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ALBANY COMMUNITY DEVELOPMENT AGENCY  
PUBLIC MEETING

June 30, 2011  
21 Lodge Street  
Albany, New York 12210  
12:00 p.m.

A P P E A R A N C E S:

- TONY FERRARA - CHAIRMAN FERRARA
- ERIK SMITH - CAPITALIZE ALBANY
- MEGAN DALY - CAPITALIZE ALBANY
- BRAD CHEVLAIR - CAPITALIZE ALBANY
- KATHY SHEEHAN - TREASURER
- MARTIN DALEY - MEMBER
- PRAIRIE WELLS - MEMBER
- A. JOSEPH SCOTT, III, ESQ. - COUNSEL

**COPY**

1                                   CHAIRMAN FERRARA: Good afternoon,  
2                                   everyone. I am Tony Ferrara, Chairman of the  
3                                   Albany Community Development Agency. We have  
4                                   four projects to consider today for the hearing.  
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Now, I would like to open up the public hearing for the Albany Hotel, Inc. Project.

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MS. WILCOX: Excuse me, I'm sorry, I apologize. Was that all that's decided on as far --

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CHAIRMAN FERRARA: We haven't gotten --

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PUBLIC SPEAKER: Oh, I'm sorry. I didn't get an agenda. I apologize. Thank you.

1 I am glad I didn't miss it.

2 CHAIRMAN FERRARA: Okay. Albany Hotel  
3 Inc. Project.

4 MR. TEPLICA: Hi, my name is Neil  
5 Teplica. I am with Hudson advisors in New York  
6 City. Thank you for taking the time today. I  
7 represent the ownership of the Albany Hotel Crown  
8 Plaza right across the street. We purchased that  
9 hotel through the purchase of a company in April  
10 of 2010. It was a portfolio of 27 hotels. We  
11 found ones, we purchased the property that we had  
12 a structural issue that stems directly from the  
13 fact that the property is on a land lease. When  
14 the land lease was done 30 years ago or so, it  
15 was a long enough term land lease, but at this  
16 point it's a 45-year land lease and it's,  
17 therefore, a wasting asset.

18 We have sought to find a way to renovate  
19 the property and have found, however, that the  
20 land lease is an issue with regard to allowing us  
21 to do that from a financial perspective. Any  
22 money we put into the hotel will not increase the  
23 value of the hotel, because it is a wasting asset

1 because of the short term. The property is  
2 actually worth very little right now because of  
3 the short-term land lease.

4 So we do have a potential way out of  
5 that, which is that we also purchase, with the  
6 purchase, an option that came with the property,  
7 to purchase the land. So that would protect our  
8 rights as a fee-simple owner of the property.  
9 However, in doing that, if we would buy the land,  
10 our real estate taxes would sore to a level that  
11 is way above what our current lease payments are  
12 on the property. So they would, the increase,  
13 the differential between the current land lease  
14 and the real estate taxes, would take away the  
15 value that we would gain through purchasing the  
16 land. So we are in an unusual situation in which  
17 we find, from an economic point of view, it  
18 doesn't make sense for us to renovate the  
19 property, but from a desired point of view, we do  
20 want to renovate the property.

21 We have another issue which compounds  
22 the problem, which is the franchise agreement  
23 that we have right now with Crown Plaza. Crown

1 Plaza, our agreement, effectively, is over. They  
2 keep granting us very short term extensions to  
3 work out our situation here. Any additional, any  
4 future franchise, whether it's new, renewal with  
5 Crown Plaza or with another four star or so hotel  
6 grant, such as a Hilton or Marriott or Sheraton  
7 or anyone like that, or Wyndham, would require a  
8 very large, what's called a P.I.P, a property  
9 improvement plan, to make the property good  
10 enough for the brand. And those property  
11 improvement plans are quite expensive. We expect  
12 something in the range of \$10 million or more.

13 So we cannot sign a franchise agreement,  
14 we cannot renovate the property, and we find  
15 ourselves in a difficult situation. We're  
16 requesting a pilot program in order to rectify  
17 that and in exchange for relief on our taxes, if  
18 we do exercise our option to purchase the  
19 property, we will commit to doing a renovation in  
20 the property so that the city gets something in  
21 return. We anticipate that there will be a big  
22 improvement to the property, both in the public  
23 areas and in the guest room areas. We expect

1           that the restaurant -- well, we know the  
2           restaurant will be renovated, the street level  
3           will be improved, the awnings the signage, the  
4           lobby, the meeting space, everything that the  
5           public sees and touches, in addition to the guest  
6           rooms, will all be very substantially renovated  
7           and will improve the downtown area. At the same  
8           time we will be increasing temporary employment  
9           through construction for a period of  
10          approximately 18 months and we find that that  
11          will have a significant impact.

