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FACTORY TO FLAT

Kaufman confident in \$29.5M risk

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[Michael DeMasi](#)

Reporter- *Albany Business Review*

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The upcoming \$29.5 million conversion of the former **Albany International** corporate headquarters and manufacturing plant in Menands into luxury apartments illustrates the risks many developers must take to get projects done.

[Uri Kaufman](#), president and CEO of **The Harmony Group**, and business partner [Ira Schwartz](#) are personally guaranteeing the construction loan provided by **M&T Bank**.

If the ambitious transformation of the 400,000-square-foot former factory in Menands into 145 apartments fails, Kaufman and Schwartz will be on the hook to repay the loan. "We're putting our money where our mouths are," Kaufman said.

The partners have been down this road before. They borrowed \$19.5 million from **Wells Fargo** a few years ago to finish the third phase of the Harmony Mills apartments in Cohoes, a similar conversion.

In that case, too, they had to personally guarantee the project (known as a recourse loan). The 333-unit apartment complex there has been a success, and the construction financing was later converted to a permanent, non-recourse loan.

"We leased up completely," Kaufman said. "We exceeded every financial model."

The partners secured backing from the U.S. Department of Housing and Urban Development for the first two phases at Harmony Mills, which meant the federal government — not Kaufman and Schwartz — guaranteed the loans.

But Kaufman said their application for the Albany International property was denied. The lack of federal insurance wasn't a factor when M&T Bank reviewed the project. M&T Vice

President [Beth Beshaw](#) said the bank approved the financing because of Kaufman's track record; the beauty and uniqueness of the property; its location in the North Colonie school district; the proximity to downtown Albany and Interstate 787; and state and federal historic tax credits worth more than \$5 million to offset the cost.

A 2012 study commissioned by the National Trust for Historic Preservation found less than three-fourths of 1 percent of historic tax credits claimed in the previous 10 years were "recaptured" — in other words, foreclosed upon.

"We're confident in what we do," Kaufman said.

The first apartments should be ready for occupancy by the end of this year, with rents on most ranging from \$1,300 to \$1,800.

DeMasi covers real estate, construction, retail and hospitality.