

Public Authorities Accountability Act of 2005

Filed pursuant to and in accordance with Subdivision (1) of Section 2800 of the Public
Authorities Law:

Annual Report
2010

1.) Operations and Accomplishments in 2010

The Albany Convention Center Authority (“ACCA”) was created on September 21, 2004 by the enactment of Title 28-BB of the Public Authorities Law (Chapter 468 of the Laws of 2004). The general purpose of the ACCA is to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage, and maintain a convention facility located in the City of Albany (the “Project”).

Operations and accomplishments in 2010 are as follows:

During this past year the Albany Convention Center Authority has taken significant strides toward delivering a “shovel ready” project. The following is offered in summary of those efforts:

- Completed Concept Design to 25% level to validate building program;
- Completed Final Design to 10% level to validate accuracy of estimates;
- Confirmed market study to validate economic assumptions;
- Purchased surface parking from Capitalize Albany Corp;
- Purchased former E-Comm Sq. and associated properties;
- Increased land inventory to nearly 75% of total needed for convention center project, including area for: Private hotel development opportunity and public development of the Intermodal/Parking facility;
- Commenced negotiations with remaining land owners;
- Completed Phase 1-B Archeology within the Study Area for the center;
- Commenced Phase 2 Archeology;
- Completed Environmental Site Assessments for all owned structures;
- Invested \$9,283,945.16 of the current \$10 M ESDC GDA in land acquisition, archeology, and environmental scopes;
- Developed comprehensive plan and put in place professional teams to manage all owned structures and parking facilities for the period prior to construction;
- Engaged engineering consultants for a risk assessment and preliminary design for the relocation of existing utilities within the Study Area for the center;
- Expanded the discussions with OGS regarding access by the convention center to the cooling water line to reduce energy consumption by the center;
- Continued discussions with OGS to attain control of the area under the South Mall arterial for both construction period staging and those operational needs for parking and the queuing of interstate, local and tour busses along with tractor trailers;
- Executed a Memorandum of Understanding with the Capital District Transportation Authority (CDTA) for the development of an Intermodal/Parking facility to meet the needs of the center, hotel and provide to improvements in the delivery of public transportation for the Capital Region and beyond;
- Executed a Memorandum of Understanding with the Albany County Convention and Visitors Bureau (ACCVB) as a basis for promoting the center;
- Re-designed the ACCA website with the ACCVB in preparation for critical ramp-up marketing of the center to begin in advance of construction;

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- Communicated economic impact potential of the convention center project to the public and all levels of state and local government via the website, presentations, and memorandum.
- Expanded accounting processes and financial reporting to reflect office building and parking lot operations as a result of one of the acquisitions mentioned above.

2.) Financial Reports – (i) Audited Financials; follow link below:

http://www.accany.com/albany_convention_center_authority/FinancialInformation/Audits/2010.aspx

(ii) grant and subsidy programs - The ACCA received a second grant for \$10 million in 2009 approved by Governor David Patterson and administered by the Empire State Development Corporation (ESDC). The grant is being used for certain expenses associated with the project as approved by ESDC. Those include:

- Land acquisition
- Archeology, historical conservation and environmental remediation
- Preconstruction and site planning
 - Project management
 - Phase 1B environmental investigation
 - Survey/title updates/appraisals
 - Architectural renderings/schematics
 - Program Review
 - Cost estimating

Approximately \$722,000 remains from this grant.

(iii) operating and financial risks - The ACCA's funding is currently derived from Empire State Development Corporation Grants based upon a \$75 million dollar State budget appropriation and a portion of a Hotel-Motel Occupancy Tax enacted by Albany County. The ACCA had accessed funds from these sources for its operations and financial obligations that occurred in 2010. The operations of the ACCA in 2010 was limited to acquiring and preparing the convention center facility site for development. Upon purchasing property within the proposed site of the convention center facility, the ACCA acquired four office buildings, two of which were occupied, and four operational surface parking lots from three different sellers. As a result of such purchase, the ACCA began to temporarily operate the office and parking facilities through the use of management contracts.

(iv) current ratings, if any, of bonds issued by recognized municipal bond rating agencies and notice of changes in such ratings – N/A

(v) long-term liabilities, including leases and employee benefits plans – Ground lease payment obligations are the only long-term liabilities of the ACCA, which continue until year 2040. As a result of a purchase of buildings and land made on August 24, 2010, the Authority was assigned ground leases relating to surface parking areas which contain

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development rights. These parcels are part of the area designated for the building of the convention center facility. Assignment of these ground leases allows for the Authority to take the existing leases over from the original lessee with the same terms in place. The ground leases are accounted for as operating leases. The leases include a purchase option for two of the three properties during the final five years of the lease term. During the interim time frame from assignment until the convention center is underway, the surface parking areas to which these leases relate are being rented on a daily, monthly and event basis utilizing management agents.

3.) Mission statement and measurements including its most recent measurement report

The performance of the Authority can be measured by the conduct of the following activities within its allocated resources and necessary approvals:

- 1.) All pre-development activities such as studies, surveys, site selection, design, and land acquisition; and

See accomplishments for 2010 in Section 1 above, which are in furtherance of the ACCA's mission to design, build and operate a convention center facility in downtown Albany.

- 2.) All construction activities necessary the construct the convention center facility; and

None for 2010

- 3.) All activities associated with operating a convention center facility.

