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Superior Arts District gets a major lift from GBX Group

By Jay Miller

With the dramatic renovation of one of the handful of buildings along Superior Avenue now in its portfolio, and even a new name, GBX Group is poised to be a major player in the redevelopment of what is called the Superior Arts District.

The firm, which until this year was called global X, recently redeveloped the four-story building at 2101 Superior. In March, it moved its 42 employees into the top three floors of what was known, when it opened in 1913, as the Empire Improvement Building. More recently, the building was the home of the Daffy Dan's T-shirt business.

GBX cut out sections on all three floors for a dramatic staircase and covered many walls with artist-drawn chalkboards that tell of the company's evolution from a kitchen table consulting firm to a major player in historic real estate preservation.

But CEO Drew Sparacia doesn't want the firm to be called a "real estate developer," and it's certainly not limiting its work to Superior Avenue.

"We're a little bit sensitive about saying we're a developer because we don't want to compete with people we're working with," Sparacia said. "We take ownership and work with developers. And whenever we say we, we mean us and our investors, not just the folks in this building."

The firm provides tax and financial advice to investors — now a total of more than 500 — through investment funds.

Its funds have invested more than \$400 million into 100 redevelopment projects in 14 states in the eastern part of country. The firm started with a handful of people in 2001 at Sparacia's kitchen table as a tax consulting firm, doing the kind of work he did at Ernst & Young and Steris Corp.

GBX has evolved to become a specialist at finding historic buildings in need of rehabilitation. It puts together financing packages that take advantage of the many federal, state and local tax incentives used to encourage the redevelopment of historically significant buildings in urban cores.

"We started with just a few people kicking around the idea of tax consulting, (with the idea of) bringing tax planning being done by large companies, banks and accounting firms down to mid-market companies and individuals," Sparacia said. "We got involved with a lot of the tax credit programs at the state level, and it just bloomed from there."

The Ohio Historic Preservation Tax Credit Program, for example, provides a state tax credit of up to 25% of qualified rehabilitation expenditures incurred during the substantial rehabilitation of buildings identified as having some historic value. Federal tax law offers a 20% federal tax credit for the rehabilitation of historic buildings, and a 10% tax credit for the rehabilitation of non-historic buildings built before 1936.

In both cases, the credits are dollar-for-dollar reductions of taxes owed.

Sparacia said it was an easy niche to get involved in after a career doing what he now calls "soulless tax planning."

David Swentor, GBX's president of real estate, said the firm saw the demographic and social changes around the country and in Cleveland that have lured people — millennials and empty-nesters, in particular — back into urban cores.

"Cities like Cleveland, they have all these great buildings with assets embedded in them, but (redeveloping them is) expensive, complicated and difficult to do," Swentor said. "So it's created a niche and a tremendous opportunity."

GBX now takes advantage not only of historic preservation tax credits, but tax credits offered to investors in low-income housing and renewable energy and tax incentives for cleaning up environmentally damaged industrial sites.

In Atlanta, the firm found the Medical Arts Building, a 1920s-era, 12-story office building on the northern edge of downtown that has been vacant for decades. Sparacia said Atlantans call it the city's "tallest eyesore."

GBX now is in the midst of a \$40 million rehab to turn it into a modern office building. In addition to historic tax credits, a key to the financing is a \$3 million façade easement, which is a donation to a qualified nonprofit that guarantees the historic character of a building in exchange for a tax credit.

Boyd Coons, executive director of the Atlanta Preservation Center, which promotes the preservation of Atlanta's historic architecture and neighborhoods, said he met a firm "property scout" several years ago and showed her buildings around town that he wanted to save.

"It was very nice to have global X come in," Coons said, using the former name of GBX. "They have the sophistication to understand the potential, which, we in most cases, lack. They have an understanding of how to economically use the incentives that are in place. They provided the money and found the developer."

In Columbus, GBX worked with developer Brad DeHays to redevelop the Stoddard Block on the south edge of the city's downtown. DeHays turned the building, which was built to house a furniture company, into studio apartments using a conservation easement GBX identified to assist the financing.

Antonin Robert, GBX's president of community development, said the firm often gets involved in projects through historic preservation organizations like Heritage Ohio and the National Trust for Historic Preservation.

"They are being approached by developers, who are saying things like, 'Were looking to develop a hotel (in an older building), who and what resources exist?' " Robert said. "The organizations know what we bring to the table."

Swentor added that the firm also can provide historic preservation oversight, to ensure that the rehabilitation meets requirements imposed by the Internal Revenue Service and state tax departments for tax credit awards.

In March, GBX acquired Silverlode Consulting, a corporate site selection and economic development consulting firm that had been located up the street at 3043 Superior Ave. Sparacia said that consultancy, led by Dennis McAndrew, will allow GBX to expand its financing options. As a consultant to businesses seeking to expand, Silverlode has become familiar with the financial incentives that state and local governments offer to businesses.

On Superior, investment groups led by GBX own a growing portfolio of properties. In 2014, the firm engineered the purchase of five buildings from the Roy Group, including the ArtCraft Building, built in 1919. Earlier, it led the purchase of properties from Dan "Daffy Dan" Gray.

These purchases followed the firm's 2009 acquisition of the former Edwin Hotel, 1303 Prospect Ave., on what Sparacia described as a desolate street that has since come alive with projects such as the Residences at the Hanna, which opened in 2013.

"In 1303, we were first in that neighborhood, and then we started buying properties (on Superior)," Sparacia said. "We're comfortable going first."

Campus District Inc., the community development organization that oversees a wide swath of properties east of downtown, including the Superior Arts District, has long seen the stretch of Superior as a prime residential neighborhood. It just needed investment.

Redevelopment plans are getting underway for GBX's Superior buildings, which will include creating apartments at lower price points than what is now available downtown.

"They are great stakeholders," said Campus District executive director Mark Lammon.

Campus District led the campaign to create the Superior Arts District, which brings with it increased safety and cleaning patrols. In addition, the Northeast Ohio Areawide Coordinating Agency committed \$8.3 million in federal money to streetscaping that will create a "midway," a bikeway along the center of Superior from Public Square to East 55th Street.

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