

TO: City of Albany Industrial Development Finance Committee
FROM: City of Albany Industrial Development Agency Staff
RE: 915 Broadway, LLC - IDA Application Summary
DATE: January 3, 2020

Applicant: 915 Broadway, LLC

Managing Members (% of Ownership): Mark Aronowitz (50%) and Norman Nichols (50%)

Project Location: 745 Broadway, Albany, NY

Project Description: The Project proposes to construct a 5-story mixed-use residential commercial retail structure containing approximately 80 residential market rate apartment units and 6,600 SF of commercial retail space on the ground floor. The 1.38 acre project site, which is currently a parking lot, will also include approx. 75 off-street parking spaces.

Estimated Project Real Property Benefit Summary (18 Years):

	Status Quo Taxes (no project) Non-Homestead Rate	Project Impact (PILOT Payments)	Net Benefit
Revenue Gain to Taxing Jurisdictions	\$592,920	\$3,556,711	\$2,963,791

	Current Value	Anticipated Future Value*	Net Increase
Property Value Increase	\$510,000	\$6,800,000	\$6,290,000

**Project Impact Assessed Value based on letter from the City of Albany Assessor dated 07-01-18*

At the end of the PILOT period, the project is anticipated to make annual tax payments to the taxing jurisdictions of \$537,664 based on an assessed value of **\$6,800,000** and an annual tax rate of \$74.15.

Estimated Investment: \$22,800,000 (est)

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. The project is also located in a high vacancy census tract.
- *Identified Priority:* The project further supports the downtown residential initiative.
- *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 four (4) full-time equivalent and one hundred and fifty (150) construction jobs.
- *Investment:* The project is anticipating a project cost of more than \$22 million.

Employment Impact Analysis: The Capital District Regional Planning Commission has been engaged to run an Economic Impact Analysis through the IMPLAN platform. This analysis will examine both the construction and permanent operating impact of the project as it relates to employment, labor income, value added and total output dollars. This analysis will be available prior to the public hearing in February 2020.

Employment Impact:

- Projected Permanent: 4 jobs
- Projected Retained: 0 jobs
- Projected Construction: 150 jobs

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$6,560,000

Estimated Total Mortgage Amount: not to exceed \$17,100,000

Requested PILOT: The proposal entails the Applicant entering into a PILOT agreements with the IDA consistent with CAIDA Project Evaluation and Assistance Framework abatement percentages with a deviation is the base assessed value for the first five (5) years of the project.

Third Party Review: In response to the Board's request, a third party evaluation of the appropriateness of the applicant's PILOT request is underway. Staff expects to receive the analysis well in advance of the Public Hearing in February 2020.

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 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: \$524,800
- Mortgage Recording Taxes: \$171,000
- Real Property Taxes: \$4,290,347
- 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 expected in 1Q 2020
- 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: \$228,000

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.