None for 2010

4.) Schedule of bonds and notes Outstanding

There are no bonds or notes outstanding as of December 31, 2010

5.) Compensation schedule for salaries in excess of \$100,000.

- a.) Duncan Stewart, Executive Director/CEO

6.) Biographical information for all persons with salaries in excess of \$100,000

Mr. Duncan Stewart has over 25 years of experience in commercial construction and development industries. His career includes employment with several Capital Region developers and contractors, including serving 12 years as vice president of operations for Zandri Construction in Cohoes. Project experience includes: the air-traffic control tower/Tracon Facility, air cargo and maintenance buildings at the Albany International Airport, renovations and additions to Albany Public Schools #20 and #27, new gymnasium and classroom additions to the St. Anne Institute in Albany, Woodland Hills Montessori

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School, renovations and additions to St. Pius X, St. Augustine's, and St. Mary's Crescent among other liturgical facilities.

A resident of Averill Park, Mr. Stewart, is a native of Boston, having lived in the Capital Region since 1975. In his project work, he has served in both the capacity of an owner's representative and general contractor and has extensive experience with the construction management process both as advisor and as constructor.

7.) Projects undertaken during the past year

Pursuant to its enabling legislation, the general purpose of the ACCA is to design, develop, plan, finance, create, site, construct, renovate, administer, operate, manage, and maintain a convention facility located in the City of Albany. Therefore, the ACCA has a single statutorily mandated project.

Please see 2010 activities listed in Section 1 above, including the negotiating, purchasing/leasing of real property and other pre-development activities, which are all in furtherance of the single project.

8.) Listing of all real property having a fair market value in excess of \$15,000.

- .3 acre of real property w purchased from Capitalize Albany Corporation consisting of a 65 space surface parking lot located at 10 Dallius Street, Albany, NY that has a fair market value of \$550,000.
- 3.31 acres of real property purchased jointly from City Square Associates LLC and LPD, LLC that has a fair market value of \$5,900,000. The property consist of the following:
 - * One vacant structure located at 50 Hudson Street, Albany, NY.
 - * Two vacant office buildings located at 4 and 6 E-Com Square, Albany, NY.
 - * Two occupied office buildings located at 2 and 3 E-Com Square, Albany, NY.
 - * 70 vehicle surface parking lot located at Green and Division Streets, Albany, NY.
 - * Leasehold of a 106 vehicle surface parking lot located on Greene and Division Streets, Albany, NY.
 - * Leasehold of a 150 vehicle surface parking lot located on Dallius, Hamilton and Broadway Streets, Albany, NY.

9.) Code of ethics - See attachment A

10.) Assessment of internal control structure and procedures

Due to the complexity associated with the acquisition of occupied buildings and parking facilities during 2010, our independent auditor found a material weakness in the

design and operation of controls relating to timely and complete financial reporting during the 2010 Audit. The ACCA is working with the independent auditor to obtain and implement recommendations in order to create a more efficient accounting process that produce more timely and accurate financial statements.

11.) Enabling legislation – Follow link below

http://www.accany.com/albany_convention_center_authority/AboutACCA/NYSEnablingLegislation.aspx

12.) Description of the authority and its board structure

- **Committees and Members**
 - Audit & Finance Committee – a committee of the whole
 - Governance Committee:
Chair – Michael Perrin
Members – Kai Earle; Michele Vennard
- **Board Meetings and Attendance** - follow link below
http://www.accany.com/albany_convention_center_authority/MeetingRecord/2010.aspx
- **Description of Major Authority Units or Subsidiaries** – NA
- **Number of Employees** – 2

13.) Charter and by-laws – See Attachment B

14.) Listing of material changes in operations and programs during the reporting year – Office building and parking facility ownership and operations commenced in 2010 due to the acquisition of property within the convention facility footprint from City Square Associates and LPD, LLC. The office building and parking facility operations will be conducted on a temporary basis in order to ready the site for development.

15.) Minimum of a 4 year financial plan, including: (i) current and projected capital budget, (ii) operating budget report, including an actual versus estimated budget with an analysis and measurements of financial and operating performance – See Attachment C

16.) Board performance evaluation – See Attachment D

17.) Description of the total amount of assets, services or both assets and services bought or sold without competitive bidding including: (i) the nature of assets and services, (ii) names of the counterparts, (iii) where the contract price for the assets purchased exceed FMV or where the contract price for the assets sold is less than FMV, a detailed explanation of the justification for making purchase or sale without competitive bidding and a certification by the CEO and CFO that they have reviewed

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the terms of such purchase or sale and determined that it complies with applicable law and procurement guidelines – the services of an architectural firm were engaged to refurbish a model of the convention center study area originally built during our master planning phase. The engagement was to expand the area represented and add the current design of the project. The procurement of the architectural firm was made in accordance with the Authority’s procurement policy as a professional service. Furthermore, the architect engaged for this assignment was part of that master planning team whose contract was competitively procured. Additionally, the real property itemized in Section 8 above was purchased without competitive bidding since the sellers of the properties located within the proposed convention center site are the sole source for such properties. However, the property was acquired by the ACCA in accordance with its real property procurement policy, which utilizes two independent appraisals to arrive at the fair market value.

18.) Description of material pending litigation – N/A

I hereby certify the foregoing report is accurate to the best of my knowledge, based on the audited financial records of the Albany Convention Center Authority.

Gavin Donohue
Chair