

Albany Industrial Development Agency

21 Lodge Street
Albany, New York 12207
Telephone: (518) 434-2532
Fax: (518) 434-9846

Anthony J. Ferrara, *Chairman*
Willard A. Bruce, *Vice-Chairman*
Kathy Sheehan, *Treasurer*
Susan Pedo, *Secretary*
Martin Daley

Michael Yevoli, *Chief Executive Officer*
Erik J. Smith, *Chief Financial Officer*
John Reilly, *Agency Counsel*

To: Anthony J. Ferrara Mike Yevoli
Willard A. Bruce Joe Scott
Kathy Sheehan John Reilly
Susan Pedo Erik Smith
Martin Daley Megan Daly
Brad Chevalier

Date: November 10, 2011

AGENDA

PLEASE NOTE THAT PUBLIC HEARINGS CONCERNING THE FOLLOWING PROJECTS WILL BE HELD AT 12 NOON On Thursday,
November 17th, 2011 at 21 Lodge Street, Albany, NY 12207

Swan Street Lofts, LP

The regular meeting of the City of Albany Industrial Development Agency will be held on **Thursday, November 17th, 2011 at 12:15PM** at the 21 Lodge Street, Albany, NY 12207 (Conference Room)

Roll Call

Reading of Minutes of the Regular Meeting of October 20, 2011

Approval of Minutes of the Regular Meeting of October 20, 2011

Reports of Committees

Report of Chief Executive Officer

Report of Chief Financial Officer

- Financial Report

Communications

Unfinished Business

- Swan Street Lofts, LP Project Synopsis
- Swan Street Lofts, LP Project Commercial Finding Resolution
- Swan Street Lofts, LP Project SEQR Resolution
- Swan Street Lofts, LP Project Bond Resolution
- Albany Mid Town Hotel, LLC Resolution Authorizing New Mortgage

New Business

- IDA Audit Engagement Resolution

Other Business

Adjournment

* The next regularly scheduled meeting is Thursday, December 15, 2011 at 21 Lodge Street, Albany, NY 12207

Albany Industrial Development Agency

21 Lodge Street
Albany, New York 12207
Telephone: (518) 434-2532
Fax: (518) 434-9846

Anthony J. Ferrara, *Chairman*
Willard A. Bruce, *Vice-Chairman*
Susan Pedo, *Secretary*
Kathy Sheehan, *Treasurer*
Martin Daley

Michael Yevoli, *Chief Executive Officer*
Erik J. Smith, *Chief Financial Officer*
John Reilly, *Agency Counsel*

IDA MINUTES OF REGULAR MEETING Thursday, October 20th, 2011

Attending: Tony Ferrara, Bill Bruce, Susan Pedo & Kathy Sheehan

Absent:

Also Present: Joe Scott, Patrick Jordan, Mike Yevoli, Megan Daly, Erik Smith, Brad Chevalier & Amy Gardner

Chairman Tony Ferrara called the regular meeting of the IDA to order at 12.15PM.

Roll Call

Chairman Ferrara reported that all Board Members with the exception of Martin Daley.

Reading of Minutes of the Regular Meeting of September 15th, 2011

Since the minutes of the previous meeting had been distributed to Board members in advance for review, Chairman Ferrara made a proposal to dispense with the reading of the minutes.

Approval of Minutes of the Regular Meeting of September 15th, 2011

Chairman Ferrara made a proposal to approve the minutes of the Regular Board Meeting as presented. A motion to accept the minutes, as presented, was made by Kathy Sheehan and seconded by Bill Bruce. A vote being taken, the minutes were accepted unanimously.

New Business

City of Albany Industrial Development Agency Operating Budget for 2012

Erik Smith presented the proposed Operating Budget to the Board. Mr. Smith advised the Board that the budget was presented to the Finance Committee last week and discussed in great detail. Mr. Smith reminded the Board that they are considering the budget at this time in order for the Agency and the CRC to be in compliance with PAAA which will require the posting of the approved budgets on PARIS by Nov 1st. PAAA requires that public authorities post their proposed budgets 60 days prior to their fiscal year end. The Agency's fiscal year end is Dec. 31st.

Mr. Smith advised the Board that the budget is consistent with years past and is a fairly conservative budget. Mr. Smith went on to review the items discussed at the Finance Committee meeting. The first item discussed was the fee revenue which is the largest revenue component of the budget and is based

upon the anticipated project activity of \$37 million. According to Mr. Smith that amount is a reasonable estimate based on what was budgeted for 2011 which was approximately \$41 million of project activity. The current project activity for 2011 is approximately \$74 million. This represents a significant improvement from 2010 which was a rather lean year when the agency had \$32 million in project activity. Looking back a bit further, project activity in 2009 was \$54 million. Based on historical activity and project activity that will not close in 2011 (and will roll into next year), the projected revenue fees is a reasonable estimate for 2012.

The second item discussed was the creation of a reserve in case of unexpected legal action against the Agency. Mr. Smith spoke with the auditors about the possible creation of an allowance that would be part of the current fiscal year and serve as a reserve. Mr. Smith and the auditors came to the conclusion that the accounting fails for that type of approach. It is not justifiable to book an expense for an event that is so unpredictable. Mr. Smith advised the Board that this is not a course he recommends pursuing. Mr. Smith assured the Board that cash on hand is maintained for any unforeseen expenses that may arise in the future. Mr. Smith advised the Board that any future unexpected legal fees would be presented to the Board with a full explanation of the situation and would possibly include a budget amendment to capture the financial impact of the transaction.

Mr. Smith advised the Board that the budget will generate no income or loss and the Agency will end the year with the same amount of cash it started with. Mr. Smith illustrated for the Board that although a 25% decrease in project activity would most likely demonstrate a net loss for the Agency and cause a reduction of cash on hand, it would not render the Agency insolvent. The Agency would still be able to meet its contractual obligations. Mr. Smith stated that while a couple of the obligations are long term including the Arbor Hill Community Center, the agreement with the Albany Parking Authority and the grant to Capitalize Albany Corporation there is sufficient protection against becoming insolvent. Operating procedure requires that anything that comes up outside of those items requires Board approval at which time the Board would have the opportunity to amend the budget. Bill Bruce asked Mr. Smith when the agreements with the Arbor Hill Community Center and the Parking Authority would expire. Mr. Smith answered that the Arbor Hill Community Center agreement as it is written now expires November 30th, 2099 and the Albany Parking Authority agreement expires as of August 31st, 2018. These relationships have changed with the closing of the New Covenant Charter School but the lease agreement still remains in effect. There are ongoing negotiations occurring to determine what the future use of the space should be. The IDA will not deviate from its current obligations without the Board approving amendments to the lease.

Chairman Ferrara presented the *City of Albany Industrial Development Agency Operating Budget for 2012* to the Board. A motion to adopt the Resolution was made by Susan Pedo and seconded by Kathy Sheehan. A vote being taken, the Budget passed unanimously.

Teresian House Nursing Home Company, Inc. Project Authorizing Execution of Documents in Connection with Resignation of Trustee Resolution

Joe Scott reviewed the Resolution with the Board explaining that this is a project the IDA had previously issued bonds for. Mr. Scott advised the Board that HSBC is pulling back from its bond trustee activity and resigning as the trustee of this project; New York Mellon has been selected as the new trustee.

Chairman Ferrara asked if voting on this resolution would create a conflict because he sits on the Teresian House Board of Directors. Mr. Scott made a recommendation as Counsel stating that his suggestion was to move forward with the approval of the resolution because there was no legal issue with Chairman Ferrara voting on this resolution and this was strictly an administrative issue.

Chairman Ferrara presented the *Teresian House Nursing Home Company, Inc. Project Authorizing Execution of Documents in Connection with Resignation of Trustee Resolution* to the Board. A motion to adopt the Resolution was made by Bill Bruce and seconded by Kathy Sheehan. A vote being taken, the resolution passed unanimously.

Living Resources Corporation Project Authorizing Execution of Documents in Connection with Resignation of Trustee Resolution

Joe Scott reviewed the Resolution with the Board explaining that this is a project the IDA had previously issued bonds for. Mr. Scott advised the Board that HSBC is pulling back from its bond trustee activity and resigning as the trustee of this project; M&T Bank has been selected as the new trustee.

Chairman Ferrara presented the *Living Resources Corporation Project Authorizing Execution of Documents in Connection with Resignation of Trustee Resolution* to the Board. A motion to adopt the Resolution was made by Bill Bruce and seconded by Kathy Sheehan. A vote being taken, the resolution passed unanimously.

Albany Institute of History & Art Project Authorizing Execution of Documents in Connection with Resignation of Trustee Resolution

Joe Scott reviewed the Resolution with the Board explaining that this is a project the IDA had previously issued bonds for. Mr. Scott advised the Board that HSBC is pulling back from its bond trustee activity and resigning as the trustee of this project; M&T Bank has been selected as the new trustee.

Chairman Ferrara presented the *Albany Institute of History & Art Project Authorizing Execution of Documents in Connection with Resignation of Trustee Resolution* to the Board. A motion to adopt the Resolution was made by Bill Bruce and seconded by Kathy Sheehan. A vote being taken, the resolution passed unanimously.

Unfinished Business

4-6 Sheridan, LLC Project Synopsis

Joe Scott presented a summary of the project to the Board outlining the project and the requests of the IDA. Clemente Parente, from 4-6 Sheridan, LLC representing the project was present to answer questions. Mr. Scott reviewed each action item pertaining to this project with the Board.

4-6 Sheridan, LLC SEQR Resolution

Joe Scott reviewed the Resolution with the Board explaining that the findings determined that this project would not have a significant effect on the environment.

Chairman Ferrara presented the *4-6 Sheridan, LLC SEQR Resolution* to the Board. A motion to adopt the Resolution was made by Kathy Sheehan and seconded by Bill Bruce. A vote being taken, the Resolution passed unanimously.

4-6 Sheridan, LLC PILOT Deviation Resolution

Joe Scott reviewed the Resolution with the Board and assured the Board that the financial assistance does not include the mortgage recording tax.

Chairman Ferrara presented *4-6 Sheridan, LLC PILOT Deviation Resolution* to the Board. A motion to adopt the Resolution was made by Kathy Sheehan and seconded by Bill Bruce. A vote being taken, the Resolution passed unanimously.

4-6 Sheridan, LLC Approving Resolution

Chairman Ferrara presented the *4-6 Sheridan, LLC Approving Resolution* to the Board. A motion to adopt the Resolution was made by Bill Bruce and seconded by Susan Pedo. A vote being taken, the Resolution passed unanimously.

Reports of Committees

None

Report of Chief Executive Officer

Mike Yevoli reported that the Common Council Planning Committee has recommended two applicants for the vacant board seats to go before the Common Council for review.

Report of Chief Financial Officer

Erik Smith reported that \$92,000 has been generated in fee revenue due to project closings. An application fee was also received but the application is still being processed.

Communications

None

Other Business

None

There being no further business, Chairman Ferrara adjourned the meeting at 1:00PM.

Respectfully submitted,

Susan Pedo, Secretary

G:\IDA\IDA Minutes\IDA Regular Meeting Minutes\IDA Minutes 2011

City of Albany IDA
2011 Monthly Cash Position
October 2011

	ACTUAL										PROJECTED		YTD Total
	January	February	March	April	May	June	July	August	September	October	November	December	
Beginning Balance	\$ 250,836	\$ 238,790	\$ 244,415	\$ 265,007	\$ 252,265	\$ 255,430	\$ 255,393	\$ 240,131	\$ 402,640	\$ 487,893	\$ 630,204	\$ 619,042	\$ 250,836
Revenue													
Fee Revenue													
Application Fee	\$ -	\$ 4,500	\$ -	\$ -	\$ 6,000	\$ 3,000	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ 15,000
Agency Fee	-	-	\$ 25,159	-	-	-	46,875	162,477	92,168	176,250	-	60,375	563,304
Administrative Fee	500	-	-	-	-	-	9,344	-	500	-	-	-	10,344
Modification Fee	1,000	1,500	-	-	-	48,219	-	-	-	-	-	-	50,719
Subtotal - Fee Revenue	\$ 1,500	\$ 6,000	\$ 25,159	\$ -	\$ 6,000	\$ 51,219	\$ 56,219	\$ 162,477	\$ 94,168	\$ 176,250	\$ -	\$ 60,375	\$ 639,367
Other Revenue													
Loan Repayments - Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Repayments - Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income	37	33	39	37	38	26	26	32	43	44	30	30	414
Sale of Agency Property	-	-	-	-	-	-	-	-	-	-	-	-	-
NYS BIC	-	-	-	-	-	-	-	-	-	-	-	-	-
Misc	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal - Other Revenue	\$ 37	\$ 33	\$ 39	\$ 37	\$ 38	\$ 26	\$ 26	\$ 32	\$ 43	\$ 44	\$ 30	\$ 30	\$ 414
Total - Revenue	\$ 1,537	\$ 6,033	\$ 25,198	\$ 37	\$ 6,038	\$ 51,244	\$ 56,245	\$ 162,510	\$ 94,211	\$ 176,294	\$ 30	\$ 60,405	\$ 639,781
Expenditures													
Management Contract	\$ 8,333	\$ -	\$ -	\$ 1,053	\$ 2,708	\$ 2,917	\$ 5,417	\$ -	\$ 8,958	\$ 10,208	\$ 11,042	\$ 22,709	\$ 73,345
APA Contract	5,250	-	-	5,250	-	-	5,250	-	-	5,250	-	-	21,000
Audits	-	-	4,500	2,100	-	-	-	-	-	-	-	-	6,600
Agency Counsel	-	-	-	-	-	42,000	-	-	-	-	-	21,000	63,000
ED Support	-	-	-	4,224	-	5,250	-	-	-	18,375	-	21,125	48,974
Sub-lease AHCC	-	-	-	-	-	-	60,556	-	-	-	-	100,000	160,556
NYS BIC	-	-	-	-	-	-	-	-	-	-	-	-	-
D & O Insurance	-	-	-	-	-	1,010	-	-	-	-	-	-	1,010
Misc.	-	409	105	153	165	105	285	-	-	150	150	150	1,671
Other Legal Expenses	-	-	-	-	-	-	-	-	-	-	-	50,000	50,000
Total - Expenditures	\$ 13,583	\$ 409	\$ 4,605	\$ 12,779	\$ 2,873	\$ 51,282	\$ 71,507	\$ -	\$ 8,958	\$ 33,983	\$ 11,192	\$ 214,984	\$ 426,155
Ending Balance	\$ 238,790	\$ 244,415	\$ 265,007	\$ 252,265	\$ 255,430	\$ 255,393	\$ 240,131	\$ 402,640	\$ 487,893	\$ 630,204	\$ 619,042	\$ 464,463	\$ 464,463

City of Albany IDA

Fee Detail by Month

October 2011

	Name	Application Fee	Agency Fee	Administration Fee	Modification Fee	TOTAL FEE
<i>January</i>	South Mall Towers	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
	CDPHP	-	-	500	-	500
	TOTAL	\$ -	\$ -	\$ 500	\$ 1,000	\$ 1,500
<i>February</i>	Jetro Cash & Carry Restaurant Depot	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
	Madison Properties	-	-	-	1,500	-
	39 Sheridan Realty, LLC	1,500	-	-	-	-
	Spanos 255 PatroonCreek Blvd.	1,500	-	-	-	1,500
TOTAL	\$ 4,500	\$ -	\$ -	\$ 1,500	\$ 6,000	
<i>March</i>	FC DCI, LLC	\$ -	\$ 18,695	\$ -	\$ -	\$ 18,695
	Morris St. Development	-	6,464	-	-	6,464
	TOTAL	\$ -	\$ 25,159	\$ -	\$ -	\$ 25,159
<i>April</i>		\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -
<i>May</i>	Sixty State Place, LLC	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
	Albany Hotel, Inc	1,500	-	-	-	1,500
	Penta on Braodway	1,500	-	-	-	1,500
	SRS Albany, LLC	1,500	-	-	-	1,500
	TOTAL	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
<i>June</i>	Downtown Albany Revitalization, LLC	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
	Swan Street Lots, LP	1,500	-	-	-	1,500
	CSR Series 2007A	-	-	-	7,969	7,969
	CSR Series 2007B	-	-	-	40,250	40,250
		-	-	-	-	-
	TOTAL	\$ 3,000	\$ -	\$ -	\$ 48,219	\$ 51,219

City of Albany IDA

Fee Detail by Month

October 2011

	Name	Application Fee	Agency Fee	Administration Fee	Modification Fee	TOTAL FEE
<i>July</i>	AMRI	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
	CSR Series 2007B			7,844		
	Albany Medical Center			500		
	39 Sheridan Realty, LLC	-	46,875	-	-	-
	TOTAL	\$ -	\$ 46,875	\$ 9,344	\$ -	\$ 56,219
<i>August</i>	SRS Albany, LLC	\$ -	\$ 162,477	-	-	162,477
		-	-	-	-	-
		-	-	-	-	-
		-	-	-	-	-
	TOTAL	\$ -	\$ 162,477	\$ -	\$ -	\$ 162,477
<i>September</i>	Columbia 425 NS, LLC	\$ -	\$ 30,543	\$ -	\$ -	\$ 30,543
	AMRI	-	60,625	-	-	60,625
	Brighter Choice	-	-	500	-	500
	Hampton Plaza		1,000			
	TMG - NY Albany, L.P.	1,500	-	-	-	1,500
		-	-	-	-	-
	TOTAL	\$ 1,500	\$ 92,168	\$ 500	\$ -	\$ 94,168
<i>October</i>	Albany Hotel, Inc	\$ -	\$ 176,250	\$ -	\$ -	\$ 176,250
		-	-	-	-	-
		-	-	-	-	-
	TOTAL	\$ -	\$ 176,250	\$ -	\$ -	\$ 176,250
<i>November</i>		\$ -	\$ -	\$ -	\$ -	\$ -
		-	-	-	-	-
		-	-	-	-	-
	TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -
<i>December</i>	Sixty State Place, LLC	\$ -	\$ 48,750	\$ -	\$ -	\$ 48,750
	Penta on Broadway	-	11,625	-	-	11,625
		-	-	-	-	-
	TOTAL	\$ -	\$ 60,375	\$ -	\$ -	\$ 60,375
	2011 TOTAL	\$ 15,000	\$ 563,304	\$ 10,344	\$ 50,719	\$ 639,367
		<i>Application Fee</i>	<i>Agency Fee</i>	<i>Administration Fee</i>	<i>Modification Fee</i>	<i>TOTAL FEE</i>

MEMO

TO: City of Albany IDA members

FROM: Bradley Chevalier, Economic Developer

RE: Swan Street Lofts, LP (i.e. "Academy Lofts")

DATE: November 10, 2011

A public hearing will take place before the Board's regularly scheduled meeting on Thursday, November 17th for the proposed Swan Street Lofts, LP project. Immediately following the hearing, IDA staff will submit to the Board for consideration the necessary resolutions for the project's approval.

