



CAPITALIZE ALBANY
CORPORATION

Tuesday, March 26, 2019
21 Lodge Street, 8:00 a.m.

Capitalize Albany Corporation
Board of Directors Meeting

Agenda

1. Review of Minutes from the Regular Meeting of January 22, 2019
2. IDA/CRC Agreements (Old Business)
 - a. IDA/CRC Professional Service Agreement Approval - Resolution 2-2019
 - b. IDA Economic Development Fee for Service Approval - Resolution 3-2019
3. Report of Executive Staff – Corporation Update
 - a. DRI Update
4. Report of the Audit Committee
 - a. Review
 - i. 2018 Audit and 2018 Audited Financial Statements
 - ii. Draft 2018 Management Assessment of Internal Controls Report
 - iii. Draft 2018 Audit Committee Annual Report
 - b. Approve
 - i. Draft 2018 Annual, Procurement & Investment Reports
 - ii. Draft 2018 Public Authorities Performance Measurements Report
5. Report of the Finance & Investment Committee
 - a. 105 Morris Loan – Resolution 4-2019
6. Other Business
7. Board Only and/or Executive Session (if necessary)

Capitalize Albany Corporation Board Meeting

March 26, 2019

Agenda Item #1: Review of Minutes from the Regular Meeting of January 22, 2019

Materials:

- Capitalize Albany Corporation Regular Board Minutes

Capitalize Albany Corporation Board Meeting
MINUTES
Tuesday, January 22, 2019

The meeting of the Capitalize Albany Corporation Board of Directors was held at 8:00 a.m., Tuesday, January 22, 2019 at 21 Lodge Street, Albany, NY.

The following were in attendance:

Board of Directors:

Michael Castellana	Matthew Peter
Sonya del Peral	Havidan Rodriguez
Michael Fancher	Anders Tomson
John Harris	Michele Vennard
Susan Pedo	

Other:

Thomas M. Owens, Esq.

Staff:

Sarah Reginelli, Andy Corcione, Mark Opalka, Mike Bohne, and Genevieve Zurowski.

Excused:

David Parente, Robert Curley, Jeff Sperry, John Vero, Karen Torrejon, Heather Briccetti, Kaweeda Adams

Chairman Michael Castellana called the regular meeting of the Capitalize Albany Corporation (“Corporation”) Board to order at 8:09 a.m.

Approval of Minutes for the December 18, 2019 Regular Board Meeting

The Board reviewed the minutes of the December 18, 2019 Regular Board meeting. Matthew Peter made a motion for approval, Michael Fancher seconded. The Board agreed unanimously to approve the minutes.

Guest Speaker: Mayor Kathy Sheehan

Mayor Kathy Sheehan gave a presentation to the Board on her outlook and priorities for the City of Albany and economic development in a number of development projects including Lincoln Park plan and the Wadsworth Labs. The Mayor emphasized the importance of both downtown revitalization and investment in the City’s neighborhoods. Mayor Sheehan also highlighted the public safety initiatives, as well as the overall health of the City. The Board and the Mayor discussed upcoming economic development priorities.

Report of Executive Staff – Corporation Update

Staff provided an overview of the Corporation’s activities since the last Board meeting, including a general update on project activity, the progress of the Liberty Park transaction, and pending statewide legislation

a. *Downtown Revitalization Initiative*

Staff discussed with the Board the recent status of the Downtown Revitalization Initiative for Clinton Square. Staff explained in detail the planning process and the feasibility of the potential 30 projects. The Board was informed of success of the previous Local Planning Committee (LPC) Meetings and Public Workshops held to share ideas about opportunities for Clinton Square. The final plan will be due March 31st, and the selected projects will be announced in June of 2019. Sarah Reginelli, Michael Castellana and Sonya del Peral disclosed that they are members of the LPC, and noted that they would appreciate feedback from the Capitalize Albany Board as the City's DRI project manager and official economic development organization. The Board discussed the goals and strategies set by the LPC and the potential project list. The Board discussed the high importance of vibrant public spaces and stressed the priority of the proposed public infrastructure improvements and their ability to enhance quality of life, strengthen local sense of place and stimulate additional private investment.

Report of the Finance & Investment Committee

a. *Review of 2018 Unaudited 4th Quarter Results*

Anders Tomson (Chair of the Finance & Investment Committee) discussed the financial performance for the fourth quarter. On a pre-audit basis, through December 31st, the Corporation had net income of \$46,907, which compares favorably to the year-to-date budgeted net loss of \$197,310.

b. *Annual Review of Investment Policy – Resolution 1-2019*

Counsel Tom Owens reviewed the Investment Guidelines with the Board and explained that there are no recommended changes to the investment guidelines. The Procurement Policy – Resolution 11-2018 was adopted at the last Regular Board Meeting in December. There has been no deviation to the materials.

The Board reviewed and a motion to approve *the Investment Policy – Resolution 1-2019* was made by Anders Tomson and seconded by Susan Pedo. A vote being taken, the motion passed unanimously.

Michael Fancher left the room.

IDA/CRC Agreements

a. *IDA/CRC Professional Service Agreement Approval - Resolution 2-2019*

Due to an issue with quorum, no actions were taken on for *IDA/CRC Professional Service Agreement Approval - Resolution 2-2019*. The Resolution will be placed on the Agenda and discussed with the Board at the next Capitalize Albany Board Meeting in March.

b. *IDA Economic Development Fee for Service Approval - Resolution 3-2019*

Due to an issue with quorum, no actions were able to be taken on *IDA Economic Development Fee for Service Approval - Resolution 3-2019*. The Resolution will be placed on the Agenda and discussed with the Board at the next Capitalize Albany Board Meeting in March.

Other Business

No other business was discussed.

Board Only Session

Corporation President Sarah Reginelli and Staff left the room at 9:24 a.m., and the Board entered a Board-Only Session. No actions were taken.

There being no further business, the Capitalize Albany Corporation Board of Directors regular meeting was adjourned at 9:30 a.m.

Capitalize Albany Corporation Board Meeting

March 26, 2019

Agenda Item #2: IDA/CRC Agreements (Old Business)

Materials:

- IDA/CRC Professional Service Agreement Approval - Resolution 2-2019
- IDA Economic Development Fee for Service Approval - Resolution 3-2019

**PROFESSIONAL SERVICES AGREEMENT
Between**

CAPITALIZE ALBANY CORPORATION (CAC)

and

CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY (CAIDA)

and

CITY OF ALBANY CAPITAL RESOURCE CORPORATION (CACRC)

This agreement, made this 26th day of March, in the year Two Thousand and Nineteen between the City of Albany Industrial Development Agency (hereinafter referred to as the ("CAIDA")), the City of Albany Capital Resource Corporation (hereinafter referred to as the ("CACRC")), and the Capitalize Albany Corporation, a not for profit corporation having its principal place of business at 21 Lodge Street, Albany, New York 12207 (hereinafter referred to as the "CAC"):

WITNESSETH:

WHEREAS, the CAC has offered to provide professional economic development management and administrative support services to the CAIDA and the CACRC, and,

WHEREAS, the CAIDA and the CACRC has accepted the offer of the CAC for such professional services.

NOW, THEREFORE, THE PARTIES HERETO DO MUTUALLY COVENANT AND AGREE AS FOLLOWS:

ARTICLE 1 -SERVICES TO BE PERFORMED

The CAC shall perform the professional and administrative support services set forth under Article 2 entitled "SCOPE OF PROFESSIONAL SERVICES" during the period commencing on January 1, 2019 and continuing until December 31, 2019. In the performance and acceptance of the services herein, the parties understand, acknowledge and agree that the CAC is assuming no managerial role, nor undertaking any oversight responsibilities with

regard to the powers and duties of the CAIDA or the CACRC or the actions or non-actions of its Board of Directors. Nothing in this agreement should be construed to transfer governance, oversight or fiduciary responsibilities from the CAIDA or the CACRC to CAC.

ARTICLE 2 - SCOPE OF PROFESSIONAL SERVICES

During the period of this agreement, the CAC agrees to provide staffing, office equipment, utilities, phone and computer networking to perform the administrative, managerial, accounting, marketing, compliance, and project development functions of the CAIDA and the CACRC. Additionally, CAC will provide support to assist the Chief Executive Officer and Chief Financial Officer of the CAIDA and the CACRC in the execution of their CAIDA and CACRC duties. CAC shall be responsible for the services described on Schedule A attached.

ARTICLE 3 - PROFESSIONAL SERVICES FEE

In consideration of the terms and conditions of this agreement, the AIDA agrees to pay and the CAC agrees to accept, as full compensation for all services rendered under this agreement an amount not to exceed \$394,228. The CAC shall provide professional staff time towards fulfillment of this agreement, including all administrative clerical, secretarial, accounting, compliance, and information technology support as required.

ARTICLE 4 - METHOD OF PAYMENT

The CAIDA will pay CAC its professional services fee referenced under Article 3 of this agreement in twelve (12) monthly installments due and payable no later than the fifteenth day of each month.

ARTICLE 5 - TERMINATION

This agreement may be terminated at any time by any party for cause upon thirty (30) days written notice. In the event of termination, CAC shall be

entitled to compensation for all work performed pursuant to this agreement to the date of termination.

ARTICLE 6 – MUTUAL INDEMNIFICATION

a. CAC shall defend, indemnify and hold harmless CAIDA and CACRC and their agents and employees from and against claims, damages, losses and expenses, including, but not limited to reasonable attorneys' fees, arising out of or resulting from the negligence or willful misconduct of CAC in CAC's performance of the tasks detailed in this Agreement, except if such claims, damages, losses or expenses are caused by CAIDA's and/or CACRC's negligence or willful misconduct.

b. CAIDA shall defend, indemnify and hold harmless CAC and CACRC and their agents and employees from and against claims, damages, losses and expenses, including, but not limited to reasonable attorneys' fees, arising out of or resulting from the negligence or willful misconduct of CAIDA in CAIDA's performance of the tasks detailed in this Grant Agreement, except if such claims, damages, losses or expenses are caused by CAC's and/or CACRC's negligence or willful misconduct.

c. CACRC shall defend, indemnify and hold harmless CAIDA and CAC and their agents and employees from and against claims, damages, losses and expenses, including, but not limited to reasonable attorneys' fees, arising out of or resulting from the negligence or willful misconduct of CACRC in CACRC's performance of the tasks detailed in this Grant Agreement, except if such claims, damages, losses or expenses are caused by CAIDA's and/or CAC's negligence or willful misconduct.

ARTICLE 7 - EQUAL EMPLOYMENT OPPORTUNITY

CAC shall comply with all Federal, State, and Local equal employment opportunity laws, rules, and regulations relating, to all matters contained in this agreement.

ARTICLE 8 - ACCOUNTING RECORDS

Proper and full accounting records, including time sheets, shall be maintained by CAC for all services provided pursuant to this agreement. All applicable records shall be available for inspection or audit by the CAIDA if required.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed the day and year first above written.

