

TO: City of Albany Industrial Development Finance Committee

FROM: City of Albany Industrial Development Agency Staff

RE: Capital District Apartments, LLC - IDA Application Summary

DATE: November 4, 2016

Staff Notes:

This project summary is in response to the request for financial assistance which was introduced at the October 12, 2016 Finance Committee meeting. A Public Hearing has been scheduled for November 9, 2016. Please note this project summary will continue to be updated as the project progresses through staff review and Agency consideration.

Applicant: Capital District Apartments, LLC

Managing Members (% of Ownership): GSG LITHC Investor LLC 99.99%; Capital District Apartments MM LLC 0.01%.

Project Location: 2 Thurlow Terrace

Project Description: The project consists of the acquisition and renovation of the existing 136 units of Section 8 senior and handicapped housing located at 2 Thurlow Terrace. The 9-story structure was built in 1979 and encompasses 85,000 SF. Renovations will include, but are not limited to the following: new kitchens and baths including new appliances, replacement of all windows, improvements to common areas and upgrades to the elevators. Additionally, the developer will undertake needed roof repairs, improvements to sidewalks and parking areas, a new boiler system installation and exterior landscaping. The developer intends to sign an agreement to maintain the property as affordable housing for 40 years.

Estimated Project Cost: \$21,650,371 (estimated amount spent to date: \$3,000,000 in deposits)

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$2,636,038

Estimated Total Mortgage Amount: \$12,970,000

Current Total Assessment: \$10,697,500 (Per City of Albany Commissioner of Assessment and Taxation on the 2016 Assessment Roll). Current status – tax exempt since 1978

Estimated Improved Total Assessment: \$10,697,500 (Per City of Albany Commissioner of Assessment and Taxation). Assessment value is expected to stay the same after improvements.

Requested PILOT: Applicant proposes entering into a 35-year PILOT agreement with the IDA in which the payment will be 10% of “shelter rents” for 35 years. “Shelter rents” is defined as the total collected annual rents received from the occupants less owner paid utilities. Total rents shall include rent supplements and subsidies received from the federal government, the state, or a municipality on behalf of such occupants. The request is essential for ensuring that the affordability and service continues for senior and handicapped residents.

Estimated Value of Total PILOT Payments:

- Total PILOT Payments: \$8,092,424

Estimated Value of Tax Exemptions:

- NYS Sales and Compensating Use Tax: \$210,883
- Mortgage Recording Taxes: \$162,125
- Real Property Taxes: The property, through a PILOT with the City, has been tax-exempt since 1979. The current owner pays an annual PILOT payment to the city, county, and school equal to 10% of shelter rents.
- Other: N/A

Employment Impact:

- Projected Permanent: 0 jobs
- Projected Retained: 3 jobs
- Projected Construction: 75 jobs

Strategic Initiatives:

- Albany 2030
 - Encourage investment in urban land and historic buildings for employment and housing.
 - Provide a variety of housing types to meet the varied needs of Albany’s households, including market, moderate and low-income housing.
 - Encourage diverse intergenerational housing. Diverse housing includes options for residents throughout different stages of life (e.g. students, couples, families with children, seniors) in the same neighborhood.

Community Benefits Per Project Applicant:

- The project, Thurlow Terrace will not remain viable and maintainable absent a continuation or grant of a tax abatement to coincide with the extension of the HAP Contract. This would enable the Owner, Capital District Apartments, LLC to continue providing affordable housing to its low and very-low income elderly and handicapped residents. Investing in, and keeping 136 affordable elderly and handicapped units affordable for its tenants is our top priority.
- As expanded on in this application, this investment coincides with approximately \$5.4 million dollars in renovations to all aspects of the building. Individual units, common areas, appliances, as well as major capital improvements to the roofing systems, HVAC, elevators, the electrical systems and much more will all be replaced and updated. Quality of life for the elderly and handicapped tenants in this complex is our major concern, and we will see to it that all their needs are addressed through the renovation process.

- The extension of the HAP Contract coincides with a rent increase, which notably does not affect the tenant's monthly housing payments under the Section 8 program. What this will have an effect on is the new, increased revenue provided to taxing jurisdictions. Since the PILOT payments are tied to the effective gross income of the property, and the rents are being increased, upon closing there will be an increase in PILOT payments, from the previous PILOT Agreement by approximately 30%.
- Thurlow Terrace provides a scarce resource in the form of subsidized elderly and handicapped housing. In connection with doing so, provides forms of investment in the local area, in the form of full time, and part time jobs as well as through regular administrative, utility usage and maintenance activities. 2 Full time and 2 Part time jobs will be retained as a result of this investment. Approximately 75 construction related jobs will also be newly created in connection with the renovation of the building.
- The Original Tax Abatement has been critical to Thurlow Terrace's ability to maintain the Project in excellent condition. If Thurlow Terrace is subject to full taxation, it will not be able to raise Section 8 contract rents to make up for the increased tax burden, and would have insufficient funds to adequately operate and maintain the Project, and none of the outlined benefits would be realized.

Planning Board Actions:

- N/A

Estimated IDA Fee

- Fee amount: \$216,503.71

Mission

- The purpose of the Industrial Development Agency is to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreation facilities. The Agency aims to protect and promote the health of the inhabitants of the City of Albany by the conservation, protection and improvement of the natural and cultural or historic resources and environment and to control land, sewer, water, air, noise or general environmental pollution derived from the operation of industrial development.