

TO: City of Albany Industrial Development Finance Committee

FROM: City of Albany Industrial Development Agency Staff

RE: 488 Broadway Arcade LLC – Revised Project Summary

DATE: December 6, 2013

Staff Notes:

This project summary is the result of the work staff has performed per the direction of the Finance Committee at the September 11th meeting. As a result of the September 11th meeting the Applicant submitted a revised PILOT request for Committee review. The revised PILOT request included the reduction of the duration of the PILOT to 20 years and modified the percentage abatement amounts. Per the direction of the Finance Committee at the November 13th meeting, Staff sought to modify the revised PILOT request. The result of this work can be found within the Project Summary below. Staff seeks feedback from the Committee. Please note this project summary will continue to be updated as the project progresses through staff review and Agency consideration.

Applicant: 488 Broadway Arcade LLC

Managing Members (% of Ownership): David Sarraf (47.5%), Harris Sarraf (47.5%), and Yahya Sarraf (5%)

Project Location: 482 Broadway

Project Description: Proposed conversion of approximately 75,000 sq.ft. mixed-use retail and commercial office building into mixed-use retail and residential. The Applicant is proposing 68 residential rental units (floors 2 - 5) of which 28 will be studios and 40 will be one bedroom apartments. The residential units will be serviced by at least two elevators. Each residential unit will be finished with hardwood floors, granite/quartz countertops, high-end appliances and fixtures, and tiled bathrooms. The first floor will include 12,000 sq.ft. of rentable commercial space that could accommodate up three to ten potential retail tenants. The project will require the removal and replacement of many of the existing partition walls, plumbing, electrical wiring, HVAC, windows, etc. (which has begun).

Estimated Project Cost: \$10,000,000 (estimated amount spent to date \$397,000)

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$3,362,500

Estimated Total Mortgage Amount: \$7,000,000

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

Estimated Improved Total Assessment: \$7,300,000 (per Commissioner of Department of Assessment & Taxation)

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: \$2,458,440
 - Scenario: #2: Greater than Scenario #1

Estimated Value of Tax Exemptions:

- NYS Sales and Compensating Use Tax: \$269,000
- Mortgage Recording Taxes: \$87,500
- Real Property Taxes:
 - Scenario #1: \$6,983,404 (*Not a Net Present Value*)
 - Scenario #2: Less than Scenario #1
- Other: N/A

Employment Impact:

- Projected Permanent: (20) new jobs
- Projected Construction: (55) 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 and state 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:

- Issued a Negative Declaration for this Unlisted Action as per the provisions of SEQR on 6/20/13.
- Approved the site plan on 6/20/13 with the following conditions:
 - The applicant shall obtain final approval of the Department of Water & Water Supply.

Estimated IDA Fee

- Fee amount: \$100,000

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.