City of Albany Industrial Development Agency

By: _____
Chairperson

City of Albany Capital Resource Corporation

By: _____
Chairperson

Capitalize Albany Corporation

By: _____
Chairperson

SCHEDULE A

DESCRIPTION OF SERVICES

A. City of Albany Industrial Development Agency:

1. Implementation, execution and compliance with the CAIDA Policy Manual that was adopted at the June 2016 AIDA Meeting.
2. Provide for the deposit and investment of the funds of CAIDA in accordance with Part 4 of the CAIDA Policy Manual.
3. Provide for the preparation of reports of the deposit and investment of the funds of CAIDA in accordance with Part 4 of the CAIDA Policy Manual.
4. Ensure that procurement of goods or services by CAIDA complies with Part 5 of the CAIDA Policy Manual.
5. Prepare an annual budget of CAIDA and the filing of such budget in accordance with Part 6 of the CAIDA Policy Manual.
6. Monitor the activities of Bond Counsel to CAIDA to ensure compliance with Part 7 of the AIDA Policy Manual.
7. Provide for the preparation of financial statements and reports of CAIDA and the filing of such materials with appropriate State offices in accordance with Part 8 of the CAIDA Policy Manual.
8. Provide for compliance with the provisions of Part 9 of the CAIDA Policy Manual.
9. Report on questions involving potential conflicts of interest under Part 10 of the CAIDA Policy Manual.
10. Provide for distribution of materials in accordance with Part 11 of the CAIDA Policy Manual.
11. Consult with CAIDA agency counsel regarding membership and proper appointment of members of CAIDA pursuant to Part 12 of the CAIDA Policy Manual.
12. Act as Records Access Officer with regard to any requests for information under the Freedom of Information Act in accordance with Part 13 of the CAIDA Policy Manual.
13. Consult with Agency Counsel to CAIDA regarding proper notice of CAIDA meetings under Part 14 of the AIDA Policy Manual.

14. Prepare, organize, and distribute minutes of each CAIDA meeting in accordance with Part 14 of the CAIDA Policy Manual.
15. Coordinate the scheduling and noticing of public hearings and the delivery of notification letters in accordance with Part 15 of the CAIDA Policy Manual.
16. Organize and maintain files relating to SEQRA compliance in accordance with Part 17 of the CAIDA Policy Manual.
17. Monitor and maintain files regarding the Uniform Tax Exemption Policy of CAIDA, including ensuring that any filings required under Part 18 of the CAIDA Policy Manual are made.
18. Provide for the preparation and distribution of Applications by applicants in accordance with Part 19 of the CAIDA Policy Manual.
19. Monitor and provide for the volume cap of CAIDA in accordance with Part 20 of the CAIDA Policy Manual.
20. Monitor and maintain files regarding the collection of administrative fees of CAIDA under Part 21 of the CAIDA Policy Manual.
21. Monitor compliance with Agency requirements relating to the exemptions from certain sales and use taxes, real property taxes, real property transfer taxes, mortgage recording taxes, job creation, job retention and job reporting in accordance with Part 22 of the CAIDA Policy Manual.
22. Provide guidance in connection with any proposed assignment of an existing PILOT agreement in accordance with Part 23 of the CAIDA Policy Manual.
23. Ensure that applicants are utilizing local labor in accordance with Part 24 of the CAIDA Policy Manual.
24. Monitor project applicants to ensure that the applicant is not subject to recapturing of benefits in accordance with Part 25 of the CAIDA manual.
25. Follows the media relations policy in accordance with Part 26 of the CAIDA manual.
26. Provide uniform criteria for the evaluation of projects in accordance with Part 27 of the CAIDA manual.
27. Review, organize, monitor and maintain policies and files relating to the requirements imposed on the CAIDA relating to the Public Authorities Accountability Act ("PAAA") and the Public Authorities Reform Act ("PARA"), including, but not limited to, working with CAIDA Agency Counsel and CAIDA Bond Counsel with respect to such policies.

B. City of Albany Capital Resource Corporation:

CAC will provide services similar to those described in Section A. above to CACRC.

CONTRACT FOR SERVICES

THIS AGREEMENT dated as of March 26, 2019 (the "Agreement") between **CITY OF ALBANY INDUSTRIAL DEVELOPMENT AGENCY** (the "Agency"), a public benefit corporation organized and existing under the laws of the State of New York having an office for the transaction of business located at 21 Lodge Street, Albany, New York, and **CAPITALIZE ALBANY CORPORATION** (the "CAC"), a not-for-profit-corporation organized and existing under the laws of the State of New York, having an office for the transaction of business located at 21 Lodge Street, Albany, New York;

WITNESSETH:

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 Laws of 1974 of the State of New York, as amended, codified as Section 903-a of the 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, warehousing, research, commercial or industrial 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 promote, develop, and encourage one or more "projects" (as defined in the Act) and thereby advance the job opportunities, health, general prosperity and economic welfare of the people of the City of Albany and to improve their recreation opportunities, prosperity and standard of living; and

WHEREAS, pursuant to a professional services agreement dated January XX, 2019 (the "Services Agreement") by and between the Agency, the City of Albany Capital Resource Corporation ("the CACRC"), and the CAC, the Agency has contracted with the CAC for the administration of the Agency; and

WHEREAS, the CAC develops and implements economic development strategies within the City of Albany and, in connection with the development and implementation of such strategies, the CAC undertakes various economic development programs and projects (the "Economic Development Program"); and

WHEREAS, in order to assist the CAC in undertaking the Economic Development Program, the Agency proposes to enter into this Agreement under which the Agency will provide funds to the CAC to pay a portion of the costs associated with the Economic Development Program; and

WHEREAS, the Agency will provide funds to the CAC in multiple disbursements during the term of this Agreement; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Agency and the CAC agree as follows:

1. **Services and Program.** The Agency and the CAC agree as follows:
 - (a) That the Agency will make available to the CAC an aggregate amount equal to \$250,000.
 - (b) That the proceeds will be used for the express purpose of funding a portion of the costs, both capital and operating costs, of the Economic Development Program of the CAC, including, but not limited to the following: (i) implementation of the Capitalize Albany strategy, (ii) general business development, including Empire Zone administration, (iii) lending programs (including loan origination, loan capitalization, and loan servicing), (iv) Downtown Residential Program, and (v) coordination and fiscal support of neighborhood and riverfront re-development.
2. **Disbursement.** Proceeds shall be paid quarterly by the Agency to the CAC in an amount equal to \$62,500 on or about the last day of the quarter, commencing on March 31, 2019 and ending on December 31, 2019. Disbursement of proceeds under this agreement based upon available cash.
3. **Compliance with Law.** The CAC covenants that it will use the moneys disbursed under this Agreement only in the manner authorized by this Agreement.
4. **Repayment.** Nothing herein shall be construed to require the CAC to reimburse the Agency.
5. **Information.** The CAC agrees to furnish to the Agency, the following: (a) progress reports regarding the Economic Development Program, (b) upon request, a financial report indicating how the proceeds are allocated; and (c) such other information as the Agency may request. In addition, the CAC shall provide the Agency with an annual report regarding the Economic Development Program.
6. **Indemnification.**
 - a. To the fullest extent permitted by law, the CAC shall defend, indemnify and hold harmless the Agency and its agents and employees from and against claims, damages, losses and expenses, including, but not limited to reasonable attorneys' fees, arising out of or resulting from the negligence or willful misconduct of CAC in CAC's performance of the tasks detailed in this Agreement, except if such claims, damages, losses or expenses are caused by the Agency's negligence or willful misconduct.
 - b. To the fullest extent permitted by law, the Agency shall defend, indemnify and hold harmless the CAC and its agents and employees from and against claims, damages, losses and expenses, including, but not limited to reasonable attorneys' fees, arising out of or resulting from the negligence or willful misconduct of Agency related to Agency's obligations in this Agreement, except if such claims, damages, losses or expenses are caused by the CAC's negligence or willful misconduct.
7. **Notices.** (a) All notices and other communications hereunder shall be in writing and shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

- (1) To the Agency: at the address set forth in the initial paragraph of this Agreement, with a copy to:

City of Albany
City Hall
Albany, New York 12207
Attention: Corporation Counsel

- (2) To the CAC: at the address set forth in the initial paragraph of this Agreement.

(b) The Agency and the CAC may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the day and date first written above.

CITY OF ALBANY INDUSTRIAL
DEVELOPMENT AGENCY

BY: _____
Authorized Officer

CAPITALIZE ALBANY CORPORATION

BY: _____
Authorized Officer

**RESOLUTION 2-2019
OF THE
CAPITALIZE ALBANY CORPORATION**

WHEREAS, Capitalize Albany Corporation (“CAC”) has determined that providing the City of Albany Industrial Development Agency (“CAIDA”) and the City of Albany Capital Resource Corporation (“CACRC”) with professional economic development management and administrative support services most efficiently pursues the Corporation’s mission; and

WHEREAS, the CAC Board of Directors has reviewed the attached draft Professional Services Agreement (“Draft Agreement”) between CAC and the CAIDA and the CACRC and finds the terms to be fair and reasonable to CAC;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Capitalize Albany Corporation authorizes the Chairman to negotiate and execute the Professional Services Agreement with the CAIDA and CACRC in accordance with the terms and conditions substantially as detailed in the attached Draft Agreement.

Signed: _____
Michael Castellana, Chairperson

Date of Authorization: March 26, 2019
Prepared by: Mark Opalka

**RESOLUTION 3-2019
OF THE
CAPITALIZE ALBANY CORPORATION**

WHEREAS, Capitalize Albany Corporation (“CAC”) has determined that accepting funds to support economic development from the City of Albany Industrial Development Agency (“CAIDA”) is in accordance with the Corporation’s mission; and

WHEREAS, the CAC Board of Directors has reviewed the attached draft Agreement (“Draft Agreement”) between CAC and the CAIDA and finds the terms to be fair and reasonable to CAC;

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Capitalize Albany Corporation authorizes the Chairman to negotiate and execute the Agreement with the CAIDA in accordance with the terms and conditions substantially as detailed in the attached Draft Agreement.

Signed: _____
Michael Castellana, Chairperson

Date of Authorization: March 26, 2019

Prepared by: Mark Opalka

Capitalize Albany Corporation Board Meeting

March 26, 2019

Agenda Item #4: Report of the Audit Committee

Materials:

- a. Review
 - i. 2018 Audit and 2018 Audited Financial Statements
 - ii. Draft 2018 Management Assessment of Internal Controls Report
 - iii. Draft 2018 Audit Committee Annual Report
- b. Approve
 - i. Draft 2018 Annual, Procurement & Investment Reports
 - ii. Draft 2018 Public Authorities Performance Measurements Report

CAPITALIZE ALBANY CORPORATION

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

CAPITALIZE ALBANY CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Capitalize Albany Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Capitalize Albany Corporation, which comprise the consolidated statements of net position as of December 31, 2018 and 2017, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capitalize Albany Corporation as of December 31, 2018 and 2017, and the changes in their financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 8 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of Capitalize Albany Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Capitalize Albany Corporation's internal control over financial reporting and compliance.



Albany, New York
March 5, 2019

CAPITALIZE ALBANY CORPORATION

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis (MD&A) of Capitalize Albany Corporation (Capitalize Albany or the Corporation) activities and financial performance, is offered as an introduction and overview of the consolidated financial statements of Capitalize Albany Corporation for the fiscal year ended December 31, 2018. Following this MD&A are the basic consolidated financial statements of the Corporation together with the notes thereto which are essential to a full understanding of the data contained in the consolidated financial statements. In addition to the notes, this section also presents certain supplementary information to assist with the understanding of Capitalize Albany Corporation’s financial operations.

Capitalize Albany Corporation has a Corporate Governance Policy which includes a conflict of interest policy and a conflict of interest disclosure. The conflict of interest disclosure is distributed to and completed by the Corporation’s Board of Directors on an annual basis. Capitalize Albany Corporation has also adopted several policies as required under the Public Authorities Accountability Act (PAAA) of 2005 and the Public Authorities Reform Act (PARA) of 2009.

The Finance and Investment Committee meets on a quarterly basis or more frequently if necessary to provide enhanced project and transactional analysis. As necessary, the Committee makes recommendations for the Board’s consideration. The Governance Committee meets twice a year or more frequently if necessary to among other things review and update corporate governance principles and practices. Not less than six times annually, the Board of Directors of Capitalize Albany Corporation meets to discuss programming needs, project activity and progress, and meets quarterly to discuss the Corporation’s financial position. The Audit Committee meets twice a year among other things to appoint and oversee the Corporation’s independent auditors, review and approve the Corporation’s year-end financial statements and reviews the effectiveness of internal controls. In addition, the Audit Committee, without management present, independently meets with the external auditors to discuss relevant issues and concerns.