Staff recognizes that consideration of resolutions after a public hearing is not a typical practice of the Board. However, the uncertainty of 1) when the IDA will receive its 2012 bond volume cap allocation from the State and 2) the distribution of funds for future projects - in 2012 and beyond - under the newly created Regional Councils and Consolidated Funding Application (CFA) necessitate such action. It is worth noting that 1) the IDA did not receive its 2011 bond volume cap allocation until June 2011 as it is typically allocated post State budget adoption and 2) the project requires a bond volume cap allocation through the State that is now subject to the CFA process with the first round of awards scheduled for early December.

Furthermore, the Applicant has stated that through structural inspections it has come to light that a portion of the building is in need of stabilization before the winter season. However, in order for the Applicant to take the appropriate measures to stabilize the building it must take possession of the property.

It is under these circumstances that staff respectfully asks the Board to consider the resolutions for approval so that a closing can occur before the end of the calendar year.

TO: City of Albany Industrial Development Agency Board

FROM: City of Albany Industrial Development Agency Staff

RE: Swan Street Lofts, LP (i.e. "Academy Lofts") - IDA Application Summary

DATE: November 10, 2011

Applicant: Norstar Development USA, L.P.

Managing Members (% of Ownership): Swan Street Lofts Adaptive Reuse Corp. (.01%), which will be a subsidiary of the Albany Housing Authority, will serve as General Partner. The Investor Limited Partner (99.98%) and Special Limited Partner (.01%) will be affiliates of Stratford Capital Group.

Project Location: 56 Second Street

Project Description: The project includes the redevelopment of the former St. Joseph's School. This historic structure served as a Catholic school until the 1980's and continued to be used for various community programming until the mid 1990's. After more than 15 years of vacancy, the Applicant (on behalf of Swan Street Lofts, LP) proposes converting the structure into (22) affordable residential units and 14,100 SF of community facility space located on the first and second floor. The community facility space will be programmed and managed by The Barn - a local, non-profit. The spaces will be sublet to various artist-related and community uses.

Estimated Project Cost: \$9,663,900

Type of Financing: Tax Exempt Bond

Amount of Bonds Requested: Currently estimated at \$5.4 million (Not to exceed \$10 million)

Estimated Total Purchases Exempt from Sales Tax: \$3,250,000

Total Mortgage Amount: Currently estimated at \$5.4 million (Not to exceed \$10 million)

Current Assessment: \$1,290,400 (Current status – tax exempt)

Estimated Improved Assessment: \$6,266,500

Requested PILOT: To exempt 100% of the value of the property from all municipal taxes and school taxes. Enter into a PILOT agreement in which the payment will be calculated as 10% of the "Shelter Rent" (aggregate collected annual tenant paid rents less owner paid utilities). The PILOT will operate for a period of 30 years from the date acquisition of the property. The PILOT request does not deviate from the Agency's Uniform Tax Exemption Policy for affordable housing.

Estimated Value of Tax Exemptions:

- NYS Sales and Compensating Use Tax: \$260,000
- Mortgage Recording Taxes: \$67,500
- Real Property Taxes: Difficult to estimate due to the setup of the PILOT payment calculation
- Other: N/A

Employment Impact:

- Projected Permanent: (0 +/-) retained jobs and (4+/-) new part-time jobs
- Projected Construction: (55 +/-) jobs

Other Economic Impacts:

- Will decrease the overall number of vacant buildings in the neighborhood and City
- Will provide space to foster an art and cultural movement

Strategic Initiatives:

- Arbor Hill Neighborhood has been a priority of the City since Mayor Gerald D. Jennings convened a group of stakeholders back in 2002 to develop a revitalization plan. The Arbor Hill Neighborhood Plan includes four key priorities: Homeownership and Rental Housing, Business and Job Development, Arts and Culture, and Heritage.

Planning Board Actions:

- Issued a Negative Declaration for this Unlisted Action as per the provisions of SEQR on 8/18/11
- Approved the site plan, with conditions, on 8/18/11

Estimated IDA Fee

- Fee amount: \$54,000

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.

Project Benefits of Academy Lofts

The Academy Lofts project includes the redevelopment of the former St. Joseph's School located at 52 Second Street in Albany. The building was utilized as a catholic school until the 1980's and was used for various community programming until the mid-1990's but has been vacant for more than fifteen years.

Originally constructed in 1906, with a major renovation occurring in 1945, the building has been designated as a historic structure. To preserve the historic resource, the proposed redevelopment of the building includes twenty-two (22) residential units and commercial space consisting of 14,100 s.f. The commercial space will be targeted to arts-related commercial uses for residents of the building and of the greater Arbor Hill Neighborhood.

The developer of the project is Norstar Development U.S.A, L.P., and the owner and manager of the completed project is Swan Street Lofts, L.P., a limited partnership controlled by the Albany Housing Authority. The total project cost is approximately \$9.5 million, and the project sponsor is seeking \$7.12 million of tax-exempt bond financing, NYS Sales and Use tax of \$217,000, Mortgage Recording Tax relief of \$89,000, and a PILOT Agreement which provides real property tax savings of approximately \$23,000.

Arbor Hill Neighborhood Plan

The Academy Lofts is a key project in the revitalization of Arbor Hill. In 2002, Mayor Gerald D. Jennings convened a diverse group of stakeholders to work together to develop a revitalization plan for the neighborhood. With the support of a technical assistance grant from the U.S. Department of Housing and Urban Development (HUD), the City retained Behan & Associates and The Community Builders to assist with the development of a community vision and a strategy for implementation.

The Arbor Hill Neighborhood Plan (AHNP) includes four key priorities: Homeownership and Rental Housing, Business and Job Development, Arts and Culture, and Heritage. For each of the focus areas guiding principles and action items were developed. (Arbor Hill Neighborhood Plan Executive Summary, Pages ES-3 – ES-7) The Plan was finalized and adopted by the Advisory Committee in June of 2003. Since the Plan's adoption, more than \$30 million has been invested in various projects developed in concert with the Plan.

Homeownership and Rental Housing

The Academy Lofts Project has been planned in concert with the guiding principles of the Homeownership and Rental Housing section of the AHNP. The Plan directs implementers to "support new lower density housing, rehabilitate existing housing and build compatible infill housing, provide a variety of housing types for all ages, family sizes and incomes, use high quality designs and materials..." (Arbor Hill Neighborhood Plan Executive Summary, Page ES-3). The Academy Lofts project includes rehabilitation of an important historic resource located within a key location within the neighborhood.

The Arbor Hill Neighborhood Plan states "Increase investment, both public and private, in the neighborhood in an effort to restore a workable real estate market. This residential reinvestment strategy is a vehicle for improving private market conditions and as a strategy to redevelop vacant buildings and lots" (Arbor Hill Neighborhood Plan, page 26). The Academy Lofts will be a key project in helping reestablish a real estate market in Arbor Hill.

Core Area Residential Reinvestment Strategy

The Plan outlines a "Core Area Residential Reinvestment Strategy" that utilizes \$5 million in HOPE VI to create residential and mixed use buildings in targeted areas along 1st, 2nd, and 3rd, Lark, N. Swan, and Colonie Streets. The strategy recommended utilizing abandoned and publicly-owned parcels. (Arbor Hill Neighborhood Plan, page 29). The Academy Lofts project provides additional leverage to the investment that has been made as a part of the Core Area Residential Reinvestment Strategy.

Further, the Plan strongly recommends clustering of new investment in a scale and manner that will provide meaningful, targeted investment. It states that "scattered efforts at rehabilitation on in-fill construction on a one or two unit basis work in areas of existing strength (i.e. Ten Broeck Triangle) but do not make enough impact to change market perceptions in more devastated areas" (Arbor Hill Neighborhood Plan, page 8). The Academy Lofts project will provide a concentration of 22 residential units and more than 14,000 s.f. of commercial space in a single location.

Need for Commercial Component

The guiding principles established for Business and Job Development directs that support should be provided to small businesses which provide services to residents as well as creating job opportunities. The Plan specifically recommends "the development of marketable retail sites" (Arbor Hill Neighborhood Plan Executive Summary, Page ES-6). The project will create new ground floor retail space below the new residential units. The new commercial uses created on N. Swan Street will provide services to new and existing residents and will further strengthen the effort to improve overall market conditions within Arbor Hill. The development of commercial space is critical to the health and vitality of the Arbor Hill neighborhood.

In addition the critical need for commercial services and jobs, the Plan explains that "neighborhood activists are also calling for physically and thematically linking the history of the Mansion to grassroots arts and cultural activities on the block of Swan Street between 3rd and Livingston." (Arbor Hill Neighborhood Plan, page 35) The new commercial space created by this project will provide opportunities to accommodate such desires of neighborhood stakeholders as well as strengthen adjacent community assets like the Ten Broeck Mansion.

Employment Associated with the Project

In addition to the temporary construction jobs that will be created by the redevelopment of the former school building, the redevelopment project is estimated to create at least four (4) part-time positions. One (1) job will be created by the Albany Housing Authority related to the management of the residential units and the overall building. The Albany Barn, a non-profit organization, is planning to create at least three (3) part-time positions

that will focus upon marketing, leasing and managing the 14,100 s.f. of arts-related commercial space to be created in the building.

IDA Assistance is Essential

The Academy Lofts project is a critical component in the implementation of the Arbor Hill Neighborhood Plan, and ultimately in the redevelopment of the neighborhood. Because of the current condition the real estate market in Arbor Hill, the benefits requested from the Albany IDA are essential to successful completion of the proposed project.

200 South Division Street
Buffalo, New York 14204
Tel: (716) 847-1098
Fax: (716) 847-1668



733 Broadway
Albany, New York 12207
Tel: (518) 431-1051

DEVELOPMENT USA, L.P.

MEMORANDUM

TO: Bradley Chevalier, Economic Development Specialist
FROM: Lori Harris
RE: Proposed PILOT for Academy Lofts
DATE: November 9, 2011

The following explanation is offered in relation to the PILOT benefit being sought from the Albany Industrial Development Agency for the Academy Lofts project. As you are aware, the Academy Lofts project is a low income affordable housing project being undertaken by the Albany Housing Authority. It includes twenty-two (22) residential rental units as well as community facility space (csf) which is incidental to the project. Under Section 42 of the IRS Code, csf space is designed primarily to serve low income residents and it provides services to improve quality of life for community residents.

As outlined in the cost benefit information previously provided with the IDA application, under the proposed PILOT agreement the project will pay 10% of shelter rents. "Shelter rents" are defined as the total rents collected from the tenants of a project less the cost of owner provided utilities. Therefore, we have estimated the PILOT payment in the project's operating proforma to be approximately \$15,000 annually. Such estimate is inclusive of both the csf and residential spaces.

Because the project will have project-based Section 8 vouchers for each of the residential units, where each tenant will pay no more than 30% of their income for rent, it is hard to precisely estimate the total PILOT annual payment. In such a rental situation, the rents collected depend upon the incomes of the residents in that given year and therefore the total PILOT will vary slightly. Nonetheless, the estimate is a good guide and is consistent with other AHA projects under such IDA and City of Albany PILOT Agreements. Also, please note that the City of Albany approved the identical terms of a PILOT for this project prior to the need of utilizing tax exempt bonds for the project.

Should you have any questions or like to discuss, please feel free to contact me. Thank you.

**CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY
HOUSING REVENUE BOND
(SWAN STREET LOFTS, L.P. PROJECT), SERIES 2011A
IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$7,120,000**

I. PROJECT IDENTIFICATION:

1. Project Applicant: Norstar Development USA, L.P. (the "Applicant"), on behalf of Swan Street Lofts, L.P. (the "Company"). The Company is a limited partnership having as a general partner an entity controlled by the Albany Housing Authority.

2. The Project:

The Project consists of the following: (A) (1) the acquisition of an interest or interests in parcels of land containing in the aggregate approximately 16,500 square feet located at 56 Second Street, 74 and 76 North Swan Street and 5 Hunter Alley in the City of Albany, Albany County, New York (the "Land"), together with the existing building containing approximately 41,400 square feet of space located on the Land (the "Facility"); (2) the reconstruction and renovation of the Facility, and (3) the acquisition and installation thereon and therein of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment hereinafter collectively referred to as the "Project Facility"), all of the foregoing to constitute a housing facility to be owned by the Company; (B) the financing of all or a portion of the costs of the foregoing by the issuance of taxable and/or tax-exempt revenue bonds of the Agency in one or more issues or series in an aggregate principal amount sufficient to pay all or a portion of the cost of undertaking the Project, together with necessary incidental costs in connection therewith, (the "Obligations"); (C) paying a portion of the costs incidental to the issuance of the Obligations, including issuance costs of the Obligations and any reserve funds as may be necessary to secure the Obligations; (D) the granting of certain other "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales and use taxes, real property taxes, real estate transfer taxes and mortgage recording taxes (collectively with the Obligations, the "Financial Assistance"); and (E) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

II. PRIOR ACTION ON PROJECT:

3. SEQR Compliance:

- (A) SEQR Lead Agency: None.
- (B) Agency Action: Unlisted Action.
- (C) Date of Agency Action: November 17, 2011.

4. Preliminary Inducement Resolution:

- (A) Date: June 16, 2011.

(B) Bond Amount Requested: \$7,120,000.

(C) Project Approved: Same as above.

5. Public Approval:

(A) Public Hearing:

(1) Date Advertised: November 1, 2011.

(2) Date Mailed: October 28, 2011.

(3) Bond Amount Advertised: \$7,120,000 (not to exceed \$10,000,000).

(4) Date of Public Hearing: November 17, 2011.

(B) Public Approval:

(1) Date Approved: December __, 2011.

6. PILOT Terms:

(A) No deviation.

(B) 10% of Shelter Rents in accordance with Agency Uniform Tax Exemption Policy.

III. DETAILS OF PROPOSED BOND TRANSACTION:

7. Relationship of Agency to Company: The Agency will acquire, renovate and install the Project Facility and lease (with an obligation to purchase) or sell the Project Facility to the Company pursuant to an installment sale agreement (the "Installment Sale Agreement").

8. Business Terms:

(A) Agency Fee: \$ _____.

9. Details of Bond Issue:

(A) Amount of proposed Bond Issue: a single bond in the amount not to exceed \$7,120,000.

(B) Bond Purchaser: Private placement pursuant to a bond purchase agreement dated as of December 1, 2011 (the "Bond Purchase Agreement") by and among the Agency, the Company and JPMorgan Chase Bank, N.A., as original purchaser of the Bond (the "Holder").

(C) Will the Bond be Remarketed? No.

(D) Maturity Date: twenty-four (24) month construction period.

(E) Interest Rate is as set forth in the commitment letter attached to the Bond Resolution.

(F) The Closing Date means the date of the issuance and sale of the Bond to the Holder pursuant to the provisions of the Bond Purchase Agreement.

(G) Payment of the Bond: as set forth in the commitment letter.

(H) Redemptions of the Bond: as set forth in the commitment letter.

10. Security for the Bond:

(A) A mortgage dated as of December 1, 2011 (the "Mortgage") on the Project Facility.

(B) A pledge and assignment dated as of December 1, 2011 (the "Pledge and Assignment") of certain of the Agency's rights under the Installment Sale Agreement (except the Unassigned Rights, as defined therein).

(C) An assignment of rents dated as of December 1, 2011 (the "Assignment of Rents").

(D) A guaranty dated as of December 1, 2011 (the "Guaranty").

11. Sources of Funding for Project:

Sources of funding for the Project include the following: (A) subordinate financing, (B) ESCD Restore NY Grant, and (C) sale of tax credits.

12. Bond Documents:

(A) Bond Purchase Agreement by and among the Agency, the Company and the Holder.

(B) Mortgage from the Agency and the Company to the Holder.

(C) Installment Sale Agreement by and between the Agency and the Company.

(D) Pledge and Assignment from the Agency to the Holder.

(E) Assignment of Rents from the Agency and the Company to the Holder.

(F) Building Loan Agreement by and among the Agency, the Company and the Holder.

(G) Guaranty from the Company to the Holder.

13. Closing Date: December __, 2011.

14. Bond Counsel: Hodgson Russ LLP, Albany, New York.



The following Summary of Indicative Terms and Conditions is provided for discussion purposes. It does not constitute a commitment to lend or an agreement to issue a commitment on these or any other terms. It shall not create a binding or legally enforceable contractual obligation on JP Morgan Chase Bank, NA ("Chase" or "Lender") in any way. The terms contained herein are not all-inclusive. Additions and changes may be made as Lender and its counsel deems necessary, prudent or desirable. No agreement (oral or otherwise) that may be reached during negotiations shall be binding upon the parties until a final commitment letter has been issued by Lender and accepted by the Obligor. This Summary shall be kept confidential, not be reproduced or disclosed, and shall not be used by the Obligor or any party other than in connection with evaluating and negotiating the transaction described herein.

