

TO: City of Albany Industrial Development Agency Board

FROM: City of Albany Industrial Development Agency Staff

RE: Penta on Broadway, LLC - Assignment of PILOT Agreement

DATE: September 21, 2017

STAFF NOTES

Per the direction of the Finance Committee following the September 13, 2017 Finance Committee meeting, staff further evaluated the PILOT assignments requested by the applicant.

Staff has analyzed the project sale price in comparison to the original investment. It has been concluded that the transaction falls within the “Private Investment Return Thresholds” recommended by W-ZHA during the establishment of the CAIDA Project Evaluation & Assistance Framework.

Staff has also analyzed the effect of a PILOT termination on the continued feasibility of the properties for the applicant. Staff has concluded (and the applicant has confirmed) that the termination of the PILOT would negatively impact the economic feasibility and financing of the project going forward.

Assuming the transfer takes effect beginning the 2018 tax year, roughly 55% of the estimated value of the originally-approved PILOT remains.

Applicant: MCK 27 Enterprises, LLC

Managing Members: Mark T. Clark 50%, Christopher H. Kelly 50%

Project Location: 522-524 Broadway

Project Description: *From the 2011 Approval:* “Conversion of approximately 18,000 sq.ft. of vacant commercial space to 14 residential rental units (floors 2, 3, 4) and approximately 3,000 sq.ft. of rentable commercial space (ground floor). The 4th floor will also have a laundry room and exercise area for residents. The project will require the removal and replacement of many of the existing partition walls, plumbing, electrical wiring, HVAC, windows, etc.” **These uses are still in effect, and the buyer has committed to maintaining the uses.**

Estimated Project Cost: \$1,915,000

Type of Financing: Assignment of Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: n/a

Total Mortgage Amount: \$1,532,000

Current Assessment: \$917,000

Estimated Improved Assessment: n/a

Requested PILOT: 2018 will begin year seven of the initial 15 year PILOT with 100% abatement on the increased assessment value for the first 10 years (2018, 2019, 2020 and 2021 remain at 100%). Then the abatement on the increased assessment value decreases for the following 5 years at 16.66% per year. At which time full assessment will be paid in Year 16 and every year thereafter.

Estimated Value of Total PILOT Payments Remaining:

- Total PILOT Payments: \$248,349 (over the remaining ten years of the PILOT)¹

Estimated Value of Tax Exemptions:

- Real Property Tax: \$206,692 (over the remaining ten years of the PILOT)²

Other Economic Impacts: (From original approval)

- 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 consumer base to support downtown businesses
- Offers another option to downtown retail (when tenant is found)
- Increases local sales tax revenues (when retail tenant is found)

Strategic Initiatives: (From original approval)

- Revitalization and Diversification of Downtown - adaptive reuse of underutilized or vacant buildings

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.

¹ This total includes the \$15,846 PILOT payment for 2017 which may or may not be applicable depending on the date of the transfer.

² This total includes the \$25,711 of tax abatement for 2017 which may or may not be applicable depending on the date of the transfer