OPERATION SUMMARY

In 1979, the Capitalize Albany Corporation (formerly Albany Local Development Corporation) was incorporated to primarily provide financing to eligible businesses in order to create and retain employment and investment within the City of Albany. The Corporation continues to extend loans and plays an active role in facilitating large-scale transformational real estate projects that the Corporation has identified as a priority.

The mission of Capitalize Albany Corporation is to facilitate strategic economic development and stimulate transformative investment throughout the City of Albany, making New York’s Capital a vibrant place to thrive.

As a catalyst for economic growth, Capitalize Albany Corporation facilitates transformational development projects. As a registered 501(c) (3) non-profit organization, the Corporation implements programs and resources to create, retain, and attract business in the City of Albany. Powered by investors composed of Albany’s community and business leaders, Capitalize Albany manages and coordinates the local economic development functions in the City of Albany.

The Corporation takes an integrated approach and its work is reflected through its business and real estate development activities, and its strategic initiatives. These efforts are developed in partnership with regional stakeholders, and are backed by market analysis and trend identification. Implementation of its initiatives is accomplished through direct efforts of the Corporation as well as through collaboration with complementary organizations and tools.

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Development

Capitalize Albany encourages job creation and business development through its work with individual businesses. This work includes, but is not limited to, extending grants and loans to new and existing businesses, providing technical support with respect to accessing city, state and other economic development resources, and helping businesses to identify appropriate locations to grow and expand within the City. Capitalize Albany staff worked with more than 100 businesses in 2018. Capitalize Albany also works with government officials, business leaders, community and neighborhood organizations, and the public to ensure that the City maintains and enhances an environment that is both conducive to new business growth and supportive of the expansion of existing enterprises.

The Corporation has recently committed to the administration of three distinct grant programs. The Amplify Albany Grant Program was developed to create a buzz in the City's commercial districts and drive patrons to businesses. The program will promote the City's commercial corridors and businesses through the funding of events and other initiatives that engage residents and attract additional visitors. The Downtown Retail Grant Program is designed to create an incentive to attract new and enhance existing retail businesses in strategic areas of downtown assisting with costs associated with renovating or preparing commercial space for an eligible retail use. The City of Albany Small Business Facade Improvement Program creates opportunities for eligible, small businesses and not-for-profit entities to complete individual façade improvement projects that improve the appearance of their exterior facade where the business is located, making their business and neighborhood more attractive, more interesting, and more inviting.

Capitalize Albany Corporation facilitates real estate transactions to expand and enhance business development and investment opportunities.

Real Estate Development

Capitalize Albany facilitates real estate development in the City of Albany through programs and partnerships as well as brick and mortar projects of its own. For example, the Corporation marketed the 526 Central Avenue property for commercial redevelopment and in December 2018 the property was purchased by The Swinburne Building, LLC for redevelopment. The \$25.1 million redevelopment at 526 Central Avenue will bring 74 affordable housing units, a primary care center and accessible services to 526 Central Avenue through a partnership with new property owner, Whitney Young Health and Equinox. The newly constructed mixed-use development will strengthen the Central Avenue business district. During construction the project is estimated to generate a county-wide economic impact of more than \$28 million and more than \$5 million annually once completed.

In 2010, the Corporation's Board of Directors established a Revolving Real Estate Loan Fund designed to provide subordinate lending to qualifying borrowers at below market rates in concert with primary lenders for the purpose of stimulating strategic development projects. The Board allocated \$2 million to capitalize the Fund which is focused on revitalizing strategic vacant or underutilized real estate that will contribute positive and transformational development activity. Through December 31, 2018, \$2,575,000 has been disbursed under this revolving loan fund program representing over \$32 million of project investment within the City of Albany. These projects have created 165 market-rate rental units.

Contracted under a professional services agreement, Capitalize Albany administers and provides staffing, office equipment, phone and computer network support to the City of Albany Industrial Development Agency (CAIDA) and the City of Albany Capital Resource Corporation (CACRC). During 2018, several organizations utilized the programs and incentives of the CAIDA; the approval of the projects will result in over \$280 million of investment within the City of Albany. These projects are anticipated to create or retain nearly 865 temporary and permanent jobs within the City and create more than 725 units of both affordable and market-rate housing.

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Strategic Initiatives

The revitalization of Downtown Albany is a strategic priority of Capitalize Albany Corporation. In response to the recognized need for a common vision, strategic direction, and tactical solutions to issues facing the Downtown neighborhood, Capitalize Albany began working with a consultant team in 2013 to prepare a tactical revitalization plan for Downtown Albany. This tactical revitalization plan, the Impact Downtown Albany strategy, was completed and launched in 2014.

Impact Downtown Albany is a strategic plan which positions Downtown, its adjacent warehouse district and waterfront as the ideal urban center. Impact Downtown Albany provides bold, creative and actionable recommendations that honor Downtown Albany's rich history, capitalize on current momentum and maximize its future potential as the heart of New York State's "Tech Valley." The deliverables created by this project have provided a clear path forward for projects, incentives and structural changes and define what Downtown Albany should be striving toward throughout the next decade.

Implementation of Impact Downtown Albany began in 2014 and continues to be a driving force behind much of the growth seen in the City of Albany. Through December 31, 2018, Impact Downtown Albany has led to more than \$330 million of project investment recently completed and underway within the City of Albany. Facilitating the creation of Downtown residential units continues to be a priority and will act as a driving market force for economic development. Under Impact Downtown Albany the Corporation has assisted in the creation of more than 520 units to date. More than 330 are currently under construction.

In 2015, the Impact Downtown Albany strategy served as a core guiding document for the creation of the Capital Region Economic Development Council's transformative strategy, the Capital 20.20 Plan. Capital 20.20 positions Albany to achieve its potential and capture its share of the global market. The Plan's Metro section prioritizes downtown development and matches Impact Downtown Albany catalyst sites with developers, resources, and prospective tenants to build on the current momentum and move aggressive projects forward.

Implementation of Capital 20.20 began in 2015 and will continue to be a priority for the Corporation in coming years.

In December 2016 the Capitalize Albany Corporation was awarded an CFA project, as part of Governor Cuomo's Regional Economic Development Councils Initiative, which is the first phase of a multi-phase proposed project that will ultimately result in the conversion of the I-787 northbound exit ramp from Quay Street to Clinton Avenue — into the Region's first and only highline park — the Albany Skyway. The Albany Skyway's Phase I entailed a feasibility study including assessments, planning, preliminary design and other related activities. This phase was completed in 2018. As part of this project Capitalize Albany Corporation hosted a series of public workshops and stakeholder meetings that engaged and informed the public regarding the Skyway's design and engineering. On Thursday, August 9, 2018 at the Palace Theatre, the engineering, design and economic analyst team discussed the findings of the Skyway feasibility study and presented the final recommended concept based on the community's input. The completed feasibility study has readied the project to move forward with detailed construction-ready drawings to begin implementation of individual components of the park. With Governor Cuomo's 2018 announcement of \$3.1 million of DOT-funding, the project is able to move forward immediately by decommissioning the ramp and supporting all of the baseline requirements to convert the underutilized infrastructure and open the park. The City of Albany is seeking additional external funds to enhance the park with amenities that will maximize the usage and impact of this new, transformational asset.

In December 2017, the Corporation entered into a Purchase and Sale Agreement with the Albany Convention Center Authority (ACCA) for transfer of property interests in the roughly five acre ACCA surplus property surrounding Liberty Park in downtown Albany. This development site was highlighted as a priority in both the Impact Downtown Albany and Capital 20.20 plans.

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2018, the Corporation formed Liberty Square Development, LLC. This entity was formed to aid in the revitalization efforts to acquire and develop properties related to Liberty park site redevelopment.

The Corporation continues to follow the citywide economic development plan laid out in the Capitalize Albany Strategy. This strategy builds on strengths in the City's numerous employment and educational centers and addresses economic development projects in distressed neighborhoods. As guided by the Capitalize Albany Strategy, the Corporation has assisted in the more than \$1 billion of activity that has occurred in areas outside of Downtown.

FINANCIAL OPERATIONS HIGHLIGHTS

Capitalize Albany Corporation's activities fluctuate greatly from year to year. With such diversity, it is not always meaningful to compare revenue and expenditure levels to prior years. While revenues and expenditures for any given year represent activity during that year, one must consider the level of program revenue to program expenses within a given year, in relation to the projects undertaken and accomplished during that same year. A condensed summary of revenues and expenses for the years ended December 31, 2018 and 2017 is shown below:

	<u>2018</u>	<u>2017</u>
Total revenues	\$1,932,979	\$1,517,868
Total expenses	<u>1,999,490</u>	<u>1,387,261</u>
Excess of (expenses over revenues) revenues over expenses	<u>\$ (66,511)</u>	<u>\$ 130,607</u>

Total revenues increased \$415,111 or 27%:

- Grant and contribution income increased \$454,714 or 83% from \$548,417 in 2017 to \$1,003,131 in 2018. Revenue derived from grants and contribution is typically program specific and non-recurring. Significant grants and contributions in 2018 include \$250,000 from the City of Albany IDA (CAIDA) and \$165,843 from the Albany Community Development Agency, both for general economic development support and \$311,269 from NYS Office of Parks, Recreation & Historic Preservation for the Skyway project. Additionally, revenue totaling \$194,419 was recognized for activity under the Amplify Albany, Downtown Retail and Façade grant programs.
- Rental income decreased \$557 or less than 1% from \$300,844 in 2017 to \$300,287 in 2018. This is primarily attributable to loss of rental income from one lease in 2018.
- Other interest and investment income decreased \$92,655 or 57% from \$161,236 in 2017 to \$68,581 in 2018 primarily due to a decrease in the change in fair market value of investments in addition to a decrease in income earned under capital leases due to the expiration of the lease agreements at 200 Henry Johnson Blvd. and 170 Henry Johnson Blvd.
- Interest income on mortgage notes decreased \$7,644 or 9% from \$82,002 in 2017 to \$74,358 in 2018 due to early loan payoffs as well as a new loan that did not close until the end of 2018.
- Gain on sale of property in 2018 was \$69,555. This is attributable to the Corporation exercising its purchase option on 526 Central Avenue and then selling the property for development.
- Fees, program, and other income decreased \$8,302 or 2% from \$425,369 in 2017 to \$417,067 in 2018. This is primarily attributable to lower administration fees collected in 2018.

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total expenses increased \$612,229 or 44%:

- Salaries and fringe benefits increased \$56,299 or 8% from \$704,341 in 2017 to \$760,340 in 2018. This increase is primarily attributable to market and merit based increases.
- Program and project costs increased \$559,396 or 176% from \$317,891 in 2017 to \$877,287 in 2018. The increase is primarily attributable to the work performed on the NYS Office of Parks, Recreation & Historic Preservation Grant for the Skyway project, grants awarded from Capitalize Albany's Amplify Albany, Downtown Retail and Façade grant programs, and continued due diligence expenses for the potential purchase of the Liberty Park properties from ACCA.
- Professional and consulting expenses increased \$7,742 or 4% from \$217,431 in 2017 to \$225,173 in 2018. This increase is attributable to higher consulting fees incurred by the Corporation as it relates to supporting the Corporation's competitiveness, staff changes and existing employees.
- Interest expense decreased \$2,701 or 11% from \$25,255 in 2017 to \$22,554 in 2018. This decrease is attributable to a reduction in interest expense due to the payoff of bonds related to the 200 Henry Johnson Blvd. project, partially offset by an increase in interest rates on variable rate bonds.
- Bad debt expense totaled \$1,017 in 2017 compared to \$0 in 2018.
- Other administrative expenses decreased \$7,490 or 6% from \$121,326 in 2017 to \$113,836 in 2018. This decrease is attributable to the Corporation's Board of Directors' further support of the corporation's programming and activities by voting to eliminate service compensation.