Summary of Indicative Terms and Conditions

October 27, 2011

JPMorgan Chase Bank, N.A. ("Chase") or ("Lender")

And

Swan Street Lofts L.P. ("Obligor" or "Borrower")

Bond Purchaser/Lender: JPMorgan Chase Bank, N.A. ("Chase" or "Lender")
Community Development Banking Group
One Chase Square, Floor 8
Mailcode NY3-T081
Rochester, NY 14643-0001
R. Scott Schmid, Vice President
Ph: (585) 797-2808
Fax: (585) 797-2810
E-mail: scott.schmid@chase.com

Obligor or Borrower: Swan Street Lofts L.P., a New York limited partnership whose General Partner is Swan Street Lofts Adaptive Reuse Corp. (0.01%), which will be a subsidiary of the Albany Housing Authority and whose Investor Limited Partner (99.98%) and Special Limited Partner (0.01%) will be affiliates of Stratford Capital Group.

Developer: Norstar Development USA, LP
200 South Division Street
Buffalo, NY 14204
Richard L. Higgins, President
Ph: (716) 847-1098
E-mail: rhiggins@norstarus.com

Project Name and Location: Academy Lofts
56 Second Street
Albany, NY 12210 (the "Project").

The Project consists of an existing 4-story building, which will be renovated resulting in 22 residential units and approximately 16,000 square feet of commercial space. The Project is known as the Academy Lofts.

Trustee: To be determined; must be acceptable to Lender.

Required Syndication or Participation:	No
Facilities:	The Bank will purchase variable-rate tax exempt bonds (the “Bonds”) up to \$5,400,000 to be issued by the Albany Industrial Development Agency (“Issuer”) for the purpose of making a loan (the “Construction Loan” or “Loan”) to the Borrower. The Facility is subject to acceptable final budget, sources and uses, LIHTC equity pay-in schedules, and final underwriting.
Purpose:	To provide construction financing for the development of the Project. Units in the Project shall be affordable to households with incomes of 60% or less of HUD AMI. Proceeds of the purchase of the tax exempt bonds will be used to finance the acquisition of the Project from the Catholic Diocese of Albany, and to fund capital improvements to the Project.
Source of Repayment:	The Construction Loan shall be repaid through a combination of federal and historic tax credit equity and ESDC RESTORE NY funds at completion.
Loan Fees:	A non-refundable construction commitment fee equal to 100 basis points of the amount of the Construction Loan will be payable at construction loan closing.
Interest Rate:	Interest on the Construction Loan is payable monthly. The applicable interest rate for the Construction Loan shall be 71% of one-month LIBOR plus 2.50 %, adjusted monthly on a 360 day basis. A maximum of three LIBOR contracts may be outstanding at any one time. Alternate Rate: CB Floating Rate ¹ plus 0%.
	Please note that credit markets are highly volatile. Loan fees and interest rates are subject to substantial adjustment prior to commitment.
Maturity Date:	The Construction Loan will mature 24 months from Closing.
Extension Option:	The Construction Loan shall carry two “as-of-right” six-month extension options, subject to satisfaction of the following conditions: <ol style="list-style-type: none"> 1. The Lender is given at least thirty (30) days but not more than ninety (90) days prior written notice; 2. An extension fee of 25 bps of the current commitment is paid, together with Lender legal expenses (for each extension); 3. The improvements have been substantially completed as evidenced by a temporary certificate of occupancy (“TCO”) or municipal equivalent, and receipt of Certificate of Substantial Completion from the project Architect and concurrence from the Chase construction consultant; 4. No default has occurred and is continuing; 5. There remains sufficient interest reserve in the budget, or the Borrower deposits sufficient cash with the Lender or operating statements reflect sufficient NOI at the Lender’s sole discretion to pay estimated interest and fees during the extension period; 6. All loan or other commitments related to the Improvements remain in full force and effect without default there under through any extension period; 7. Leasing efforts for the units, the number of units leased, level of operating expenses and the rate of lease-up are satisfactory to the Lender; 8. All equity required to be paid in as of such date has been

¹ The CB Floating Rate equals the Prime Rate, with a floor equal to 71% of the one month LIBOR rate on any day + 2.50%

- contributed; and
9. Any other required conditions as determined by the Lender in the loan documents.

In the case of the second extension, the following additional requirements will apply:

10. Final Certificate of Occupancy, or other municipal equivalent, has been issued, if applicable;
11. Notice of Completion has been filed, if applicable; and
12. 100% of the units are rented to bona fide tenants paying rent with no offset at not less than the rents projected in the original underwriting.

Commitment Expiration (if applicable):	The formal commitment, if issued, must be accepted within 15 days of issuance. The commitment will expire 60 days from issuance if the transaction has not yet closed.
Construction Commencement Date:	Construction must commence within 30 days of the closing date.
Completion Date:	Construction must be completed within 18 months of the closing date, but in no event later than the required placed-in-service date for tax credit purposes.
Guarantees of Payment, Completion and Carve-outs:	Norstar Development USA, LP and Norstar Building Corporation (the "Guarantors") and the General Partner shall provide full, unconditional joint and several guarantees of completion and repayment. The General Contractor will also provide a completion guarantee.
Environmental Indemnification:	The Borrower, General Partner, and the Guarantors will jointly and severally provide environmental indemnification in connection with the Project.
Collateral:	First mortgage lien on Borrower's fee leasehold interest in the Project, a first security interest in all fixtures, equipment and deposits, assignment of the architect's contract, assignment of the general contract, assignments of any rents, leases, escrow, bond trust accounts, operating and reserve accounts (if any), developer's fee, general partner's or managing member's interest in the Borrower, and pledge of syndication proceeds and any other funding source(s).
Ground Lease:	Any ground lease executed in connection with the Project shall be subject to Lender review and approval and the Ground Lessor shall have delivered such modifications, subordinations and estoppels as Lender may require.
Prior and Subordinate Liens:	Second mortgage lien in favor of ESDC RESTORE NY funds in the amount of \$4,575,000 during construction is permitted. The mortgagee shall execute such intercreditor agreement as Lender may require.

All terms of the financing, including interest rate and payment terms, are subject to approval by the Lender and Issuer. Any subordinate loan payments must be paid only from available cash flow. All construction sources of funds must be committed and closed at construction loan closing. All permanent sources of funds must be committed by Construction Loan closing. Disbursement agreements must be acceptable to Lender.

Sources and Uses of Funds:

<i>Sources</i>	
Construction Loan	\$5,400,000
ESDC Restore	4,575,000
Federal Tax Credit Equity	5,029,118
Deferred Developer Fee	198,946
Repayment of Construction Loan	<u>(5,400,000)</u>
Total Sources	\$9,803,064

<i>Uses</i>	
Acquisition	\$10,000
Hard Costs	6,249,248
Hard Cost Contingency	624,925
Interest Reserve	259,200
Other Soft Costs	1,235,000
Soft Cost Contingency	51,002
Reserves	164,140
Developer Fee	<u>1,209,549</u>
Total Uses	\$9,803,064

Equity Investor:

The Lender shall be provided with the sources of LIHTC & historic tax credit equity funding, including the name of the investor or fund proposed for the transaction and all upper tier investors in the fund, which investors shall be satisfactory to Lender in its sole discretion. There shall be no change to the investors in the fund prior to full repayment of the Lender's construction loan without prior written consent of Lender. No Lender monies shall be advanced unless and until the upper tier investor(s) are admitted to the Partnership.

Equity Requirement:

The total Low Income Housing Tax Credit and historic tax credit equity investment will not be less than \$5,029,118. Equity must be paid-in to an appropriate account with Lender. The proposed pay-in schedule is:

At Closing	\$ 410,100	8.16%
At Completion	4,219,018	83.89%
At Stabilization	<u>400,000</u>	<u>7.95%</u>
Total	\$5,029,118	100.00%

The syndicator, investor and final timing, conditions and amounts of pay-ins are all subject to Lender approval.

THE EQUITY FUNDING SCHEDULE IS A MATERIAL REPRESENTATION OF THE BORROWER. THE FACILITY TERMS OUTLINED HERERIN ARE SUBJECT TO CHANGE OR WITHDRAWAL SHOULD THIS SCHEDULE BE AMENDED.

Balancing Provision:

If at any time the Lender determines that the undisbursed sources of funds are insufficient to complete and convert the Project, the Borrower and/or Guarantors will be required to invest additional equity upon Lender's request.

Appraisal Requirement:

If required by Lender, an appraisal of the subject Project will be completed in accordance with the requirements of Lender. The Project must demonstrate a loan to value ratio for the proposed Construction Loan not to exceed 80% on an "as completed and stabilized" basis, including the contributory value of the Low Income Housing Tax Credits and other collateral acceptable to Lender.

Lender shall have the right to order new appraisals of the Project from time to time and Borrower agrees to pay all costs and expenses associated with such appraisals.

Conditions Precedent to
Construction Loan Closing:

- Borrower, General Partner, and Guarantors certify that there are no defaults, no material litigation and no material adverse change in the financial or project information provided to Lender in connection with the Loan request.
- Receipt, review and approval of appraisal (if applicable), environmental assessment, property condition assessment, construction consultant and other third party reports.
- All documentation satisfactory to Chase and its Legal Counsel.
- Confirmation that the Project will receive 4% federal LIHTCs of \$270,294 per year for ten years.
- Evidence of a commitment by a tax credit investor acceptable to Lender for the acquisition of 4% Low Income Housing Tax Credits for a price not less than \$2,411,000 (\$0.89) and federal historic tax credits for a price not less than \$1,570,871 (\$0.90) and state historic tax credits for a price not less than \$1,047,247 (\$0.60) and on terms, including pay-in schedule amounts and timing, acceptable to Lender. Investor must be committed to the Project and acceptable to Lender.
- All subsidy funds must be committed and closed simultaneous with closing of the Loan.
- Final Project budget to be approved by Lender.
- Evidence of availability of 15-year HAP contract providing Section 8 subsidy to all 22 units.
- Receipt of all required municipal and other governmental approvals.
- Appropriate real estate tax prior opinion, if applicable.
- Satisfactory review of plans and specifications, hard cost budget, trade payment breakdown and permits, by a consulting engineer retained by Lender, and verification of the total project cost by Lender.
- Approval of current financial statements of the Guarantors and entities that make up the General Contractor joint venture.
- Borrower counsel opinion in form and content satisfactory to Lender.
- Receipt and satisfactory review of master lease.
- Receipt and satisfactory review of final partnership agreement.
- Receipt and satisfactory review of ESDC Restore NY grant documentation.
- Receipt and satisfactory review of tri-party/intercreditor agreement.
- Receipt and satisfactory review of PILOT Agreement

Reporting Requirements:

- Beginning with fiscal year ending December 31, 2011, Guarantors will provide auditor reviewed financial statements within 120 days from fiscal year end and, upon Lender request, US Federal income tax returns within 30 days of filing.
- Beginning with fiscal year end 2011, Bishop Beaudry Construction, LLC will provide audited financial statements within 120 days from fiscal year end and, upon Lender request, US Federal income tax returns within 30 days of filing.
- Beginning with fiscal year end 2012, Borrower will provide audited financial statements within 120 days from fiscal year end and, upon Lender request, US Federal income tax returns within 30 days of filing.

	<ul style="list-style-type: none"> • During the Construction Loan term, beginning 30 days from the end of each calendar month (after leasing has commenced), Borrower will provide monthly operating statement on a cash basis for the Project, including a report of monthly rent collections (including a rent roll identifying tenants by name and unit of occupancy), a report detailing the total number of units occupied and vacant as of the end of that calendar month, the budget for the current month, year-to-date activity, year-to-date budget and a reconciliation of NOI for that month. • Additional information as may be requested by Lender.
Construction Consultant:	The Lender's construction monitoring group will monitor construction and be the final approver of each requisition. As part of this process, the Lender will engage, at Borrower's expense, an independent consultant who will review the budget, plans and specifications and timelines as well as construction requisitions on a monthly basis. The closing of the contemplated facility would be predicated upon an acceptable review of the budget and the final conclusions that the budget is sufficient to complete the Project.
Advances and Retainage:	<p>Disbursements will be authorized not more frequently than monthly based upon the percentage of approved work in place and hard costs will be subject to a 10% retainage until 50% completion. The rate of Retainage on future advances would then be reduced to 5%, resulting in 7.5% Retainage held overall, pending satisfactory completion of the Improvements, all subject to the discretion of the Lender.</p> <p>All subsidies that are available for funding into the project will be advanced prior to Loan proceeds.</p>
Developer's Fee:	No developer fee will be advanced at closing or during the construction period, with the exception of \$302,387. Any additional amounts paid during the term of the Facility will be escrowed with Lender. The remainder will not be advanced until after repayment of the Loan.
Interest Reserve:	The development budget must provide an interest reserve satisfactory to Lender.
Hard Cost Contingency:	A minimum of 10% is required and must be calculated on the total amount of the general contract, including profit, overhead and general conditions.
General Contractor:	A joint venture between Bishop Beaudry Construction, LLC and Norstar Building Corporation, subject to Lender review and approval of financial condition, capacity and experience.
Payment and Performance Bond:	<p>A payment and performance bond from a surety acceptable to Lender is required. The surety must carry an A.M. Best rating of A-/VIII or better.</p> <p>In lieu of a payment and performance bond, the Lender will accept a letter of credit equal to ten percent (10%) of the value of the construction contract issued by a bank acceptable to the Lender, which shall require only a statement of default as a condition to draw and shall otherwise be in form and content satisfactory in all respects to the Lender.</p>
Architect:	<p>Dave Sadowsky, Architect, P.C. 97 Maxon Road, Petersburgh, NY 12138 Ph: 518-658-2830 E-mail: dave@sadowskyarchitect.com</p>
Lender Consulting Engineer:	To be determined

Environmental Consultant and Audit Requirement: An environmental assessment of the subject property will be completed by an environmental professional acceptable to Lender and the results of the assessment must be satisfactory to Lender.

Property Manager: Albany Housing Authority, and management contract subject to Lender and investor approval.

Title Insurance: The Borrower will purchase and provide a mortgagee's title policy in the amount of the loan by a title underwriter acceptable to the Lender subject only to coverage exceptions and encumbrances approved by Lender in its sole discretion.

Hazard and Liability Insurance: The Borrower will be required to maintain "all risk" non-reporting insurance (including earthquake coverage) in an amount and issued by an insurer satisfactory to Lender. The policy must be written on a 100% insurable value replacement cost basis (excluding land). The property policy must include the following endorsements:

- Non-contributing mortgagee clause naming Chase as Mortgagee
- Loss payable clause naming Chase as Loss Payee
- Ordinance or Change in Law Endorsement (demolition, contingent liability and increased cost of construction) equal to 25% of the property insurance limit

Borrower must provide a signed/original insurance binder or cover note as evidence of coverage prior to closing (provided the binder provides at least 60 days of coverage beyond the loan closing date).

- Commercial General Liability Insurance with limits of not less than \$1,000,000 per occurrence combined single limit and \$2,000,000 in the aggregate, together with Umbrella/Excess Liability Coverage with a limit of liability of \$5,000,000, for loans between \$1,000,000 and \$10,000,000 extended for the policy period, and extended to cover (i) Contractual Liability assumed by Borrower, (ii) Independent Contractors Liability, (iii) Broad Form Property Damage Liability, (iv) Products & Completed Operations, (v) waiver of subrogation against all parties named additional insured, (vi) Severability of Interest provision and (vii) Personal Injury and Advertisers Liability.
- Workmen's Compensation and Employers Liability Insurance of not less than \$1 million, if the Borrower will have employees.
- Automobile Liability of not less than \$1 million, including coverage on owned, hired and non-owned autos is used in connection with work at the Project, if the Borrower will have vehicles.
- Flood insurance, if required
- Such other insurance as Chase may require, which may include, without limitation, errors and omissions insurance with respect to the contractors, architects and engineers, earthquake insurance, rent abatement and/or business loss.

All insurance policies shall (i) be issued by an insurance company licensed to do business in the state where the property is located having a rating of "A-" VIII or better by AM Best Col, in Best's Rating Guide, (ii) name "JPMorgan Chase Bank, N.A., any and all subsidiaries as their interest may appear" as additional insured on all liability insurance and as mortgagee and loss payee on all All-Risk Property insurance, (iii) be endorsed to show that Borrower's insurance shall be primary and all insurance carried by Chase is strictly excess and secondary and shall not contribute to the Borrower's insurance, (iv) provide

that Chase is to receive thirty (30) days written notice prior to non-renewal or cancellation, (v) be evidenced by a certificate of insurance to be provided to Chase, (vi) include either policy or binder numbers on the Accord form, and (vii) be in form and in amounts acceptable to Chase.

The General Contractor shall be required to provide insurance in amounts acceptable to Chase in accordance with its requirements.

- Due on Sale Provision:** The Loan is due in full on any sale or refinance of the Project or any interest therein or in the Borrower.
- Permitted Transfers:** None without Lender's consent prior to repayment. \$3,000 review fee and transfer fee equal to 1% of loan balance. Transfer fee waived if general partner removed for cause by limited partner. For limited partner transfer, approval provided if transferee is bank, insurance company, or investment grade company, no defaults exist, all capital contributions have been made, and \$3,000 review fee paid.
- Break Funding Payments:** For the Construction Loan, in the event of any payment of principal on other than the last day of an interest period applicable thereto, the Borrower shall compensate Lender for the loss, cost and expense attributable to that event.
- Property Operating Accounts:** All property operating accounts (including Project disbursement account) will be established and maintained at Chase during the construction period.
- Expenses:** All expenses associated with this financing, including but not limited to the appraisal (if applicable), environmental audit, construction review and monitoring, Lender legal, title, recording, survey, etc., will be the responsibility of the Borrower. Borrower and Guarantors jointly and severally guarantee to reimburse Chase for all fees and expenses incurred related to the subject transaction regardless of whether Chase issues a commitment and/or closes the proposed transaction. A fee of \$300.00 will be collected at construction closing for deposit account fees during construction loan term.
- Information Sharing:** The Borrower and Guarantors agree that Chase may provide any information or knowledge Chase may have about the Borrower, Guarantors or about any matter relating to the facilities described in this term sheet to any one or more banks, potential banks, participants or assignees of facilities described herein. The Borrower agrees that Chase may at any time sell, assign or transfer one or more interests or participations in all or any part of its rights and obligations in the facilities described herein to one or more participants whether or not related to Chase.
- LIHTC Syndicator:** Stratford Capital Group
100 Corporate Place, Suite 404
Peabody, MA 01960
Miles M. Hapgood III
Ph: (978) 535-5600 x 24
Fax: (978) 535-1141
E-mail: mmh@stratfordcapitalgroup.com
- Borrower Counsel:** Cannon Heyman & Weiss, LLP
54 State Street, 5th Floor
Albany, New York 12207
Geoff Cannon
Ph: (518) 465-1500 ext. 130
Fax: (518) 465-6678
E-mail: gcannon@chwattys.com

LIHTC Syndicator Counsel:

To be determined

Lender Counsel:

**Phillips Lytle, LLP
1400 First Federal Plaza
Rochester, NY 14614**

**Thomas R. Burns
Ph: (585) 238-2001
E-mail: tburns@phillipslytle.com**

**Victoria L. Grady
Ph: (585) 238-2010
E-mail: vgrady@phillipslytle.com**

**COMMERCIAL FINDING RESOLUTION
SWAN STREET LOFTS, L.P. PROJECT**

A regular meeting of City of Albany Industrial Development Agency (the "Agency") was convened in public session at the offices of the Agency located at 21 Lodge Street in the City of Albany, Albany County, New York on November 17, 2011 at 12:15 p.m., local time.

