



Tuesday, July 22, 2014
21 Lodge Street, 8:00 a.m.

CAPITALIZE ALBANY
CORPORATION

Capitalize Albany Corporation
Board of Directors Meeting
Agenda

1. Review of Minutes from the Regular Meeting of June 24, 2014
2. Quarterly Financial Report
3. Premium Only Plan Resolution 10-2014
4. Columbia 677, LLC Sale of Ground Lease Resolution 11-2014
5. 412 Broadway Realty LLC Loan Resolution 12-2014
6. Impact Downtown Albany
7. Project Update
8. Personnel Changes
9. Executive Session (if necessary)

Capitalize Albany Corporation Board Meeting

July 22, 2014

Agenda Item #1: Review of Minutes from the Regular Board Meeting of June 24, 2014

Materials:

- 6/24/14 Capitalize Albany Corporation Board Minutes

**Capitalize Albany Corporation Board Meeting
MINUTES
Tuesday, June 24, 2014**

The meeting of the Capitalize Albany Corporation Board of Directors was held at 8:00 a.m., Tuesday, June 24, 2014 at 21 Lodge Street.

The following were in attendance:

Board of Directors:

Michael Castellana	John Harris	John Vero
Dorsey Whitehead	Michele Vennard	Susan Pedo
David Parente	Michael Fancher	Matt Peter
Mark Sullivan	James Linnan	
Bob Curley	Jeff Sperry	

Other:

Thomas M. Owens, Esq.

Staff:

Sarah Reginelli, Mark Opalka, Brad Chevalier, Katie Newcombe, Andy Corcione, Amanda Vitullo and Amy Gardner

Chairman Michael Castellana called the regular meeting of the Capitalize Albany Corporation (“Corporation”) Board to order at 8:04 a.m. The following directors were excused: Anders Tomson, Dr. Robert Jones and Nancy Zimpher

Approval of Minutes for May 27, 2014 Board Meeting

The Board reviewed the minutes of the May 27, 2014 meeting. Jeff Sperry made a motion for approval. Susan Pedo seconded. The Board agreed unanimously to approve the minutes.

Addition of Sarah Reginelli as Authorized Bank Signatory Resolution 9-2014

Counsel reviewed the resolution with the Board. Due to the near-term departure of the President, and in accordance with the Agency’s bylaws, Sarah Reginelli is being proposed to become an authorized signatory on all current Corporation depository accounts.

A motion to adopt the resolution was made by John Harris and seconded by Dorsey Whitehead. A vote being taken, the motion passed unanimously.

CFA Round Four Update

Staff advised the Board that they reviewed 22 CFA applications, in accordance with the Board-approved review criteria to ensure the applications were strong enough for submission. Several potential capital projects were discussed. The Main Street Anchor Grant application that the Corporation submitted for Round 4 of the CFAs was reviewed.

Impact Downtown Albany

Staff advised the Board that the project was entering its second phase of plan development - the implementation plan - and that additional advisory committee meetings would be held over the next few months to review/discuss related matters. The project will likely be wrapping up in September and staff will host a final event to highlight its completion/conclusions.

Other Business

Staff distributed the City of Albany Reinvests Report to the Board and discussed the highlights of the corresponding event. Staff provided an update on the 526 Central Avenue project to the Board. The taxable status of properties held by the Corporation, and filings requested by the Department of Assessment and Taxation in June, were also discussed.

Project Update

Staff reviewed the status of active projects with the Board.

Executive Session

A motion to enter into executive session was made by Jim Linnan, seconded by Dorsey Whitehead and passed unanimously to discuss potential litigation matters and personnel matters. The Board entered into executive session at 9:51am. Staff left the room and the following Directors were present: Michael Castellana, Dorsey Whitehead, David Parente, Mark Sullivan, Bob Curley, John Harris, Michele Vennard, Michael Fancher, James Linnan, Jeff Sperry, John Vero, Susan Pedro, and Matt Peter. The Board left executive session at 10:02 a.m. No actions were taken during executive session.