A condensed summary of Capitalize Albany's net position at December 31, 2018 and 2017 is shown below:

	2018	2017
Assets		
Cash and cash equivalents	\$ 5,912,121	\$ 4,916,051
Investments	3,645,346	3,626,381
Restricted cash	621,837	727,063
Other assets	669,710	883,992
Mortgage notes receivable, net of allowances	1,465,222	1,894,374
Net investment in direct financing leases	-	188,148
Property, plant and equipment, net (includes property held for investment and lease)	2,216,960	2,375,544
Total assets	\$ 14,531,196	\$ 14,611,553
Deferred Outflows of Resources	\$ -	\$ -
Liabilities		
Bonds payable	\$ 1,350,000	\$ 1,700,000
Other liabilities	1,386,691	1,053,072
Unearned program support and revolving loan fund liability	693,863	691,328
Total liabilities	\$ 3,430,554	\$ 3,444,400
Deferred Inflows of Resources	\$ -	\$ -
Net Position		
Net investment in capital assets	\$ 856,000	\$ 835,543
Restricted net position	122,823	292,515
Unrestricted net position	10,121,819	10,039,095
Total net position	\$ 11,100,642	\$ 11,167,153

CAPITALIZE ALBANY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

CURRENT KNOWN FACTS, DECISIONS OR CONDITIONS

In 2019, Capitalize Albany will focus on the continuing implementation of the Impact Downtown Albany Strategic Plan. This Plan has identified opportunities for economic development and growth in Downtown through the development of new programs and initiatives, focusing on a variety of areas, including long-range vision, community engagement, and market driven recommendations.

Capitalize Albany Corporation will also continue to focus on the implementation of the specific components of the Capital 20.20 Plan which are consistent with the mission of the Corporation. Special focus will be given to those projects which directly align with the objectives of Impact Downtown. Both, the development of property surrounding Liberty Park and the Albany Skyway project are examples of these strategic plans' implementation.

Capitalize Albany will also continue to facilitate the Capitalize Albany Economic Development Strategy. As part of that strategy, the Corporation will continue to focus on developing more downtown residential capacity and will pursue opportunities that will result in catalytic development projects as well as maximize and diversify potential revenue sources for the Corporation.

Continual execution of the Strategic Plan established by the Corporation's Board in 2009 will translate into potential projects. New economic development opportunities with the potential to generate new resources to stimulate growth will be developed by re-focusing and deploying existing strengths and resources. Ultimately, programmatic, marketing, and financial initiatives will reconcile to the objectives set forth in the Strategic Plan.

FINANCIAL STATEMENTS

Capitalize Albany Corporation's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). Capitalize Albany Corporation is organized under the Not-For-Profit Corporation laws of the State of New York. Capitalize Albany follows enterprise fund accounting; accordingly, the financial statements are presented using the economic resources management focus. These financial statements are presented in a manner similar to a private business.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Corporation's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Controller, Capitalize Albany Corporation, 21 Lodge Street, Albany, NY 12207.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF NET POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,912,121	\$ 4,916,051
Investments	3,645,346	3,626,381
Restricted cash	621,837	727,063
Mortgage notes receivable, current portion, net	132,373	132,133
Net investment in direct financing leases, current portion	-	188,148
Accrued interest receivable	21,858	26,602
Grant receivables	411,269	100,000
Total current assets	<u>10,744,804</u>	<u>9,716,378</u>
Noncurrent Assets:		
Mortgage notes receivable, less current portion, net	1,332,849	1,762,241
Other receivables, net	96,178	96,256
Property held for investment and lease, net	1,880,719	2,045,243
Property and equipment, net	336,241	330,301
Other assets	140,405	661,134
Total noncurrent assets	<u>3,786,392</u>	<u>4,895,175</u>
Total assets	<u>\$ 14,531,196</u>	<u>\$ 14,611,553</u>
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 382,970	\$ 110,439
Funds held related to Hudson River Way campaign	59,521	59,521
Unearned grant and other income	944,200	883,112
Bonds payable, current portion	200,000	350,000
Total current liabilities	<u>1,586,691</u>	<u>1,403,072</u>
Noncurrent Liabilities:		
Bonds payable, less current portion	1,150,000	1,350,000
Revolving loan fund liability	673,479	670,944
Unearned program support	20,384	20,384
Total noncurrent liabilities	<u>1,843,863</u>	<u>2,041,328</u>
Total liabilities	<u>\$ 3,430,554</u>	<u>\$ 3,444,400</u>
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>
Net Position		
Net invested in capital assets	\$ 856,000	\$ 835,543
Restricted for:		
Debt service	-	171,466
CDBG eligible activities	114,633	114,288
Other program specific activities	8,190	6,761
Unrestricted	10,121,819	10,039,095
Total net position	<u><u>\$ 11,100,642</u></u>	<u><u>\$ 11,167,153</u></u>

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES AND
CHANGES IN NET POSITION
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Grant and contribution income	\$ 1,003,131	\$ 548,417
Rental income	300,287	300,844
Other interest and investment income	68,581	161,236
Interest income on mortgage notes	74,358	82,002
Gain on sale of property	69,555	-
Fees, program, and other income	417,067	425,369
Total revenues	<u>1,932,979</u>	<u>1,517,868</u>
Expenses		
Salaries and fringe benefits	760,640	704,341
Program and project costs	877,287	317,891
Professional and consulting expenses	225,173	217,431
Interest expense	22,554	25,255
Bad debt recovery	-	1,017
Other administrative expenses	113,836	121,326
Total expenses	<u>1,999,490</u>	<u>1,387,261</u>
Excess of (expenses over revenues) revenues over expenses	(66,511)	130,607
Net Position, Beginning of Year	<u>11,167,153</u>	<u>11,036,546</u>
Net Position, End of Year	<u><u>\$ 11,100,642</u></u>	<u><u>\$ 11,167,153</u></u>

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Cash received from customers	\$ 305,986	\$ 433,262
Cash received from grantors and contributors	755,485	540,401
Other operating cash receipts	405,960	409,583
Cash payments to suppliers and grantees	(750,913)	(446,061)
Cash payments to employees	(760,640)	(704,341)
Net cash (used in) provided by operating activities	(44,122)	232,844
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of property	700,000	-
Purchase of held for investment and lease	(10,958)	-
Purchase of property and equipment	(20,243)	-
Principal payments on bonds payable	(350,000)	(330,000)
Interest paid on bonds payable	(25,621)	(28,130)
Net cash provided by (used in) capital and related financing activities	293,178	(358,130)
Cash Flows From Investing Activities		
Interest on cash and cash equivalents and investments	61,886	59,200
Net increase in restricted cash	105,226	(87,287)
Proceeds from sales and maturities of investments	2,238,428	2,967,537
Purchase of investments	(2,286,933)	(3,013,338)
Issuance of mortgage notes receivable	(100,000)	-
Repayments received on mortgage notes and other receivables	540,259	572,301
Principal payments received under direct financing leases	188,148	172,660
Net cash provided by investing activities	747,014	671,073
Change in cash and cash equivalents	996,070	545,787
Cash and cash equivalents:		
Beginning of year	4,916,051	4,370,264
End of year	\$ 5,912,121	\$ 4,916,051

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Excess of (Expenses Over Revenues)		
Revenues Over Expenses to Net Cash (Used in)		
Provided by Operating Activities		
Excess of (expenses over revenues) revenues over expenses	\$ (66,511)	\$ 130,607
Adjustments to reconcile excess of (expenses over revenues)		
revenues over expenses to net cash (used in) provided by		
operating activities:		
Depreciation and amortization	189,785	199,428
Adjustment for losses on mortgage notes and other		
receivables	(11,107)	67,304
Gain on sale of properties	(69,555)	-
Net realized and unrealized losses (gains) on investments	29,540	(54,917)
Interest income on cash and cash equivalents and		
investments	(67,220)	(60,434)
Interest expense on bonds payable	22,554	25,255
Changes in:		
Grant receivables	(311,269)	12,331
Other receivables, accrued interest receivable and		
other assets	(99,560)	4,531
Accounts payable and accrued expenses	275,598	11,159
Unearned grant and other income	61,088	(21,769)
Unearned program support	-	(46,981)
Revolving loan fund liability	2,535	(33,670)
	<u>\$ (44,122)</u>	<u>\$ 232,844</u>
Net cash (used in) provided by operating activities		

See notes to consolidated financial statements.

CAPITALIZE ALBANY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 — ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission

Capitalize Albany Corporation (the "Corporation") was formed under the Not-for-Profit Corporation Laws of the State of New York in October 1979 for the purposes of facilitating the creation of new employment opportunities, retaining existing jobs and encouraging investment that will expand the commercial and industrial tax base within the City of Albany (City). The Corporation facilitates large scale transformational real estate projects to accomplish its mission.

The Corporation's mission is accomplished by providing technical support for City, State and other economic development programs and loaning money to new or existing businesses. Additionally, the Corporation has invested in certain real estate, and leases such real estate to businesses in order to further job opportunities within the City.

The Corporation formed Citywide Property Holdings, LLC (Citywide) in April 2008 for the limited purpose of assisting the Corporation in the furtherance of the Corporation's mission. The Corporation is the sole member and manager of Citywide. Citywide's participation in the furtherance of the Corporation's mission is evaluated on a project basis. This participation includes, but is not limited to, holding property as available for sale to enhance project development.

The Corporation formed Liberty Square Development, LLC in January 2018 for the limited purpose of assisting the Corporation in the furtherance of the Corporation's mission. The Corporation is the sole member and manager of Liberty Square Development, LLC. Liberty Square Development LLC's operations includes, but are not limited to, the acquisition, disposition and development of properties located in the Liberty Park area of Downtown Albany.

The consolidated financial statements represent the consolidated financial position and the consolidated changes in financial position and cash flows of the Corporation, Citywide, and Liberty Park Development, LLC. All intercompany transactions between the Corporation, Citywide, and Liberty Park Development, LLC have been eliminated for financial reporting purposes.

Basis of Accounting and Presentation

The Corporation follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Capitalize Albany Corporation's consolidated financial statements apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Revenue Recognition

Grant and contribution income

Grants, contributions, and similar items are recognized as revenue when all requirements imposed by the grantor or contributor, if any, have been satisfied.

Rental income

Rental income is recognized as earned over the term of the related lease arrangements.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Fees, program, and other income

Fees, program, and other income consists primarily of management fees, which are recognized as earned under a management fee arrangement with terms of generally one year.

In addition, the Corporation, under Urban Development Action Grants (UDAG) financing arrangements through the United States Department of Housing and Urban Development (HUD), has recognized grant amounts as mortgage notes receivable, with corresponding credits to deferred program support. Principal repayments on these notes are recognized as fees, program, and other income and are applied against deferred program support. The UDAG agreements provide that the program income, together with the interest earned thereon, are restricted by HUD to be used for Title I eligible activities. The deferred program support account, in the Corporation's consolidated balance sheet, is a contra account which reflects UDAG loan principal repayments scheduled to be received in future years. There were no new UDAG grants in either 2018 or 2017.

Cash and Cash Equivalents

Cash is comprised of various interest bearing and non-interest bearing deposits in several financial institutions. The Corporation considers all highly liquid investments with original maturities of three months or less to be cash equivalents except for cash equivalents included in the investment account, which are included in investments in the accompanying consolidated balance sheets.

Investments

Investments are carried at fair value on a recurring basis, based on current market prices.

