

TO: City of Albany Industrial Development/ Capital Resource Corporation Finance Committees

FROM: City of Albany Industrial Development/ Capital Resource Corporation Agency Staff

RE: Albany Medical Center - 391 Myrtle Avenue (MOB) – Revised Application Summary

DATE: August 15, 2014

Staff Notes:

This project summary is in response to the request for financial assistance by the Applicant which was introduced at the November 13th, 2013 Finance Committee meetings. The project was subsequently discussed at the November 21st, 2013 Board meetings. Public hearings on this project were held on December 19th, 2013. The project was subsequently discussed at the January 16th, 2014 Finance Committee meetings. This revised project summary is the result of the work staff has performed per the direction of the IDA Finance Committee to modify the PILOT request. A revised PILOT request that modifies the framework, duration, and abatement schedules has been submitted for IDA Finance Committee for review and consideration. Staff seeks feedback and direction from the IDA Finance Committee. Please note this project summary will continue to be updated as the project progresses through staff review and Agency consideration.

Applicant: Albany Medical Center

Managing Members: Board of Directors (See Applicant’s “Attachment B”)

Project Location: 391 Myrtle Avenue

Project Description: The proposed redevelopment of approximately .81 acres of land that will include the demolition of existing buildings and the construction thereon of an approximately 5 story, 135,000 square foot medical office building. The building will be occupied 50% by Albany Medical College physicians and 50% by private physicians. The project includes the installation of related tenant finishes, personal property, fixtures, furniture and machinery/equipment.

Estimated Project Cost: \$32,121,146

Type of Financing: Straight Lease (PILOT) as well as Conduit Tax-Exempt and Taxable Bonds

Amount of Bonds Requested (CRC as vehicle for transaction): \$28,521,000 (not to exceed \$30,000,000)

Estimated Total Purchases Exempt from Sales Tax: N/A

Estimated Total Mortgage Amount (CRC as vehicle for transaction): \$28,521,000 (not to exceed \$30,000,000)

Current Total Assessment:

- Total (for entire two blocks) based on 2014 tax roll: \$9,459,900
 - Taxable: \$5,324,900 (of which \$4,382,400 is homestead and \$942,500 is non homestead)
 - Tax exempt: \$4,135,000 (of which \$1,685,900 is homestead and \$2,449,100 is non homestead)

Estimated Improved Total Assessment:

- \$16,875,000 (per discussion with Commissioner of Assessment & Taxation)
 - \$8,437,500 will be taxable

Revised PILOT (IDA as vehicle for transaction): Great strides have been made between Staff and the Applicant as it pertains to the revised PILOT request. The revised PILOT request modifies the framework, duration, and abatement amounts as well as imposing tenant restrictions. The Applicant is now seeking a PILOT with a 12 year abatement schedule (down from 20 years).

Generally, the revised PILOT will include two PILOT scenarios. The general framework for process and procedures will be discussed at the meeting.

- Scenario #1: Annual payments in lieu of taxes during the abatement schedule will be calculated by adding A) an amount equal to one hundred percent (100%) of the Normal Tax due with respect to the assigned fixed “base” assessment value of \$2,100,000 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.
- Scenario #2: Annual payments in lieu of taxes during the abatement schedule will be calculated by adding A) an amount equal to one hundred percent (100%) of the Normal Tax due with respect to the assigned fixed “base” assessment value of \$2,100,000 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.

Please see attached PILOT Analysis and Memo from Special Counsel for specifics on abatement schedules and tenant restrictions.

Below is a comparison of original proposed payment schedule versus the revised payment schedule.

Estimated Payment Schedule Comparison Chart			
Year	Original Estimated Payment Schedule	Revised Estimated Payment Schedule IF Scenario #1	Revised Estimated Payment Schedule IF Scenario #2
1	\$94,200	\$107,554	\$269,845
2	\$94,200	\$110,780	\$294,656
3	\$94,200	\$114,104	\$320,713
4	\$94,200	\$117,527	\$348,069
5	\$94,200	\$121,053	\$376,777
6	\$94,200	\$124,684	\$406,894
7	\$94,200	\$128,425	\$438,479
8	\$94,200	\$132,278	\$471,593
9	\$94,200	\$218,480	\$506,300
10	\$162,771	\$309,736	\$542,664
11	\$167,654	\$406,270	\$580,755
12	\$250,067	\$508,318	\$598,177
13	\$257,569	Taxable Status	Taxable Status
14	\$347,392	Taxable Status	Taxable Status
15	\$357,814	Taxable Status	Taxable Status
16	\$455,644	Taxable Status	Taxable Status
17	\$469,313	Taxable Status	Taxable Status
18	\$575,793	Taxable Status	Taxable Status
19	\$593,066	Taxable Status	Taxable Status
20	\$659,872	Taxable Status	Taxable Status

Note: There are some minor discrepancies between the original payment schedule and the revised payment schedule as the assumptions are a little different. Due to the changes in the framework a comparison of the abatement schedules is not possible as has been the case with other projects.

Estimated Value of Total PILOT Payments:

- Total PILOT Payments during abatement schedule (IDA as vehicle for transaction):
 - Scenario #1: \$2,399,209 (*Not a Net Present Value*)
 - Scenario #2: Greater than Scenario #1

Estimated Value of Tax Exemptions:

- NYS Sales and Compensating Use Tax: N/A
- Mortgage Recording Taxes (CRC as vehicle for transaction): \$356,513 (not to exceed \$375,000)

- Real Property Taxes (IDA as vehicle for transaction):
 - Scenario #1: \$3,733,678 (*Not a Net Present Value*)
 - Scenario #2: Less than Scenario #1
- Other: N/A

Employment Impact:

- Projected Permanent: (6) jobs
- Projected Construction: (200) jobs

Other Economic Impacts:

- Increases consumer base to support Park South and Center Square businesses
- Infrastructure improvements at no cost to the taxpayer (i.e. burying of utilities)

Strategic Initiatives:

- Albany 2030
 - Increase job opportunities.
 - Encourage investment in urban land and buildings for employment and housing.
- Park South Urban Renewal Plan

Planning Board Actions:

- Issued a Negative Declaration for this Type 1 Action as per the provisions of SEQR on 5/15/14.
- Approved the site plan on 6/19/14.

Estimated IDA/CRC Fee

- Fee amount: \$321,212
 - Fee split between IDA and CRC to be determined

Mission(s)

- Assist in the enhancement and diversity of the economy of the City of Albany (the “City”) by acting in support of projects in the City that create and/or retain jobs and/or promote private sector investment utilizing the statutory powers of the Agency as set forth under the provisions of the laws of the State of New York.