

TO: City of Albany Industrial Development Finance Committee
FROM: City of Albany Industrial Development Agency Staff
RE: 563 New Scotland Ave, LLC - IDA Application Summary
DATE: January 7, 2019

Applicant: 563 New Scotland Ave, LLC

Managing Members (% of Ownership): Ryan Jankow (100%) – Applicant indicated the LLC may incorporate additional investors and the final membership will be updated prior to closing.

Project Location: 563 New Scotland Ave, Albany, NY

Project Description: The Project proposes to construct 188 residential market rate apartment units in four (4) buildings on 3.31 acres of land totaling +/- 300,000 SF. Seven (7) existing underutilized structures will be demolished. There will be a clubhouse/office portion of one building, common areas, parking for +/- 255 cars and approx. 15,000 SF of ground floor retail/commercial space available.

Estimated Project Real Property Benefit Summary (20 Years):

	Status Quo Taxes (no project) Homestead Rate	Project Impact (PILOT Payments)	Net Benefit
Revenue Gain to Taxing Jurisdictions	\$3,750,484	\$12,215,185	\$8,464,701

	Current Value	Anticipated Future Value*	Net Increase
Property Value Increase	\$2,851,263	\$21,900,000	\$19,048,737

**Project Impact Assessed Value based on letter from the City of Albany Assessor dated 03-26-19*

At the end of the PILOT period, the project is anticipated to make annual tax payments to the taxing jurisdictions of \$1,689,535 based on an assessed value of **\$21,900,000** and an annual tax rate of \$77.15.

Estimated Investment: \$39,780,000

Community Benefits: Please see the attached CAIDA Project Evaluation and Assistance Framework Staff Analysis for more detail on the Community Benefits metrics below.

- *Revitalization:* The project is located in an area included within a Neighborhood Plan.
- *Identified Priority:* The project is considered a community catalyst as it is expected to contribute to contribute to the Albany 2030 Plan.
- *Identified Growth Area:* The proposed project supports the creation, retention or expansion of facilities or the creation and/or retention of permanent private sector jobs in an existing City of Albany industry cluster.

- *Job Creation:* The project is committing to the creation of thirteen (13) permanent, eighty five (85) construction jobs and the retention of two (2) existing jobs.
- *Investment:* The project is anticipating a project cost of more than \$39.7 million, the applicant has also committed to the Community Commitment of City of Albany Labor and Regional Labor guarantee.

Employment Impact Analysis:

Temporary (Construction) Impact

Impact Type	Employment	Labor Income (\$)	Value Added (\$)	Output (\$)
Direct Effect	255.00	\$12,897,088.09	\$16,789,942.64	\$31,385,408.71
Indirect Effect	69.37	\$4,123,925.27	\$6,205,561.93	\$10,427,658.05
Induced Effect	50.62	\$2,696,387.97	\$4,819,259.84	\$7,676,772.62
Total Effect	374.99	\$19,717,401.32	\$27,814,764.41	\$49,489,839.38

Permanent (Operations) Impact

Impact Type	Employment	Labor Income (\$)	Value Added (\$)	Output (\$)
Direct Effect	9.51	\$314,484.07	\$336,001.94	\$500,433.68
Indirect Effect	0.63	\$41,039.97	\$67,733.73	\$111,902.08
Induced Effect	0.96	\$51,228.70	\$91,540.83	\$145,896.52
Total Effect	11.10	\$406,752.74	\$495,276.50	\$758,232.28

**Excerpt from IMPLAN Economic Impact Analysis 11.8.19*

Employment Impact:

- Projected Permanent: 13 jobs
- Projected Retained: 2 jobs
- Projected Construction: 85 jobs

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$15,000,000

Estimated Total Mortgage Amount: not to exceed \$33,813,000

Requested PILOT: The proposal entails the Applicant entering into three (3) separate PILOT agreements with the IDA consistent with CAIDA Project Evaluation and Assistance Framework abatement percentages.

Third Party Review: In response to the Board’s request, a third party evaluation of the appropriateness of the applicant’s PILOT request has been received and reviewed by staff. The third party determined that the assumptions included within the application in addition to the abatement requested were within reasonable parameters.

Cash on cash return is a simple and straightforward method to calculate return on investments that involve long-term debt borrowing. We use this as our baseline analysis metric to keep comparisons consistent and variables limited across projects. The third-party analysis also relies on the internal rate of return method due to its advantage of including the time value of money and property appreciation. Calculating the internal rate of return is more complicated because it requires the projection future of cash flows of the investment, including the sale of the investment at the end of the holding period. This analysis provides a more in-depth and project-specific measurement of anticipated return to review in conjunction with the straightforward cash-on-cash method.

Estimated Value of Tax Exemptions:

- NYS Sales and Compensating Use Tax: \$1,200,000
- Mortgage Recording Taxes: \$330,000
- Real Property Taxes: \$18,183,474
- Other: N/A

Baseline Requirements:

- Application: Complete
- Meets NYS/CAIDA Requirements: Yes
- Albany 2030 Alignment:
 - Increase job opportunities for all residents.
 - Encourage investment in urban land and buildings for employment and housing.
- Planning Approval Status: Full Planning Board approval in *August 2019*
- Meets Project Use Definition: Yes
- Meets “But For” Requirement: Yes, affidavit signed.

Cost Benefit Analysis: See attached Exhibit A: Description of The Project Evaluation and Expected Public Benefits.

Estimated IDA Fee

- Fee amount: \$397,800

CAIDA 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.