Mortgage Notes Receivable and Allowance for Losses

As explained further in Note 5, mortgage notes receivable are carried at the principal amount outstanding, net of an allowance for estimated uncollectible amounts. The Corporation's allowance for losses is evaluated on a regular basis by management and is estimated based on delinquency rates, current economic conditions, borrowers' outstanding balances, an analysis of borrowers' financial condition, and estimated value of any underlying collateral. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance for losses is increased by provisions charged to earnings and reduced by charge-offs, net of recoveries.

Loans made by the Corporation to recipient entities are generally issued as part of larger financial packages involving additional lenders. Substantially all of the Corporation's mortgage notes receivable, which are collateralized by real property and/or equipment, are subordinated to the loans provided by these other lenders. In some cases, projected growth and overall economic conditions have substantially changed since loan origination. The Corporation attempts to work with borrowers who are experiencing financial difficulties and has entered into debt restructuring agreements with respect to certain financially troubled borrowers. These restructuring agreements often incorporate notes, for which current repayment is contingent upon favorable future events as specified in the note agreement. Such uncertainties have been considered by the Corporation in establishing the estimated allowance for possible losses.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Notes Receivable and Allowance for Losses (Continued)

The Corporation places impaired loans on nonaccrual status and recognizes interest income on such loans only on a cash basis. Accrual of interest is discontinued on a loan when management believes, after considering economics, business conditions, and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. Uncollectible interest previously accrued is charged off. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

Property Held for Investment and Lease, Net

Property held for investment and lease is carried at the lower of cost or market and represents assets acquired to assist in the Corporation's mission of encouraging economic development and business retention within the City.

Property and Equipment, Net

Property and equipment is stated at cost. Depreciation of property and equipment is provided using straight-line method over the estimated useful lives of the respective assets ranging from 5 years for equipment to 40 years for buildings.

Other Assets

In December 2011, Citywide Property Holdings, LLC executed a purchase option agreement for a development site on Central Avenue. Under the terms of the agreement, Citywide paid \$500,000 at the time of the execution that will be applied to the purchase price of the property. Citywide can exercise the option at any time within five years from the date of the option. In 2015 and 2017, the term of the option agreement was extended for additional two year periods making the option expiration date December 28, 2020. This amount was included in other assets in the consolidated statements of net position at December 31, 2017.

In December 2017, Citywide entered into a Purchase and Sale Agreement with a real estate developer for the sale of the Central Avenue property for \$700,000. Immediately subsequent to Citywide's acquisition of the property pursuant to the purchase option agreement, Citywide transferred ownership to the purchaser. The transaction closed in December 2018 and a gain on the sale of approximately \$69,600 was recognized.

A building located at 174 North Pearl Street is vacant and as of December 31, 2018, a plan of reuse has not been developed. The building is included in other assets in the consolidated statements of net position at December 31, 2018 and 2017, and the Corporation does not record depreciation on this asset.

Description of Leasing Arrangements

The Corporation, as part of its mission, has entered into arrangements leasing various parcels of real estate. These arrangements include both operating and direct financing leases. The lease terms range from one to thirty years.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 — ORGANIZATION AND MISSION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Corporation is a publicly supported organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Citywide and Liberty Park Development LLC's annual tax information filings are included with the annual filings of their sole member, Capitalize Albany Corporation.

Net Position

In order to present consolidated financial condition and consolidated operating results of the Corporation in a manner consistent with limitations and restrictions placed upon the use of resources, the Corporation classifies net position into three categories as follows:

Net invested in capital assets – This component of net position consists of property and equipment, including property held for investment and lease, net of accumulated depreciation, and reduced by the outstanding balances of debt attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net invested in capital assets. Rather, when applicable, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on assets use through external constraints imposed by creditors, by law or regulation, or through enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of “net invested in capital assets” or “restricted.”

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

For purposes of preparing these financial statements, Capitalize Albany Corporation considered events through March 5, 2019, the date the financial statements were available for issuance.

NOTE 2 — CASH AND CASH EQUIVALENTS

The Corporation maintains its cash in bank accounts with several financial institutions.

The Corporation has not experienced any losses with respect to its cash and cash equivalents balances. Based on management's review of the strength of the financial institutions, management feels the risk of loss on its cash balances is minimal.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 — CASH AND CASH EQUIVALENTS (Continued)

At December 31, 2018, the carrying amount and the bank balances of the Corporation's deposits were approximately \$5,912,000 and \$6,035,000, respectively. Of the bank balances, approximately \$250,000 was insured under FDIC coverage and approximately \$5,760,000 was secured by bank pledged investment securities. Uncollateralized amounts approximated \$25,000 at December 31, 2018, and were maintained with major financial institutions considered by management to be secure.

NOTE 3 — RESTRICTED CASH

Generally, restricted cash represents funds that have been placed in a segregated account that cannot be used for a purpose other than the purpose for which that account is designated. Restricted cash includes amounts restricted for the following purposes at December 31:

	2018	2017
CDBG eligible activities	\$ 114,633	\$ 114,287
EC/EDZ revolving loan fund	447,777	381,297
Debt service reserve	-	172,171
Hudson River Way campaign	59,427	59,308
Total restricted cash and cash equivalents	<u>\$ 621,837</u>	<u>\$ 727,063</u>

At December 31, 2018, bank balances of restricted cash were approximately \$621,800, of which approximately \$197,800 were not insured under FDIC coverage.

NOTE 4 — INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at December 31:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Fixed Income Securities	\$ 2,737,459	\$ 2,732,987	\$ 1,889,020	\$ 1,883,643
Certificates of Deposit	358,697	359,185	1,073,993	1,074,609
Equities and Mutual Funds	388,695	500,192	461,161	660,315
Money Market	52,982	52,982	7,814	7,814
Total	<u>\$ 3,537,833</u>	<u>\$ 3,645,346</u>	<u>\$ 3,431,988</u>	<u>\$ 3,626,381</u>

Unrealized (losses) gains of approximately (\$87,000) and \$66,000 at December 31, 2018 and 2017, respectively, are included in other interest and investment income in the consolidated statements of revenue and expenses and changes in net position.

GASBS No. 72, *Fair Value Measurement and Application*, establishes requirements on how fair value should be measured, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4 — INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth, within the fair value hierarchy, the Corporation's assets at fair value at December 31, 2018 and 2017:

December 31, 2018				
	Level 1	Level 2	Level 3	Total
Money Market	\$ 52,982	\$ -	\$ -	\$ 52,982
Mutual Funds	201,267	-	-	201,267
Equities	298,925	-	-	298,925
Corporate Debt Securities	673,995	-	-	673,995
U.S. Treasury	1,807,203	-	-	1,807,203
Municipal Bonds	-	251,789	-	251,789
Certificates of Deposit	-	359,185	-	359,185
	<u>\$ 3,034,372</u>	<u>\$ 610,974</u>	<u>\$ -</u>	<u>\$ 3,645,346</u>

December 31, 2017				
	Level 1	Level 2	Level 3	Total
Money Market	\$ 7,814	\$ -	\$ -	\$ 7,814
Mutual Funds	177,972	-	-	177,972
Equities	482,343	-	-	482,343
Corporate Debt Securities	681,130	-	-	681,130
U.S. Treasury	521,648	-	-	521,648
Government Issues				
Fed Natl Mtg Assn	-	51,975	-	51,975
Fed Home Ln Mtg Corp	-	99,710	-	99,710
Fed Home Ln Banks	-	273,647	-	273,647
Municipal Bonds	-	255,533	-	255,533
Certificates of Deposit	-	1,074,609	-	1,074,609
	<u>\$ 1,870,907</u>	<u>\$ 1,755,474</u>	<u>\$ -</u>	<u>\$ 3,626,381</u>

NOTE 5 — MORTGAGE NOTES RECEIVABLE, NET

The Corporation's mortgage notes receivable are comprised of 31 and 33 individual accounts at December 31, 2018 and 2017, respectively, with an average outstanding principal balance approximating \$115,000 and \$122,000 at December 31, 2018 and 2017, respectively.

Repayment terms and interest rates on mortgage loans vary with each loan. Generally, interest rates range from 0% to 9% per year, with a weighted yield on all loans approximating 3.9% and 3.5% for the years ended December 31, 2018 and 2017, respectively. Current maturities range from 2019 through the year 2080.

Substantially all mortgage notes are collateralized by a subordinate interest in real property and/or equipment.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 — MORTGAGE NOTES RECEIVABLE, NET (Continued)

The composition of mortgage notes receivable by funding source is as follows at December 31:

	2018		2017	
	Number of Notes	Amount	Number of Notes	Amount
CDBG	1	\$ 33,735	1	\$ 33,735
UDAG	10	902,084	11	914,669
EC/EDZ	5	365,728	5	426,577
Revolving Real Estate Loan Fund	4	848,720	4	1,166,263
Other	11	1,429,334	12	1,478,616
	<u>31</u>	<u>3,579,601</u>	<u>33</u>	<u>4,019,860</u>
Less allowance for losses		<u>(2,114,379)</u>		<u>(2,125,486)</u>
Mortgage notes receivable, net		1,465,222		1,894,374
Less: current portion		<u>132,373</u>		<u>132,133</u>
Noncurrent		<u>\$ 1,332,849</u>		<u>\$ 1,762,241</u>

The Community Block Development Grant Program (CDBG) and UDAG notes were funded through monies received under Federal programs in prior years. The Enterprise Community/Economic Development Zone (EC/EDZ) notes were funded through grant monies received in prior years (see Note 11).

The Revolving Real Estate Loan Fund was established through an allocation of \$2 million of general funds of the Corporation for the purpose of stimulating strategic development projects. The Corporation also lends monies to individuals, businesses, and non-profit agencies for other projects in furtherance of its mission utilizing general funds of the Corporation. Both the Revolving Real Estate Loan Fund and Other notes are not restricted by any external funding sources.

The recorded investment in mortgage notes receivable that are considered to be impaired approximated \$2,134,000 and \$2,204,000 at December 31, 2018 and 2017, respectively. The allowance for losses related to impaired loans approximated \$2,114,000 and \$2,125,000 at December 31, 2018 and 2017, respectively. Interest income recognized on impaired mortgage notes receivable, while such mortgage notes receivable were impaired, was approximately \$700 for 2017 (\$0 for 2018).