12                         We will be increasing our performance in  
13          the property. Right now the property performs  
14          very, very poorly and its performance is  
15          decreasing every month. Our month-to-month, what  
16          we call it a trailing 12-month performance, is  
17          increasing monthly. So we're now at a much lower  
18          level than we were a year ago when we purchased  
19          the property, because it is in such a poor  
20          condition. We -- and it performs much worse than  
21          several other limited service hotels in the area.

22                         So we expect that performance will  
23          increase, both in terms of occupancy and in terms

1 of rates, which increases revenue, which  
2 increases sales tax, which increases occupancy,  
3 bed taxes. And so in the process of doing that,  
4 we will have more customers to serve both in the  
5 guest rooms and in the restaurants and the  
6 meeting spaces, thereby also increasing permanent  
7 employment, above and beyond the temporary  
8 construction increase. So we feel it's a  
9 beneficial project for us to execute for the City  
10 and we're seeking your assistance in doing that.

11 MS. SHEEHAN: I'll ask you the same  
12 question I asked the prior presenter. For the  
13 benefit, what is being requested from the  
14 standpoint of tax abatement?

15 MR. TEPLICA: We are requesting that the  
16 taxes are kept at the same level that our base  
17 rent is currently in the property, so as not to  
18 penalize us if we exercise the option.

19 MR. DALEY: And also a waiver on that  
20 sales tax; is that correct?

21 MR. TEPLICA: That's correct. For the  
22 construction period, but not on an ongoing  
23 period. The sales tax will be full market from



1 day one.

2 MS. SHEEHAN: So I understand, are you  
3 asking that the current pilot agreement be  
4 extended and for how long?

5 MR. WAKEMAN: I'm sorry. I'm Bob  
6 Wakeman, from Lombardi Walsh Wakeman. The  
7 current pilot agreement is really pursuant to  
8 this lease that was, this ground lease that was  
9 done back in the early '80s. So it's a rent  
10 structure under that transaction. So the request  
11 is that that base rent, which is right now  
12 approximately \$350,000 a year, be continued.  
13 With increases, on the way that we have  
14 structured it with the City of Albany already,  
15 where the tax rate increases, the taxes will  
16 increase, but not a new assessment. The problem  
17 is, as Neil has already explained, is right now  
18 in 2022, the City has the option, pursuant to  
19 that original lease, to potentially double the  
20 fair value assessment of the property. So the  
21 request is to keep that same structure with  
22 increases only at tax rate increases.

23 MS. SHEEHAN: So it is the same formula.

1 I bill it, so I am a little more familiar with  
2 it. Sorry. So it's the same formula and for how  
3 long?

4 MR. WAKEMAN: Thirty years.

5 CHAIRMAN FERRARA: Anyone else wish to  
6 speak? Thank you. I would like to officially  
7 close the public hearing in regard to the Albany  
8 Hotel, Inc. Project.

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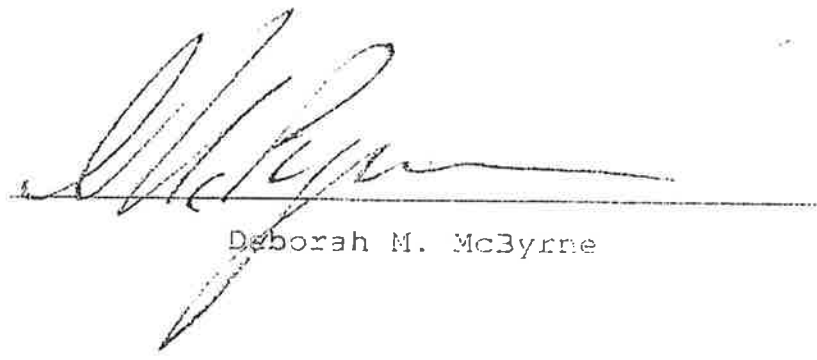
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I, Deoorah M. McByrne, a Shorthand  
Reporter and Notary Public of the State of New  
York, do hereby certify that the above and  
foregoing is a true and correct transcript of the  
proceedings as mentioned in the heading hereof, to  
the best of my knowledge and belief.



A handwritten signature in cursive script, appearing to read 'D. McByrne', is written over a horizontal line. The signature is fluid and extends across the width of the line.

Deborah M. McByrne