

TO: City of Albany Industrial Development Finance Committee
FROM: City of Albany Industrial Development Agency Staff
RE: 144 State Street, LLC - IDA Application Summary
DATE: September 8, 2023

Applicant: 144 State Street, LLC and 144 Real Estate Properties, Inc.

Managing Members (% of Ownership): Joseph Nicolla (69%), Richard Rosen (8%), Brandon Stabler (3%) and minority investors (20%).

Project Location: 144 State St, Albany, NY

Background: In 2014, the IDA approved financial assistance in the form of sales, mortgage recording and real property tax abatements for the historic redevelopment of the long-vacant former DeWitt Clinton hotel at 144 State Street. The +/- 180,000 SF hotel features 203 rooms, a full-service restaurant, banquet, and event space. The hotel facilities/parking garage connect with the Albany Capital Center and Times Union Center via an enclosed climate-controlled walkway. The Project Beneficiary is proposing a \$3.5 million new investment to the project and requesting an amendment to its PILOT agreements providing additional assistance to move forward with the project and maintain hotel operations consistent with the hotel’s brand given financial hardships inflicted upon the Project’s financial performance given the COVID-19 pandemic, combined with the inflated costs of materials and project-specific labor cost escalations.

Project Description: The current project involves the renovation of the existing Renaissance Hotel by Marriott consisting of improvements to the public spaces and guestrooms.

Estimated Project Real Property Benefit Summary:

Original Project Anticipated Benefits:

	Status Quo Taxes (no project) Non-Homestead Rate (over 15 years)	Project Impact PILOT Payments (over 15 years)	Net Benefit
Revenue Gain to Taxing Jurisdictions	\$773,128	\$4,942,459	\$4,169,331

Anticipated Benefits Including New Request:

	Status Quo Taxes (no project) Non-Homestead Rate (over 20 years)	Project Impact PILOT Payments (over Original 15 year term)	Project Impact PILOT Payments (over new additional term)	Net Benefit
Revenue Gain to Taxing Jurisdictions	\$1,084,581	\$4,156,678	\$3,458,505	\$6,530,602

	Pre-Project Value	Current Value	Anticipated Future Value*	Net Increase
Property Value Increase	\$1,000,000	\$15,710,943	\$15,710,943	\$0

*Status quo: original taxes based on unimproved 2015 value; PILOT payments 2024-35

***Property Value based on successful tax certiorari dated 6-16-23*

At the end of the PILOT period, the project is anticipated to make annual tax payments to the taxing jurisdictions of \$1,038,139 based on an assessed value of **\$15,710,943** and an annual tax rate of \$66.08.

Estimated Investment: \$3,500,000

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

- *Target Geography:* The project is located downtown; the project is located within a BID; the project is located within a neighborhood plan.
- *Identified Priority:* The proposed project results in the retention of hospitality sector facilities as well as the creation/retention of permanent jobs within the City of Albany.
- *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 retention of ninety-one (91) permanent full-time equivalent jobs and the creation of eighteen (18) construction jobs.
- *Investment:* The project is anticipating a project cost of \$3.5 million.

Employment Impact Analysis:

Temporary (Construction 2024-2025) Impact

Impact Type	Avg. Annual Employment	Labor Income (\$)	Value Added (\$)	Output (\$)
Direct Effect	19.83	\$675,891	\$1,187,222	\$3,479,247
Indirect Effect	5.1	\$383,888	\$669,516	\$1,106,423
Induced Effect	2.87	\$185,896	\$333,614	\$523,469
Total Effect	27.8	\$1,245,675	\$2,190,352	\$5,109,138

**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: 0 jobs
- Projected Retained: 91 jobs
- Projected Construction: 18 jobs

Type of Financing: Straight Lease

Amount of Bonds Requested: None

Estimated Total Purchases Exempt from Sales Tax: \$2,800,000

Estimated Total Mortgage Amount: \$0

Requested PILOT: The proposal entails the Applicant entering into a PILOT agreement with the IDA which deviates from the Project Evaluation and Assistance Framework abatement guidelines for commercial/retail space. 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 (new request): \$224,000
- Mortgage Recording Taxes (new request): \$0
- Real Property Taxes:
 - Total over duration of assistance: \$11,705,505 ¹
 - Net new with this request: \$2,005,233 (estimated)
- 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: Expected 3Q 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: \$35,000.00

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.

¹ Original 2014 PILOT Agreement approved an estimated \$9.7 million of real property tax abatement.