There being no further business, the Capitalize Albany Corporation Board of Directors regular meeting was adjourned at 10:07 a.m.

Capitalize Albany Corporation Board Meeting

July 22, 2014

Agenda Item #2: Quarterly Financial Report

Materials:

- Financial Report Memo
- 2nd Quarter Financials

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: CAC Finance & Investment Committee
FROM: Mark Opalka
RE: Capitalize Albany Corporation 2nd Quarter Financial Reports
DATE: July 15, 2014

BUDGET PERFORMANCE

On a pre-audit basis, through June 30, 2014, the Capitalize Albany Corporation (CAC) had a net loss of approximately \$33,000. This position compares favorably to the year-to-date (YTD) budgeted net loss of approximately \$243,000. CAC had net income of \$156,000 during the second quarter of 2013.

The significant variances between total budgeted revenue and expense activity through June 30, 2014 and total actual revenue and expense activity is being driven primary by activity related to the Impact Downtown Albany Plan. Year to date contributions received under this plan are under budget by approximately \$33,000. This is result of more contributions being received in the prior year than were initially anticipated. Expenses under this plan are currently under budget by approximately 208,000. This is a direct result of lower than anticipated costs for services rendered by the consultant through June 30th of this year. We expect to be over budget on the project expense by approximately \$60,000 at the end of the year.

My comments below address those remaining categories that deviate in excess of 5% from the YTD budget.

- ***YTD 2014 revenue is \$655,259 and \$15,075 above the 2014 budget.***
 - ***Interest and Investment Income.*** ***YTD 2014 income derived from interest and investments is approximately \$52,000 which is \$2,500 over budget. The positive variance to the budget is primary due to the performance of CAC's investments under HJA management. During the second quarter approximately \$6,500 in fair market value (FMV) impairment adjustments were recorded resulting in YTD FMV adjustments of \$14,578 increase to CAC's investments. Changes in unrealized gains and losses contribute to or detract from investment income and these amounts are not budgeted. The remaining amount of the variance is comprised of a gain of \$3,972 on the sales and redemptions of stock and bonds.***
 - ***Fee Income.*** Rental income is \$24,000 which is 5% over budget. This is primarily the result of the fees received associated with the Sixty State Place loan. The loan was not included within the 2014 budget.

- **Membership and Event Support.** Membership and Event support is \$21,690 which is 8% over budget. Membership fees collected thru June are \$16,150. Year to date this is approximately \$6,000 over budget. Based on anticipated activity this category is expected to be under budget by approximately 6,500. This budget shortfall is expected to be a direct result of lower sponsorship revenue being received in 2014.

- **YTD 2014 expenses are \$661,187 and \$20,144 under the 2014 budget.**
 - **Salaries & Fringe Benefits Expense.** This category is under budget by approximately \$27,000 or 8% shortfall in this category is attributable to position vacancies. Based upon anticipated activity, this category is projected to end the year approximately \$13,700 under budget.
 - **Professional Fee Expense.** This category is over budget by \$10,300 or 6%. The variance is primary attributable to higher legal and IT related expenses offset by lower accounting fees.
 - **Occupancy Expenses.** This category is over budget by approximately \$4,300. This is attributable to higher utility costs.
 - **Membership & event expense.** This category is under budget \$3,700 or 29%. This is reflective of under spending in marketing and promotional expenses.

LOANS

- In May of 2014, CAC received a recovery of \$5,000 in bad debt expense related to the Historic Albany loan.
- In June, CAC received a recovery of \$500 related to the ACE Holding, LLC loan.

BALANCE SHEET

The balance sheet is expected to contract from \$15.5 million as of December 31, 2013 to \$13.8 million as of December 31, 2014. This is primarily attributable to the following:

- Impact Downtown Albany cash outlay of approximately \$325,000.
- Reduction of \$165,000 in fixed assets due to the sale of 245 Lark Street.
- Approximately \$60,000 decrease in restricted cash.
- Depreciation of approximately \$210,000.
- Reduction of bond indebtedness by approximately \$1,070,000 in principal payments. The majority of this reduction, approximately \$928,000, is attributable to Port Warehouse bonds maturing in November. CAC was the conduit issuer of these bonds.

