

TO: City of Albany Industrial Development Finance Committee

FROM: City of Albany Industrial Development Agency Staff

RE: 733 Broadway LLC (2014) – Project Summary

DATE: February 7, 2014

Staff Notes:

This project summary is in response to the request for financial assistance by the Applicant which was introduced at the January 16th Finance Committee meeting. Please note this project summary will continue to be updated as the project progresses through staff review and Agency consideration.

Applicant: 733 Broadway LLC

Managing Members (% of Ownership): Norstar Investment USA, Inc. (80%) and Black Locust, LLC (20%)

Project Location: 733 Broadway

Project Description: Proposed conversion of a vacant 3 story, 45,000 sq. commercial office building into mixed-use commercial office/retail and residential building. The Applicant is proposing approximately 30 residential rental units (floors 1 - 3) with one and two bedroom units. The first floor will include approximately 2,500 sq. of rentable commercial space that could accommodate up to two potential commercial tenants. The project will be a loft-style design offering common entryway to the units. Each unit will be equipped with a washer and a dryer. The building will be secured through the use of a swipe card system. Parking will be located on-site. The project will require the removal and replacement of many of the existing partition walls, plumbing, electrical wiring, HVAC, windows, etc.

Estimated Project Cost: \$5,141,667 (estimated amount spent to date over \$875,000)

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$1,250,000

Estimated Total Mortgage Amount: \$4,000,000

Current Total Assessment: \$1,000,000 (Based on estimated reduction in assessment)

Estimated Improved Total Assessment: \$3,100,000 (per discussion with Commissioner of Assessment & Taxation)

Requested PILOT: The proposal entails the Applicant entering into a 20 year PILOT agreement with the IDA. The PILOT will include two scenarios, Scenario #1 and Scenario #2.

- For Years 1-12, annual payments in lieu of taxes will be calculated by:
 - For Scenario #1 and Scenario #2, adding A) an amount equal to one hundred percent (100%) of the Normal Tax due with respect to the current total assessment (i.e. the “base” assessment) of \$1,000,000 and B) an amount equal to a percentage of the Normal Tax due with respect to the additional improved assessment from completion of the project.
- For Years 13-20, annual payments in lieu of taxes will be calculated by the greater of:
 - For Scenario #1, adding A) an amount equal to one hundred percent (100%) of the Normal Tax due with respect to the current total assessment (i.e. the “base” assessment) of \$1,000,000 and B) an amount equal to a percentage of the Normal Tax due with respect to the additional improved assessment from completion of the project.
 - For Scenario #2, multiplying eleven and a half (11.5%) of gross rental revenue.

Please see attached Revised PILOT Analysis for specifics.

Estimated Value of Total PILOT Payments:

- Total PILOT Payments:
 - Scenario: #1: \$1,468,188 (*Not a Net Present Value*)
 - Scenario: #2: Greater than Scenario #1

Estimated Value of Tax Exemptions:

- NYS Sales and Compensating Use Tax: \$100,000
- Mortgage Recording Taxes: \$50,000
- Real Property Taxes:
 - Scenario #1: \$2,672,878 (*Not a Net Present Value*)
 - Scenario #2: Less than Scenario #1
- Other: N/A

Employment Impact:

- Projected Permanent: (5) retained and (1) new jobs
- Projected Construction: (27) jobs

Other Economic Impacts:

- Decreases the overall commercial vacancy rate downtown
- Adds to the supply of downtown residential to help meet the demand for such living options (as stated in Zimmerman/Volk Associates downtown residential market study)
- Increases consumer base to support downtown businesses

Strategic Initiatives:

- Albany 2030
 - Increase job opportunities for all residents.

- Encourage investment in urban land and 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.
- Revitalization and diversification of downtown - adaptive reuse of underutilized or vacant buildings
 - Eligible for the 485a Real Property Tax Abatement Program

Planning Board Actions:

- Currently seeking necessary approvals. Expected approvals at February 20th Planning Board meeting.

Estimated IDA Fee

- Fee amount: \$51,417

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.