The meeting was called to order by the (Vice) Chairman of the Agency and, upon roll being called, the following members of the Agency were:

PRESENT:

Anthony J. Ferrara	Chairman
Willard A. Bruce	Vice Chairman
Susan Pedo	Secretary
Hon. Kathy Sheehan	Treasurer
Martin Daley	Member

ABSENT:

AGENCY STAFF PRESENT INCLUDED THE FOLLOWING:

Michael J. Yevoli	CEO - Capitalize Albany Corporation
Megan Daly	Department of Development and Planning
Erik Smith	CFO - Capitalize Albany Corporation
Bradley Chevalier	Economic Development Specialist, Capitalize Albany Corporation
Amy Gardner	Administrative Assistant, Capitalize Albany Corporation
John J. Reilly, Esq.	Agency Counsel
A. Joseph Scott, III, Esq.	Bond Counsel

The following resolution was offered by _____, seconded by _____,
to wit:

Resolution No. _____

RESOLUTION (A) DETERMINING THAT THE PROPOSED SWAN STREET LOFTS, L.P. PROJECT IS A COMMERCIAL PROJECT, AND (B) MAKING CERTAIN FINDINGS REQUIRED UNDER THE GENERAL MUNICIPAL LAW.

WHEREAS, City of Albany Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 325 of the 1974 Laws of New York, as amended, constituting Section 903-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreation and civic facilities, among others, for the purpose of promoting, attracting and developing economically sound

commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, to accomplish its stated purposes, the Agency is authorized and empowered under the Act to acquire, construct and install one or more “projects” (as defined in the Act) or to cause said projects to be acquired, constructed and installed, and to convey said projects or to lease said projects with the obligation to purchase; and

WHEREAS, Norstar Development USA, L.P. (the “Applicant”), on behalf of Swan Street Loft, L.P. (the “Company”), has presented an application (the “Application”) to the Agency, requesting that the Agency consider undertaking a project (the “Project”) consisting of the following: (A) (1) the acquisition of an interest or interests in parcels of land containing in the aggregate approximately 16,500 square feet located at 56 Second Street, 74 and 76 North Swan Street and 5 Hunter Alley in the City of Albany, Albany County, New York (the “Land”), together with the existing building containing approximately 41,400 square feet of space located on the Land (the “Facility”); (2) the reconstruction and renovation of the Facility, and (3) the acquisition and installation thereon and therein of various machinery and equipment (the “Equipment”) (the Land, the Facility and the Equipment hereinafter collectively referred to as the “Project Facility”), all of the foregoing to constitute a housing facility to be owned by the Company; (B) the financing of all or a portion of the costs of the foregoing by the issuance of taxable and/or tax-exempt revenue bonds of the Agency in one or more issues or series in an aggregate principal amount sufficient to pay all or a portion of the cost of undertaking the Project, together with necessary incidental costs in connection therewith, presently estimated to be approximately \$7,120,000 and in any event not to exceed \$10,000,000 (the “Obligations”); (C) paying a portion of the costs incidental to the issuance of the Obligations, including issuance costs of the Obligations and any reserve funds as may be necessary to secure the Obligations; (D) the granting of certain other “financial assistance” (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales and use taxes, real property taxes, real estate transfer taxes and mortgage recording taxes (collectively with the Obligations, the “Financial Assistance”); and (E) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, pursuant to the authorization contained in a resolution adopted by the members of the Agency on June 16, 2011 (the “Preliminary Inducement Resolution”), the Chairman of the Agency (A) caused notice of a public hearing of the Agency (the “Public Hearing”) pursuant to Section 859-a of the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), to hear all persons interested in the Initial Project and the Financial Assistance being contemplated by the Agency with respect to the Project, to be mailed on October 28, 2011 to the chief executive officers of each county, city, town and school district in which the Initial Project Facility is (or will be) located, (B) caused notice of the Public Hearing to be published on November 1, 2011 in The Times Union, a newspaper of general circulation available to the residents of the City of Albany, Albany County, New York, (C) conducted the Public Hearing on November 17, 2011, at 12:00 o’clock, noon, local time at the offices of the Agency located in the office of the Department of Economic Development and Planning at 21 Lodge Street in the City of Albany, Albany County, New York in the City of Albany, Albany County, New York, and (D) prepared a report of the Public Hearing (the “Public Hearing Report”) which fairly summarized the views presented at said Public Hearing and distributed same to the members of the Agency and to the Mayor of the City of Albany, New York (the “Mayor”); and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the “SEQR Act”), and the regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (the “DEC Regulations”, and collectively with the “SEQR Act”, “SEQRA”), the Agency (or any other “involved agency”) (as such quoted

phrase is defined in SEQRA), the Agency has not yet made a preliminary determination as to the potential environmental significance of the Project and therefore has not yet determined whether an environmental impact statement is required to be prepared with respect to the Project; and

WHEREAS, pursuant to the Act, any approval of the Project contained herein is contingent upon a determination by the members of the Agency to proceed with the Project following satisfaction of (A) all requirements of SEQRA that relate to the Project and (B) the public hearing and notice requirements and other procedural requirements contained in Section 859-a of the Act; and

WHEREAS, to aid the Agency in determining whether the Project qualifies for Financial Assistance as a commercial project within the meaning of the Act, the Applicant has submitted to the Agency the following (collectively, the "Project Qualification Documents"): (A) the Agency Application; (B) a memorandum prepared by the Applicant in connection with the original submission of the Application entitled "Project Benefits of Swan Street Lofts, L.P." (the "Applicant Memorandum") and (C) a report dated prepared for the City of Albany entitled "Arbor Hill Neighborhood Plan" (the "Arbor Hill Plan");

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY, AS FOLLOWS:

Section 1. Based upon an examination of the Project Qualification Documents and based further upon the Agency's knowledge of the area surrounding the Project and such further investigation of the Project and its economic effects as the Agency has deemed appropriate, the Agency makes the following findings and determinations with respect to the Project:

- A. That the Application indicates that the Project will create 4 part-time permanent private sector jobs at the Project Facility.
- B. That the Arbor Hill Plan indicates that rehabilitating and improving housing in the Swan Street Lofts Neighborhood is a goal of the Plan.
- C. That increasing investment, both public and private, in the Neighborhood is a vehicle for improving private market conditions and as a strategy to redevelop vacant buildings and lots.
- D. That clustering of residential units on vacant lots and in abandoned buildings will be a strong step in reestablishing a real estate market in the Neighborhood.
- E. That undertaking the Project is consistent with the provisions in the Arbor Hill Plan.
- F. That the goal of the Project includes the striving for equal ratio of homeowner ship and rental housing.
- G. That the Plan involves the leveraging of publicly owned property.
- H. That the Plan also directs that support should be provided to small businesses and that the first floor retail and other commercial developments in the Project are consistent with the Plan.
- I. That undertaking the Project will provide good quality housing to individuals seeking to reside and work in the City of Albany.

J. That undertaking the Project will improve the quality of housing in the City of Albany.

K. That not undertaking the Project would most likely result in the further deterioration of housing stock in the City of Albany and discourage future commercial and residential development and expansion in the neighborhood area.

L. That the creation of affordable housing has a direct and important impact upon the success or failure of the commercial businesses in the Swan Street Lofts Neighborhood and the City of Albany.

Section 2. Based upon the foregoing review of the Project Qualification Documents and based further upon the Agency's knowledge of the area surrounding the Project Facility and such further investigation of the Project and its economic effects as the Agency has deemed appropriate, the Agency makes the following determinations with respect to the Project:

A. That (1) the Project Facility will provide necessary infrastructure for area employers, (2) that completion of the Project Facility will have an impact upon the creation, retention and expansion of employment opportunities in the City of Albany and in the State of New York, and (3) that completion of the Project will assist in promoting employment opportunities and assist in preventing economic deterioration in the City of Albany and in the State of New York.

B. That the acquisition, reconstruction, construction and installation of the Project Facility is essential to the retention of existing employment and the creation of new employment opportunities and is essential to the prevention of economic deterioration of businesses located in the City of Albany.

C. That the Project constitutes a "commercial" project, within the meaning of the Act.

D. That the Project will serve the public purposes of the Act by preserving permanent, private sector jobs or by increasing the overall number of permanent, private sector jobs in the State of New York.

Section 3. This Resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

Anthony J. Ferrara	VOTING
Willard A. Bruce	VOTING
Susan Pedo	VOTING
Hon. Kathy Sheehan	VOTING
Martin Daley	VOTING

The foregoing Resolution was thereupon declared duly adopted.

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

I, the undersigned (Assistant) Secretary of City of Albany Industrial Development Agency (the "Agency"), DO HEREBY CERTIFY that I have compared the foregoing extract of the minutes of the meeting of the members of the Agency, including the resolution contained therein, held on November 17, 2011, with the original thereof on file in my office, and that the same is a true and correct copy of such proceedings of the Agency and of such resolution set forth therein and of the whole of said original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting; (B) said meeting was in all respect duly held; (C) pursuant to Article 7 of the Public Officers Law (the "Open Meetings Law"), said meeting was open to the general public, and due notice of the time and place of said meeting was given in accordance with such Open Meetings Law; and (D) there was a quorum of the members of the Agency present through said meeting.

I FURTHER CERTIFY that, as of the date hereof, the attached resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this 17th day of November, 2011.

(Assistant) Secretary

(SEAL)

**SEQR RESOLUTION - UNLISTED ACTION
SWAN STREET LOFTS, L.P. PROJECT**

A regular meeting of City of Albany Industrial Development Agency (the "Agency") was convened in public session at the offices of the Agency located at 21 Lodge Street in the City of Albany, Albany County, New York on November 17, 2011 at 12:15 p.m., local time.

The meeting was called to order by the (Vice) Chairman of the Agency and, upon roll being called, the following members of the Agency were:

PRESENT:

Anthony J. Ferrara	Chairman
Willard A. Bruce	Vice Chairman
Susan Pedo	Secretary
Hon. Kathy Sheehan	Treasurer
Martin Daley	Member

ABSENT:

AGENCY STAFF PRESENT INCLUDED THE FOLLOWING:

Michael J. Yevoli	CEO - Capitalize Albany Corporation
Megan Daly	Department of Development and Planning
Erik Smith	CFO - Capitalize Albany Corporation
Bradley Chevalier	Economic Development Specialist, Capitalize Albany Corporation
Amy Gardner	Administrative Assistant, Capitalize Albany Corporation
John J. Reilly, Esq.	Agency Counsel
A. Joseph Scott, III, Esq.	Bond Counsel

The following resolution was offered by _____, seconded by _____, to wit:

Resolution No. _____

**RESOLUTION DETERMINING THAT ACTION TO UNDERTAKE A CERTAIN
COMMERCIAL PROJECT FOR SWAN STREET LOFTS, L.P. WILL NOT HAVE A
SIGNIFICANT EFFECT ON THE ENVIRONMENT.**

WHEREAS, City of Albany Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 325 of the 1974 Laws of New York, as amended, constituting Section 903-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreation and civic facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, to accomplish its stated purposes, the Agency is authorized and empowered under the Act to issue its industrial development revenue bonds to finance the cost of the acquisition, construction, reconstruction and installation of one or more “projects” (as defined in the Act), to acquire, construct, reconstruct and install said projects or to cause said projects to be acquired, constructed, reconstructed and installed, and to convey said projects or to lease said projects with the obligation to purchase; and

WHEREAS, Norstar Development USA, L.P. (the “Applicant”), on behalf of Swan Street Lofts, L.P. (the “Company”), limited partnership organized and existing under the laws of the State of New York, has requested that the Agency consider undertaking a project (the “Project”) consisting of: (A) (1) the acquisition of an interest or interests in parcels of land containing in the aggregate approximately 16,500 square feet located at 56 Second Street, 74 and 76 North Swan Street and 5 Hunter Alley in the City of Albany, Albany County, New York (the “Land”), together with the existing building containing approximately 41,400 square feet of space located on the Land (the “Facility”); (2) the reconstruction and renovation of the Facility, and (3) the acquisition and installation thereon and therein of various machinery and equipment (the “Equipment”) (the Land, the Facility and the Equipment hereinafter collectively referred to as the “Project Facility”), all of the foregoing to constitute a housing facility to be owned by the Company; (B) the financing of all or a portion of the costs of the foregoing by the issuance of taxable and/or tax-exempt revenue bonds of the Agency in one or more issues or series in an aggregate principal amount sufficient to pay all or a portion of the cost of undertaking the Project, together with necessary incidental costs in connection therewith, presently estimated to be approximately \$7,120,000 and in any event not to exceed \$10,000,000 (the “Obligations”); (C) paying a portion of the costs incidental to the issuance of the Obligations, including issuance costs of the Obligations and any reserve funds as may be necessary to secure the Obligations; (D) the granting of certain other “financial assistance” (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales and use taxes, real property taxes, real estate transfer taxes and mortgage recording taxes (collectively with the Obligations, the “Financial Assistance”); and (E) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the “SEQR Act”), and the regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York, being 6 NYCRR Part 617, as amended (the “Regulations” and collectively with the SEQR Act, “SEQRA”), the Agency must satisfy the requirements contained in SEQRA and the Regulations prior to making a final determination whether to undertake the Project; and

WHEREAS, to aid the Agency in determining whether the Project may have a significant effect upon the environment, the Company has prepared and submitted to the Agency an environmental assessment form (the “EAF”) with respect to the Project, a copy of which EAF was presented to and reviewed by the Agency at this meeting and a copy of which is on file at the office of the Agency; and

WHEREAS, the Agency has also received a notification of local action from the City of Albany Planning Board (the “Planning Board”) in which the Planning Board determined to issue a negative declaration pursuant to SEQRA with respect to the Project (the “Planning Board Negative Declaration”); and

WHEREAS, copies of the Planning Board Negative Declaration and the EAF are attached to this resolution as Schedule A; and

WHEREAS, pursuant to SEQRA, the Agency has examined the EAF in order to make an initial determination as to the potential environmental significance of the Project; and

WHEREAS, the Project does not appear to constitute a "Type I Action" (as said quoted term is defined in the Regulations), and therefore coordinated review and notification is optional with respect to the actions contemplated by the Agency with respect to the Project; and

WHEREAS, the Agency desires to conduct an uncoordinated review of the Project and to make its initial determination of significance with respect to the Project;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. Based upon an examination of the Project, the EAF and the Planning Board Negative Declaration, the Agency makes the following findings with respect to the Project:

(A) The Project consists of the following: (A) (1) the acquisition of an interest or interests in parcels of land containing in the aggregate approximately 16,500 square feet located at 56 Second Street, 74 and 76 North Swan Street and 5 Hunter Alley in the City of Albany, Albany County, New York (the "Land"), together with the existing building containing approximately 41,400 square feet of space located on the Land (the "Facility"); (2) the reconstruction and renovation of the Facility, and (3) the acquisition and installation thereon and therein of various machinery and equipment (the "Equipment") (the Land, the Facility and the Equipment hereinafter collectively referred to as the "Project Facility"), all of the foregoing to constitute a housing facility to be owned by the Company; (B) the financing of all or a portion of the costs of the foregoing by the issuance of taxable and/or tax-exempt revenue bonds of the Agency in one or more issues or series in an aggregate principal amount sufficient to pay all or a portion of the cost of undertaking the Project, together with necessary incidental costs in connection therewith, presently estimated to be approximately \$7,120,000 and in any event not to exceed \$10,000,000 (the "Obligations"); (C) paying a portion of the costs incidental to the issuance of the Obligations, including issuance costs of the Obligations and any reserve funds as may be necessary to secure the Obligations; (D) the granting of certain other "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales and use taxes, real property taxes, real estate transfer taxes and mortgage recording taxes (collectively with the Obligations, the "Financial Assistance"); and (E) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency.

(B) No potentially significant impacts on the environment are noted in the EAF and the Planning Board Negative Declaration, and none are known to the Agency.

Section 2. Based upon the foregoing, the Agency makes the following findings and determinations with respect to the Project:

(A) The Project constitutes an "Unlisted Action" (as said quoted term is defined in SEQRA) and therefore coordinated review and notification of other involved agencies is strictly optional. The Agency hereby determines not to undertake a coordinated review of the Project, and therefore will not seek lead agency status with respect to the Project.

(B) The Project will result in no major impacts and, therefore, is one which will not cause significant damage to the environment. Therefore, the Agency hereby determines that the Project will not have a significant effect on the environment, and the Agency will not require the preparation of an environmental impact statement with respect to the Project.

(C) As a consequence of the foregoing, the Agency has decided to prepare a negative declaration with respect to the Project.