CASH FLOW STATEMENT

- Currently, CAC's December 31, 2014 cash and cash equivalents are anticipated to decrease by \$1.2 million to \$2.3 million. This is primarily attributable to loan portfolio activity and Impact Downtown Albany activity.
- Excluding the projected net cash outlay of Impact Downtown Albany activity, the projected decrease of cash flow from operations is primarily attributable to anticipated employee payments. These include the distribution of the 2014 At-Risk Compensation Pool and salary and fringe benefit payments for approved positions that are currently not filled.
- Cash used in capital and financing activities reflects scheduled debt service payments and equipment purchases made during 2014.
- Projected 2014 cash flow from investing activities reflects projected loan disbursement and repayment activity, direct finance lease payments, and investment activity.

CAPITALIZE ALBANY CORPORATION

Comparative Balance Sheets

Pre-Audited Draft

	June 30, 2014	Projected December 31, 2014	December 31, 2013
Assets			
Current Assets:			
Cash and cash equivalents	\$ 2,992,173	\$ 2,490,469	\$ 3,651,644
Investments	3,398,882	3,398,882	2,857,394
Restricted cash	484,539	494,265	448,983
Mortgage notes receivable, net	2,273,827	2,571,736	2,117,776
Net investment in direct financing leases	1,542,166	668,277	1,738,881
Accrued interest receivable	59,798	59,798	63,326
Grants receivable	-	-	-
Receivables from the City of Albany and City agencies	70,000	-	100,000
Other receivables, net	89,562	88,462	93,584
Property held for investment and lease, net	3,358,703	3,024,426	3,358,703
Property and equipment, net	428,063	400,841	428,063
Other assets	649,888	649,888	655,751
Total assets	\$ 15,347,601	\$ 13,847,044	\$ 15,514,105
Deferred Outflows of Resources	\$ -	\$ -	\$ -
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 222,631	\$ 150,520	\$ 192,740
Due to the City of Albany	99,507	40,000	99,507
Unearned grant and other income	921,270	868,770	921,170
Bonds payable, current portion	3,705,101	2,520,000	3,868,591
Revolving loan fund liability	702,454	702,454	702,248
Unearned program support	81,447	81,447	81,447
Total liabilities	\$ 5,732,410	\$ 4,363,190	\$ 5,865,703
Deferred Inflows of Resources	\$ -	\$ -	\$ -
Net Position			
Net invested in capital assets	\$ 1,586,766	\$ 1,586,766	\$ 1,586,766
Restricted for:			
Debt service	171,401	171,401	171,401
CDBG eligible activities	118,822	118,822	118,822
Other program specific activities	9,035	9,035	9,035
Impact Downtown Albany	11,253	11,253	11,253
Unrestricted	7,717,914	7,586,576	7,751,126
Total net position	\$ 9,615,191	\$ 9,483,853	\$ 9,648,403

