

**TO:** City of Albany Industrial Development Agency Board

**FROM:** City of Albany Industrial Development Agency Staff

**RE:** Albany Hotel, Inc. - IDA Application Summary

**DATE:** August 12, 2011

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**Applicant:** Albany Hotel, Inc.

**Managing Members (% of Ownership):** LSREF Peach Investment, LLC (100%) a subsidiary of Lone Star Real Estate Fund, L.P.

**Project Location:** 89 State Street

**Project Description:** The Crowne Plaza Hotel is a 384 room full-service hotel with two restaurants and 24,000 square feet of meeting space. The applicant proposes to 1) acquire the underlying fee title from UDC/Empire State Development for \$1,000,000 2) invest over \$10,000,000 to upgrade facilities in order to maintain a major brand name franchise (3) refinance \$12,500,000 in existing debt.

**Estimated Project Cost:** \$23,500,000

**Type of Financing:** Straight Lease

**Amount of Bonds Requested:** None

**Estimated Total Purchases Exempt from Sales Tax:** \$10,000,000

**Total Mortgage Amount:** \$23,500,000

**Current Assessment:** \$27,331,900 (assumed assessment after potential grievance \$20,000,000)

**Estimated Improved Assessment:** \$27,331,900 (assumed assessment after potential grievance \$20,000,000)

**Requested PILOT:** A 30 year PILOT that is based on an initial fixed payment and then a fixed percentage increase per year thereafter. The new PILOT will take effect in 2012 with an initial fixed payment of \$357,264. This initial payment was calculated by increasing the 2011 payment of \$346,858 (per ground lease agreement with UDC ) by 3%. The fixed percentage increase per year through 2021 will be 3% at which time it will increase to 5% per year for the remainder of the PILOT. Also, a community development fee of \$100,000 will be assessed each year for 15 years starting in 2012.

**Estimated Value of Total PILOT Payments:**

- Total PILOT Payments: \$20,279,951 (over 30 year PILOT period)

**Estimated Value of Tax Exemptions:**

- NYS Sales and Compensating Use Tax: \$800,000
- Mortgage Recording Taxes: None
- Real Property Taxes: \$14,378,678 (over 30 year PILOT period)
- Other: N/A

**Employment Impact:**

- Projected Permanent: (249 +/-) retained jobs and (20+/-) new jobs
- Projected Construction: (45 +/-) jobs

**Cost per Job Created:**

- Cost: \$5,241 (65 permanent and construction jobs created)

**Economic Impacts:**

- Incremental Tax Impact - \$71,902,318 (total)
  - Albany County: Occupancy tax revenues (based on rooms revenue increase)
  - New York State & City of Albany: Sales tax revenues (based on rooms and food & beverage revenue increase)
  - New York State: Income tax revenues (from incremental hotel employees)
  - New York State: Additional income tax revenues from incremental jobs created outside of hotel
- Other Incremental Economic Impact - \$451,911,720 (total)
  - Permanent employment wages
  - Construction employment wages
  - Renovation capital spent with area suppliers and service providers
  - Other revenue generated from incremental hotel sales

**\*Please see attachments for more detail\***

**Strategic Initiatives:**

- The City of Albany's economic development arm, Capitalize Albany Corporation, has made hotel, lodging, and hospitality one its priorities.

**Planning Board Actions:**

- N/A

**Estimated IDA Fee**

- Fee amount: \$112,500

**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.