Section 3. The Chairman of the Agency is hereby directed to file a copy of this Resolution with respect to the Project in the office of the Agency.

Section 4. This Resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

Anthony J. Ferrara	VOTING
Willard A. Bruce	VOTING
Susan Pedo	VOTING
Hon. Kathy Sheehan	VOTING
Martin Daley	VOTING

The foregoing Resolution was thereupon declared duly adopted.

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

I, the undersigned (Assistant) Secretary of City of Albany Industrial Development Agency (the "Agency"), DO HEREBY CERTIFY that I have compared the foregoing copy of the minutes of the meeting of the Agency, including the Resolution contained therein, held on November 17, 2011 with the original thereof on file in my office, and that the same is a true and correct copy of said original and of the whole of said original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of said Agency had due notice of said meeting; (B) said meeting was in all respects duly held; (C) pursuant to Article 7 of the Public Officers Law (the "Open Meetings Law"), said meeting was open to the general public, and due notice of the time and place of said meeting was duly given in accordance with such Open Meetings Law and (D) there was a quorum of the members of the Agency present throughout said meeting.

I FURTHER CERTIFY that as of the date hereof the attached Resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this 17th day of November, 2011.

(Assistant) Secretary

(S E A L)

SCHEDULE A
ENVIRONMENTAL MATERIALS



NORSTAR

200 South Division Street
Buffalo, New York 14204
Tel: (716) 847-1098 Fax: (716) 847-1668

October 7, 2011

Mr. Doug Melnick, Planning Director
Department of Development and Planning
City of Albany
21 Lodge Street
Albany, New York 12207

VIA HAND DELIVERY

RE: Academy Lofts – Environmental Review

Dear Doug:

Please find the enclosed HUD Form 7015.15 – Request for Release of Funds and Certification. This HUD form must be signed by Mayor Jennings following the public review period which ends on October 25, 2011. Please let me know when I can pick it up and we will deliver the document to the HUD office in Buffalo. In order for you to complete your review of the project and to execute this HUD form I have enclosed the following information:

- 1) Elevations & Plans
- 2) Planning Board approval & Negative Declaration
- 3) Phase I Environmental Site Assessment Report and Subsurface Investigation Report
- 4) Archeological Approval from SHPO

If you need anything else please feel free to contact me.

Sincerely,

Lori Harris
Senior Project Manager

Cc: Steven T. Longo, AHA
Darren Scott, AHA

Request for Release of Funds and Certification

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

OMB No. 2506-0087
(exp. 3/31/2011)

This form is to be used by Responsible Entities and Recipients (as defined in 24 CFR 58.2) when requesting the release of funds, and requesting the authority to use such funds, for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and States. Public reporting burden for this collection of information is estimated to average 36 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Part 1. Program Description and Request for Release of Funds (to be completed by Responsible Entity)

1. Program Title(s) Academy Lofts	2. HUD/State Identification Number	3. Recipient Identification Number (optional)
4. OMB Catalog Number(s)	5. Name and address of responsible entity Gerald D. Jennings, Mayor City of Albany, City Hall, 24 Eagle St. Albany, New York 12207	
6. For information about this request, contact (name & phone number) Doug Melnick, Planning Director, City of Albany, (518) 434-2532	7. Name and address of recipient (If different than responsible entity) Albany Housing Authority 200 S. Pearl Street Albany, New York 12202	
8. HUD or State Agency and office unit to receive request U.S. Dept. of Housing and Urban Development, Lafayette Ct., 465 Main St., Buffalo, NY 14203		

The recipient(s) of assistance under the program(s) listed above requests the release of funds and removal of environmental grant conditions governing the use of the assistance for the following

9. Program Activity(ies)/Project Name(s) Academy Lofts	10. Location (Street address, city, county, State) 56 Second Street, Albany, Albany County, New York
--	--

11. Program Activity/Project Description

The vacant school building (circa 1906) is a contributing factor to the Arbor Hill Historic District. The plans call for the 45,000 s.f. building to be converted into twenty-two (22) residential artists' lofts. In addition to the residential units, approximately 16,000 s.f. will be converted into commercial work and performing space for a myriad of arts and cultural uses. The project is supported by the City of Albany's revitalization plan for the neighborhood. Significant investment has already occurred on N. Swan Street where the school building is located. Many smaller buildings with first floor retail space have either been demolished or rehabilitated in the last two years. New buildings designed to match the existing architecture were built to replace most of the buildings that were demolished. Existing buildings with the most architectural significance that could be saved were renovated into affordable residential units (also with retail on the first floor). The City of Albany also has a federal grant pending to reconstruct streets and sidewalks in this same area. The school building is the final significant building yet to be redeveloped in this neighborhood area. The 22 residential units will be subject to the income restrictions of 60% of area median income. The AHA currently plans to project-base each of the units with Section 8 vouchers. The unit allocation will consist of 11 studios and 11 one-bedrooms. The Section 8 rents are \$587 to \$589 which include the utility allowances. The tenant pays for heat, air, cooking, sundry, water heat, range, and refrigerator.

Part 2. Environmental Certification (to be completed by responsible entity)

With reference to the above Program Activity(ies)/Project(s), I, the undersigned officer of the responsible entity, certify that:

1. The responsible entity has fully carried out its responsibilities for environmental review, decision-making and action pertaining to the project(s) named above.
2. The responsible entity has assumed responsibility for and complied with and will continue to comply with, the National Environmental Policy Act of 1969, as amended, and the environmental procedures, permit requirements and statutory obligations of the laws cited in 24 CFR 58.5; and also agrees to comply with the authorities in 24 CFR 58.6 and applicable State and local laws.
3. After considering the type and degree of environmental effects identified by the environmental review completed for the proposed project described in Part 1 of this request, I have found that the proposal did did not require the preparation and dissemination of an environmental impact statement.
4. The responsible entity has disseminated and/or published in the manner prescribed by 24 CFR 58.43 and 58.55 a notice to the public in accordance with 24 CFR 58.70 and as evidenced by the attached copy (copies) or evidence of posting and mailing procedure.
5. The dates for all statutory and regulatory time periods for review, comment or other action are in compliance with procedures and requirements of 24 CFR Part 58.
6. In accordance with 24 CFR 58.71(b), the responsible entity will advise the recipient (if different from the responsible entity) of any special environmental conditions that must be adhered to in carrying out the project.

As the duly designated certifying official of the responsible entity, I also certify that:

7. I am authorized to and do consent to assume the status of Federal official under the National Environmental Policy Act of 1969 and each provision of law designated in the 24 CFR 58.5 list of NEPA-related authorities insofar as the provisions of these laws apply to the HUD responsibilities for environmental review, decision-making and action that have been assumed by the responsible entity.
8. I am authorized to and do accept, on behalf of the recipient personally, the jurisdiction of the Federal courts for the enforcement of all these responsibilities, in my capacity as certifying officer of the responsible entity.

Signature of Certifying Officer of the Responsible Entity

Title of Certifying Officer

**Gerald D. Jennings, Mayor
City of Albany**

Date signed

X

Address of Certifying Officer

**City Hall, 24 Eagle Street
Albany, New York 12207**

Part 3. To be completed when the Recipient is not the Responsible Entity

The recipient requests the release of funds for the programs and activities identified in Part 1 and agrees to abide by the special conditions, procedures and requirements of the environmental review and to advise the responsible entity of any proposed change in the scope of the project or any change in environmental conditions in accordance with 24 CFR 58.71(b).

Signature of Authorized Officer of the Recipient

Title of Authorized Officer

**Steven T. Longo, Executive Director, Albany
Housing Authority**

Date signed

X

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

SEQR Environmental Assessment Form

SHORT ENVIRONMENTAL ASSESSMENT FORM

INSTRUCTIONS:

In order to answer the questions in this short EAF it is assumed that the preparer will use currently available information concerning the project and the likely impacts of the action. It is not expected that additional studies research or other investigations will be undertaken.

ENVIRONMENTAL ASSESSMENT

1. Will the project result in a large physical change to the project site or physically alter more than 10 acres of land?..... Yes No
2. Will there be a major change to any unique or unusual landform found on this site?..... Yes No
3. Will project alter or have a large effect on an existing body of water?..... Yes No
4. Will project have a potentially large impact on groundwater quality? Yes No
5. Will project significantly affect drainage flow or air quality?..... Yes No
6. Will project affect any threatened or endangered plant or animal species... Yes No
7. Will project result in a major adverse impact on air quality?..... Yes No
8. Will project have a major effect on visual character of the community or scenic views or vistas known to be or important to the community?... Yes No
9. Will project adversely impact any site or structure of historic, prehistoric or paleontological importance or any site designated as a critical environmental area by a local agency?..... Yes No
10. Will project have a major effect on existing or future recreational opportunities? Yes No
11. Will project result in major traffic problems or cause a major impact on existing transportation systems?..... Yes No
12. Will project regularly cause objectionable odors, noise, glare, vibration, or electrical disturbances as a result of the project's operation?..... Yes No
13. Will project have any impact on public health or safety?..... Yes No
14. Will project affect the existing community by directly causing a growth? in permanent population of more than 5% over a one-year period or have a major negative effect on the character of the community or neighborhood?..... Yes No
15. Is there any public controversy concerning the project?..... Unknown Yes No

PREPARER'S SIGNATURE:  TITLE: 6/27/11
Daniel R. Heshberg, P.E.&L.S. Engineer for the applicant
REPRESENTING: Albany Housing Authority DATE: 6/27/11

Negative Declaration

**NOTIFICATION OF LOCAL ACTION
DECISION OF THE CITY OF ALBANY PLANNING BOARD**

ADDRESS OF SUBJECT PROPERTY: 56 Second St & 74 N. Swan St.

IN THE MATTER OF: Site Plan Approval to allow for the conversion of a 40,000 +/- square foot former school building for use as 22 dwelling units and arts-related community space, and a 10-space accessory parking area.

APPLICANT: Albany Housing Authority
ADDRESS: c/o Hershberg & Hershberg, 18 Locust St., Albany, NY 12203

CASE NUMBER: 7-11, 817

Date Received: 6/28/11
Preliminary Presentation: 7/21/11
Subsequent Presentations: 8/18/11
SEQR Determination: 8/18/11
Date of Decision: 8/18/11

Vote:	For Approval:	5	Abbott:	Y	Pryor:	Y
	Against:	0	Fox:	Y	Trant:	Y
	Abstain:	0	Hancox:	Y		

RECEIVED

AUG 31 2011

HERSHBERG & HERSHBERG

Relevant Considerations:

Owner/Applicant: Roman Catholic Diocese / Albany Housing Authority c/o Hershberg & Hershberg

Parcel size: 0.4 acres.

Property Valuation: The property at 56 Second Street is currently valued at \$1,290,400. The property is tax exempt and is expected to remain as such. Accessory parcels at 74 & 76 North Swan Street and 5 Hunter Alley are cumulatively assessed at \$3,900.

Location: The property is located at the southwest corner of Second and North Swan Streets.

Zoning: One- and Two-Family Residential (R-2A). A Use Variance, Area Variances and a Parking Lot Permit Are required for the residential conversion and 10-space accessory parking lot that is within one (1) foot of adjacent residential property. A public hearing before the Board of Zoning Appeals is currently scheduled for July 27, 2011.

Surrounding Uses: *North:* 5,517 square foot house of worship operated by Bethany Baptist Church. *West:* 20-space parking lot owned by Bethany Baptist Church. *East:* North Swan Street Park (slated for redevelopment by the City of Albany). *South:* Two-family residences.

Proposed Project: The applicant is proposing to rehabilitate a 40,000 +/- square foot vacant school building into 22 residential dwelling units and 14,100 square feet of arts-related community and commercial space. The intent of the project will be act as an arts incubator that provides affordable living accommodations for eligible, participating individuals. A 10-space accessory parking area is proposed to accompany the use, which will be located at adjacent parcels known as 74 & 76 North Swan Street and 5 Hunter Alley. The estimated project cost is \$5,500,000.

SEQR status: The project is an unlisted action per the provisions of SEQR. It has determined that because there are no significant changes to historical or archeological resources, a Type 1 review is not required despite this property's location within a historic district.

Traffic: The applicant intends to create a 10-space accessory parking lot adjacent to the building, along the South Side of Hunter Alley. Additional parking has not been secured at this time. The proposed provisions will have a small to moderate impact upon traffic that would be consistent with the reuse of a vacant structure of this size.

Bike/Pedestrian/Transit: Transit access to North Swan Street would be via Clinton or Livingston Avenues. A bicycle parking area will be available within the building. A bicycle lane is provided along Clinton Avenue.

Water/Sewer: There will be an increase in water needs of 3,900 GPD. The building is connected to existing water service lines along North Swan Street. A sewer service connection is not detailed on the plan.

Stormwater: The applicant requests that City Interim Storm Water Regulations be waived, as the building footprint will not significantly change. The application does not appear to address the additional storm water runoff to be produced from the proposed parking area, which is shown to drain into the existing City combined sewer system.

Archeology: A Phase 1 archeological review prepared by H.A.Z. Ex. yielded no potential for the significant archeological finds. The State Historic Preservation Office has also granted its consent for the archeological aspects of the project based upon the review.

Landscaping: The existing building is built to the building line. There are three existing street trees along North Swan Street. Landscaping is proposed to buffer the proposed parking area. Stockade fencing will screen adjacent residential yards.

Lighting: Two four-inch high light bollards will provide lighting for the parking area.

Solid Waste: An exterior site dumpster and accompanying enclosure will be provided.

Actions Taken:

The Board issued a **Negative Declaration** for this **Unlisted Action** as per the provisions of SEQR, as the environmental impacts are negligible or non-existent.

The Board **Approved** the site plan with the following conditions:

1. The applicant shall obtain final approval from the Division of Engineering, Department of Water & Water Supply, Traffic Engineering Unit and the City Forester.
2. The applicant shall obtain a Certificate of Appropriateness from the Historic Resources Commission

I, **Edward Trant** representing the Planning Board of the City of Albany, hereby certify that the foregoing is a true copy of a decision of the Planning Board made at a meeting thereof duly called and held on the day of August 18, 2011.

Date: 8/18/11

Signature: _____

Edward R. Trant

This is not a building permit. All building permits must be approved and issued by the Building Department prior to the start of any construction.

Prior to making an application for a Certificate of Occupancy, the applicant will be required to submit to the Building Department an "as built" site plan which depicts all elements shown on the approved site plan including but not limited to contours, landscaping, building locations, utilities paved and parking areas, signage, accessory structures and other related physical improvements.

**BOND RESOLUTION
SWAN STREET LOFTS, L.P. PROJECT**

A regular meeting of City of Albany Industrial Development Agency (the "Agency") was convened in public session at the offices of the Agency located at 21 Lodge Street in the City of Albany, Albany County, New York on November 17, 2011 at 12:15 p.m., local time.

The meeting was called to order by the (Vice) Chairman of the Agency and, upon roll being called, the following members of the Agency were:

PRESENT:

Anthony J. Ferrara	Chairman
Willard A. Bruce	Vice Chairman
Susan Pedo	Secretary
Hon. Kathy Sheehan	Treasurer
Martin Daley	Member

ABSENT:

AGENCY STAFF PRESENT INCLUDED THE FOLLOWING:

Michael J. Yevoli	CEO - Capitalize Albany Corporation
Megan Daly	Department of Development and Planning
Erik Smith	CFO - Capitalize Albany Corporation
Bradley Chevalier	Economic Development Specialist, Capitalize Albany Corporation
Amy Gardner	Administrative Assistant, Capitalize Albany Corporation
John J. Reilly, Esq.	Agency Counsel
A. Joseph Scott, III, Esq.	Bond Counsel

The following resolution was offered by _____, seconded by _____, to wit:

Resolution No. ____

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE BY CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY OF ITS HOUSING REVENUE BOND (SWAN STREET LOFTS, L.P. PROJECT), SERIES 2011A IN THE PRINCIPAL AMOUNT NOT TO EXCEED SEVEN MILLION ONE HUNDRED AND TWENTY THOUSAND DOLLARS (\$7,120,000) AND THE EXECUTION OF VARIOUS DOCUMENTS RELATED THERETO.

