

# Albany Industrial Development Agency

21 Lodge Street  
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Tracy Metzger, *Chair*  
Susan Pedo, *Vice Chair*  
Darius Shahinfar, *Treasurer*  
Lee Eck, *Secretary*  
Dominick Calsolaro  
Robert Schofield  
Jahkeen Hoke

Sarah Reginelli, *Chief Executive Officer*  
Mark Opalka, *Chief Financial Officer*  
Marisa Franchini, *Agency Counsel*

To: Tracy Metzger  
Robert Schofield  
Darius Shahinfar

Cc: Susan Pedo  
Jahkeen Hoke  
Lee Eck  
Dominick Calsolaro

Sarah Reginelli  
Mark Opalka  
Marisa Franchini  
Joe Scott  
Andy Corcione  
Virginia Rawlins  
Tammie Fanfa

Date: May 8, 2020

## GOVERNANCE COMMITTEE AGENDA

A meeting of the Governance Committee of the City of Albany Industrial Development Agency will be held on **Tuesday, May 12<sup>th</sup> at 11:00 AM** and conducted telephonically pursuant to Executive Order No. 202.1 issued by the New York State Governor's Office.

### **Roll Call, Reading & Approval of the Minutes of the Governance Committee Meeting of December 19, 2019**

#### **New Business**

##### **A. Request for Proposals**

- Real Estate Market Analysis & Recommendation to Board

##### **B. Project Evaluation & Assistance Framework**

- Student Housing Abatement Analysis & Recommendation to Board
- Sustainability Advisory Committee Update

##### **C. COVID-19 Response**

- General Update

#### **Other Business**

#### **Adjournment**

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Jahkeen Hoke

Sarah Reginelli, *Chief Executive Officer*  
Mark Opalka, *Chief Financial Officer*  
William Kelly, *Agency Counsel*

## IDA MINUTES OF GOVERNANCE COMMITTEE MEETING

Thursday, December 19, 2019 at 11:15 a.m.

Attending: Darius Shahinfar, Robert Schofield and Tracy Metzger

Absent: None

Also Present: Susan Pedo, Lee Eck, Dominick Calsolaro, Jahkeen Hoke, Sarah Reginelli, Amy Lavigne, Joe Scott, Andy Corcione, and Tammie Fanfa

Public Present: Ian Benjamin, Phil Stenglein, Matthew Riordan, Dave Patnede, Connie Cahill, Gary Singh

Tracy Metzger called the Governance Committee Meeting of the CRC to order at 11:29 AM.

### Roll Call

Tracy Metzger reported that all Committee members were present.

### Reading and Approval of Minutes of the October 17, 2019 Governance Committee

Since the minutes of the October 17, 2019 had been distributed to Board members in advance for review, Darius Shahinfar made a proposal to dispense with the reading of the minutes and to approve the minutes of the Governance Committee meeting of October 17<sup>th</sup>, 2019 as presented. A motion to accept the minutes was made by Robert Schofield, and seconded by Darius Shahinfar. A vote being taken, the minutes were accepted unanimously.

### New Business

#### Governance Committee Self Evaluation

Staff reviewed the Governance Committee 2019 Self Evaluation with the Committee. The review is considered best practice and completed by the Committee annually. With a positive recommendation, the Committee accepted the Governance Committee 2019 Self Evaluation.

#### Annual Review of ABO PAAA Requirements

Staff reviewed the ABO Board Member Training with the Committee. Staff explained that it is required to be taken for new members and is best practice for IDA Board members to periodically refresh the recommended training annually. Staff informed the committee of next scheduled training in January 2020.

There being no further business, Tracy Metzger called for a motion to adjourn the meeting, motion was made by Darius Shahinfar and seconded by Robert Schofield adjourned the meeting at 11:34AM.