NOTE 6 — PROPERTY HELD FOR INVESTMENT AND LEASE, NET

The following is a summary of changes in property held for investment and lease for the year ended December 31, 2018:

	January 1, 2018	Additions	Dispositions	Reclassification	Impairment	December 31, 2018
Riverfront Bar & Grill - Utilities Project	\$ 43,800	\$ -	\$ -	\$ -	\$ -	\$ 43,800
Quackenbush Square Parking Lot	146,864	-	-	-	-	146,864
Quackenbush House	199,192	-	-	-	-	199,192
Palace Properties	25,000	-	-	-	-	25,000
Corning Preserve Project	4,114,091	-	-	-	-	4,114,091
Land at 11 Clinton Avenue	225,000	-	-	-	-	225,000
Land at 60 Green Street	-	10,958	-	-	-	10,958
	<u>4,753,947</u>	<u>10,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,764,905</u>
Less accumulated depreciation	<u>2,708,704</u>	<u>175,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,884,186</u>
	<u>\$ 2,045,243</u>					<u>\$ 1,880,719</u>

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 — PROPERTY HELD FOR INVESTMENT AND LEASE, NET (Continued)

The following is a summary of changes in property held for investment and lease for the year ended December 31, 2017:

	January 1, 2017	Additions	Dispositions	Reclassification	Impairment	December 31, 2017
Riverfront Bar & Grill - Utilities Project	\$ 43,800	\$ -	\$ -	\$ -	\$ -	\$ 43,800
Quackenbush Square Parking Lot	146,864	-	-	-	-	146,864
Quackenbush House	199,192	-	-	-	-	199,192
Palace Properties	25,000	-	-	-	-	25,000
Corning Preserve Project	4,114,091	-	-	-	-	4,114,091
Land at 11 Clinton Avenue	<u>225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,000</u>
	4,753,947	-	-	-	-	4,753,947
Less accumulated depreciation	<u>2,533,221</u>	<u>175,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,708,704</u>
	<u>\$ 2,220,726</u>					<u>\$ 2,045,243</u>

NOTE 7 — PROPERTY AND EQUIPMENT, NET

The following is a summary of changes in property and equipment for the year ended December 31, 2018:

	January 1, 2018	Additions	Dispositions	December 31, 2018
Land	\$ 49,300	\$ -	\$ -	\$ 49,300
Building and improvements	467,660	17,375	-	485,035
Furniture and equipment	<u>144,591</u>	<u>2,868</u>	<u>-</u>	<u>147,459</u>
Total	661,551	20,243	-	681,794
Less accumulated depreciation	<u>331,250</u>	<u>14,303</u>	<u>-</u>	<u>345,553</u>
	<u>\$330,301</u>	<u>\$ 5,940</u>	<u>\$ -</u>	<u>\$ 336,241</u>

The following is a summary of changes in property and equipment for the year ended December 31, 2017:

	January 1, 2017	Additions	Dispositions	December 31, 2017
Land	\$ 49,300	\$ -	\$ -	\$ 49,300
Building and improvements	467,660	-	-	467,660
Furniture and equipment	<u>144,591</u>	<u>-</u>	<u>-</u>	<u>144,591</u>
Total	661,551	-	-	661,551
Less accumulated depreciation	<u>307,305</u>	<u>23,945</u>	<u>-</u>	<u>331,250</u>
	<u>\$354,246</u>	<u>\$(23,945)</u>	<u>\$ -</u>	<u>\$ 330,301</u>

Depreciation expense, including depreciation expense on property held for investment and lease, was approximately \$190,000 and \$199,000 for the years ended December 31, 2018 and 2017, respectively.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8 — OPERATING LEASES

The Corporation leases the Quackenbush Square Parking Lot, the Quackenbush House, and Corning Preserve Project, all classified as property held for investment and lease (see Note 6), to help accomplish its economic development goals.

The following is a schedule by year of the minimum future rentals to be received on non-cancellable operating leases as of December 31, 2018:

2019	\$ 304,228
2020	286,299
2021	241,951
2022	236,176
2023	246,569
Thereafter	<u>256,667</u>
	<u><u>\$1,571,890</u></u>

The Corporation leases the Corning Preserve Project to the Albany Port District Commission (the "Port") under a shared use and lease agreement (see Note 13). The shared use and sublease agreement has a thirty year term expiring in 2032. Under the shared use and lease agreement the Port is obligated to make lease payments sufficient to cover all related bond debt service and certain other expenses. The annual rent payments due from the Port will change on a year to year basis as a result of the variable interest rate associated with the bonds, the amortization schedule of the bonds and bond prepayments. The Corporation is recognizing the base rental income on a straight-line basis over the life of the lease based on the lease factors at inception of the lease. For the years ended December 31, 2018 and 2017, rental income approximated \$156,000 and \$153,000, respectively. Increases or decreases to the base rental income result from changes in lease factors occurring subsequent to the inception of the lease and are recognized as contingent rentals in the period that the changes take place.

NOTE 9 — NET INVESTMENT IN DIRECT FINANCING LEASES

The following lists the components of the net investment in direct financing leases as of December 31:

	<u>2018*</u>	<u>2017</u>
Total minimum lease payments to be received	\$ -	\$ 198,219
Less: amounts representing executory costs (such as insurance) included in total minimum lease payments	<u>-</u>	<u>-</u>
Net minimum lease payments receivable	-	198,219
Less: unearned income	<u>-</u>	<u>(10,071)</u>
Net investment in direct financing leases	-	188,148
Less: current portion	<u>-</u>	<u>188,148</u>
Noncurrent (*Leases expired in 2018 in accordance with terms)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9 — NET INVESTMENT IN DIRECT FINANCING LEASES (Continued)

Net investment in direct financing leases was comprised primarily of the following leases:

A lease with ACDA, related to a facility located at 200 Henry Johnson Boulevard. In addition, a master lease agreement with the City guaranteed the required lease payments of ACDA. The lease with ACDA required an up-front payment of \$300,000 and variable semi-annual payments over the remaining lease term (payments approximated \$190,000 annually). Portions of the payments were utilized by the Corporation to fund their debt service obligation for the related bonds payable (see Note 10). The lease had a twenty-five year term and expired in March 2018. The net investment in the lease approximated \$181,000 as of December 31, 2017 (\$0 as of December 31, 2018). Income earned during 2018 and 2017 approximated \$10,000 and \$22,000, respectively.

A lease with the City, related to the Albany Police Department's North Station, requiring annual payments of \$22,088. The lease had a twenty year term and expired in July 2018. The net investment in the lease approximated \$7,000 as of December 31, 2017 (\$0 as of December 31, 2018). Income earned during 2018 and 2017 approximated \$100 and \$700, respectively.

NOTE 10 — BONDS PAYABLE

The following is a summary of changes in bonds payable for the year ended December 31, 2018:

	<u>January 1,</u> <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u> <u>2018</u>
Bonds Payable:				
AIDA Henry Johnson Boulevard				
Project (A)	\$ 160,000	\$ -	\$ (160,000)	\$ -
AIDA Corning Preserve Project (B)	<u>1,540,000</u>	<u>-</u>	<u>(190,000)</u>	<u>1,350,000</u>
	1,700,000	-	(350,000)	1,350,000
Less current maturities	<u>350,000</u>			<u>200,000</u>
	<u>\$ 1,350,000</u>			<u>\$ 1,150,000</u>

The following is a summary of changes in bonds payable for the year ended December 31, 2017:

	<u>January 1,</u> <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31,</u> <u>2017</u>
Bonds Payable:				
AIDA Henry Johnson Boulevard				
Project (A)	\$ 310,000	\$ -	\$ (150,000)	\$ 160,000
AIDA Corning Preserve Project (B)	<u>1,720,000</u>	<u>-</u>	<u>(180,000)</u>	<u>1,540,000</u>
	2,030,000	-	(330,000)	1,700,000
Less current maturities	<u>330,000</u>			<u>350,000</u>
	<u>\$ 1,700,000</u>			<u>\$ 1,350,000</u>

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10 — BONDS PAYABLE (Continued)

- (A) The Corporation functioned as the conduit agency in connection with a 1994 bond issue of the CAIDA in the amount of \$1,975,000. The net proceeds were utilized to fund a project to construct a building for the City and City Agencies. The transaction was recorded at the amount of debt assumed under the bond issue. The bonds required semi-annual payment of interest and the interest rate was adjusted every five years (interest rate of 5.75% during both 2018 and 2017). The obligation matured and was satisfied in March 2018. The building was leased to ACDA under a related lease agreement that was classified as a direct financing lease (see Note 9).
- (B) The Corporation functioned as the conduit agency in connection with a 2002 Civic Facility Revenue bond issue of the CAIDA in the amount of \$4,390,000. The proceeds were utilized to fund a project that includes the construction of various improvements to the Corning Preserve Park. The obligation requires monthly payment of interest and the interest rate is adjusted weekly. The bonds mature in May 2027. The bonds are secured by a letter of credit issued by Key Bank. The letter of credit requires principal payments on the outstanding bonds, annually on May 1, in prescribed amounts currently ranging from \$200,000 in 2019 to \$255,000 in 2024, thus providing for the full amortization of the bonds by the 2027 maturity date. The letter of credit also requires principal payments on the outstanding bonds if certain grant proceeds related to the Corning Preserve Project are received. The interest rate at December 31, 2018 was 1.96%. The Corning Preserve Project is leased to the Port under a related agreement that has been classified as an operating lease (see Note 8).

At December 31, 2018, principal and interest requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2019	\$ 200,000	\$ 23,856
2020	210,000	19,804
2021	220,000	15,555
2022	225,000	11,176
2023	240,000	6,569
2024	255,000	1,667
	<u>\$ 1,350,000</u>	<u>\$ 78,627</u>

NOTE 11 — REVOLVING LOAN FUND LIABILITY

In June 1999, the Corporation was awarded a grant of \$643,291 to establish and operate a revolving loan fund to benefit prospective or existing Enterprise Community and/or Economic Development Zone (EC/EDZ) businesses. Generally, repayments on loans originated are to be recycled back into the loan fund to provide additional loans. However, with approval from the Empire State Development Corporation ("ESDC"), interest generated from the loans can be recorded as revenue to the extent that it offsets administrative expenses related to operating the loan fund. Approximately \$15,000 and \$20,000 of such revenue was recognized for the years ended December 31, 2018 and 2017, respectively.

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 12 — RETIREMENT PLAN

Simplified Employee Pension Plan (SEP-IRA)

Plan Description: Simplified Employee Pension Plan is an employer-funded retirement plan with 100% immediate vesting. Maximum employee limit is 25% of gross compensation not to exceed \$55,000. Distributions taken prior to age 59 ½ may be subject to 10% premature penalty tax in addition to ordinary income tax. The Plan must be adopted and funded by employer's tax filing deadline, plus extensions, for prior year deductibility.

Funding Requirements: The Corporation has elected to contribute 11% of an eligible employee's compensation annually to the SEP-IRA. During both 2018 and 2017, seven employees were covered by the SEP-IRA, and total contributions were approximately \$57,000 and \$59,000, respectively.

Post Employment Benefit

The Corporation does not offer post employment benefit to its employees.

NOTE 13 — CORNING PRESERVE PROJECT

The Corporation, in 2002, functioned as the conduit agency with several related parties related to a project to construct various improvements to a portion of the Corning Preserve Park (Corning Preserve Project). The Corporation entered into an interim use and ground lease agreement with the City providing for a ground lease of the property owned by the City, underlying the Corning Preserve Project. The interim use and ground lease agreement has a thirty-five year term and provides for a nominal rent payment. At the end of the lease term the Corning Preserve Project reverts to the City.

The Corporation entered into a lease agreement with the CAIDA to sublease the property to the CAIDA. The sublease expires at the earlier of a date requested by the Corporation or the completion date of the Corning Preserve Project. The lease agreement provides for a nominal payment. The Corporation also entered into an installment sale agreement with the CAIDA pursuant to which the Corporation is obligated, among other things, to complete the Corning Preserve Project as the agent of the CAIDA and the CAIDA sells the Corning Preserve Project to the Corporation on an installment basis. The Corporation's payments under the installment sale agreement are equivalent to the debt service requirements on the \$4,390,000 in 2002 Civic Facility Revenue Bonds issued by the CAIDA to fund the Corning Preserve Project, which is accounted for as bonds payable (see Note 10).

The Corporation entered into a shared use and sublease agreement with the Port. Under the shared use and sublease agreement the Port is obligated to perform on behalf of the Corporation, the Corporation's obligations under the interim use and ground lease agreement and the installment sale agreement. Also under the shared use and sublease agreement, which is accounted for as an operating lease, the Port is obligated to fund the Corporation's obligations relating to the Corning Preserve Project, including funding payments sufficient to cover all related bond debt service and certain other expenses (see Note 8).

CAPITALIZE ALBANY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 14 — COMMITMENTS AND CONTIGENCIES

During 2015, the Corporation entered into a professional services agreement with the City of Albany with a five-year term, which replaced a previous agreement. Under this agreement the City of Albany provides economic development, planning, and community development consultancy services in furtherance of the Corporation's mission. The Corporation's fee to the City of Albany under this agreement totaled approximately \$53,000 for each of the years ended December 31, 2018 and 2017. The fee shall be automatically modified to reflect any salary and fringe adjustment to the City employee positions and any changes to expenses.

