
Authorities Budget Office
Review of Accuracy of IDA Projects Reported
Mechanicville-Stillwater Industrial Development
Agency
June 2, 2015



The Authorities Budget Office (ABO) is authorized by Title 2 of the Public Authorities Law to review and analyze the operations, practices and reports of public authorities, to assess compliance with various provisions of Public Authorities Law and other relevant State statutes, and to make recommendations concerning the reformation and structure of public authorities. The ABO is undertaking a series of reviews of industrial development agencies (IDAs) to determine if the authority is accurately reporting project information in the ABO's Public Authorities Reporting Information System (PARIS) including financial assistance provided to projects and their employment impact.

The review of the City of Mechanicville and Town of Stillwater Industrial Development Agency (IDA) was conducted in May 2015. We reviewed project information reported by the IDA in its 2013 PARIS annual report, since it had not yet submitted its 2014 report. We also reviewed project files maintained by the IDA to evaluate if information reported in PARIS by the IDA was accurate and verified by supporting documentation. In addition to reviewing IDA documents, the ABO interviewed IDA staff and the Chairman and Treasurer of the IDA board.

Background

The City of Mechanicville and Town of Stillwater Industrial Development Agency (IDA) was created in 1980 under Chapter 925-k of General Municipal Law. The IDA's mission is to promote, develop, encourage and assist in acquiring, constructing, improving, maintaining or equipping certain facilities, thereby advancing the job opportunities, health, general prosperity and the economic welfare of the people of the City of Mechanicville and the Town of Stillwater. The IDA assists in acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research facilities, and educational or cultural facilities.

The IDA is governed by an eight member board of directors. Four board members are appointed by each municipality (City Council and Town Board, respectively). The IDA has no employees. A local businessman volunteers to serve as the IDA's Chief Executive Officer. The City Mayor's stenographer prepares notices, agendas and minutes for board meetings, helps with bookkeeping, prepares checks, answers phone calls, and enters information in PARIS. For 2013, she was paid \$545 for these services. The IDA also contracts with an accountant to do the IDA's bookkeeping and other services, such as calculating payments in lieu of taxes (PILOTS) and collecting and reporting job and tax exemption information in PARIS. For 2013 the IDA paid this accountant \$1,950. Since 2008, the IDA also has a support and marketing

agreement with Saratoga Economic Development Corporation (SEDC). According to the SEDC agreement, the IDA and SEDC agree to split the fees received by the IDA for financial assistance provided on behalf of SEDC applicants. For 2013, the IDA paid SEDC \$20,250 for these services.

For 2013, the IDA reported one project that received IDA financial assistance. The IDA reported \$222,551 in real property tax exemptions, \$132,339 in PILOT payments and \$190,000 in sales tax exemptions for the project. The IDA reported that the project was estimated to create and retain 195 jobs, and that as of December 2013 the project had 351 jobs. Although various individuals provide staff services to the IDA, the IDA reported that it had no staff.

Review Results

The IDA did not properly report its projects in PARIS. The IDA reported that it had one active project for a beverage distribution company, DeCrescente Distributing Company (DeCrescente). However, this project actually consisted of six separate projects that had been approved over a span of several years. The IDA provided real property tax exemptions to this company on three separate occasions in 1989, 1995 and 1999 for the acquisition of property and construction and improvement of buildings. As part of these projects the IDA took title to the property for purposes of providing tax exemptions, and entered into PILOT agreements for each project. Although each of these PILOT agreements have since expired, the IDA did not transfer title to the properties back to DeCrescente and return them to the tax rolls. Instead, the IDA has retained title to the properties and bills the company for PILOTs that equal the amount of taxes due. The IDA has also approved projects in 2008, 2009 and 2013 for sales tax and real property tax exemptions. Two of these projects (2008 and 2009) have signed PILOT agreements, one signed in 2009 and the other signed in 2013, respectively. The third project's PILOT agreement has not yet been signed; but the project received \$190,000 in sales tax exemptions in 2013.

Project Year	Project Description	Year Financial Assistance to End	Title Transferred back to Owner
1989	Acquire and construct a warehouse and distribution center and office space (known as "existing facilities") in the Town of Stillwater	2001	No
1995	Additional construction and rehabilitation of existing facilities	2005	No
1999	Acquisition of additional land and new construction on existing facilities	2009	No
2008	Construction of warehouse and office space on existing facilities	2020	No
2009	Construction of an office complex on adjacent property to the existing facilities in the City of Mechanicville	2023	No
2013	Construction of new warehouse addition and other renovations to existing facilities	N/A*	No

*Until the PILOT agreement is signed the year financial assistance is to end is unknown.

When PARIS was implemented in 2007, the IDA reported the 1989, 1995 and the 1999 projects as a single project, although the financial assistance provided to two of these projects had already ended. As the 2008, 2009 and 2013 projects were approved, the IDA simply added notes to the existing project to indicate that additional projects were approved. As a result, the information reported in PARIS does not accurately reflect the total costs of all the projects approved by the IDA, and the IDA is unable to determine whether the jobs to be created and retained for each of the projects were achieved. Instead, the IDA is only able to show that cumulatively, 351 jobs existed at the company in 2013.