WHEREAS, City of Albany Industrial Development Agency is authorized and empowered by the provisions of Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 325 of the 1974 Laws of New York, as amended, constituting Section 903-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of manufacturing, civic and commercial facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and

industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, to accomplish its stated purposes, the Agency is authorized and empowered under the Act to issue its industrial development revenue bonds to finance the cost of the acquisition, construction and installation of one or more “projects” (as defined in the Act), to acquire, construct and install said projects or to cause said projects to be acquired, constructed and installed, and to convey said projects or to lease said projects with the obligation to purchase; and

WHEREAS, Norstar Development USA, L.P. (the “Applicant”), on behalf of Swan Street Loft, L.P. (the “Company”), has presented an application (the “Application”) to the Agency, requesting that the Agency consider undertaking a project (the “Project”) consisting of the following: (A) (1) the acquisition of an interest or interests in parcels of land containing in the aggregate approximately 16,500 square feet located at 56 Second Street, 74 and 76 North Swan Street and 5 Hunter Alley in the City of Albany, Albany County, New York (the “Land”), together with the existing building containing approximately 41,400 square feet of space located on the Land (the “Facility”); (2) the reconstruction and renovation of the Facility, and (3) the acquisition and installation thereon and therein of various machinery and equipment (the “Equipment”) (the Land, the Facility and the Equipment hereinafter collectively referred to as the “Project Facility”), all of the foregoing to constitute a housing facility to be owned by the Company; (B) the financing of all or a portion of the costs of the foregoing by the issuance of taxable and/or tax-exempt revenue bonds of the Agency in one or more issues or series in an aggregate principal amount sufficient to pay all or a portion of the cost of undertaking the Project, together with necessary incidental costs in connection therewith, presently estimated to be approximately \$7,120,000 and in any event not to exceed \$10,000,000 (the “Obligations”); (C) paying a portion of the costs incidental to the issuance of the Obligations, including issuance costs of the Obligations and any reserve funds as may be necessary to secure the Obligations; (D) the granting of certain other “financial assistance” (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from certain sales and use taxes, real property taxes, real estate transfer taxes and mortgage recording taxes (collectively with the Obligations, the “Financial Assistance”); and (E) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Agency; and

WHEREAS, pursuant to the authorization contained in a resolution adopted by the members of the Agency on June 16, 2011 (the “Preliminary Inducement Resolution”), the Chairman of the Agency (A) caused notice of a public hearing of the Agency (the “Public Hearing”) pursuant to Section 859-a of the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), to hear all persons interested in the Initial Project and the Financial Assistance being contemplated by the Agency with respect to the Project, to be mailed on October 28, 2011 to the chief executive officers of each county, city, town and school district in which the Initial Project Facility is (or will be) located, (B) caused notice of the Public Hearing to be published on November 1, 2011 in The Times Union, a newspaper of general circulation available to the residents of the City of Albany, Albany County, New York, (C) conducted the Public Hearing on November 17, 2011, at 12:00 o’clock, noon, local time at the offices of the Agency located in the office of the Department of Economic Development and Planning at 21 Lodge Street in the City of Albany, Albany County, New York in the City of Albany, Albany County, New York, and (D) prepared a report of the Public Hearing (the “Public Hearing Report”) which fairly summarized the views presented at said Public Hearing and distributed same to the members of the Agency and to the Mayor of the City of Albany, New York (the “Mayor”); and

WHEREAS, by resolution adopted by the members of the Agency on November 17, 2011 (the "Commercial Determination Resolution"), the Agency determined that Initial Project constituted a "commercial project" within the meaning of the Act; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act") and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, "SEQRA"), resolution adopted by the members of the Agency on November 17, 2011 (the "SEQR Resolution"), the Agency (A) determined that the Project constituted an "unlisted action" under SEQRA, (B) determined that the Project will not have a "significant effect on the environment" and therefore that an environmental impact statement is not required to be prepared with respect to the Project and (C) authorized the issuance of a "negative declaration" with respect to the Project (as said quoted terms are used in SEQRA); and

WHEREAS, the Applicant has advised the Agency that the Company has been formed and the name of the Company is Swan Street Lofts, L.P., a New York limited partnership; and

WHEREAS, the Company has requested that the Agency sell its Housing Revenue Bond (Swan Street Lofts, L.P. Project), Series 2011A in the principal amount not to exceed \$7,120,000 (the "Bond") to JPMorgan Chase Bank, N.A. (the "Holder") for the purpose of providing funds to pay a portion of the costs of the Project, together with necessary incidental expenses in connection therewith; and

WHEREAS, the Bond is to be issued under this resolution (the "Bond Resolution") and a bond purchase and building loan agreement dated as of December 1, 2011 (the "Bond Purchase Agreement") by and among the Agency, the Company and the Holder; and

WHEREAS, the proceeds of the Bond will be used to finance a portion of the costs of undertaking the Project; and

WHEREAS, prior to or simultaneously with the issuance of the Bond, (A) the Company and the Agency will execute and deliver a certain lease agreement (the "Underlying Lease"), pursuant to which the Company has agreed to sublease the Land to the Agency, (B) the Company will execute and deliver (1) a certain license agreement dated as of December 1, 2011 (the "License to Agency") by and between the Company, as licensor, and the Agency, as licensee, pursuant to which the Company will grant to the Agency a license to enter upon the Land for the purpose of undertaking and completing the Project and, in the event of an occurrence of an Event of Default by the Company, an additional license to enter upon the Land for the purpose of pursuing its remedies under the Installment Sale Agreement (as hereinafter defined), and (2) a bill of sale dated as of December 1, 2011 (the "Bill of Sale to Agency") from the Company to the Agency, pursuant to which the Company will convey to the Agency the Company's interest in the portion of the Project Facility constituting fixtures and other personal property, and (C) the Agency will execute and deliver (1) an installment sale agreement dated as of December 1, 2011 (the "Installment Sale Agreement") by and between the Agency and the Company and (2) certain other documents related to the Project and to the Bond (collectively with the Bond Purchase Agreement and the Installment Sale Agreement, the "Financing Documents"); and

WHEREAS, pursuant to the terms of the Installment Sale Agreement, (A) the Company will agree (1) to cause the Project Facility to be acquired, reconstructed and installed, (2) as agent of the Agency, to undertake the acquisition, reconstruction and installation of the Project Facility, (3) to purchase the Project Facility from the Agency, and (4) to make certain installment purchase payments to or upon the order of the Agency as the purchase price for the Project Facility, which installment purchase

payments shall include amounts equal to the debt service payments due on the Bond, and (B) the Agency will agree to (1) undertake the Project, (2) appoint the Company as agent of the Agency to acquire, reconstruct and install the Project Facility, and (3) sell the Project Facility to the Company; and

WHEREAS, as security for the Bond, the Agency will execute and deliver to the Holder a pledge and assignment dated as of December 1, 2011 (the "Pledge and Assignment") from the Agency to the Holder, which Pledge and Assignment will assign to the Holder certain of the Agency's rights under the Installment Sale Agreement; and

WHEREAS, pursuant to the Pledge and Assignment, installment purchase payments made by the Company under the Installment Sale Agreement are to be paid directly to the Holder; and

WHEREAS, to further secure the Bond, the Company and the Agency will execute and deliver to the Holder (A) a mortgage dated as of December 1, 2011 (the "Mortgage") which grants to the Holder a mortgage lien on and security interest in the Project Facility, and (B) an assignment of leases and rents dated as of December 1, 2011 (the "Assignment of Rents") which assigns to the Holder all leases affecting the Project Facility and the rents payable thereunder; and

WHEREAS, the Company's obligations under the Installment Sale Agreement will be further secured by a guaranty dated as of December 1, 2011 (the "Guaranty") from the Company to the Holder; and

WHEREAS, pursuant to Section 146 of the Code, the Company has previously applied to the New York Department of Economic Development ("NYSDED") for an allocation of private activity bond volume cap ("Volume Cap") for the Bond; and

WHEREAS, to demonstrate compliance with the provisions of the Code relating to the issuance of tax-exempt obligations, (A) the Agency will (1) execute an arbitrage certificate dated the date of delivery of the Bond (the "Arbitrage Certificate") relating to certain requirements set forth in Section 148 of the Code relating to the Bond, (2) execute a completed Internal Revenue Service Form 8038 (Information Return for Private Activity Bonds) relating to the Bond (the "Information Return") pursuant to Section 149(e) of the Code, and (3), upon receipt from NYSDDED of the certification required by Section 149(e)(2)(F) of the Code (the "Volume Cap Certificate"), file the Information Return with the Internal Revenue Service (the "IRS"), (B) the Company will execute (1) a land use restriction agreement dated as of December 1, 2011 (the "Land Use Restriction Agreement") relating to the requirements in Sections 142 of the Code, and (2) a tax regulatory agreement dated the Closing Date (the "Tax Regulatory Agreement") relating to the requirements in Sections 142, 146, 147, 148 and 149 of the Code, and (C) the Underwriter will execute a letter (the "Issue Price Letter") confirming the issue price of the Bond on the Closing Date for purposes of Section 148 of the Code; and

WHEREAS, simultaneously with the issuance of the Bond, (A) the Agency will execute and deliver to the Company a sales tax exemption (the "Sales Tax Exemption Letter") to ensure the granting of the sales tax exemption which forms a part of the Financial Assistance and (B) the Agency will file with the New York State Department of Taxation and Finance the form entitled "IDA Appointment of Project Operator or Agent for Sales Tax Purposes" (the form required to be filed pursuant to Section 874(9) of the Act) (the "Thirty-Day Sales Tax Form"); and

WHEREAS, simultaneously with the issuance of the Bond, (A) the Agency and the Company will execute and deliver a payment in lieu of tax agreement dated as of December 1, 2011 (the "Payment in Lieu of Tax Agreement") by and between the Agency and the Company, pursuant to which the

Company will agree to pay certain payments in lieu of taxes with respect to the Project Facility and (B) the Agency will file with the assessor and mail to the chief executive officers of each of the Affected Tax Jurisdictions a copy of a New York State Board of Real Property Services Form RP-412-a (the form required to be filed by the Agency in order for the Agency to obtain a real property tax exemption with respect to the Project Facility under Section 412-a of the Real Property Tax Law) (a "Real Property Tax Exemption Form") relating to the Project Facility and the Payment in Lieu of tax Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The Agency hereby finds and determines that:

(A) By virtue of the Act, the Agency has been vested with all powers necessary and convenient to carry out and effectuate the purposes and provisions of the Act and to exercise all powers granted to it under the Act; and

(B) The Project constitutes a "project," as such term is defined in the Act; and

(C) The undertaking and completion of the Project Facility and the sale of the Project Facility on an installment basis to the Company will promote and maintain the job opportunities, general prosperity and economic welfare of the citizens of the City of Albany, New York and the State of New York and improve their standard of living; and

(D) It is desirable and in the public interest for the Agency to issue and sell its Bond in the principal amount not to exceed Seven Million One Hundred and Twenty Thousand Dollars (\$7,120,000) upon the terms and conditions set forth in the Bond Purchase Agreement for the purpose of financing a portion of the costs of the undertaking and completion of the Project, together with necessary incidental expenses in connection therewith.

Section 2. In consequence of the foregoing, the Agency hereby determines to (A) subject to Section 7 hereof, issue the Bond on the terms and conditions set forth in the Bond Purchase Agreement, (B) sell the Bond to the Holder pursuant to the Bond Purchase Agreement, (C) use the proceeds of the Bond to pay a portion of the costs of issuance of the Bond and a portion of the costs of the acquisition, reconstruction and installation of the Project Facility, (D) acquire an interest in the Project Facility by execution of the Underlying Lease, (E) sell the Project Facility on an installment basis to the Company pursuant to the Installment Sale Agreement, (F) secure the Bond by assigning to the Holder pursuant to the Pledge and Assignment certain of the Agency's rights under the Installment Sale Agreement (except the Unassigned Rights, as defined therein), including the right to collect and receive amounts payable thereunder (except for amounts payable pursuant to the Unassigned Rights), (G) further secure the Bond by granting to the Holder a mortgage lien on and security interest in the Project Facility pursuant to the Mortgage, (H) further secure the Bond by assigning to the Holder its interest in any leases relating to the Project Facility pursuant to the Assignment of Rents, (I) execute and deliver the Payment in Lieu of Tax Agreement, (J) execute the Arbitrage Certificate and the Information Return with respect to the Bond, (K) allocate to the Bond a portion of the Agency's Volume Cap in an amount equal to approximately \$7,120,000, and (L) file the Information Return with the IRS.

Section 3. The Agency is hereby authorized to acquire an interest in the real and personal property described in the Underlying Lease, the License to Agency and the Bill of Sale to Agency (collectively, the "Conveyance Documents"), and to do all things necessary or appropriate for the

accomplishment thereof, and all acts heretofore taken by the Agency with respect to such acquisition and grant are hereby approved, ratified and confirmed.

Section 4. The form and substance of the Conveyance Documents, the Bond, the Bond Purchase Agreement, the Installment Sale Agreement, the Mortgage, the Assignment of Rents, the Pledge and Assignment, the Building Loan Agreement, the Payment in Lieu of Tax Agreement, the Arbitrage Certificate and the Information Return (collectively, the "Agency Documents") (in substantially the forms presented to this meeting) are hereby approved.

Section 5. The Agency hereby elects to allocate to the Bond an approximately Seven Million One Hundred and Twenty Thousand Dollars (\$7,120,000) portion of the Agency's Volume Cap for calendar year 2011.

Section 6. The form and substance of the termination of underlying lease by and between the Agency and the Company (in substantially the form of Exhibit C to the Installment Sale Agreement) (the "Termination of Underlying Lease"), the termination of license agreement by and between the Agency and the Company (in substantially the form of Exhibit D to the Installment Sale Agreement) (the "Termination of License") and the bill of sale from the Agency to the Company (in substantially the form of Exhibit E to the Installment Sale Agreement) (the "Bill of Sale to Company") are hereby approved.

Section 7. Subject to receipt by the Agency of notice from the Mayor of the City of Albany that the Mayor has approved the issuance of the Bond pursuant to Section 147(f) of the Code and the undertaking of the Project pursuant to the Act, the Agency is hereby authorized to issue, execute, sell and deliver to the Holder its Bond in the principal amount not to exceed Seven Million One Hundred and Twenty Thousand Dollars (\$7,120,000) in the form heretofore approved in Section 4 of this Resolution upon compliance with the provisions of the Bond Purchase Agreement, provided that:

(A) The Bond authorized to be issued, executed, sold and delivered pursuant to this Section 7 shall (1) be issued, executed and delivered at such time as the Chairman (or Vice Chairman) of the Agency shall determine, and (2) bear interest at the rate or rates, be issued in such form, be subject to redemption prior to maturity and have such other terms and provisions and be issued in such manner and on such conditions as are set forth in the Bond, in the Bond Purchase Agreement and Schedule A attached hereto or as are hereinafter approved by the Chairman (or Vice Chairman) of the Agency, which terms are specifically incorporated herein by reference with the same force and effect as if fully set forth in this Resolution.

(B) The Bond shall be issued solely for the purpose of providing funds to finance a portion of the costs of the undertaking and completion of the Project and a portion of the administrative, legal, financial and other expenses of the Agency in connection with the undertaking and completion of the Project Facility and incidental to the issuance of the Bond.

(C) Neither the members nor officers of the Agency, nor any person executing the Bond or any of the Financing Documents (as hereinafter defined) on behalf of the Agency, shall be liable thereon or be subject to any personal liability or accountability by reason of the execution, issuance or delivery thereof. The Bond and the interest thereon are not and shall never be a debt of the State of New York, the City of Albany, New York or any political subdivision thereof (other than the Agency), and neither the State of New York, the City of Albany, New York nor any political subdivision thereof (other than the Agency) shall be liable thereon.

(D) The Bond, together with interest payable thereon, shall be a special obligation of the Agency payable solely from certain of the revenues and receipts derived from the sale or other disposition of the Project Facility or from the enforcement of the security provided by the Financing Documents (as hereinafter defined) and the Guaranty and the other security pledged to the payment thereof.

(E) Notwithstanding any other provision of this Resolution, the Agency covenants that it will make no use of the proceeds of the Bond or of any other funds (other than the Agency's administrative fee) which, if such use had been reasonably expected on the date of issuance of the Bond, would have caused any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code.

Section 8. (A) The Chairman (or Vice Chairman) of the Agency is hereby authorized, on behalf of the Agency, to execute and deliver the Agency Documents and the other documents related thereto (collectively with the Agency Documents, the "Financing Documents"), and, where appropriate, the Secretary (or Assistant Secretary) of the Agency is hereby authorized to affix the seal of the Agency thereto and to attest the same, all in substantially the forms thereof presented to this meeting with such changes, variations, omissions and insertions as the Chairman (or Vice Chairman) shall approve, the execution thereof by the Chairman (or Vice Chairman) to constitute conclusive evidence of such approval.

(B) The Chairman (or Vice Chairman) of the Agency is hereby further authorized, on behalf of the Agency, to designate any additional Authorized Representatives of the Agency (as defined in and pursuant to the Installment Sale Agreement).

(C) The Chairman (or Vice Chairman) of the Agency is hereby further authorized to execute the Termination of Underlying Lease, the Termination of License and the Bill of Sale to Company and to deliver same to the Company as provided in the Installment Sale Agreement.

Section 9. The officers, employees and agents of the Agency are hereby authorized and directed for and in the name and on behalf of the Agency to do all acts and things required or provided for by the provisions of the Financing Documents, and to execute and deliver all such additional certificates, instruments and documents, to pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of the foregoing resolution and to cause compliance by the Agency with all of the terms, covenants and provisions of the Financing Documents binding upon the Agency.

Section 10. This Bond Resolution shall take effect immediately and the Bond is hereby ordered to be issued in accordance with this Bond Resolution.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

Anthony J. Ferrara	VOTING
Willard A. Bruce	VOTING
Susan Pedo	VOTING
Hon. Kathy Sheehan	VOTING
Martin Daley	VOTING

The foregoing Resolution was thereupon declared duly adopted.

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

I, the undersigned (Assistant) Secretary of City of Albany Industrial Development Agency (the "Agency"), DO HEREBY CERTIFY that I have compared the annexed extract of the minutes of the meeting of the Agency, including the resolution contained therein, held on November 17, 2011, with the original thereof on file in my office, and that the same is a true and correct copy of the proceedings of the Agency and of such resolution set forth therein and of the whole of said original insofar as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting, (B) said meeting was in all respects duly held, (C) pursuant to Article 7 of the Public Officers Law (the "Open Meetings Law"), said meeting was open to the general public, and public notice of the time and place of said meeting was duly given in accordance with such Open Meetings Law and (D) there was a quorum of the members of the Agency present throughout said meeting.

I FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this 17th day of November, 2011.

(Assistant) Secretary

(S E A L)

SCHEDULE A
TERMS OF THE INITIAL BONDS

- SEE ATTACHED -



The following Summary of Indicative Terms and Conditions is provided for discussion purposes. It does not constitute a commitment to lend or an agreement to issue a commitment on these or any other terms. It shall not create a binding or legally enforceable contractual obligation on JP Morgan Chase Bank, NA ("Chase" or "Lender") in any way. The terms contained herein are not all-inclusive. Additions and changes may be made as Lender and its counsel deems necessary, prudent or desirable. No agreement (oral or otherwise) that may be reached during negotiations shall be binding upon the parties until a final commitment letter has been issued by Lender and accepted by the Obligor. This Summary shall be kept confidential, not be reproduced or disclosed, and shall not be used by the Obligor or any party other than in connection with evaluating and negotiating the transaction described herein.