	January 1, 2014 - December 31, 2014								
	2nd Quarter	YTD Actual	YTD Budget	Variance - \$	Variance - %	July - Dec 2014 Forecast	2014 Projection	Original Budget	Projected Variance from Budget
REVENUE									
General Economic & Community Development Support Income	\$ 184,200	\$ 246,700	\$ 237,900	\$ 8,800	4%	\$ 254,900	\$ 501,600	\$ 527,800	\$ (26,200)
Real Estate Income	77,236	112,286	112,166	120	0%	296,014	408,300	381,120	27,179
Professional Service Agreement Income	75,000	150,000	150,000	-	0%	150,000	300,000	300,000	-
Loan Interest Income	18,647	37,957	36,975	981	3%	60,593	98,549	85,239	13,310
Fee Income	10,457	23,956	22,922	1,034	5%	21,795	45,751	38,767	6,984
Direct Finance Lease Income	10,216	20,570	20,669	(99)	0%	91,978	112,548	115,488	(2,940)
Investment & Interest Income	17,736	33,550	49,553	(16,003)	-32%	38,250	71,800	99,104	(27,304)
FMV Adj on Fidelity Inv	6,543	14,578	-	14,578	100%	-	14,578	-	14,578
G/L on Sale/Redemption	3,763	3,972	-	3,972	100%	-	3,972	-	3,972
Membership & Event Support	21,690	21,690	20,000	1,690	8%	9,350	31,040	37,500	(6,460)
TOTAL REVENUE	\$ 425,488	\$ 665,259	\$ 650,184	\$ 15,075	2%	\$ 922,879	\$ 1,588,138	\$ 1,585,019	\$ 3,119
EXPENSE									
Salaries Expense	\$ 110,914	\$ 243,447	\$ 261,240	\$ (17,793)	-7%	\$ 301,903	\$ 545,350	\$ 571,320	\$ (25,970)
Approved At Risk Compensation Pool	-	-	-	-	0%	34,935	34,935	-	34,935
Fringe Expense	29,212	67,467	76,567	(9,100)	-12%	65,364	132,831	155,535	(22,704)
Professional Fees	95,360	198,209	187,823	10,386	6%	163,925	362,134	333,748	28,386
Administrative Expenses	44,333	67,457	67,144	313	0%	33,795	101,252	109,144	(7,892)
Interest Expense	9,426	39,521	39,521	-	0%	32,886	72,406	76,255	(3,850)
Real Estate Expenses	11,620	22,877	21,933	945	4%	25,541	48,418	51,065	(2,647)
Occupancy Expense	8,975	18,546	14,228	4,318	30%	26,117	44,662	40,760	3,902
Bad Debt Expense (recovery)	(5,500)	(5,500)	-	(5,500)	0%	-	(5,500)	-	(5,500)
Membership & Event Expense	8,914	9,164	12,875	(3,711)	-29%	9,381	18,545	18,875	(330)
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 313,253	\$ 661,187	\$ 681,331	\$ (20,144)	-3%	\$ 693,847	\$ 1,355,033	\$ 1,356,703	\$ (1,670)
NET INCOME BEFORE DEPRECIATION & PROGRAM ACTIVITY	\$ 112,235	\$ 4,071	\$ (31,147)	\$ 35,219	-113%	\$ 229,033	\$ 233,105	\$ 228,316	\$ 4,789
DEPRECIATION	\$ -	\$ -	\$ -	\$ -	0%	\$ 210,748	\$ 210,748	\$ 212,714	\$ (1,966)
NET INCOME (LOSS) AFTER DEPRECIATION	\$ 112,235	\$ 4,071	\$ (31,147)	\$ 35,218	-113%	\$ 18,285	\$ 22,357	\$ 15,602	\$ 6,755
PROJECT & PROGRAM REVENUE									
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	#DIV/0!	\$ 200,000	200,000	\$ 200,000	\$ -
Downtown Tactical Plan	38,500	81,500	114,500	(33,000)	-29%	107,500	189,000	255,428	(66,428)
New York Main Street	-	-	-	-	0%	-	-	-	-
Total Program Income	\$ 38,500	\$ 81,500	\$ 114,500	\$ (33,000)	-29%	\$ 307,500	\$ 389,000	\$ 455,428	\$ (66,428)
PROJECT & PROGRAM EXPENSE									
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	#DIV/0!	\$ 185,000	185,000	\$ 200,000	\$ (15,000)
Downtown Tactical Plan	42,356	118,784	326,747	(207,963)	-64%	272,124	390,907	326,747	64,160
New York Main Street	-	-	-	-	0%	-	-	-	-
Total Program Expense	\$ 42,356	\$ 118,784	\$ 326,747	\$ (207,963)	0%	\$ 457,124	\$ 575,907	\$ 526,747	\$ 49,160
NET INCOME (LOSS) FROM PROGRAM ACTIVITY	\$ (3,856)	\$ (37,284)	\$ (212,247)	\$ 174,963	-82%	\$ (149,624)	\$ (186,907)	\$ (71,319)	\$ (115,588)
NET INCOME (LOSS) AFTER DEPRECIATION & PROGRAM ACTIVITY	\$ 108,379	\$ (33,213)	\$ (243,394)	\$ 210,181	-86%	\$ (131,339)	\$ (164,550)	\$ (55,717)	\$ (108,833)