Respectfully submitted,

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Lee Eck, Assistant Secretary

## EXECUTIVE SUMMARY

TO: Capitalize Albany

FROM: Sarah Woodworth, Managing Member

RE: Executive Summary: Student Housing Analysis

DATE: May 5, 2020

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### INTRODUCTION

W-ZHA, LLC was retained to review the financial implications of the City of Albany's updated appraisal approach to student housing valuation. The new valuation approach results in higher assessed values for student housing projects. The CAIDA staff provided the financial contents of the original applications for two recently completed student housing projects: 1385 Washington Avenue and 1475 Western Avenue. The staff also provided their analysis of how project feasibility would be impacted with the anticipated increase in student housing assessed value.

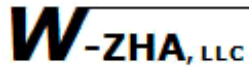
W-ZHA reviewed the information provided and conducted our own economic analyses of investment return under the City's prior and new valuation approach. W-ZHA also tested how CAIDA's various project assistance schedules impacted student housing project feasibility in order to recommend the appropriate project assistance schedule for student housing projects.

### PRIOR POLICIES

In the past, the City of Albany's Assessor assessed the value of a student housing project at approximately \$29,200 per bed. Considering this valuation, CAIDA applied the Commercial Project Assistance Schedule to student housing projects.

It is our understanding that the City Assessor will now apply the income capitalization approach to calculate value. This approach will result in a higher assessed value for student housing projects (\$100,000-plus per unit).

This Memo answers the question whether student housing development is financially feasible with the higher valuation applying the Commercial Project Assistance Schedule. If not feasible, W-ZHA's analysis identifies the project assistance schedule that supports student housing investment by generating reasonable financial returns to the investor.



## **METHODOLOGY**

W-ZHA tested private investment return by applying three measures: the internal rate of return on equity, the equity multiplier, and the cash-on-cash return in the first year of stabilized occupancy. A 14% internal rate of return on equity was considered reasonable for a ten-year hold period. An equity multiplier above 2.0 was considered reasonable. A cash-on-cash return of 7% or higher was considered reasonable for the first stabilized year of occupancy.

For the internal rate of return on equity calculation, W-ZHA assumed there would be a refinancing or sale at the end of 10 years. Typically, the Year 10 net operating income is capitalized to determine the sale price. However, many of CAIDA's project assistance schedules extend beyond ten years with net operating income declining after Year 10. To determine a reasonable sale price in Year 10, W-ZHA capitalized the average net operating income from Year 11 to Year 20 in Year 10 dollars.

## **FINDINGS**

W-ZHA analyzed the economics of two existing housing projects under the old valuation approach and the new valuation approach. Ten-year pro formas were prepared using the assumptions contained in the original CAIDA application. (The one exception is that W-ZHA solved for supportable debt using a debt coverage ratio of 1.25 and a minimum equity requirement of 20%.)

The analysis indicates that under the Commercial Project Assistance Schedule a student housing project using the new assessment methodology does not generate enough financial return to warrant investment. More assistance is necessary with the higher valuation.

While the new valuation approach will result in student housing projects being valued at over \$100,000 per unit, student housing economics are different from market-rate multi-family rental projects. When the project assistance schedule for multi-family rental projects assessed at over \$100,000 per unit is applied to student housing, the investment returns are above average returns. This level of assistance is not necessary.

W-ZHA analyzed investment returns given CAIDA's other multi-family rental project assistance schedules. W-ZHA concludes that the Multi-Family \$80,000 - \$89,999 Project Assistance Schedule offers reasonable returns to student housing investors. The Multi-Family \$80,000 - \$89,999 Project Assistance Schedule is presented in Table 1.

**Table 1**

**Multi-Family \$80,000 - \$89,999  
Project Assistance Schedule  
CAIDA**

<b>Year</b>	<b>Abatement</b>
1	90%
2	90%
3	90%
4	90%
5	90%
6	90%
7	90%
8	90%
9	90%
10	85%
11	80%
12	70%
13	60%
14	50%
15	45%
16	40%
17	30%
18	20%
19	0%
20	0%

Source: CAIDA