Summary of Indicative Terms and Conditions

October 27, 2011

JPMorgan Chase Bank, N.A. ("Chase") or ("Lender")

And

Swan Street Lofts L.P. ("Obligor" or "Borrower")

Bond Purchaser/Lender: JPMorgan Chase Bank, N.A. ("Chase" or "Lender")
Community Development Banking Group
One Chase Square, Floor 8
Mailcode NY3-T081
Rochester, NY 14643-0001
R. Scott Schmid, Vice President
Ph: (585) 797-2808
Fax: (585) 797-2810
E-mail: scott.schmid@chase.com

Obligor or Borrower: Swan Street Lofts L.P., a New York limited partnership whose General Partner is Swan Street Lofts Adaptive Reuse Corp. (0.01%), which will be a subsidiary of the Albany Housing Authority and whose Investor Limited Partner (99.98%) and Special Limited Partner (0.01%) will be affiliates of Stratford Capital Group.

Developer: Norstar Development USA, LP
200 South Division Street
Buffalo, NY 14204
Richard L. Higgins, President
Ph: (716) 847-1098
E-mail: rhiggins@norstarus.com

Project Name and Location: Academy Lofts
56 Second Street
Albany, NY 12210 (the "Project").

The Project consists of an existing 4-story building, which will be renovated resulting in 22 residential units and approximately 16,000 square feet of commercial space. The Project is known as the Academy Lofts.

Trustee: To be determined; must be acceptable to Lender.

Required Syndication or Participation:	No
Facilities:	The Bank will purchase variable-rate tax exempt bonds (the “Bonds”) up to \$5,400,000 to be issued by the Albany Industrial Development Agency (“Issuer”) for the purpose of making a loan (the “Construction Loan” or “Loan”) to the Borrower. The Facility is subject to acceptable final budget, sources and uses, LIHTC equity pay-in schedules, and final underwriting.
Purpose:	To provide construction financing for the development of the Project. Units in the Project shall be affordable to households with incomes of 60% or less of HUD AMI. Proceeds of the purchase of the tax exempt bonds will be used to finance the acquisition of the Project from the Catholic Diocese of Albany, and to fund capital improvements to the Project.
Source of Repayment:	The Construction Loan shall be repaid through a combination of federal and historic tax credit equity and ESDC RESTORE NY funds at completion.
Loan Fees:	A non-refundable construction commitment fee equal to 100 basis points of the amount of the Construction Loan will be payable at construction loan closing.
Interest Rate:	Interest on the Construction Loan is payable monthly. The applicable interest rate for the Construction Loan shall be 71% of one-month LIBOR plus 2.50 %, adjusted monthly on a 360 day basis. A maximum of three LIBOR contracts may be outstanding at any one time. Alternate Rate: CB Floating Rate ¹ plus 0%. Please note that credit markets are highly volatile. Loan fees and interest rates are subject to substantial adjustment prior to commitment.
Maturity Date:	The Construction Loan will mature 24 months from Closing.
Extension Option:	The Construction Loan shall carry two “as-of-right” six-month extension options, subject to satisfaction of the following conditions: <ol style="list-style-type: none"> 1. The Lender is given at least thirty (30) days but not more than ninety (90) days prior written notice; 2. An extension fee of 25 bps of the current commitment is paid, together with Lender legal expenses (for each extension); 3. The improvements have been substantially completed as evidenced by a temporary certificate of occupancy (“TCO”) or municipal equivalent, and receipt of Certificate of Substantial Completion from the project Architect and concurrence from the Chase construction consultant; 4. No default has occurred and is continuing; 5. There remains sufficient interest reserve in the budget, or the Borrower deposits sufficient cash with the Lender or operating statements reflect sufficient NOI at the Lender’s sole discretion to pay estimated interest and fees during the extension period; 6. All loan or other commitments related to the Improvements remain in full force and effect without default there under through any extension period; 7. Leasing efforts for the units, the number of units leased, level of operating expenses and the rate of lease-up are satisfactory to the Lender; 8. All equity required to be paid in as of such date has been

¹ The CB Floating Rate equals the Prime Rate, with a floor equal to 71% of the one month LIBOR rate on any day + 2.50%

contributed; and

9. Any other required conditions as determined by the Lender in the loan documents.

In the case of the second extension, the following additional requirements will apply:

10. Final Certificate of Occupancy, or other municipal equivalent, has been issued, if applicable;
11. Notice of Completion has been filed, if applicable; and
12. 100% of the units are rented to bona fide tenants paying rent with no offset at not less than the rents projected in the original underwriting.

Commitment Expiration (if applicable):	The formal commitment, if issued, must be accepted within 15 days of issuance. The commitment will expire 60 days from issuance if the transaction has not yet closed.
Construction Commencement Date:	Construction must commence within 30 days of the closing date.
Completion Date:	Construction must be completed within 18 months of the closing date, but in no event later than the required placed-in-service date for tax credit purposes.
Guarantees of Payment, Completion and Carve-outs:	Norstar Development USA, LP and Norstar Building Corporation (the "Guarantors") and the General Partner shall provide full, unconditional joint and several guarantees of completion and repayment. The General Contractor will also provide a completion guarantee.
Environmental Indemnification:	The Borrower, General Partner, and the Guarantors will jointly and severally provide environmental indemnification in connection with the Project.
Collateral:	First mortgage lien on Borrower's fee leasehold interest in the Project, a first security interest in all fixtures, equipment and deposits, assignment of the architect's contract, assignment of the general contract, assignments of any rents, leases, escrow, bond trust accounts, operating and reserve accounts (if any), developer's fee, general partner's or managing member's interest in the Borrower, and pledge of syndication proceeds and any other funding source(s).
Ground Lease:	Any ground lease executed in connection with the Project shall be subject to Lender review and approval and the Ground Lessor shall have delivered such modifications, subordinations and estoppels as Lender may require.
Prior and Subordinate Liens:	Second mortgage lien in favor of ESDC RESTORE NY funds in the amount of \$4,575,000 during construction is permitted. The mortgagee shall execute such intercreditor agreement as Lender may require.

All terms of the financing, including interest rate and payment terms, are subject to approval by the Lender and Issuer. Any subordinate loan payments must be paid only from available cash flow. All construction sources of funds must be committed and closed at construction loan closing. All permanent sources of funds must be committed by Construction Loan closing. Disbursement agreements must be acceptable to Lender.

Sources and Uses of Funds:

<i>Sources</i>	
Construction Loan	\$5,400,000
ESDC Restore	4,575,000
Federal Tax Credit Equity	5,029,118
Deferred Developer Fee	198,946
Repayment of Construction Loan	<u>(5,400,000)</u>
Total Sources	\$9,803,064

<i>Uses</i>	
Acquisition	\$10,000
Hard Costs	6,249,248
Hard Cost Contingency	624,925
Interest Reserve	259,200
Other Soft Costs	1,235,000
Soft Cost Contingency	51,002
Reserves	164,140
Developer Fee	<u>1,209,549</u>
Total Uses	\$9,803,064

Equity Investor:

The Lender shall be provided with the sources of LIHTC & historic tax credit equity funding, including the name of the investor or fund proposed for the transaction and all upper tier investors in the fund, which investors shall be satisfactory to Lender in its sole discretion. There shall be no change to the investors in the fund prior to full repayment of the Lender’s construction loan without prior written consent of Lender. No Lender monies shall be advanced unless and until the upper tier investor(s) are admitted to the Partnership.

Equity Requirement:

The total Low Income Housing Tax Credit and historic tax credit equity investment will not be less than \$5,029,118. Equity must be paid-in to an appropriate account with Lender. The proposed pay-in schedule is:

At Closing	\$ 410,100	8.16%
At Completion	4,219,018	83.89%
At Stabilization	<u>400,000</u>	<u>7.95%</u>
Total	\$5,029,118	100.00%

The syndicator, investor and final timing, conditions and amounts of pay-ins are all subject to Lender approval.

THE EQUITY FUNDING SCHEDULE IS A MATERIAL REPRESENTATION OF THE BORROWER. THE FACILITY TERMS OUTLINED HERERIN ARE SUBJECT TO CHANGE OR WITHDRAWAL SHOULD THIS SCHEDULE BE AMENDED.

Balancing Provision:

If at any time the Lender determines that the undisbursed sources of funds are insufficient to complete and convert the Project, the Borrower and/or Guarantors will be required to invest additional equity upon Lender’s request.

Appraisal Requirement:

If required by Lender, an appraisal of the subject Project will be completed in accordance with the requirements of Lender. The Project must demonstrate a loan to value ratio for the proposed Construction Loan not to exceed 80% on an “as completed and stabilized” basis, including the contributory value of the Low Income Housing Tax Credits and other collateral acceptable to Lender.

Lender shall have the right to order new appraisals of the Project from time to time and Borrower agrees to pay all costs and expenses associated with such appraisals.

Conditions Precedent to
Construction Loan Closing:

- Borrower, General Partner, and Guarantors certify that there are no defaults, no material litigation and no material adverse change in the financial or project information provided to Lender in connection with the Loan request.
- Receipt, review and approval of appraisal (if applicable), environmental assessment, property condition assessment, construction consultant and other third party reports.
- All documentation satisfactory to Chase and its Legal Counsel.
- Confirmation that the Project will receive 4% federal LIHTCs of \$270,294 per year for ten years.
- Evidence of a commitment by a tax credit investor acceptable to Lender for the acquisition of 4% Low Income Housing Tax Credits for a price not less than \$2,411,000 (\$0.89) and federal historic tax credits for a price not less than \$1,570,871 (\$0.90) and state historic tax credits for a price not less than \$1,047,247 (\$0.60) and on terms, including pay-in schedule amounts and timing, acceptable to Lender. Investor must be committed to the Project and acceptable to Lender.
- All subsidy funds must be committed and closed simultaneous with closing of the Loan.
- Final Project budget to be approved by Lender.
- Evidence of availability of 15-year HAP contract providing Section 8 subsidy to all 22 units.
- Receipt of all required municipal and other governmental approvals.
- Appropriate real estate tax prior opinion, if applicable.
- Satisfactory review of plans and specifications, hard cost budget, trade payment breakdown and permits, by a consulting engineer retained by Lender, and verification of the total project cost by Lender.
- Approval of current financial statements of the Guarantors and entities that make up the General Contractor joint venture.
- Borrower counsel opinion in form and content satisfactory to Lender.
- Receipt and satisfactory review of master lease.
- Receipt and satisfactory review of final partnership agreement.
- Receipt and satisfactory review of ESDC Restore NY grant documentation.
- Receipt and satisfactory review of tri-party/intercreditor agreement.
- Receipt and satisfactory review of PILOT Agreement

Reporting Requirements:

- Beginning with fiscal year ending December 31, 2011, Guarantors will provide auditor reviewed financial statements within 120 days from fiscal year end and, upon Lender request, US Federal income tax returns within 30 days of filing.
- Beginning with fiscal year end 2011, Bishop Beaudry Construction, LLC will provide audited financial statements within 120 days from fiscal year end and, upon Lender request, US Federal income tax returns within 30 days of filing.
- Beginning with fiscal year end 2012, Borrower will provide audited financial statements within 120 days from fiscal year end and, upon Lender request, US Federal income tax returns within 30 days of filing.

- During the Construction Loan term, beginning 30 days from the end of each calendar month (after leasing has commenced), Borrower will provide monthly operating statement on a cash basis for the Project, including a report of monthly rent collections (including a rent roll identifying tenants by name and unit of occupancy), a report detailing the total number of units occupied and vacant as of the end of that calendar month, the budget for the current month, year-to-date activity, year-to-date budget and a reconciliation of NOI for that month.
- Additional information as may be requested by Lender.

Construction Consultant: The Lender's construction monitoring group will monitor construction and be the final approver of each requisition. As part of this process, the Lender will engage, at Borrower's expense, an independent consultant who will review the budget, plans and specifications and timelines as well as construction requisitions on a monthly basis. The closing of the contemplated facility would be predicated upon an acceptable review of the budget and the final conclusions that the budget is sufficient to complete the Project.

Advances and Retainage: Disbursements will be authorized not more frequently than monthly based upon the percentage of approved work in place and hard costs will be subject to a 10% retainage until 50% completion. The rate of Retainage on future advances would then be reduced to 5%, resulting in 7.5% Retainage held overall, pending satisfactory completion of the Improvements, all subject to the discretion of the Lender.

All subsidies that are available for funding into the project will be advanced prior to Loan proceeds.

Developer's Fee: No developer fee will be advanced at closing or during the construction period, with the exception of \$302,387. Any additional amounts paid during the term of the Facility will be escrowed with Lender. The remainder will not be advanced until after repayment of the Loan.

Interest Reserve: The development budget must provide an interest reserve satisfactory to Lender.

Hard Cost Contingency: A minimum of 10% is required and must be calculated on the total amount of the general contract, including profit, overhead and general conditions.

General Contractor: A joint venture between Bishop Beaudry Construction, LLC and Norstar Building Corporation, subject to Lender review and approval of financial condition, capacity and experience.

Payment and Performance Bond: A payment and performance bond from a surety acceptable to Lender is required. The surety must carry an A.M. Best rating of A-/VIII or better.

In lieu of a payment and performance bond, the Lender will accept a letter of credit equal to ten percent (10%) of the value of the construction contract issued by a bank acceptable to the Lender, which shall require only a statement of default as a condition to draw and shall otherwise be in form and content satisfactory in all respects to the Lender.

Architect: Dave Sadowsky, Architect, P.C.
97 Maxon Road,
Petersburgh, NY 12138
Ph: 518-658-2830
E-mail: dave@sadowskyarchitect.com

Lender Consulting Engineer: To be determined

Environmental Consultant and Audit Requirement:	An environmental assessment of the subject property will be completed by an environmental professional acceptable to Lender and the results of the assessment must be satisfactory to Lender.
Property Manager:	Albany Housing Authority, and management contract subject to Lender and investor approval.
Title Insurance:	The Borrower will purchase and provide a mortgagee's title policy in the amount of the loan by a title underwriter acceptable to the Lender subject only to coverage exceptions and encumbrances approved by Lender in its sole discretion.
Hazard and Liability Insurance:	<p>The Borrower will be required to maintain "all risk" non-reporting insurance (including earthquake coverage) in an amount and issued by an insurer satisfactory to Lender. The policy must be written on a 100% insurable value replacement cost basis (excluding land). The property policy must include the following endorsements:</p> <ul style="list-style-type: none"> • Non-contributing mortgagee clause naming Chase as Mortgagee • Loss payable clause naming Chase as Loss Payee • Ordinance or Change in Law Endorsement (demolition, contingent liability and increased cost of construction) equal to 25% of the property insurance limit <p>Borrower must provide a signed/original insurance binder or cover note as evidence of coverage prior to closing (provided the binder provides at least 60 days of coverage beyond the loan closing date).</p> <ul style="list-style-type: none"> • Commercial General Liability Insurance with limits of not less than \$1,000,000 per occurrence combined single limit and \$2,000,000 in the aggregate, together with Umbrella/Excess Liability Coverage with a limit of liability of \$5,000,000, for loans between \$1,000,000 and \$10,000,000 extended for the policy period, and extended to cover (i) Contractual Liability assumed by Borrower, (ii) Independent Contractors Liability, (iii) Broad Form Property Damage Liability, (iv) Products & Completed Operations, (v) waiver of subrogation against all parties named additional insured, (vi) Severability of Interest provision and (vii) Personal Injury and Advertisers Liability. • Workmen's Compensation and Employers Liability Insurance of not less than \$1 million, if the Borrower will have employees. • Automobile Liability of not less than \$1 million, including coverage on owned, hired and non-owned autos is used in connection with work at the Project, if the Borrower will have vehicles. • Flood insurance, if required • Such other insurance as Chase may require, which may include, without limitation, errors and omissions insurance with respect to the contractors, architects and engineers, earthquake insurance, rent abatement and/or business loss. <p>All insurance policies shall (i) be issued by an insurance company licensed to do business in the state where the property is located having a rating of "A-" VIII or better by AM Best Col, in Best's Rating Guide, (ii) name "JPMorgan Chase Bank, N.A., any and all subsidiaries as their interest may appear" as additional insured on all liability insurance and as mortgagee and loss payee on all All-Risk Property insurance, (iii) be endorsed to show that Borrower's insurance shall be primary and all insurance carried by Chase is strictly excess and secondary and shall not contribute to the Borrower's insurance, (iv) provide</p>

that Chase is to receive thirty (30) days written notice prior to non-renewal or cancellation, (v) be evidenced by a certificate of insurance to be provided to Chase, (vi) include either policy or binder numbers on the Accord form, and (vii) be in form and in amounts acceptable to Chase.

The General Contractor shall be required to provide insurance in amounts acceptable to Chase in accordance with its requirements.

- Due on Sale Provision: The Loan is due in full on any sale or refinance of the Project or any interest therein or in the Borrower.
- Permitted Transfers: None without Lender's consent prior to repayment. \$3,000 review fee and transfer fee equal to 1% of loan balance. Transfer fee waived if general partner removed for cause by limited partner. For limited partner transfer, approval provided if transferee is bank, insurance company, or investment grade company, no defaults exist, all capital contributions have been made, and \$3,000 review fee paid.
- Break Funding Payments: For the Construction Loan, in the event of any payment of principal on other than the last day of an interest period applicable thereto, the Borrower shall compensate Lender for the loss, cost and expense attributable to that event.
- Property Operating Accounts: All property operating accounts (including Project disbursement account) will be established and maintained at Chase during the construction period.
- Expenses: All expenses associated with this financing, including but not limited to the appraisal (if applicable), environmental audit, construction review and monitoring, Lender legal, title, recording, survey, etc., will be the responsibility of the Borrower. Borrower and Guarantors jointly and severally guarantee to reimburse Chase for all fees and expenses incurred related to the subject transaction regardless of whether Chase issues a commitment and/or closes the proposed transaction. A fee of \$300.00 will be collected at construction closing for deposit account fees during construction loan term.
- Information Sharing: The Borrower and Guarantors agree that Chase may provide any information or knowledge Chase may have about the Borrower, Guarantors or about any matter relating to the facilities described in this term sheet to any one or more banks, potential banks, participants or assignees of facilities described herein. The Borrower agrees that Chase may at any time sell, assign or transfer one or more interests or participations in all or any part of its rights and obligations in the facilities described herein to one or more participants whether or not related to Chase.
- LIHTC Syndicator: Stratford Capital Group
100 Corporate Place, Suite 404
Peabody, MA 01960
Miles M. Hapgood III
Ph: (978) 535-5600 x 24
Fax: (978) 535-1141
E-mail: mmh@stratfordcapitalgroup.com
- Borrower Counsel: Cannon Heyman & Weiss, LLP
54 State Street, 5th Floor
Albany, New York 12207
Geoff Cannon
Ph: (518) 465-1500 ext. 130
Fax: (518) 465-6678
E-mail: gcannon@chwattys.com

LIHTC Syndicator Counsel:

To be determined

Lender Counsel:

Phillips Lytle, LLP
1400 First Federal Plaza
Rochester, NY 14614

Thomas R. Burns
Ph: (585) 238-2001
E-mail: tburns@phillipslytle.com

Victoria L. Grady
Ph: (585) 238-2010
E-mail: vgrady@phillipslytle.com

SEGEL, GOLDMAN, MAZZOTTA & SIEGEL, P.C.