In December 2017, the Corporation entered into a Purchase and Sale Agreement for the transfer of property interests in the roughly five acre area surrounding Liberty Park in downtown Albany for a nominal purchase price of \$1. As part of the agreement, the Corporation will assume certain ground lease obligations with terms expiring through 2040. The Corporation expects to close on the transfer of the property interests in 2019 pending satisfaction of all conditions described in the Purchase and Sale Agreement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Capitalize Albany Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Capitalize Albany Corporation, which comprise the consolidated statement of net position as of December 31, 2018, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Capitalize Albany Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Capitalize Albany Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Capitalize Albany Corporation's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capitalize Albany Corporation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Investment Guidelines for Public Authorities and Capitalize Albany Corporation's investment guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albany, New York
March 5, 2019

2018 Assessment of the Effectiveness of Internal Controls

Capitalize Albany Corporation (“Corporation”) Major Business Functions:

The primary mission of the Corporation is as follows:

Facilitate economic development projects within the City of Albany

The Capitalize Albany Corporation (formerly the Albany Local Development Corporation) was incorporated in 1979 to primarily provide financing to eligible businesses in order to create and retain employment and investment within the City of Albany. The Corporation also plays an active role in facilitating large-scale transformational real estate projects that the Corporation identifies as a priority.

No changes have occurred with respect to funding sources, mission or objectives of the Corporation during 2018. Accomplishments, including financial status, committee accomplishments and legal requirements are outlined on a monthly basis via publically advertised and open meetings. Minutes of these meetings as well as supporting documents are maintained on the agency’s website.

Risks Associated with the Corporation’s Operations:

Public meeting rules are in place and regularly followed. The Chair of the Board of Directors is regularly engaged as are other board members. The Audit and Finance Committees regularly reviews financial information which is then presented to the board at publically open meetings. Additionally, for both legal and financial aspects, the Corporation utilizes outside sources with expertise in the associated functions to lend additional controls. As such, risks are deemed to be low for all activities and functions within the Corporation. A review for 2018 finds no change to the differing levels of involvement and approval.

Internal Control Systems in Place

There has been a longstanding set of policies, procedures and guidelines in place at the Corporation that are designed to ensure the Corporation's mission is carried out in full and to minimize risk. These items remained in place during 2018. Some of the key internal controls in place include:

- Public meeting and disclosure requirements are in effect and regularly followed.
- Board of Directors annually reviews and accepts the NYS PAAA policies.
- As noted previously, the use of external parties provides additional levels of internal control. Additionally, personnel with appropriate backgrounds and experience are utilized to help identify such items as legal or financial risks.
- Consistent reports are provided to management as well as the various committees and the full Board of Directors.
- The Corporation annually has a financial audit. The financial audit provides an opinion on the financial statements and also includes the audit related assessment of internal controls.
- The Corporation’s board actions have addressed internal controls through review and adoption of policies and procedures. These policy and procedures include the following:
 - Annual Board adoption and acceptance of NYS PAAA policies
 - Annual Board adoption and acceptance of PARIS reports
 - Annual external financial audit with Audit Committee oversight

- Annual completion of Board self-evaluation.
- Annual meeting of membership to appoint Board of Directors
- Annual review and acceptance of the Corporation's performance goals
- Annual completion of the Board's Conflict of Interest Declaration forms
- Annual Review and adoption of the Corporation's Procurement Policy
- Annual Review and adoption of the Corporation's Investment Policy
- Annual Review of the Corporation's investment performance
- Annual Review and adoption of the Corporation's Property Acquisition and Disposition Policy.

Extent to Which the Internal Control System is Effective

Management has reviewed the internal control system for 2018 and finds that the items as outlined above remain in place and functioning as expected. The Corporation's most recent financial audit (for the calendar year 2018 and the year ended December 31, 2018) identified no material weaknesses or significant deficiencies. Policies and procedures in place are deemed sufficient. As noted previously, the Corporation's staff regularly reviews updates to pertinent rules.

Corrective Action

No specific corrective action is required at this time. Management consistently works to strengthen controls as possible.

March 5, 2019

To: Chairman and Board, Capitalize Albany Corporation (“CAC”)

From: Chairman, CAC Audit Committee

Subj: *CAC Audit Committee Annual Report for 2018*

The CAC Audit Committee Charter provides that the Audit Committee “shall present annually to the Corporation’s Board a written report of how it has discharged its duties and responsibilities as outlined in the Charter.”

Below is the Committee’s Annual Report for 2018. The format below identifies each of the Committee’s four major areas of responsibilities followed by a summary of the Committee’s 2018 activities.

I. Independent Audit

A. “Appoint, compensate and oversee the independent auditors”

- Committee engaged CAC’s independent auditor;
- Committee met with the independent auditor to review the scope/planning of audit prior to audit commencement and ensured CAC’s full transparency/cooperation with the audit process;
- Committee met with the independent auditor during, and following, the audit to oversee the audit process and review/approve CAC’s audited financial results, report on internal controls, and related auditor communications; and
- Committee reviewed both the 2018 audit process and the performance/independence of the independent auditor, and found no deficiencies.

II. Internal Controls

A. “Review the Management’s assessment of internal controls and the independent auditor’s report on internal controls”

- Committee reviewed CAC management’s assessment of internal controls and the independent auditor’s report on internal controls.

III. Special Investigations

A. “Ensure . . . confidential mechanism to report suspected fraudulent activities, allegations of corruption, fraud . . . and oversee special investigations as needed”

- No allegations/reports of any improper activity were received by the Committee.

IV. Other Responsibilities

A. “Review Committee’s Charter annually . . . and recommend any proposed changes to the Board”

- No proposed changes to the Charter were recommended in 2018.

B. “Conduct an annual self-evaluation of [Committee] performance, including its . . . compliance with the Charter and request Board approval for proposed changes”

- Committee reports that it complied with the Charter and has no request for Charter changes.

Annual Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

 Run Date: 02/28/2019
 Status: UNSUBMITTED
 Certified Date: N/A

Governance Information (Authority-Related)

Question		Response	URL (if Applicable)
1.	Has the Authority prepared its annual report on operations and accomplishments for the reporting period as required by section 2800 of PAL?	Yes	www.capitalizealbany.com
2.	As required by section 2800(9) of PAL, did the Authority prepare an assessment of the effectiveness of its internal controls?	Yes	www.capitalizealbany.com
3.	Has the lead audit partner for the independent audit firm changed in the last five years in accordance with section 2802(4) of PAL?	Yes	N/A
4.	Does the independent auditor provide non-audit services to the Authority?	No	N/A
5.	Does the Authority have an organization chart?	Yes	www.capitalizealbany.com
6.	Are any Authority staff also employed by another government agency?	No	
7.	Has the Authority posted their mission statement to their website?	Yes	www.capitalizealbany.com
8.	Has the Authority's mission statement been revised and adopted during the reporting period?	No	N/A
9.	Attach the Authority's measurement report, as required by section 2824-a of PAL and provide the URL.		www.capitalizealbany.com

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

 Run Date: 02/26/2019
 Status: UNSUBMITTED
 Certified Date : N/A

Procurement Information:

Question		Response	URL (If Applicable)
1.	Does the Authority have procurement guidelines?	Yes	www.capitalizealbany.com
2.	Are the procurement guidelines reviewed annually, amended if needed, and approved by the Board?	Yes	
3.	Does the Authority allow for exceptions to the procurement guidelines?	Yes	
4.	Does the Authority assign credit cards to employees for travel and/or business purchases?	No	
5.	Does the Authority require prospective bidders to sign a non-collusion agreement?	No	
6.	Does the Authority incorporate a summary of its procurement policies and prohibitions in its solicitation of proposals, bid documents, or specifications for procurement contracts?	No	
7.	Did the Authority designate a person or persons to serve as the authorized contact on a specific procurement, in accordance with Section 139-j(2)(a) of the State Finance Law, "The Procurement Lobbying Act"?	No	
8.	Did the Authority determine that a vendor had impermissible contact during a procurement or attempted to influence the procurement during the reporting period, in accordance with Section 139-j(10) of the State Finance Law?	No	
8a.	If Yes, was a record made of this impermissible contact?		
9.	Does the Authority have a process to review and investigate allegations of impermissible contact during a procurement, and to impose sanctions in instances where violations have occurred, in accordance with Section 139-j(9) of the State Finance Law?	No	

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

 Run Date: 02/26/2019
 Status: UNSUBMITTED
 Certified Date : N/A

Procurement Transactions Listing:

1. Vendor Name	Albany Convention Center Authority	Address Line1	126 State Street
Type of Procurement	Other Professional Services	Address Line2	
Award Process	Authority Contract - Non-Competitive Bid	City	ALBANY
Award Date	1/1/2018	State	NY
End Date	12/31/2018	Postal Code	12207
Fair Market Value	\$35,315.24	Plus 4	
Amount	\$35,315.24	Province/Region	
Amount Expended For Fiscal Year	\$35,315.24	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	License Fee

2. Vendor Name	Arthur J. Gallagher & Co.,	Address Line1	677 Broadway
Type of Procurement	Other Professional Services	Address Line2	4th Floor
Award Process	Non Contract Procurement/Purchase Order	City	ALBANY
Award Date		State	NY
End Date		Postal Code	12207
Fair Market Value		Plus 4	
Amount		Province/Region	
Amount Expended For Fiscal Year	\$9,485.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Insurance

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

 Run Date: 02/26/2019
 Status: UNSUBMITTED
 Certified Date : N/A

3. Vendor Name	BST & Co CPA, LLP	Address Line1	c/o BST & Co; CPA's , LLP
Type of Procurement	Financial Services	Address Line2	26 Computer Drive West
Award Process	Authority Contract - Non-Competitive Bid	City	ALBANY
Award Date	10/3/2016	State	NY
End Date		Postal Code	12205
Fair Market Value	\$32,210.00	Plus 4	
Amount	\$32,210.00	Province/Region	
Amount Expended For Fiscal Year	\$32,210.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Accounting Services

4. Vendor Name	CHA Consulting	Address Line1	III Winners Circle
Type of Procurement	Consulting Services	Address Line2	PO Box 5269
Award Process	Authority Contract - Non-Competitive Bid	City	ALBANY
Award Date	11/28/2017	State	NY
End Date		Postal Code	12205
Fair Market Value		Plus 4	0269
Amount	\$28,800.00	Province/Region	
Amount Expended For Fiscal Year	\$16,542.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Environmental review of various properties located in the City of Albany

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

 Run Date: 02/26/2019
 Status: UNSUBMITTED
 Certified Date : N/A

5. Vendor Name	Center for Economic Growth	Address Line1	39 North Pearl Street
Type of Procurement	Other Professional Services	Address Line2	
Award Process	Non Contract Procurement/Purchase Order	City	ALBANY
Award Date		State	NY
End Date		Postal Code	12207
Fair Market Value		Plus 4	
Amount		Province/Region	
Amount Expended For Fiscal Year	\$7,500.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Membership

6. Vendor Name	City of Albany	Address Line1	24 Eagle Street
Type of Procurement	Other Professional Services	Address Line2	
Award Process	Authority Contract - Non-Competitive Bid	City	ALBANY
Award Date	12/30/2014	State	NY
End Date	12/31/2019	Postal Code	12207
Fair Market Value	\$53,484.00	Plus 4	
Amount	\$53,484.00	Province/Region	
Amount Expended For Fiscal Year	\$53,484.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Economic Development Professional Services

