

TO: City of Albany Industrial Development Finance Committee
FROM: City of Albany Industrial Development Agency Staff
RE: 1211 Western Ave Property Associates, LLC - IDA Application Summary
DATE: September 11, 2020

Applicant: 1211 Western Ave Property Associates, LLC

The Agency received an application for assistance in January of 2020. That application was updated and a revised request was submitted to the Agency in June of 2020. The following summary reflects the revised application and the subsequent request for assistance. A public hearing was held in August 2020; a response to the comments received was posted to the Agency website as part of the Finance Committee materials for September 9, 2020.

Managing Members (% of Ownership): Yiping Hu (91.6%), Shihao Hu (8.4%) and Yuanliu Jacky He (voting rights only)

Project Location: 1211 Western Ave, Albany, NY

Project Description: The proposed Project includes the construction of a 6-story, +/- 190,968 SF mixed-use multi-family/ commercial retail complex containing approximately 136 residential apartment units and +/- 1,840 SF of commercial retail space on the ground floor. The project will also contain an internal parking garage for approx. 150 vehicles. An existing 30,000 SF vacant commercial office structure on site will be demolished.

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	\$542,088	\$8,227,180	\$7,685,092

	Current Value	Anticipated Future Value*	Net Increase
Property Value Increase	\$497,400	\$19,500,000	\$19,002,600

**Project Impact Assessed Value based on letter from the City of Albany Assessor dated 12-04-19*

At the end of the PILOT period, the project is anticipated to make annual tax payments to the taxing jurisdictions of \$1,404,227 based on an assessed value of **\$19,500,000** and an annual tax rate of 72.69.

Estimated Investment: \$35,735,314 (est)

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

- *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 five (5) full-time equivalent and ninety (90) construction jobs.
- *Investment:* The project is anticipating a project cost of more than \$35 million.
- *Community Commitments:* The project has committed to including regional labor, City of Albany labor and MWBE/DBE participation.

Employment Impact Analysis:

Temporary (Construction) Impact

Impact Type	Employment	Labor Income (\$)	Value Added (\$)	Output (\$)
Direct Effect	175.38	\$14,702,062.83	\$21,532,242.08	\$26,259,686.36
Indirect Effect	20.87	\$1,315,292.93	\$2,172,505.45	\$3,638,208.48
Induced Effect	46.87	\$2,588,729.86	\$4,701,410.93	\$7,548,416.19
Total Effect	243.12	\$18,606,085.63	\$28,406,158.46	\$37,446,311.03

Permanent (Operations) Impact

Impact Type	Employment	Labor Income (\$)	Value Added (\$)	Output (\$)
Direct Effect	5.26	\$280,552.33	\$1,725,612.76	\$2,071,084.34
Indirect Effect	1.01	\$72,420.35	\$139,264.18	\$236,873.25
Induced Effect	1.29	\$71,336.59	\$129,410.49	\$207,798.37
Total Effect	7.56	\$424,309.27	\$1,994,287.44	\$2,515,755.96

**IMPLAN Economic Impact Analysis conducted by the Capital District Regional Planning Commission as at 7-17-2020.*

Employment Impact:

- Projected Permanent: 5 jobs
- Projected Retained: 0 jobs
- Projected Construction: 90 jobs

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$12,500,000

Estimated Total Mortgage Amount: not to exceed \$32,000,000 (includes both construction loan of approx. \$21 M and anticipated permanent refinance of \$10M)

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 for projects with a improved assessed value between \$80-\$89,999 per unit. The applicant has requested the retail/commercial space associated with the project have the commercial assistance schedule applied to on a proportional scale based on square footage.

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 commissioned.

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: \$1,000,000
- Mortgage Recording Taxes: \$320,000
- Real Property Taxes: \$12,845,169
- 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 (Conditional)
- 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: \$357,353.14

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.