

TO: City of Albany Industrial Development Finance Committee
FROM: City of Albany Industrial Development Agency Staff
RE: 324 State Street, LLC - IDA Application Summary
DATE: September 8, 2023

Applicant: 324 State Street, LLC

Managing Members (% of Ownership): Ryan Jankow (100%)

Project Location: 324 State St, Albany, NY

Project Description: The project involves the redevelopment of an existing +/-40,000 SF commercial building into approx. 29 market rate apartment units.

Estimated Project Real Property Benefit Summary (20 Years):
Scenario A (Project Does Not Include Use of Historic Tax Credit Program):

| | Status Quo Taxes (no project) Non-Homestead Rate | Project Impact (PILOT Payments) | Net Benefit |
|--------------------------------------|---|------------------------------------|-------------|
| Revenue Gain to Taxing Jurisdictions | \$0.00 | \$1,265,455 | \$1,265,455 |

Estimated Project Real Property Benefit Summary (15 Years):
Scenario B (Project Does Include Use of Historic Tax Credit Program):

| | Status Quo Taxes (no project) Non-Homestead Rate | Project Impact (PILOT Payments) | Net Benefit |
|--------------------------------------|---|------------------------------------|-------------|
| Revenue Gain to Taxing Jurisdictions | \$0.00 | \$1,174,692 | \$1,174,692 |

| | Current Value | Anticipated Future Value* | Net Increase |
|-------------------------|---------------|------------------------------|--------------|
| Property Value Increase | \$700,000 | \$1,773,600 | \$1,073,600 |

**Project Impact Assessed Value based on letter from the City of Albany Assessor dated 6-29-23*

***Note: While assessed at \$3,183,800, the property has been on the wholly exempt portion of the tax roll due to the status of the previous owner.*

At the end of the PILOT period, the project is anticipated to make annual tax payments to the taxing jurisdictions of \$140,059 based on an assessed value of **\$1,773,600** and an annual tax rate of \$78.97.

Estimated Investment: \$6,500,000

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

- *Identified Priority:* The proposed project is located on a parcel designated as tax exempt; the project results in the rehabilitation/renovation of a building located within a historic district and at least 50 years old.
- *Identified Growth Area:* The proposed project consists of the conversion of an existing commercial structure into residential rental units.
- *Job Creation:* The project is committing to the creation of two (2) new permanent full-time equivalent jobs and the creation of twenty (20) construction jobs.
- *Investment:* The project is anticipating a project cost of \$6.5 million.
- *Community Commitment:* The project commits to utilizing Regional Labor and City of Albany Labor.

Employment Impact Analysis:

Temporary (Construction 2024) Impact

| Impact Type | Avg. Annual Employment | Labor Income (\$) | Value Added (\$) | Output (\$) |
|---------------------|------------------------|--------------------|--------------------|--------------------|
| Direct Effect | 21.87 | \$552,703 | \$1,244,469 | \$4,189,931 |
| Indirect Effect | 7.52 | \$522,895 | \$917,967 | \$1,491,004 |
| Induced Effect | 2.98 | \$193,073 | \$346,474 | \$543,639 |
| Total Effect | 32.37 | \$1,268,671 | \$2,508,910 | \$6,224,573 |

Permanent (Operations 2025) Impact

| Impact Type | Employment | Labor Income (\$) | Value Added (\$) | Output (\$) |
|---------------------|-------------|-------------------|------------------|------------------|
| Direct Effect | 1 | \$62,983 | \$22,448 | \$51,618 |
| Indirect Effect | 0.15 | \$11,303 | \$16,714 | \$27,944 |
| Induced Effect | 0.16 | \$10,394 | \$18,665 | \$29,292 |
| Total Effect | 1.31 | \$84,680 | \$57,827 | \$108,854 |

**IMPLAN Economic Impact Analysis conducted by the Capital District Regional Planning Commission as at 8-28-2023. Of note: IMPLAN represents average annual construction jobs over the duration of construction.*

Employment Impact:

- Projected Permanent: 2 jobs
- Projected Retained: 0 jobs
- Projected Construction: 20 jobs

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$3,850,000

Estimated Total Mortgage Amount: \$5,000,000

Requested PILOT: The proposal entails the Applicant entering into a bifurcated PILOT agreement with the IDA which deviates from the Project Evaluation and Assistance Framework abatement guidelines for multi-fam commercial projects. The trigger for the bifurcation of the PILOT agreement is the approval for NYS/Federal historic tax credits which may occur post-closing. Please see staff PILOT analysis for further detail.

Third Party Review: Due to the deviation in requested assistance from the Project Evaluation & Assistance Framework, 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 abatements requested were necessary and 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: \$308,000
- Mortgage Recording Taxes: \$50,000
- Real Property Taxes:
 - Scenario A: \$1,024,707
 - Scenario B: \$455,308
- Other: N/A

Baseline Requirements:

- Application: Complete
- Meets NYS/CAIDA Requirements: Yes
- Albany 2030 Alignment:
 - Encourage investment in urban land and buildings for employment and housing.
- Planning Approval Status: Approved in August 2023
- 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: \$65,000.00

CAIDA Mission: Assist in the enhancement and diversity of the economy of the City of Albany (the “City”) by acting in support of projects in the City that create and/or retain jobs and/or promote private sector investment utilizing the statutory powers of the Agency as set forth under the provisions of the laws of the State of New York.