Capitalize Albany Corporation**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS**

Pre Audited Draft

	YTD June 30, 2014	Projected December 31, 2014	Year Ended December 31, 2013
Revenues			
Grant income and Contribution Income	\$ 328,200	\$ 890,600	\$ 812,372
Rental income	114,035	372,008	378,408
Other interest and investment income	70,921	199,490	254,484
Interest income on mortgage notes	37,957	98,549	82,775
Gain on sale of properties	-	39,699	-
Fees and other income	195,646	376,791	340,478
Total revenues	<u>746,759</u>	<u>1,977,137</u>	<u>1,868,517</u>
Expenses			
Salaries and fringe benefits	310,915	713,116	644,284
Program and project costs	144,248	808,114	544,248
Interest expense	39,521	72,406	86,666
Bad debt expenses (recovery)	(5,500)	(5,500)	(25,490)
Administrative Expenses	290,788	553,553	537,504
Total expenses	<u>779,972</u>	<u>2,141,689</u>	<u>1,787,212</u>
Excess of (expenses over revenues) revenues over expenses	(33,213)	(164,550)	81,305
Net Position, Beginning of Year	<u>9,648,403</u>	<u>9,648,403</u>	<u>9,567,098</u>
Net Position, End of Month	<u>\$ 9,615,191</u>	<u>\$ 9,483,853</u>	<u>\$ 9,648,403</u>

CAPITALIZE ALBANY CORPORATION
STATEMENTS OF CASH FLOWS
Pre-Audited Draft

	June 30, 2014	Projected December 31, 2014	December 31, 2013
Cash Flows From Operating Activities			
Cash received from customers	\$ 214,226	\$ 701,609	\$ 582,948
Cash received from grantors	247,006	699,406	628,470
Other operating cash receipts	195,646	376,791	340,478
Cash payments to suppliers and grantees	(329,466)	(789,427)	(703,248)
Cash payments to employees	(310,915)	(713,115)	(644,284)
Net cash provided by operating activities before Impact Downtown Albany activity	<u>16,497</u>	<u>275,264</u>	<u>204,364</u>
Cash received from Impact Downtown Albany grantors and contributors	81,500	139,000	211,572
Cash payments to Impact Downtown Albany suppliers	(75,680)	(463,220)	(74,590)
Net cash provided by Impact Downtown Albany activities	5,820	(324,220)	136,982
Net cash provided by operating activities	<u>22,317</u>	<u>(48,956)</u>	<u>341,346</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from sale of property held for sale	-	200,000	-
Purchase of property held for investment and lease	-	(3,800)	-
Purchase of property and equipment	-	(5,750)	(5,461)
Purchase of other assets including purchase options	-	-	-
Principal payments on bonds payable	(163,489)	(1,348,591)	(339,846)
Interest paid on bonds payable	(39,521)	(79,804)	(88,966)
Net cash used in capital and related financing activities	<u>(203,010)</u>	<u>(1,237,945)</u>	<u>(434,273)</u>
Cash Flows From Investing Activities			
Interest on cash and cash equivalents and investments	33,550	71,802	84,434
Net decrease (increase) in restricted cash	(35,556)	(45,282)	(61,264)
Proceeds from sales and maturities of investments	1,527,849	1,527,849	1,716,988
Purchase of investments	(2,050,786)	(2,050,786)	(1,785,829)
Issuance of mortgage notes receivable	(500,000)	(850,000)	-
Repayments received on mortgage notes receivable	349,450	401,540	759,142
Principal payments received under direct financing leases	196,715	1,070,604	188,751
Net cash used in investing activities	<u>(478,778)</u>	<u>125,727</u>	<u>902,222</u>
Change in cash and cash equivalents	(659,471)	(1,161,175)	809,295
Cash and cash equivalents:			
Beginning of year	<u>3,651,644</u>	<u>3,651,644</u>	<u>2,842,349</u>
End of year	<u>\$ 2,992,173</u>	<u>\$ 2,490,469</u>	<u>\$ 3,651,644</u>

