



Rensselaer County Industrial Development Agency

Payments In Lieu of Taxes

2021M-74 | January 2025

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Report Highlights

Audit Objective

Determine whether Rensselaer County (County) Industrial Development Agency (RCIDA) officials ensured payments in lieu of taxes (PILOTs) were properly billed, collected and distributed to taxing jurisdictions timely.

Key Findings

RCIDA officials did not ensure all PILOTs were properly billed, collected and distributed. During the audit period:

- Sixteen of the 62 bills we reviewed were inaccurate because the County’s Director of Real Property Tax (RPT Director) either used incorrect assessment values or tax rates and an inconsistent payment calculation process that resulted in two projects being overbilled a total of \$170,842 and two projects being underbilled a total of \$184,474.
- Two taxing jurisdictions received \$10,607 more than they should have while five others did not receive \$24,239 they should have.
- RCIDA officials did not adequately monitor and report all projects’ PILOT billings to the Public Authorities Reporting Information System (PARIS).

Key Recommendations

- Establish and implement policies and procedures, including a secondary review, to ensure all PILOTs are billed and distributed accurately.
- Ensure all PILOTs are monitored and reported to PARIS.

RCIDA officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Audit Period

January 1, 2019 – November 30, 2020

The release of this report was delayed while the matter was under review by an outside agency.

Background

The RCIDA is an independent public benefit corporation established by an act of special legislation by the County in 1974.

The RCIDA is governed by a seven-member Board (Board) appointed by the County Executive and is responsible for the RCIDA’s general management and financial affairs.

The Board-appointed Chief Executive Officer is responsible for day-to-day operations. The Chief Financial Officer provides oversight of financial operations through a contractual arrangement.

The RPT Director prepares PILOT bills and the Assistant to the Executive Director (Assistant) collects and distributes PILOT payments to the taxing jurisdictions.

Quick Facts

Projects Making payments	45
Payments	\$9.9 Million
Number of County Taxing Jurisdictions	29
Bills Reviewed	62

Payments In Lieu Of Taxes

The purpose of an industrial development agency (IDA) is to promote, develop, encourage and assist in acquiring, constructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, research and recreational facilities. The overall goal of an IDA is to advance the job opportunities, health, general prosperity and economic welfare for the people of the State. The powers and duties of IDAs are set forth in General Municipal Law.

According to its mission statement, the RCIDA was established to assist in the County's economic enhancement and diversity by acting in support of projects within the County that create and/or retain jobs and/or promote private sector investment using the RCIDA's statutory powers as set forth under the provisions of State law.

The RCIDA offers financial assistance to businesses, including mortgage, sales and real property tax exemptions by taking title or entering into lease-leaseback agreements for the property owned or leased by the business and facilitating the provision of financial assistance because the property is tax-exempt. To help offset the lost revenue from tax exemptions, project owners agree to make annual PILOTs to affected taxing jurisdictions (i.e., local governments and school districts). PILOTs are made in accordance with PILOT agreements governed by the RCIDA's Uniform Tax Exemption Policy.

The RPT Director calculates the PILOT bills using the PILOT agreements, assessment rolls and tax rates. The bills are then provided to the Assistant to mail to the recipients, along with a letter with the due date and amounts broken down by affected taxing jurisdiction. Once payments are received, the Assistant deposits collections and the bookkeeper prepares checks for an authorized Board member to sign; checks over \$1,000 require two signatures. The Assistant sends the checks to the taxing jurisdictions with a letter identifying the related project. The Assistant tracks the dates and amounts throughout the process to keep the Board informed.

How Do Officials Ensure PILOTs Are Properly Billed and Payments Are Made Timely?

Real property owned by an IDA is entitled to an exemption from real property taxes. These exemptions are passed through to assisted businesses. In most cases, a portion of forgone property taxes is recaptured via PILOTs made by recipients of IDA benefits to affected taxing jurisdictions. IDA officials should monitor PILOTs to ensure bills are calculated accurately and in accordance with approved PILOT agreements.

IDAs are required to distribute PILOT payments to each affected taxing jurisdiction within 30 days of receipt. An IDA should have a system in place to track PILOTs to ensure that businesses make payments in a timely manner and officials accurately distribute amounts owed to taxing jurisdictions as required.

