've started to develop a very productive working relationship with MCC," Fleming said. "We've been real responsive to their needs. That's important."

"They're going to be the biggest tenant in the building for the next five years. We wanted to make sure they understood that we care about them being happy, and we're going to do the things required to make them happy."

Richards continues to push for MCC to remain at Sibley.

"MCC has been clear about what they want to do," he said. "I've been clear about what I think they should do. And those are two different things. I don't think that's resolved, because of the circumstances with respect to Kodak. It matters that you're bankrupt. We'll see how this all shakes out. But this (acquisition) is independent of that."

"Even if they're only going to be there another five years, I think this is a good thing for them. They now have an interested landlord who's going to invest in the building and improve the circumstances. It works however you look at it."

#### Long path

The transaction would end a stalemate of nearly 20 years between the city and the current building owner, which owes nearly \$20 million in unpaid property taxes and loan repayments, city officials said.

Rochwil will not be released from its financial obligations, but the entity does not have the assets to repay its debt, city officials said.

"The city is going to lose some money on this, that's for sure," Richards said. "But we've known that for a long time. What's new is we have a solution here. That building has been a problem looking for a solution for a long time, the better part of 20 years."

"We've got an original transaction that didn't work. It worked for a while, but it failed quite some time ago. It's been accumulating debt that would never get paid. Until we came up with some kind of a solution, it was going to continue to fester."

The city has been hamstrung by what is commonly called a standstill agreement preventing the city from acting to collect the debt unless the owner of the first mortgage agreed to the action or the mortgage was paid off, Richards said.

"When I first got involved in this," said Richards, who entered public service in 2006 as city corporation counsel to then-Mayor Robert Duffy, "the first mortgage was fairly substantial, more than the value of the building."

"It may have been as much as \$15 million; it was over \$10 million. That sort of froze the whole thing in place. We did not agree to that this time. If we're not paid, we're not frozen in place."

The absence of a standstill agreement—designed to prevent a hostile takeover of an entity—would not have ensured a successful outcome for Sibley under Rochwil, nor does it under Winn, Richards said.

"There is, in life, no guarantee that everything will work out," he said. "That's the nature of projects."

"Even if we could have taken some action, the city would have to have a plan for what it was going to do with the building. We still would've needed somebody to deal with the building. But we would've had more freedom, and the thing wouldn't have gone on so long. That's different in this transaction."

Richards is not bothered by the Rochwil deal, which closed in February 1992, Monroe County property records show. Sibley's closed its doors in 1989.

"I'm not somebody who's actually critical of that original arrangement," Richards said. "I think you have to put yourself in the position of the people who did it back in the early 1990s, and how important the Sibley building was and all the efforts they made to save it, and its influence on downtown.

"It's easy to go back and say, 'You should've done this, you should've done that.' But we have to deal with the reality we have to deal with."

The present Sibley structure on 3.5 acres at the northwest corner of East Main and Franklin streets had its beginnings 107 years ago, following a fire in 1904 that destroyed the original Sibley, Lindsay & Curr Co. department store.

A 391,444-square-foot, five-story section along East Main was built in 1905, information from the online Department Store Museum states. A 585,372-square-foot, 12-story section was added in 1926.

Winn Development entered into a site control agreement with Rochwil in September 2009 to purchase the building, city officials said.

"We came and took a look at it, and that's the kind of thing we like to do, which is complicated urban redevelopment," Fleming said. "It seemed like a good opportunity."

The property is assessed at \$9.2 million, with a land value of \$644,000, Monroe County records show.

"That building is over 1 million square feet," Richards said. "It's arguably one of the most, if not the most, attractive buildings downtown.

"It's a little like Midtown (Plaza redevelopment). We're not going to bring downtown back or reimagine downtown unless we solve that problem."

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