

TO: City of Albany Industrial Development Finance Committee
FROM: City of Albany Industrial Development Agency Staff
RE: Clinton Avenue Apartments II, LLC - IDA Application Summary
DATE: December 4, 2020

Applicant: Clinton Avenue Apartments II, LLC

Managing Members (% of Voting Interest): Nelson Leenhouts (66.67%) and Catherine Sperrick (33.33%); please see application addendum for a full list of all ownership interests.

Project Location: 78, 133, 163, 236, 303 and 307 Clinton Ave, Albany, NY

Project Description: The Project proposes to revitalize 6 properties located on Clinton Avenue in Arbor Hill. The proposed project includes the historic preservation of four vacant rowhomes and the adaptive reuse of a long vacant former school building and the new construction of a 3-story mixed use building into a total of 61 residential affordable housing units (36 – or +/- 59% - new construction and 25 – or +/- 41% - rehab) benefiting households with incomes up to 80% of the Area Median Income. Additionally, the mixed use building incorporates approx. 12,000 SF of commercial space dedicated to the Albany Center for Economic Success with the intention “to promote successful ownership of sustainable businesses among people of color, women and low-income individuals by providing technical assistance and incubator services.”

Estimated Project Real Property Benefit Summary (30 Years):

| | Status Quo Taxes (no project) Non-Homestead Rate | Project Impact (PILOT Payments) | Net Benefit |
|---|---|------------------------------------|--------------------|
| Revenue Gain to Taxing Jurisdictions | \$31,049 | \$1,661,663 | \$1,658,514 |

| | Current Value | Anticipated Future Value* | Net Increase |
|--------------------------------|------------------|------------------------------|--------------------|
| Property Value Increase | \$593,800 | \$3,793,400 | \$3,199,600 |

**Project Impact Assessed Value based on letter from the City of Albany Assessor dated 05-19-20*

At the end of the PILOT period, the project is anticipated to make annual tax payments to the taxing jurisdictions of \$336,165 based on an assessed value of **\$3,793,400** and an annual tax rate of \$88.62 (non-homestead).

Estimated Investment: \$23,921,714 (est)

Community Benefits: For comparative purposes, please see the attached CAIDA Project Evaluation and Assistance Framework Staff Analysis for more detail on the Community Benefits metrics below. Please note that due to the special nature of the request and the fact that it involves an affordable housing component, this project was evaluated outside of the Project Evaluation and Assistance Framework.

- *Revitalization:* The project is located in an area included within a Neighborhood Plan. The project is also located in both a high vacancy and distressed census tract.
- *Identified Priority:* The project supports multiple initiatives within the Albany 2030 Plan; the project is an identified catalyst site per Arbor Hill Neighborhood Plan; the project also includes the historic preservation of tax exempt/vacant properties.
- *Job Creation:* The project is committing to the creation of seventeen (17) full-time equivalent and one hundred and fifty (150) construction jobs.
- *Investment:* The project is anticipating a project cost of more than \$24 million.

Employment Impact Analysis:

Temporary (Construction 2021-2022) Impact

| Impact Type | Employment | Labor Income (\$) | Value Added (\$) | Output (\$) |
|------------------------|------------|-------------------|------------------|-----------------|
| Direct Effect | 99.99 | \$8,146,315.60 | \$11,716,051.78 | \$18,760,022.15 |
| Indirect Effect | 27.14 | \$1,695,188.02 | \$2,901,541.97 | \$4,836,112.00 |
| Induced Effect | 28.41 | \$1,569,318.04 | \$2,850,300.25 | \$4,576,302.13 |
| Total Effect | 155.54 | \$11,410,821.65 | \$17,467,894.01 | \$28,172,436.29 |

Permanent (Operations 2025) Impact

| Impact Type | Employment | Labor Income (\$) | Value Added (\$) | Output (\$) |
|------------------------|------------|-------------------|------------------|----------------|
| Direct Effect | 18.00 | \$206,398.71 | \$810,255.06 | \$1,202,903.14 |
| Indirect Effect | 1.80 | \$106,801.70 | \$189,631.87 | \$340,288.69 |
| Induced Effect | 1.07 | \$59,063.80 | \$107,183.08 | \$172,101.69 |
| Total Effect | 20.87 | \$372,264.21 | \$1,107,070.01 | \$1,715,293.51 |

**IMPLAN Economic Impact Analysis conducted by the Capital District Regional Planning Commission as at 9-23-2020.*

Employment Impact:

- Projected Permanent: 17 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: \$10,000,000

Estimated Total Mortgage Amount: not to exceed \$0

Requested PILOT: The proposal entails the Applicant entering into a 30 year PILOT agreement with the IDA including a deviation in the shelter rent payments to five percent (5.0%) for the term of the

agreement. The Applicant proposes the commercial space portion of the project enter into a 15 year PILOT Agreement which is a deviation from the Project Evaluation and Assistance Framework 10-year commercial abatement schedule typically applied to a project's commercial space.

Third Party Review: Due to the special nature of the requested deviation in assistance from the Agency Policy Manual, a third party evaluation of the appropriateness of the applicant's PILOT request has been commissioned. The third party determined that the assumptions included within the application in addition to the abatements 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 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: \$800,000
- Mortgage Recording Taxes: \$0
- Real Property Taxes: \$5,870,865
- 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 4Q 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: \$239,217.14

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.