RCIDA Officials Did Not Accurately Bill All PILOTs

We reviewed the PILOT agreements and all 62 PILOT bills for 10 projects.¹ The RPT Director prepared 56 bills for nine of the 10 projects.² We recalculated these bills based on the terms of the PILOT agreements, abatement schedules, assessed values and tax rates. We found 16 bills were inaccurate because the RPT Director used incorrect assessment values or tax rates and inconsistent calculation practices when rounding tax rates for the billed amounts to be distributed to affected taxing jurisdictions.

As a result, two projects were overbilled a total of \$170,842 and two projects were underbilled a total of \$184,474, and affected taxing jurisdictions did not receive a combined total of \$13,632 they should have during our audit period (Figure 1). Specifically, two of the seven affected jurisdictions received a total of \$10,607 more than they should have, and the five others did not receive \$24,239 they should have. Furthermore, in 2020 although one project was billed the overall correct amount, the RPT Director did not accurately calculate the amounts distributed to the affected taxing jurisdictions.

Figure 1: PILOTs Overbilled and (Underbilled)

Taxing Jurisdictions	Projects								Totals
	Scannell Properties		Columbia 465 Jordan Road		555-One		Van Allen Apartments		
	2019	2020	2019	2020	2019	2020	2019	2020	
Town of East Greenbush		(\$5,878)							(\$5,878)
East Greenbush Central School District	\$89,650	95,100						(\$175,731)	9,019
Town of North Greenbush			\$779	\$766					(1,545)
North Greenbush Common School District			(1,566)	(1,586)					(3,152)
City of Rensselaer					(\$766)	(\$358)			(1,124)
Rensselaer County		(8,403)	(2,002)	(2,044)		(91)			(12,540)
Rensselaer City School District					1,139	449			1,588
Totals	\$89,650	\$80,819	(\$4,347)	(\$4,396)	\$373	\$0	\$0	(\$175,731)	(\$13,632)

1 See Appendix B for information on our sampling methodology.

2 The six bills for Franciscan Heights LP were not prepared by the RPT Director.

Scannell Properties – In 2019, RCIDA officials accurately billed for the County and Town of East Greenbush. However, the East Greenbush Central School District (East Greenbush CSD) PILOT for this property was overbilled by \$89,650 in 2019. As a result, the PILOT payment to the East Greenbush CSD was \$89,650 more than it should have been. In 2020, RCIDA officials inaccurately billed for all taxing jurisdictions. RCIDA officials again overbilled this project's School PILOT. As a result, the East Greenbush CSD received \$95,100 more than it should have. In addition, RCIDA officials underbilled the County and town PILOTs in 2020. As a result, the County did not receive \$8,403 and the Town of East Greenbush did not receive \$5,878. This occurred because the RPT Director did not verify the assessment value, and the assessment value changed.

Columbia 465 Jordan Road – The PILOT for this project was underbilled by \$4,347 in 2019. As a result, the following jurisdictions did not receive the PILOT amounts they should have: Town of North Greenbush – \$779, North Greenbush Common School District – \$1,566 and the County – \$2,002. In 2020, officials again underbilled this project by \$4,396. As a result, the following jurisdictions did not receive the amounts they should have: Town of North Greenbush – \$766, North Greenbush Common School District – \$1,586 and the County – \$2,044. This occurred because officials misinterpreted the PILOT agreement and did not properly include land that was part of the project. The PILOT calculation should have included land valued at 100 percent of the normal tax due each taxing jurisdiction.

555-One – The PILOT for this project was overbilled \$373 in 2019. This occurred because the RPT Director calculated the PILOT bill in January (when the County PILOT bill was sent) using the 2018-19 City and School District tax rates to determine the distribution. Before sending that year's City and School District PILOT bills later in the year, he recalculated their distributions using 2019-20 tax rates. As a result, the distributions were inaccurate, and the total PILOT was overbilled. Specifically, the Rensselaer City School District received \$1,139 more than it should have, and the City of Rensselaer did not receive \$766.

In 2020, RCIDA officials accurately billed this project but inequitably distributed amounts to the affected taxing jurisdictions. As a result, the Rensselaer City School District received \$449 more than it should have, the City of Rensselaer did not receive \$358 and the County did not receive \$91. This occurred because of inconsistent calculation practices for rounding tax rates for the distribution percentages.

Van Allen Apartments – The PILOT for this project was underbilled by \$175,731 in 2020. As a result, the East Greenbush CSD did not receive \$175,731 that it should have. This occurred because the RPT Director did not verify the assessment value and the assessment value changed.