	June 30, 2014	Projected December 31, 2014	December 31, 2013
Reconciliation of Excess of (Expenses Over Revenues) Revenues Over Expenses to Net Cash Provided by Operating Activities			
Excess of (expenses over revenues) revenues over expenses	\$ (33,213)	\$ (164,551)	\$ 81,305
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	-	210,748	211,756
Adjustment for losses on mortgage notes and other receivables	(5,500)	(5,500)	(25,490)
Gain on sale of property	-	(39,699)	-
Net realized and unrealized losses (gains) on investments	(18,551)	(18,551)	(43,389)
Interest income on cash and cash equivalents and investments	(33,550)	(71,800)	(80,285)
Interest expense on bonds payable	39,521	79,804	86,666
Changes in:			
Grants receivable	-	-	(37,500)
Other receivables, accrued interest receivable and other assets	43,414	114,513	(9,045)
Accounts payable and accrued expenses	29,890	(42,220)	92,099
Due to the City of Albany	0	(59,507)	59
Unearned grant and other income	100	(52,400)	64,797
Revolving loan fund liability	206	206	373
Net cash provided by operating activities	<u>\$ 22,317</u>	<u>\$ (48,956)</u>	<u>\$ 341,346</u>

Capitalize Albany Corporation Board Meeting

July 22, 2014

Agenda Item #3: Premium Only Plan Resolution 10-2014

Materials:

- Memo to the Board
- Premium Only Plan Resolution 10-2014

TO: Capitalize Albany Corporation Finance & Investment Committee
FROM: Capitalize Albany Corporation Staff
RE: Premium Only Plan
DATE: June 16, 2014

Paychex, our current payroll provider, is offering to administer a Premium **Only Plan**, or **POP** for \$40 a month. POP is an employee benefit designed to help businesses and their employees reduce the tax expense associated with paying premiums on group insurance benefits. These tax savings are available under Section 125 of the Internal Revenue Code.

Participation in POP reduces your employee's taxable salary and increases the percentage of their take home pay. Currently our employees are taxed (Federal, State and FICA) on the full amount of their earnings; under the POP, the amount of their medical deductions is excluded from the tax calculations. In reducing the overall employee taxable income, CAC's Social Security and Medicare Tax (FICA) is also reduced.

Adoption of this plan results in an estimated savings to our employees of \$2,500. The net savings to CAC is less than \$30, which is the net of the \$480 administrative cost of the plan and the \$508 estimated annual savings we would have.

We are recommending that we adopt a POP plan which would allow these health premiums to be paid with pretax dollars resulting in a savings to our employees, with little affect on CAC. Below is a breakdown of the savings that would be realized for both CAC and employee.

	Per Pay Period Insurance Withholding	Average Per pay period savings		Estimated Annual Savings **	
		Employee	CAC	Employee	CAC
Single Coverage	\$ 24.83	\$ 8.47	\$ 1.90	\$ 813.12	\$ 182.35
Family Coverage	\$ 177.21	\$ 69.55	\$ 13.56	\$ 1,669.20	\$ 325.36
Total	\$ 202.04	\$ 78.02	\$ 15.46	\$ 2,482.32	\$ 507.71
Administrative cost to CAC					\$ 480.00
Net CAC Savings					\$ 27.71
** 4 Single coverage, 1 Family coverage, bi-monthly deduction					

**RESOLUTION 10-2014
OF THE
CAPITALIZE ALBANY CORPORATION**

WHEREAS, the Board believes that attracting/retaining talented and motivated management and staff is the most important factor in properly and effectively executing its corporate mission and attaining the performance objectives set by the Board; and

