

TO: City of Albany Industrial Development Finance Committee

FROM: City of Albany Industrial Development Agency Staff

RE: Fuller Road Management Corporation (FRMC) – REVISED IDA Application Summary

DATE: June 10, 2013

Applicant: Fuller Road Management Corporation (FRMC)

Managing Members: Research Foundation of SUNY and University at Albany Foundation

Project Location: 575 Broadway

Project Description: Fuller Road Management Corporation (FRMC) on behalf of the College of Nanoscale Science and Engineering (CNSE) seek to redevelop the vacant Kiernan Plaza as the Smart Cities Technology Innovation Center (SCiTI Center) to serve as an urban catalyst for business innovation, economic vitality and educational outreach.

The Applicant envisions a redeveloped Kiernan Plaza that will 1) play host to the entire food-chain of SCiTI companies including the back-office support for nano-device companies with R&D operations at CNSE's NanoTech complex; 2) provide a central headquarters and control room for the SCiTI program operations including management and monitoring of the smart cities technology test-beds; 3) support workforce training, community engagement, and economic outreach; and 4) offer high tech companies the opportunity to live and work in a downtown urban center.

The \$10 million project will entail the investment of public and private funds, including a previously awarded \$4 million grant from Empire State Development Corporation for the project through the Regional Council initiative, to redevelop the long vacant Kiernan Plaza from a large single tenant commercial office building to a multi-tenant commercial office building. It is anticipated that the redeveloped building will accommodate up to 10-14 SCiTI companies.

The Applicant is not only requesting financial assistance from the Agency, but has also made a request that the Agency exercise its power of eminent domain to assist with the acquisition of Kiernan Plaza. The use of eminent domain by the Agency will enable FRMC to purchase the property which it cannot do under the current circumstances. This is due to the fact that the property is part of a portfolio of properties that serve as collateral for a securitized financing structure restricted by covenants that effectively preclude the sale of the property prior to maturity of the debt in 2019.

Estimated Project Cost: \$10,000,000 (estimated amount spent to date \$0)

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$3,375,000

Estimated Total Mortgage Amount: Up to \$6,000,000 (if necessary)

Current Total Assessment:

- See attached PILOT analysis for more detail:
 - \$5,500,000 (per discussion with Commissioner of Assessment & Taxation); **OR**
 - Currently fixed at this amount until 2013 due to tax certiorari ruling by Supreme Court
 - \$3,000,000 (per Applicant's assumptions)
 - Vacant for the past three years and will likely continue to remain vacant given the lack of demand by single tenant users for such large, inefficient space.
 - Commercial office space in the City's Central Business District continues to experience high vacancy rates.
 - Critical building infrastructure systems are close to the end of useful life.

Estimated Improved Total Assessment: See attached PILOT analysis for details

Requested PILOT: A 15 year PILOT in which the total PILOT assessment value, including land and improvements, is fixed at \$5,500,000 (i.e. current total assessment value) for the term of the PILOT agreement. PILOT payments will fluctuate, as tax rates will remain variable.

Estimated Value of Total PILOT Payments:

- Total PILOT Payments: \$4,510,581 (Over a 15 year PILOT period)
 - Same, *if not likely more* (assumes assessment challenge), revenue than if regular taxes collected under status quo.

Estimated Value of Tax Exemptions:

- NYS Sales and Compensating Use Tax: \$270,000
- Mortgage Recording Taxes: \$75,000 (if necessary)
- Real Property Taxes: See attached PILOT analysis for details
- Other: N/A

Employment Impact:

- Projected Permanent: (250) FTEs
 - (150) FTEs to be created and
 - (100) FTEs to be retained
- Projected Construction: (50) jobs

Strategic Initiatives:

- Albany 2030 - The project will further the plan's vision by:
 - Targeting regional growth industries to move downtown, such as nanotechnology firms, by leveraging area intellectual capital.

- Increasing job opportunities as the project will support the retention, expansion and recruitment of businesses.
- Encouraging investment in urban land and buildings for employment through the redevelopment/ adaptive reuse of a vacant, underutilized property.
- Providing a foundation for economic activity through public investment and policy decisions.
- Working with an institution to develop a strategy for attracting and supporting businesses and start-ups and providing job training, education, and/or employment.
- Encouraging an institution to locate in, remain in, and revitalize downtown.
- Providing new investment that will further the image of downtown as a safe, livable place with walkable streets, housing choices, and mixed-use environment.
- Reinforcing, enhancing, and likely promoting - through marketing associated with leasing the project - Albany's distinctive character and identity.
- Strengthening downtown's attractiveness as commercial center by increasing the consumer base for goods and services.

Planning Board Actions:

- N/A

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.