Franciscan Heights LP – RCIDA officials did not bill for this project and only monitored and reported the County portion received. The project was approved to develop affordable senior housing, renovate a building for assisted living and provide space for programs such as day care, after school programs and mentoring. The PILOT agreement defined units occupied by priests or clergy and the NYS Division of Homes and Community Renewal subsidized units as units exempt from PILOT billing. The project owner paid the PILOTs directly to the affected taxing jurisdictions, which included the County, City of Rensselaer (City) and the Rensselaer City School District (District).

Officials told us this project’s PILOT bill was handled by the City. However, the City Treasurer said that the City planning department handled only the portion of the PILOT bill for the units that were not exempt from PILOT billing. Although we requested the support for this calculation, it was not provided. While the City Treasurer provided evidence of payments received, we were unable to verify the accuracy of these payments.

The County and District PILOT portions were based on fixed amounts including an annual increase. We found that these portions of the 2019 and 2020 PILOT bills were accurately paid. Furthermore, we found that the RCIDA only monitored and reported this project’s County PILOT payments to PARIS in 2019 and 2020.³ The City’s PILOT payments were not monitored or reported by the RCIDA because RCIDA officials believed the City was responsible for monitoring that piece.

We found that project owners generally made payments in a timely manner. Also, we found that the RCIDA deposited those payments intact in a timely manner and distributed payments to appropriate taxing jurisdictions within thirty days of receipt, as required.

When we discussed these billing errors with RCIDA officials, they told us that beginning in September 2021 someone independent would review PILOT bills before they are mailed to the businesses. Although the RCIDA has a standard PILOT billing and monitoring process in place to ensure payments are made and distributed in a timely manner, billing errors occurred because the process lacked a secondary review of bills.

In addition to the financial impact these errors had on affected taxing jurisdictions, PILOT billing errors may cause officials and the public to have an unfavorable view of future RCIDA projects and PILOT proposals. If officials conclude that they are not receiving all required tax and PILOT payments, they may be less likely to support future projects.

³ PARIS is an online reporting system that allows IDAs and other public authorities to report required information, including PILOTs made and due, to the State Comptroller’s office and NYS Authorities Budget Office.

What Do We Recommend?

The Board should:

1. Establish and implement policies and procedures, including a secondary review, to ensure all PILOTs are billed and distributed accurately.
2. Ensure all PILOTs are monitored and reported to PARIS.
3. Consult with the RCIDA's attorney and take appropriate action to correct PILOT billing errors identified in this report.

Appendix A: Response From IDA Officials

RENSELAER COUNTY INDUSTRIAL DEVELOPMENT AGENCY
1600 Seventh Avenue
Troy, New York 12180
TEL: 518-270-2914
FAX: 518-270-2981

July 22, 2021

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, New York 12801

RE: Draft Audit Report 2021M-74

Dear [REDACTED]:

The Rensselaer County Industrial Development Agency accepts the draft audit report from the New York State Office of the State Comptroller (OSC).

The audit process and the exit interview with the OSC staff were educational and useful to improve the Agency's procedures and projects to ensure compliance with statutes and good business practices. We appreciate the OSC's examination of our procedures and projects. We agree with the findings and will work to implement the recommendations of the audit report.

We look forward to receiving the final audit document.

Very truly yours,

Robert L. Pasinella, Jr., Chief Executive Officer

cc: Cynthia A. Henninger, Chair

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article X, Section 5 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed RCIDA, County and City officials and reviewed policies, PILOT agreements and supporting documents to gain an understanding of the RCIDA's processes surrounding the billing, collection and distribution of PILOTs to affected taxing jurisdictions.
- We randomly selected a sample of 10 projects with PILOTs made during our audit period. We reviewed the PILOT bills and payments for these 10 projects to determine whether they were billed correctly, in line with PILOT agreements. We also determined whether payments were made and deposited intact and in a timely manner and properly distributed to affected taxing jurisdictions. We obtained payment information from affected taxing jurisdictions to determine whether payments from the one project not billed, collected and distributed by RCIDA were made accurately and in a timely manner.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Secretary's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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Local Government and School Accountability Help Line: (866) 321-8503

GLENS FALLS REGIONAL OFFICE – Gary G. Gifford, Chief of Municipal Audits

One Broad Street Plaza • Glens Falls, New York 12801-4396

Tel (518) 793-0057 • Fax (518) 793-5797 • Email: Muni-GlensFalls@osc.ny.gov

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