WHEREAS, the Board strongly believes in establishing employee benefit programs which assist the Corporation in the attraction/retention of its valued employees; and

WHEREAS, the Board has determined that it would be in the best interests of the Corporation to adopt a “Section 125 Premium Only Plan” allowing for the employee-share of employee health insurance costs to be deducted from employees compensation pre-tax, resulting in savings to employees at a reasonable cost to the Corporation; and

WHEREAS, it is believed that the adoption of this plan, will result in enhanced employee retention, motivation and recruitment; and

WHEREAS, the staff believes the costs of implementing such a Plan with its payroll service provider (Paychex) to be reasonable; and

NOW THEREFORE BE IT RESOLVED, that the Board adopts a “Section 125 Premium Only Plan” (“Plan”) and authorizes the President to execute those documents to implement the Plan and Paychex is appointed as Plan Service Provider; and the Corporation is designated as Plan Administrator; and the Corporation Controller designated as Trustee.

Signed: _____
Michael Castellana, Chairman

Date of Authorization: July 15, 2014
Prepared by Mark J. Opalka

Capitalize Albany Corporation Board Meeting

July 22, 2014

Agenda Item #4: Columbia 677, LLC Sale of Ground Lease Resolution 11-2014

Materials:

- Memo to the Board
- Columbia 677, LLC Sale of Ground Lease Resolution 11-2014

Columbia 677, LLC Ground Lease Summary/Request to Purchase Leasehold Interest

- Landlord:** Capitalize Albany Corporation
Tenant: Columbia 677, LLC
Property: +/- 0.5 acre real property parcel (677 Broadway, Albany, New York, 12207)
- Purpose:** CAC leased its real property rights to enable the construction of 677 Broadway Office Building
- Lease Term:** 12/18/2002 – 12/31/2038 (18-month construction period + 35 years term)
- Rent:** Lease is “triple net”
- 1) \$100,000 paid on lease execution in 2002;
 - 2) \$100,000 paid on satisfaction of certain conditions in 2003 (e.g. government approvals, building permit, etc.);
 - 3) \$200,000 paid installment starting on lease amendment execution in 2003;
 - 4) \$75,000/yr for years 1-26;
 - 5) \$50,000/yr for years 27-35

Tenant has pre-paid \$125,000 rent. Pre-paid rent is applied at the end of the lease term (e.g., 2038 and 2037 rent is fully paid, and \$25,000 of 2036 rent is paid).

- Purchase Option:** Tenant has the option to purchase leasehold interest at any time after the 15th anniversary of the commencement date (August 1, 2018) at the purchase price of:
- 1) If exercised between the 15th and the 24th leases years the aggregate rent for balance of the term;
 - 2) If exercised after the 24th lease year the present value of the rent remaining for the balance of the term using a discount rate of 6%

Tenant Request to CAC:

Columbia 677, LLC is seeking the Corporation to approve 1) the termination of its leasehold interest in the property to Columbia 677, LLC and 2) the transfer of the fee simple interest in the property to Columbia 677, LLC. In return, Columbia 677, LLC will pay the Corporation all rent due from the date of the leasehold interest termination until expiration of the leasehold interest term.

Please note that this is in contrast to the request to consent to Columbia 677, LLC new mortgage on the property that was considered and approved by CAC in May 2014.

Staff Analysis:

As of July 1, the outstanding aggregate rent for the balance of the term was \$1,481,250. This balance takes into account the \$125,000 in pre-paid rent as described above. This transaction would result in the Corporation realizing income for the remaining amount of the lease in the amount of \$1,880,000. This includes \$398,750 in deferred revenue as a result of lease prepayments.

