



## **CBIZ Marks Paneth panel discussion highlighted recent development efforts in New Rochelle and the future of Westchester's CRE market**

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(L to R) New Rochelle Mayor Noam Bramson; New Rochelle Deputy City Manager/Development Commissioner Adam Salgado; Craig Ruoff, executive vice president for Colliers; and Neil Sonenberg, managing director and co-lead of CBIZ Marks Paneth's Real Estate practice.

New Rochelle, NY Top accounting, tax, and advisory provider, CBIZ Marks Paneth, hosted a panel discussion on Thursday, January 19, which highlighted recent development efforts in New Rochelle and the future of Westchester's commercial real estate market. Panelists and speakers were New Rochelle Mayor Noam Bramson, and New Rochelle Deputy City Manager/Development Commissioner Adam Salgado; and Craig Ruoff, executive vice president for Colliers. Over 100 industry leaders attended the event, representing a variety of business sectors and interests. The panel was moderated by Neil Sonenberg, Managing Director and Co-lead of CBIZ Marks Paneth's Real Estate practice.

### **The Blossoming of New Rochelle**

Recent development efforts in New Rochelle were the result of strong planning and assurance that the needs of all stakeholders were embraced.

Mayor Bramson discussed three main parts of New Rochelle's development framework, set up in 2015:

A master development agreement with a well-capitalized partner to develop projects on publicly owned sites.

A new form-based zoning code that offers unprecedented flexibility for use and prescriptive requirements for design.

A generic environmental review that reduces procedural and financial impediments to developments that match the vision for New Rochelle.

RXR Realty became New Rochelle's master development partner for residential (affordable and market rate) and non-residential projects. Mayor Bramson acknowledged that the overall framework has brought "a wave of investment growth unlike what we have seen in a century in New Rochelle," - growth that is sustainable and equitable.

New Rochelle's Downtown Overlay Zone (DOZ) provides developers and property owners with a guide to the development of parcels within a 300-acre area, with assistance in setting project eligibility requirements and design standards.

At present, 12 projects are under construction, with 659 affordable units (or 26% of the total); and another 12 projects are completed and leasing, with 2,100 units completed and leased. Of these units, 224 (or 11%) are affordable units to provide supportive housing for the surrounding community and neighborhood, a number well above county requirements and surpassing the regional average of affordable units.

With an eye towards resiliency, guidelines for development in New Rochelle include environmental, social and governance goals; climate resiliency; use of local hires; and MBE [minority business enterprises] development and opportunities. A sustainability plan for New Rochelle (GreeNR) adopted in 2011 serves as a framework for green and sustainable infrastructure, with continued updates to date.

#### Commercial Real Estate Landscape in Westchester

Ruoff, a commercial real estate veteran, said Westchester County had one of its most productive leasing quarters on record during the third quarter of 2022, but that leasing activity decreased 46.2% in the fourth quarter. Despite this, yearly leasing activity was extremely healthy and demonstrated the largest amount of volume since 2017 at 1.5 million s/f.

Ruoff noted there has been a "flight to quality" by clients in the commercial sector as they re-evaluate office space needs. While demand for commercial space is decreasing in Westchester, supply is also decreasing; as a result, rents are not being reduced. In the past 1-3 years, he has seen clients downsize (or "right size") their office space and relocate to higher quality space. While they may experience a breakeven in dollars, they are offering a more attractive office environment and improved amenities to employees.

Indeed, Class A buildings comprised 81.2% of lease transactions in Westchester conducted in the fourth quarter. Properties that continue to be unable to meet tenant requirements will either have to adjust pricing or consider other options such as renovation or conversion. As these properties become more dated and housing needs in Westchester County do not subside, Ruoff expects office-to-residential conversions to gain momentum.

Westchester County continues to be a desirable office market offering potential tenants

ease-of-access to NYC and an educated workforce. Ruoff has seen a recent demand for space by movie production studios and an increase in demand for medical space, which has led to repurposing of existing buildings.

## Tax Deductions for Commercial Building Owners

CBIZ Marks Paneth's Neil Sonenberg noted that The Inflation Reduction Act of 2022 (IRA) introduced a higher energy tax deduction, making going green a more lucrative option for commercial building owners. The Section 179D deduction — enacted as a temporary provision in 2005 for taxpaying entities and made permanent in Dec. 2020 — encourages resource-efficient construction and retrofits. By providing an immediate tax deduction, Section 179D encourages businesses to invest in energy efficiency, which leads to long-term cost savings, reduced environmental impact and increased competitiveness.

The Inflation Reduction Act also revised Internal Revenue Code Section 45L beginning in 2023, to give home builders a tax credit for qualified new or significantly renovated homes that meet certain Energy Star Home program or DOE Zero Energy Ready Home program conditions. The 45L federal tax credit rises to \$2,500 for single family Energy Star homes and as much as \$5,000 per single family dwelling if the unit achieves the stricter Energy Ready terms. Multifamily homes also qualify for tax credits at a different amount.

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