

TO: City of Albany Industrial Development Finance Committee

FROM: City of Albany Industrial Development Agency Staff

RE: 144 State Street LLC – Revised Project Summary

DATE: January 10, 2014

Staff Notes:

This project summary is in response to the request for financial assistance by the Applicant which was introduced at the September 19th Finance Committee meeting. The project was subsequently discussed at the October 9th Finance Committee. As the result of the October 9th Finance Committee the Applicant submitted a revised PILOT request for consideration at the November, 13th Finance Committee meeting. The revised PILOT request included the reduction of the duration of the PILOT from 20 to 15 years and modified the percentage abatement amounts. The project was subsequently discussed at the November 13th Finance Committee meeting. As the result of the November 13th Finance Committee meeting the Applicant submitted a revised PILOT request that modified the percentage abatement amounts for consideration at the December, 11th Finance Committee meeting. The project was discussed at the December 11th Finance Committee meeting. This project summary is the result of the work staff has performed per the direction of the Finance Committee at the December 11th meeting. The Applicant has submitted a revised PILOT request for Finance Committee review. Staff sought to further modify the revised PILOT request. The result of this work can be found within the Project Summary below. Staff seeks feedback from the Committee. The Applicant respectfully requests that the Finance Committee make a positive recommendation for consideration by the Board for project approvals at the January Board meeting. Please note this project summary will continue to be updated as the project progresses through staff review and Agency consideration.

Applicant: 144 State Street LLC

Managing Members (% of Ownership): Joseph R. Nicolla (51%) and Richard A. Rosen (49%)

Project Location: 142 State Street

Project Description: Proposed acquisition of a parcel of land along with the acquisition of and renovation of a historic, existing 180,000 SF +/- building into a 204 +/- hotel with banquet/event space. The project includes the installation of tenant finishes, personal property, fixtures, furniture and equipment.

Estimated Project Cost: \$46,960,257

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$17,450,000

Estimated Total Mortgage Amount: \$32,000,000

Current Total Assessment: \$1,000,000 (per Commissioner of Department of Assessment & Taxation)

Estimated Improved Total Assessment: \$20,400,000 (per Commissioner of Department of Assessment & Taxation)

PILOT: The proposal entails the Applicant entering into a 15 year PILOT agreement with the IDA. The PILOT will include two scenarios, Scenario #1 and Scenario #2.

- For Years 1-10, 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 10-15, 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 five percent (5.0%) of gross sales/revenues (percentage to be finalized based on Special Counsel research).

Please see attached Revised PILOT Analysis for specifics.

Below is a comparison of original proposed percent of abatement schedule versus the first, second, and third revised proposed percent of abatement schedule.

% of Abatement Comparison Chart				
PILOT Year	Original Proposed % of Abatement on Improved Assessment	First Revised Proposed % of Abatement on Improved Assessment	Second Revised Proposed % of Abatement on Improved Assessment	Third Revised Proposed % of Abatement on Improved Assessment
1	100%	100%	100%	100%
2	100%	100%	100%	100%
3	100%	100%	100%	100%
4	100%	100%	100%	100%
5	100%	100%	100%	100%
6	100%	100%	100%	75%
7	100%	100%	100%	50%
8	85.71%	100%	100%	50%
9	85.71%	100%	87.50%	50%
10	71.43%	100%	75.00%	50%
11	71.43%	83.33%	62.50%	50%
12	57.14%	66.67%	50.00%	50%
13	57.14%	50.00%	37.50%	50%
14	42.86%	33.33%	25.00%	50%
15	42.86%	16.67%	12.00%	50%
16	28.57%	Taxable Status	Taxable Status	Taxable Status
17	28.57%	Taxable Status	Taxable Status	Taxable Status
18	14.29%	Taxable Status	Taxable Status	Taxable Status
19	14.29%	Taxable Status	Taxable Status	Taxable Status
20	7.14%	Taxable Status	Taxable Status	Taxable Status

Estimated Value of Total PILOT Payments:

- Total PILOT Payments: \$6,829,733
 - As compared to \$4,650,397 over first 15 years of the original proposed 20 year PILOT (difference of +\$2,179,336). If a comparison is made over 20 years, where the original proposed 20 year PILOT is compared to the proposed third revised 15 year PILOT and an additional 5 years of full taxes, the total estimated PILOT payments during the original proposed 20 year PILOT would be \$11,364,151 while the total estimated PILOT payments and taxes during the proposed second revised 15 year PILOT and an additional 5 years of full taxes would be \$14,951,913 (difference of +\$3,587,762 with the project listed as taxable 5 years earlier).

Estimated Value of Tax Exemptions:

- NYS Sales and Compensating Use Tax: \$1,396,000
- Mortgage Recording Taxes: \$400,000
- Real Property Taxes: \$11,433,514 (*Not a Net Present Value*)
- Other: N/A

Employment Impact:

- Projected Permanent: (162) new jobs
- Projected Construction: (200) jobs

Other Economic Impacts:

- Increases local and state sales tax revenues
- Increase in hotel occupancy tax revenues
- Increases Downtown BID revenues that will be used to further the betterment of the district

Strategic Initiatives:

- Albany 2030
 - Increase job opportunities for all residents.
 - Encourage investment in urban land and buildings for employment and housing through development, redevelopment, rehabilitation and adaptive reuse.

Planning Board Actions:

- Issued a Negative Declaration for this Unlisted Action as per the provisions of SEQR on 10/17/13.
- Approved the site plan on 10/17/13 with the following conditions:
 - The applicant shall obtain final approval from the Department of Water & Water Supply.
 - Miscellaneous plan notes shall be more clearly delineated on site plan drawings, as required by Divisions of Engineering and Planning.
 - Removal of metered parking spaces shall be subject to agreement with the Albany Parking Authority.

Estimated IDA Fee

- Fee amount: \$469,603

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.