**RESOLUTION 11-2014
OF THE
CAPITALIZE ALBANY CORPORATION**

WHEREAS, the mission of Capitalize Albany Corporation is to facilitate economic, commercial and business development in the City of Albany; and

WHEREAS, in support of its mission and pursuant to Resolution 22-2002, CAC entered into a 35 year ground lease with Columbia 677, LLC, thereby facilitating the development of the 677 Broadway property and surrounding area; and

WHEREAS, Columbia 677, LLC has been fully performing all its ground lease covenants and obligations; and

WHEREAS, Capitalize Albany Corporation has received a request from Columbia 677, LLC to sell the ground lease for the total amount of outstanding rent due over the lease term (at no discount) and transfer fee simple interest of the 677 Broadway property to facilitate the refinancing of the property; and

WHEREAS, the Board believes that sale of the ground lease to Columbia 677, LLC for \$1,481,250, as of July 1, 2014, to be in best interests of the Corporation as compared to continuing to collect annual rent over the term of the lease; and

NOW THEREFORE BE IT RESOLVED, that Capitalize Albany Corporation approves the sale of the ground lease and transfer of fee simple interest of the 677 Broadway property to Columbia 677, LLC in consideration of all outstanding rent due over the lease term without application of a discount rate. Columbia 677, LLC will be responsible for all costs associated with the closing including, but not limited to, Corporation legal fees, filing fees, recording fees, etc.

Signed: _____
Anders Tomson, Vice Chairman

Date of Authorization: July 22, 2014
Prepared by Bradley Chevalier

Capitalize Albany Corporation Board Meeting

July 22, 2014

Agenda Item #5: 412 Broadway Realty LLC Loan Resolution 12-2014

Materials:

- 412 Broadway Realty LLC Loan Resolution 12-2014

**RESOLUTION 12-2014
OF THE
CAPITALIZE ALBANY CORPORATION**

WHEREAS, Capitalize Albany Corporation has reviewed the application of 412 Broadway Realty, LLC for a subordinate loan in the amount of \$400,000 to assist with the completion of the redevelopment of 396 Broadway and 412 Broadway, Albany, New York from a vacant commercial office building and parking lot into a mixed-use apartment building and parking lot; and

WHEREAS, Capitalize Albany Corporation established a Real Estate Loan Program in June 2010 to provide financing to qualifying real estate development projects to support the revitalization of property and the retention/creation of jobs for City residents targeting properties currently vacant or underutilized and where rehabilitation/construction could have a positive effect on the community; and

WHEREAS, a Downtown Leasing and Marketing Study was completed in 2011 which concluded additional residential units are necessary in order to increase retail opportunities in downtown Albany and that downtown could support approximately 200 additional new units per year to supply current demand; and

WHEREAS, this project will further improve downtown vibrancy and encourage retail expansion by creating approximately 32 apartment units and 6,400 square feet of first floor commercial space; and

WHEREAS, an underwriting review has been completed and the project has received funds from M&T Bank for financing in the amount of \$4,300,000;

NOW THEREFORE BE IT RESOLVED, that Capitalize Albany Corporation approves a subordinate loan in the amount of \$400,000 to be secured by the building and property located 396 and 412 Broadway, Albany, New York. Such loan will entail an interest only payment period of (18) eighteen months followed by a principal and interest payment period of (10) ten years with a (30) thirty year amortization schedule. The loan is to be at a fixed interest rate of 4.00% during the interest only payment period and at a fixed interest rate of 5.00% during the principal and interest payment period. The Capitalize Albany Corporation loan is contingent upon the personal guarantees of project principles Marc Paquin and Gerry Gaur.

Signed: _____
Michael Castellana, Chairman

Date of Authorization: July 22, 2014
Prepared by Bradley Chevalier

Capitalize Albany Corporation Board Meeting

July 22, 2014

Agenda Item #6: Impact Downtown Albany

Materials:

- No materials are included.

Capitalize Albany Corporation Board Meeting
July 22, 2014

Agenda Item #7: Project Update

Materials:

- No materials are included.

Capitalize Albany Corporation Board Meeting

July 22, 2014

Agenda Item #8: Personnel Changes

Materials:

- No materials are included.

Capitalize Albany Corporation Board Meeting

July 22, 2014

Agenda Item #9: Executive Session (if necessary)

Materials:

- No materials are included.