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

Run Date: 02/26/2019
Status: UNSUBMITTED
Certified Date : N/A

7. Vendor Name	D Hilton Associates Inc.	Address Line1	9450 Grogan's Mill Road
Type of Procurement	Consulting Services	Address Line2	Suite 200
Award Process	Authority Contract - Non-Competitive Bid	City	THE WOODLANDS
Award Date	8/22/2018	State	TX
End Date	8/21/2019	Postal Code	77380
Fair Market Value	\$12,500.00	Plus 4	
Amount	\$12,500.00	Province/Region	
Amount Expended For Fiscal Year	\$6,250.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Executive Compensation Review

8. Vendor Name	Frank Quackenbush	Address Line1	60 Amsterdam Ave
Type of Procurement	Design and Construction/Maintenance	Address Line2	
Award Process	Non Contract Procurement/Purchase Order	City	MENANDS
Award Date		State	NY
End Date		Postal Code	12204
Fair Market Value		Plus 4	
Amount		Province/Region	
Amount Expended For Fiscal Year	\$6,650.27	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Property Construction and Maintenance

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

Run Date: 02/26/2019
Status: UNSUBMITTED
Certified Date : N/A

9. Vendor Name	Guardian	Address Line1	PO Box 824404
Type of Procurement	Other	Address Line2	
Award Process	Authority Contract - Non-Competitive Bid	City	PHILADELPHIA
Award Date	1/1/2017	State	PA
End Date		Postal Code	19182
Fair Market Value	\$9,332.75	Plus 4	4404
Amount	\$9,332.75	Province/Region	
Amount Expended For Fiscal Year	\$8,091.11	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Employee Dental/Vision Insurance

10. Vendor Name	Intelligent Technology Solutions Inc	Address Line1	11786 State Route 9W
Type of Procurement	Technology - Consulting/Development or Support	Address Line2	
Award Process	Authority Contract - Non-Competitive Bid	City	WEST COXSACKIE
Award Date	1/1/2018	State	NY
End Date	12/31/2018	Postal Code	12192
Fair Market Value	\$18,233.05	Plus 4	
Amount	\$18,233.05	Province/Region	
Amount Expended For Fiscal Year	\$18,233.05	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Computer Services

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

 Run Date: 02/26/2019
 Status: UNSUBMITTED
 Certified Date : N/A

11. Vendor Name	JMD Cleaning Services	Address Line1	PO Box 291
Type of Procurement	Other	Address Line2	
Award Process	Non Contract Procurement/Purchase Order	City	RENSSELAER
Award Date		State	NY
End Date		Postal Code	12144
Fair Market Value		Plus 4	
Amount		Province/Region	
Amount Expended For Fiscal Year	\$8,684.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Janitorial Services

12. Vendor Name	National Grid	Address Line1	P.O. Box 11745
Type of Procurement	Commodities/Supplies	Address Line2	
Award Process	Non Contract Procurement/Purchase Order	City	NEWARK
Award Date		State	NJ
End Date		Postal Code	07101
Fair Market Value		Plus 4	
Amount		Province/Region	
Amount Expended For Fiscal Year	\$14,707.32	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Electric & Gas Service

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

 Run Date: 02/26/2019
 Status: UNSUBMITTED
 Certified Date : N/A

13. Vendor Name	Paychex	Address Line1	94 New Karner Road
Type of Procurement	Other Professional Services	Address Line2	Suite 101
Award Process	Non Contract Procurement/Purchase Order	City	ALBANY
Award Date		State	NY
End Date		Postal Code	12203
Fair Market Value		Plus 4	
Amount		Province/Region	
Amount Expended For Fiscal Year	\$133,046.77	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Payroll & Benefits

14. Vendor Name	Star Improvements, Inc.	Address Line1	20 Colvin Avenue
Type of Procurement	Design and Construction/Maintenance	Address Line2	
Award Process	Authority Contract - Non-Competitive Bid	City	ALBANY
Award Date	8/21/2018	State	NY
End Date	12/31/2018	Postal Code	12206
Fair Market Value	\$17,375.00	Plus 4	
Amount	\$17,375.00	Province/Region	
Amount Expended For Fiscal Year	\$17,375.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	New Roof

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

Run Date: 02/26/2019
Status: UNSUBMITTED
Certified Date : N/A

15. Vendor Name	Thomas M. Owens Esc.	Address Line1	P.O. Box 307
Type of Procurement	Legal Services	Address Line2	
Award Process	Authority Contract - Non-Competitive Bid	City	SLINGERLANDS
Award Date	12/1/2009	State	NY
End Date		Postal Code	12159
Fair Market Value		Plus 4	
Amount	\$85,919.89	Province/Region	
Amount Expended For Fiscal Year	\$85,919.89	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Legal Services

16. Vendor Name	Travelers	Address Line1	PO Box 660317
Type of Procurement	Other	Address Line2	
Award Process	Non Contract Procurement/Purchase Order	City	DALLAS
Award Date		State	TX
End Date		Postal Code	75266
Fair Market Value		Plus 4	0317
Amount		Province/Region	
Amount Expended For Fiscal Year	\$18,840.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Insurance

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

 Run Date: 02/26/2019
 Status: UNSUBMITTED
 Certified Date : N/A

17. Vendor Name	UHY LLP	Address Line1	PO Box 8505
Type of Procurement	Other Professional Services	Address Line2	
Award Process	Authority Contract - Non-Competitive Bid	City	CAROL STREAM
Award Date	10/16/2018	State	IL
End Date	9/30/2019	Postal Code	60197
Fair Market Value	\$42,000.00	Plus 4	
Amount	\$42,000.00	Province/Region	
Amount Expended For Fiscal Year	\$41,120.44	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Auditing & Tax Services

18. Vendor Name	Usherwood Office Technolgy	Address Line1	1005 West Fayette Street
Type of Procurement	Technology - Hardware	Address Line2	
Award Process	Non Contract Procurement/Purchase Order	City	SYRACUSE
Award Date		State	NY
End Date		Postal Code	13204
Fair Market Value		Plus 4	
Amount		Province/Region	
Amount Expended For Fiscal Year	\$9,783.00	Country	United States
Explain why the Fair Market Value is Less than the Amount		Procurement Description	Copier Maintenance

Procurement Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

Run Date: 02/26/2019
Status: UNSUBMITTED
Certified Date : N/A

Additional Comments

Investment Report for Capitalize Albany Corporation

Fiscal Year Ending: 12/31/2018

Run Date : 02/26/2019
Status: UNSUBMITTED
Certified Date: N/A**Investment Information**

Question		Response	URL (If Applicable)
1.	Has the Authority prepared an Annual Investment Report for the reporting period as required by Section 2925(6) of PAL?	Yes	www.capitalizealbany.com
2.	Are the Authority's investment guidelines reviewed and approved annually?	Yes	
3.	Did the Authority have an independent audit of investments as required by Section 2925(3)(f) of PAL?	Yes	www.capitalizealbany.com
4.	Has the Authority's independent auditor issued a management letter to the Authority in connection with its annual audit of investments?	No	

Additional Comments

Authorities Budget Office Policy Guidance



Authority Mission Statement and Performance Measurements

Name of Public Authority: Capitalize Albany Corporation

Public Authority's Mission Statement: The mission of Capitalize Albany Corporation is to facilitate strategic economic development and stimulate transformative investment throughout the City of Albany, making New York's Capital a vibrant place to thrive.

Date Adopted: April 25, 2017 (No changes made in 2018)

List of Performance Goals (If additional space is needed, please attach):

- **Number and aggregate amount of loans disbursed during the fiscal year.** One loan was disbursed in 2018 totaling \$100,000.
- **Number and aggregate amount of loans dedicated to market-rate residential units during the fiscal year.** One loan was disbursed in 2018 totaling \$100,000.
- **Total number of market-rate residential units that received assistance from Capitalize Albany.** 209 market-rate units received assistance from Capitalize Albany in 2018.
- **Number and value of projects receiving Capitalize Albany financial assistance.** In 2018 15 projects received Capitalize Albany financial assistance and the value of these projects totaled approximately \$7,000,000.
- **Number of permanent and temporary jobs created and/or retained.** In 2018 there were 8,723 permanent and 329 temporary jobs created and/or maintained.
- **Number and types of CDBG-eligible projects that received assistance from Capitalize Albany.** In 2018 there were 4 projects that received Capitalize Albany assistance that were CDBG eligible. These projects were mainly for blight removal and job creation, or occurred in an eligible distressed Census tract.
- **Number of REDC projects assisted and awarded with Capitalize Albany support.** In 2018, 17 projects received nonmonetary and/or monetary assistance from Capitalize Albany and were awarded approx. \$6 Million from the REDC.
- **Number of prospective businesses and development projects assisted during the year.** Capitalize Albany provided nonmonetary and/or monetary assistance to over 85 prospective business and/or development projects in 2018.

Additional questions:

1. **Have the board members acknowledged that they have read and understood the mission of the public authority?** The Board of Directors of the Capitalize Albany Corporation have reviewed the mission statement and have not made any amendments to the mission statement in 2018
2. **Who has the power to appoint the management of the public authority?** The Corporation's Board of Directors appoints the officers and executive management of the Capitalize Albany Corporation.
3. **If the Board appoints management, do you have a policy you follow when appointing the management of the public authority?** The Board appoints management who are best qualified to execute the mission of the Capitalize Albany Corporation. Management serves at the pleasure of the Board of Directors.
4. **Briefly describe the role of the Board and the role of management in the implementation of the mission.** The Corporation's mission was developed by the Board of Directors and management through careful consideration and discussion. The Board of Directors is an independent body responsible for control and management of the affairs and property of the Corporation and to adopt rules, regulations, and policies governing the Corporation. The Board looks to management to implement said policies. The Board of Directors shall ensure overall financial accountability, and hire management to oversee the day-to-day affairs of the Corporation in the delivery of CAC's mission.
5. **Has the Board acknowledged that they have read and understood the responses to each of these questions?** The Capitalize Albany Corporation Board of Directors participated in the drafting, presentation for discussion, and approval of these responses.

Capitalize Albany Corporation Board Meeting

March 26, 2019

Agenda Item 5: Report of Finance & Investment Committee

Materials:

- 105 Morris Loan – Resolution 4-2019

**RESOLUTION 4-2019
OF THE
CAPITALIZE ALBANY CORPORATION**

WHEREAS, Capitalize Albany Corporation (“CAC”) has reviewed the application of Morris Place, LLC for a loan from CAC in the amount of \$500,000 (the “Loan”) to assist with the construction of an approximately 31,000 sq. ft. building (the “Project”) containing approximately 28 units of market rate, residential housing; and

WHEREAS, in support of its mission, 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, the Project, involves the creation of approximately 28 units of market rate, residential housing, which directly supports the continued implementation of the Park South Urban Renewal Plan; and

WHEREAS, the Loan will be subordinate to an \$4,300,000 loan from Ballston Spa National Bank; and

WHEREAS, an underwriting review has been completed by CAC staff, and such review was presented to, and reviewed by, the CAC Finance and Investment Committee (“Committee”) and the Committee recommends that the Board approve the Loan; and

NOW, THEREFORE, BE IT RESOLVED, that Capitalize Albany Corporation approves the Loan in the amount of \$500,000 to be secured by the building and property located at 105 Morris Place, Albany, New York. The applicant will establish an interest reserve fund in the amount of \$27,500 on behalf of CAC. The Loan will entail a maximum interest only payment period of twenty-four (24) months followed by a principal and interest payment period of (8) eight years with a thirty (30) amortization schedule. The Loan is to be at a fixed interest rate of 5.50% during the interest only payment period and at a fixed interest rate of 5.50% during the first three years of the principal and interest payment period (rate reset after year five). The Loan is contingent upon the personal guaranties of Sameh Asaad and Gihan Asaad, the members of Morris Place, LLC.

Signed: _____
Michael Castellana, Chairman

Date of Authorization: March 26, 2019