

**TO:** City of Albany Industrial Development Finance Committee

**FROM:** City of Albany Industrial Development Agency Staff

**RE:** 40 Stueben LLC – Preliminary Application Summary

**DATE:** December 6, 2013

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*Staff Notes:  
This is a preliminary project summary that will be updated as the project progresses through staff review and Agency consideration.*

**Applicant:** 40 Stueben LLC

**Managing Members (% of Ownership):** Mark Rosen (50%), I. David Swawite (35%), and Mark L. Aronowitz (15%)

**Project Location:** 58 North Pearl Street

**Project Description:** Proposed conversion of a vacant 6 story, 47,300 sq.ft. mixed-use retail and commercial office building into mixed-use retail and residential. The Applicant is proposing 26 residential rental units (floors 2 - 5) with one and two bedroom units. The residential units will be serviced by an elevator with parking located off-site. Each residential unit will be finished with pre-engineered wood and tile floors, granite countertops, stainless steel appliances, etc.. The first floor will include over 2,600 sq.ft. of rentable commercial space that could accommodate up to two potential commercial tenants. The project will require the removal and replacement of many of the existing partition walls, plumbing, electrical wiring, HVAC, windows, etc..

**Estimated Project Cost:** \$4,953,565 (estimated amount spent to date \$50,000)

**Type of Financing:** Straight Lease

**Amount of Bonds Requested:** None

**Estimated Total Purchases Exempt from Sales Tax:** \$1,800,000

**Estimated Total Mortgage Amount:** \$3,712,500

**Current Total Assessment:** \$850,000 (Based on estimated reduction in assessment)

**Estimated Improved Total Assessment:** \$2,800,000 (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 1-13, 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 \$850,000 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 14-20, 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 \$850,000 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: \$1,231,418
  - Scenario: #2: Greater than Scenario #1

**Estimated Value of Tax Exemptions:**

- NYS Sales and Compensating Use Tax: \$144,000
- Mortgage Recording Taxes: \$46,406
- Real Property Taxes:
  - Scenario #1: \$2,390,111 (*Not a Net Present Value*)
  - Scenario #2: Less than Scenario #1
- Other: N/A

**Employment Impact:**

- Projected Permanent: (5) new jobs
- Projected Construction: (15) 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 retail options
- Increases consumer base to support downtown businesses
- Increases local sales 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.
  - 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
  - Part of NYS Main Street Grant CFA application sponsored by Capitalize Albany Corporation

**Planning Board Actions:**

- Currently seeking necessary approvals. Expected approvals in January.

**Estimated IDA Fee**

- Fee amount: \$49,536

**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.