Attorneys and Counselors at Law

9 WASHINGTON SQUARE
ALBANY, NEW YORK 12205

TELEPHONE: (518) 452-0941
FAX: (518) 452-0417

Debra J. Lambek
debra@sgmalbany.com

November 8, 2011

Joseph A. Scott, III, Esq.
Hodgson Russ LLP
677 Broadway, Suite 301
Albany, New York 12207

Re: City of Albany Industrial Development Agency (“Agency”) and Albany Mid
Town Hotel, LLC (“Company”)

Dear Joe:

In November of 2006 the City of Albany Industrial Development Agency entered into a “straight-lease” transaction with Albany Mid Town Hotel, LLC with respect to the following project: (A) (1) the acquisition of an interest in certain real estate containing approximately 2.06 acres located at the intersection of New Scotland Avenue and Holland Avenue in the City of Albany, Albany County, New York (the “Land”); (2) the construction of an approximately 98,000 square foot. Seven (7) story building (the “Facility”); and (3) the acquisition and installation thereon and therein of certain machinery and equipment located therein and thereon (the “Equipment”) (the Land, the Facility and the Equipment hereinafter collectively referred to as the “Project Facility”).

In connection with the “straight lease” transaction, the parties entered into a payment in lieu of tax agreement which does not terminate until 2017.

The Company has given a mortgage to First Niagara Bank, N.A. (“Lender”) on the Project in the principal amount of Fourteen Million Five Hundred Thousand Dollars and 00/100 (\$14,500,000). The Company is in the process of refinancing its existing mortgage loan and the amount of the loan remains unchanged.

The Company hereby requests that the Agency execute the mortgage document thereby mortgaging its interest in the Project Facility to the Lender. The Company is requesting no financial assistance in connection with this refinancing. Copies of the draft mortgage and assignment of lease and rents are enclosed for your review. Please let me know if you require any further information in order to review our request. Thank you.

SEGEL, GOLDMAN, MAZZOTTA & SIEGEL, P.C.
Attorney and Counselors at Law

Sincerely,

SEGEL GOLDMAN MAZZOTTA & SIEGEL, P.C.

A handwritten signature in black ink, appearing to read 'Debra J. Lambek', with a long horizontal flourish extending to the right.

Debra J. Lambek, Esq.

cc: Erik Smith

**RESOLUTION AUTHORIZING NEW MORTGAGE
ALBANY MID-TOWN HOTEL, LLC PROJECT**

A regular meeting of City of Albany Industrial Development Agency (the "Agency") was convened in public session at the offices of the Agency located at 21 Lodge Street in the City of Albany, Albany County, New York on November 17, 2011 at 12:15 p.m., local time.

The meeting was called to order by the (Vice) Chairman of the Agency and, upon roll being called, the following members of the Agency were:

PRESENT:

Anthony J. Ferrara	Chairman
Willard A. Bruce	Vice Chairman
Susan Pedo	Secretary
Hon. Kathy Sheehan	Treasurer
Martin Daley	Member

ABSENT:

AGENCY STAFF PRESENT INCLUDED THE FOLLOWING:

Michael J. Yevoli	CEO - Capitalize Albany Corporation
Megan Daly	Department of Development and Planning
Erik Smith	CFO - Capitalize Albany Corporation
Bradley Chevalier	Economic Development Specialist, Capitalize Albany Corporation
Amy Gardner	Administrative Assistant, Capitalize Albany Corporation
John J. Reilly, Esq.	Agency Counsel
A. Joseph Scott, III, Esq.	Agency Special Counsel

The following resolution was offered by _____, seconded by _____, to wit:

Resolution No. _____

**RESOLUTION AUTHORIZING THE EXECUTION BY CITY OF ALBANY
INDUSTRIAL DEVELOPMENT AGENCY OF A CERTAIN MORTGAGE AND
RELATED DOCUMENTS IN CONNECTION WITH THE ALBANY MID-TOWN
HOTEL, LLC PROJECT.**

WHEREAS, the Agency is authorized and empowered by the provisions of Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 325 of the 1974 Laws of New York, as amended, constituting Section 903-a of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, and recreation facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State

of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, to accomplish its stated purposes, the Agency is authorized and empowered under the Act to acquire, reconstruct, renovate and install one or more “projects” (as defined in the Act) or to cause said projects to be acquired, reconstructed, renovated and installed, and to convey said projects or to lease said projects with the obligation to purchase; and

WHEREAS, on November 16, 2006 (the “Lease Closing”), the Agency granted certain financial assistance to Albany Mid-Town Hotel, LLC (the “Company”) to assist in financing a project (the “Project”) consisting of the following: (A) (1) the acquisition of an interest in certain real estate containing approximately 2.06 acres located at the intersection of New Scotland Avenue and Holland Avenue in the City of Albany, Albany County, New York (the “Land”); (2) the construction of an approximately 98,000 square foot, seven (7) story building (the “Facility”); and (3) the acquisition and installation thereon and therein of certain machinery and equipment located therein and thereon (the “Equipment”) (the Land, the Facility, and the Equipment hereinafter collectively referred to as the “Project Facility”), all of the foregoing to constitute a hotel facility to be occupied and operated by Hilton Garden Inn; (B) the granting of certain “financial assistance” (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from sales taxes, real property transfer taxes, mortgage recording taxes and real estate taxes (collectively, the “Financial Assistance”); and (C) the lease of the Project Facility to the Company pursuant to the terms of a lease agreement dated as of November 1, 2006 (the “Lease Agreement”) by and between the Company and the Agency; and

WHEREAS, simultaneously with the execution and delivery of the Lease Agreement, the Company executed and delivered to the Agency (A) a certain lease to agency dated as of November 1, 2006 (the “Lease to Agency”) by and between the Company, as landlord, and the Agency, as tenant, pursuant to which the Company leased to the Agency a portion of the Land and all improvements now or hereafter located on said portion of the Land (collectively, the “Premises”) for a lease term ending on December 30, 2018; and (B) a bill of sale dated as of November 1, 2006 (the “Bill of Sale to Agency”), which conveyed to the Agency all right, title and interest of the Company in the Equipment; and

WHEREAS, in order to finance a portion of the costs of the Project, the Company obtained a loan in the principal sum of up to \$14,500,000 (the “Original Loan”) from First Niagara Funding (the “Lender”), which Loan was secured by a mortgage dated November 16, 2006 (the “Original Mortgage”) from the Agency and the Company to the Lender; and

WHEREAS, by correspondence dated November 8, 2011 (the “Request”), which Request is attached hereto as Exhibit A, the Agency was informed that the Company intends to refinance the Original Loan with a new loan in the amount of \$14,500,000 (the “New Loan”) with the Lender, which New Loan will be secured by a mortgage (the “New Mortgage”) from the Agency and the Company to the Lender; and

WHEREAS, in connection with the Request, the Company would like the Agency to enter into the New Mortgage and any other security documents and related documents (collectively, the “New Financing Documents”); and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the “SEQR Act”) and the regulations adopted pursuant thereto by the Department of Environmental Conservation of the State of New York, being 6 NYCRR Part 617, as amended (the “Regulations” and collectively with the SEQR Act, “SEQRA”), the Agency

must satisfy the requirements contained in SEQRA prior to making a final determination whether to proceed with the Request; and

WHEREAS, pursuant to SEQRA, the Agency has examined the Request in order to make a determination as to whether the Request is subject to SEQRA, and it appears that the Request constitutes a Type II action under SEQRA;

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY, AS FOLLOWS:

Section 1. Based upon an examination of the Request, the Agency hereby makes the following determinations:

(A) The Request constitutes a "Type II action" pursuant to 6 NYCRR 617.5(c)(23), and therefore that, pursuant to 6 NYCRR 617.6(a)(1)(i), the Agency has no further responsibilities under SEQRA with respect to the Request.

(B) That since compliance by the Agency with the Request will not result in the Agency providing more than \$100,000 of "financial assistance" (as such quoted term is defined in the Act) to the Company, Section 859-a of the Act does not require a public hearing to be held with respect to the Request.

Section 2. Subject to (A) approval of the form of the New Financing Documents, by Agency counsel, (B) compliance with the existing documents relating to the Project, and (C) receipt by the Executive Director of (1) the Agency's administrative fee relating to the Request, if any, and (2) counsel's fees relating to the Request, the Agency hereby authorizes (a) the execution by the Agency of the New Financing Documents and (b) the execution and delivery by the Agency of an affidavit of exemption from mortgage recording taxes with respect to the New Financing Documents.

Section 3. Subject to the satisfaction of the conditions described in Section 2 hereof, the Chairman (or Vice Chairman) of the Agency is hereby authorized to execute and deliver the New Financing Documents to the Company, and, where appropriate, the Secretary (or Assistant Secretary) of the Agency is hereby authorized to affix the seal of the Agency thereto and to attest the same, all in substantially the form thereof presented to this meeting, with such changes, variations, omissions and insertions as the Chairman (or Vice Chairman) shall approve, the execution thereof by the Chairman (or Vice Chairman) to constitute conclusive evidence of such approval.

Section 4. The officers, employees and agents of the Agency are hereby authorized and directed for and in the name and on behalf of the Agency to do all acts and things required or provided for by the provisions of the New Financing Documents, and to execute and deliver all such additional certificates, instruments and documents, to pay all such fees, charges and expenses and to do all such further acts and things as may be necessary or, in the opinion of the officer, employee or agent acting, desirable and proper to effect the purposes of the foregoing Resolution and to cause compliance by the Agency with all of the terms, covenants and provisions of the New Financing Documents binding upon the Agency.

Section 5. This Resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

Anthony J. Ferrara	VOTING
Willard A. Bruce	VOTING
Susan Pedo	VOTING
Hon. Kathy Sheehan	VOTING
Martin Daley	VOTING

The foregoing Resolution was thereupon declared duly adopted.

STATE OF NEW YORK)
) SS.:
COUNTY OF ALBANY)

I, the undersigned (Assistant) Secretary of City of Albany Industrial Development Agency (the "Agency"), do hereby certify that I have compared the foregoing extract of the minutes of the meeting of the members of the Agency held on November 17, 2011 with the original thereof on file in my office, and that the same is a true and correct copy of said original and of the whole of said original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting; (B) said meeting was in all respects duly held; (C) pursuant to Article 7 of the Public Officers Law (the "Open Meetings Law"), said meeting was open to the general public, and due notice of the time and place of said meeting was given in accordance with such Open Meetings Law; and (D) there was a quorum of the members of the Agency present throughout said meeting.

I FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this ___ day of November, 2011.

(Assistant) Secretary

(SEAL)

SEGEL, GOLDMAN, MAZZOTTA & SIEGEL, P.C.

Attorneys and Counselors at Law

9 WASHINGTON SQUARE
ALBANY, NEW YORK 12205

TELEPHONE: (518) 452-0941
FAX: (518) 452-0417

Debra J. Lambek
debra@sgmalbany.com

November 8, 2011

Joseph A. Scott, III, Esq.
Hodgson Russ LLP
677 Broadway, Suite 301
Albany, New York 12207

Re: City of Albany Industrial Development Agency ("Agency") and Albany Mid
Town Hotel, LLC ("Company")

Dear Joe:

In November of 2006 the City of Albany Industrial Development Agency entered into a "straight-lease" transaction with Albany Mid Town Hotel, LLC with respect to the following project: (A) (1) the acquisition of an interest in certain real estate containing approximately 2.06 acres located at the intersection of New Scotland Avenue and Holland Avenue in the City of Albany, Albany County, New York (the "Land"); (2) the construction of an approximately 98,000 square foot. Seven (7) story building (the "Facility"); and (3) the acquisition and installation thereon and therein of certain machinery and equipment located therein and thereon (the "Equipment") (the Land, the Facility and the Equipment thereafter collectively referred to as the "Project Facility").

In connection with the "straight lease" transaction, the parties entered into a payment in lieu of tax agreement which does not terminate until 2017.

The Company has given a mortgage to First Niagara Bank, N.A. ("Lender") on the Project in the principal amount of Fourteen Million Five Hundred Thousand Dollars and 00/100 (\$14,500,000). The Company is in the process of refinancing its existing mortgage loan and the amount of the loan remains unchanged.

The Company hereby requests that the Agency execute the mortgage document thereby mortgaging its interest in the Project Facility to the Lender. The Company is requesting no financial assistance in connection with this refinancing. Copies of the draft mortgage and assignment of lease and rents are enclosed for you review. Please let me know if you require any further information in order to review our request. Thank you.

SEGEL, GOLDMAN, MAZZOTTA & SIEGEL, P.C.
Attorney and Counselors at Law

Sincerely,

SEGEL GOLDMAN MAZZOTTA & SIEGEL, P.C.

A handwritten signature in black ink, appearing to be 'Debra J. Lambek', with a stylized, cursive script.

Debra J. Lambek, Esq.

cc: Erik Smith

October 3, 2011

To The Board of Directors
City of Albany Industrial Development Agency,
a Component Unit of the City of Albany
21 Lodge Street
Albany, NY 12207

We are pleased to confirm our understanding of the services we are to provide the City of Albany Industrial Development Agency, a Component Unit of the City of Albany for the year ended December 31, 2011. We will audit the financial statements of the governmental activities; the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the City of Albany Industrial Development Agency, a Component Unit of the City of Albany as of and for the year ended December 31, 2011. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City of Albany Industrial Development Agency, a Component Unit of the City of Albany's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City of Albany Industrial Development Agency, a Component Unit of the City of Albany's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by accounting principles generally accepted in the United States of America and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis (MD&A)
2. Schedule of Revenues, Expenditures, and Changes in Net Assets-Budget (Non-GAAP Basis) and Actual

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplemental information referred to in the first paragraph when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the City of Albany Industrial Development Agency, a Component Unit of the City of Albany and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the City of Albany Industrial Development Agency, a Component Unit of the City of Albany is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany Industrial Development Agency, a Component Unit of the City of Albany and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report. You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Albany Industrial Development Agency, a Component Unit of the City of Albany's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

City of Albany Industrial Development Agency,
a Component Unit of the City of Albany
October 3, 2011
Page Five

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing.

We will provide copies of our reports to the City of Albany Industrial Development Agency, a Component Unit of the City of Albany; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Teal, Becker & Chiaramonte, CPAs, P.C. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Teal, Becker & Chiaramonte, CPAs, P.C.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Katharine K. Doran is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Our fees for these services for the year ending December 31, 2011 will be \$7,000, plus out-of-pocket costs such as report production, typing, postage, etc. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audits. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Interest of 1.5% per month will be charged on late payments over 45 days. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

It is our policy to keep records related to this engagement for seven years. However, the Firm does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. By your signature below, you acknowledge and agree that upon the expiration of the seven year period, the Firm shall be free to destroy our records related to this engagement.

City of Albany Industrial Development Agency,
a Component Unit of the City of Albany
October 3, 2011
Page Six

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2008 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the City of Albany Industrial Development Agency, a Component Unit of the City of Albany and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

TEAL, BECKER & CHIARAMONTE, CPAs, P.C.



Katharine K. Doran, CPA

RESPONSE:

This letter correctly sets forth the understanding of **City of Albany Industrial Development Agency, a Component Unit of the City of Albany.**

By : _____

Title: _____

Date: _____

Number of bound copies of the financial statements needed: _____

Special mailing instructions for the bound copies of the financial statements: _____

Do you need an electronic copy of the financial statements? _____

Amato, Fox & Company, PC

Certified Public Accountants

**Amato
Fox**

To the Shareholders
Teal Becker & Chiaramonte CPAs, P.C.

We have reviewed the system of quality control for the accounting and auditing practice of Teal Becker & Chiaramonte CPAs, P.C. in effect for the year ended March 31, 2008. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming to professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of CPAs (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming to professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the Firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements and engagements selected included among others, audits of Employee Benefit Plans, engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore; it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Teal Becker & Chiaramonte CPAs, P.C. in effect for the year ended March 31, 2008 has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

Amato, Fox & Company, P.C.

Amato, Fox & Company, P.C.

July 11, 2008

36 Niagara Street
Tonawanda, New York 14150
Phone: 716.694.0336
Fax: 716.694.5081
email: info@amatofox.com

**RESOLUTION
OF THE
CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY**

WHEREAS, the City of Albany Industrial Development Agency (CAIDA) is required to conduct an annual independent audit of the financial statements; and

WHEREAS, the CAIDA staff has recommended retaining the services of Teal, Becker, & Chiaramonte CPAs, P.C.;

NOW, THEREFORE BE IT RESOLVED that the City of Albany Industrial Development Agency has authorized Teal, Becker, & Chiaramonte CPAs, P.C. to perform the necessary professional services as outlined in the attached engagement letter to complete the audit of the financial statements as of and for the year ended December 31, 2011 at an estimated fee of \$7,000.00.

Signed: _____
(Assistant) Secretary

Date of Authorization: November 15, 2011
Prepared by Erik J. Smith