The IDA overstated the amount of property tax exemptions. The 2012 Tax Assessment Roll (tax roll) for the city and town is used to calculate the 2013 tax exemptions and PILOT payments owed. According to this tax roll, the IDA held title to five different properties that were associated with the 1989 through 2008 projects. Title to the property for the 2009 project was not acquired by the IDA until 2013 when the PILOT agreement was executed. However, of the five properties, only four were identified as tax exempt for 2013; one property was added to the tax rolls by the municipality because the PILOT agreement had ended even though the title for the property was still held by the IDA. The total real property tax exemptions (based on the assessed value of the property) for the four tax exempt properties was \$209,502. However the IDA reported total tax exemptions of \$222,551, because it included the property that was added to the tax rolls by the municipality. Since the one property is no longer tax exempt it should not be included as receiving real property tax exemptions in PARIS. The IDA also made an error in calculating the tax exemptions for the Route 4 property in the Town of Stillwater.

Tax ID #	Address	Taxable Status	Assessed Value	Tax Exemptions Reported by IDA	Total Tax Exemptions
262.38-1-5	North Main Street, Mechanicville	Tax-exempt	\$50,000	\$2,047	\$2,047
262.38-1-7	US Rt 4, Mechanicville	Tax-exempt	\$175,000	\$7,163	\$7,163
262.-1-4.111	Route 4 & 32, Stillwater	Tax-exempt	\$8,300,000	\$188,376	\$188,377
262.-1-4.14	Hudson Ave, Stillwater	Tax-exempt	\$525,000	\$11,915	\$11,915
262.-1-4.121	1 Best Ave, Stillwater	Taxable	\$575,000	\$13,050	\$0
Totals				\$222,551	\$209,502

The IDA failed to collect \$28,932 in PILOTs required by the PILOT agreements and inaccurately reported the amount of PILOTs paid. Of the four tax exempt properties only one had an active PILOT agreement. The PILOT agreement stipulates that only the addition to an existing building is fully exempt from real property taxes for a five year period. The value of the addition is determined by the change in the assessed value of the property. The assessed value of the property was \$6,699,900 in 2011, and it increased to \$8,300,000 in 2012, a difference of \$1,600,100. Since the PILOT payments for the remaining properties should equal the amount of taxes on the properties, the total PILOTs owed in 2013 was \$173,186. However, the IDA billed the company a total PILOT amount of \$158,409, because it

used \$2.5 million as the value of the addition. As a result the total PILOTS paid by the company were only \$144,254, which resulted in \$28,932 in PILOT payments not being collected for this property.

Tax ID #	Address	Total PILOTS Owed	Total PILOTS Paid	Totals Difference
262.38-1-5	North Main Street, Mechanicville	\$2,047	\$2,047	\$0
262.38-1-7	US Rt 4, Mechanicville	\$7,163	\$7,163	\$0
262.-1-4.111	Route 4 & 32, Stillwater	\$152,061	\$123,129	-\$28,932
262.-1-4.14	Hudson Ave, Stillwater	\$11,915	\$11,915	\$0
Totals		\$173,186	\$144,254	-\$28,932

The IDA also failed to report all the PILOT payments made for 2013. The total PILOTS made in 2013 for IDA tax exempt property was \$144,254; however the IDA only reported \$132,339 in PILOT payments. The IDA reported the PILOTS paid for all parcels, except for Hudson Avenue in the Town of Stillwater because those payments were made by the project owner directly to the Town. The IDA should be reporting any payments in lieu of taxes made regardless of where the payments are sent.

The IDA board has not established an adequate process to verify information provided by project owners. Annually the IDA’s accountant requests the amount of sales tax exemptions claimed by the project owner for the year and the number of jobs for the project at the end of the year. However, the IDA does not require the project owner to provide supporting records to verify the amount of exemptions claimed or jobs reported. For example, project owners are required to annually report the actual sales tax exemptions claimed to the Department of Taxation and Finance on form ST-340. The IDA should obtain a copy of the ST-340 to verify the actual amount of sales tax exemptions claimed by the project. Similarly, the IDA did not require the project owner to provide records to verify the number of jobs created by the project. As the result, the IDA has little assurance that the number of jobs reported by the project are accurate.

The IDA did not report its procurements in PARIS to SEDC. IDAs are required to report all procurement transactions with an actual or estimated value of \$5,000 or more. In 2013, the IDA paid SEDC \$20,250; however such payments were not reflected in the IDA’s Procurement Report in PARIS. Rather, the IDA indicated that it had no procurements in 2013.

Conclusion:

The IDA board is not actively involved in the collection and reporting of project information and relies heavily on volunteer and contracted individuals to manage and monitor its finances and operations. As a result, the board is not ensuring that the information reported to the public through PARIS is accurate and that the appropriate amounts of payments in lieu of taxes are collected in accordance with its PILOT agreements. The board should establish and follow procedures to:

- Transfer title of any properties that are no longer part of an active PILOT agreement back to the project owner, returning those properties to the tax rolls in a timely manner.
- Verify that data reported in PARIS is correct and accurate. Specifically, the board should ensure that all active projects are reported in PARIS and the amount real property tax exemptions and PILOTS are accurate.
- Ensure that the appropriate amount of PILOTS are billed and collected and that any changes are justified with supporting documentation.
- Monitor projects approved for financial assistance and determine whether employment goals are being met for each project approved.
- Obtain supporting documentation to verify the data reported by projects, such as ST-340 forms to determine the amount of sales tax exemptions claimed by a project and supporting documentation to verify the job numbers being reported by project owners.
- Ensure that all procurement contracts with a value of \$5,000 or more in any given year are included in the PARIS Procurement Report.